Visa's Irish Consumer Spending Index - November 2019

Compiled by IHS Markit on behalf of Visa

18 December 2019

Third successive fall in consumer spending

Headline Findings:

Household spending continues to decline **(-1.9% year-on-year)**

Online expenditure decreases at solid pace **(-4.1%)**

Clothing & Footwear records sharpest reduction in spend **(-5.0%)**

Visa's Irish Consumer Spending Index, produced by IHS Markit, which measures expenditure across all payment types (cash, cheques and electronic payments), signalled a third successive decrease in consumer spending during November. At -1.9% year-on-year, the reduction was slightly stronger than that seen in October (-1.4%), but softer than in September.

For the first time since February 2018, the eCommerce channel registered a worse performance than Face-to-Face. ECommerce spending was down -4.1% year-on-year, following a +0.8% rise in expenditure during October. The solid decline in spending in November potentially reflects the fact that Black Friday occurred at the end of November in 2019, with Cyber Monday falling in December.
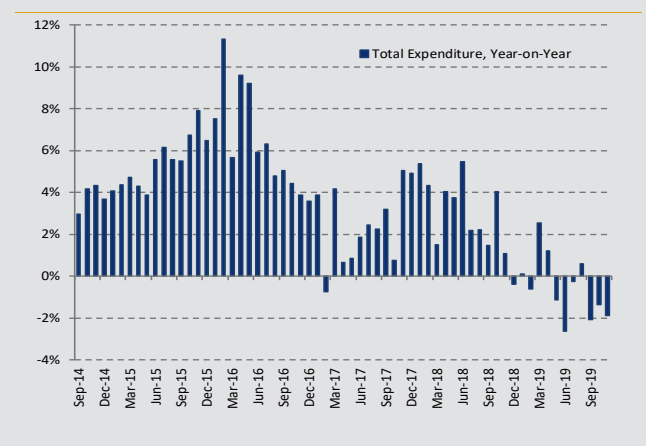
Although Face-to-Face spending also declined, at -0.6% year-on-year, the fall was only marginal and the weakest in the current three-month sequence of contraction.

(Continues overleaf)

Spending annual % change

	Sep'19	Oct'19	Nov'19
Overall spending	-2.1	-1.4	-1.9
Face-to-face	-2.8	-2.5	-0.6
eComm.	-0.9	+0.8	-4.1

Visa's Irish Consumer Spending Index
Annual % Change

Total Expenditure, Year-on-Year

Philip Konopik, Ireland Country Manager, Visa said:

"Although eCommerce fared badly in terms of spend across November, the sharp decline was likely influenced by the later than usual timing of Cyber Monday. Having said that, the high street seems to have weathered the storm much better, experiencing only a marginal decline. As our research shows Irish shoppers are more inclined to shop locally during the festive season, so retailers will be hoping this translates into a positive sales performance in the last month of the year."

Andrew Harker, Associate Director at IHS Markit said:

"Irish consumer spending remained stuck in a soft-patch in November. That said, the timing of Black Friday this year may have affected the year-on-year comparison. Black Friday was right at the end of November in 2019, with Cyber Monday occurring in December. This impacted online spend and could help lead to an improved picture in the CSI in December. Retailers will be hoping that this is indeed the case and that the Christmas period can see a revival in spending."

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Visa's Irish Consumer Spending Index

(Continued from page 1)

On a sectoral basis, the sharpest reduction in spending was seen in Clothing & Footwear. Expenditure was down -5.0% year-on-year, and extended the current sequence of decline to eight months.

Solid falls in expenditure were also seen in the Recreation & Culture and Miscellaneous Goods & Services categories, while slight reductions were recorded in Transport & Communication and Health & Education.

Only three of the eight monitored sectors posted increases in expenditure in November. The most marked expansion was in Hotels, Restaurants & Bars, where spending was up +5.2% year-on-year. This was the fastest rise since April. Modest improvements were seen in the Food & Drink and Household Goods categories.

eCommerce and Face-to-Face Spend

Falls in expenditure were recorded across both the eCommerce and Face-to-Face channels in November. ECommerce fared particularly badly, seeing spending fall -4.1% year-on-year. This was the sharpest reduction in the 63-month series so far.

Although spending on the high street decreased for the third month running, at -0.6% year-on-year the rate of contraction was marginal and weaker than that seen in October.

eCommerce vs Face-to-Face
Annual % Change

■ Expenditure by Channel, Face-to-Face, Year-on-Year
■ Expenditure by Channel, eCommerce, Year-on-Year
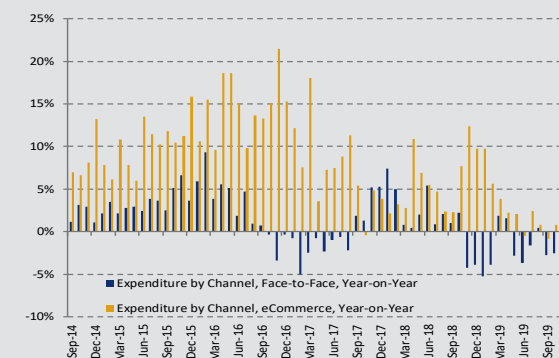
Spending by Sector

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

Clothing & Footwear registered the sharpest fall of the eight monitored sectors, seeing a -5.0% year-on-year decline. Reductions were also noted in the Recreation & Culture, Transport & Communication, Health & Education and Miscellaneous Goods & Services categories.

Only three categories saw expenditure increase in November. The sharpest rise was in Hotels, Restaurants & Bars, where spending was up +5.2% year-on-year. The other sectors to see expenditure increase were Food & Drink and Household Goods.

Annual Growth Rates by Sector
Data not adjusted for seasonality and trading days

Broad Sector	Sep'19	Oct '19	Nov '19
Food, Beverages & Tobacco	-0.3%	0.0%	+2.1%
Clothing & Footwear	-6.9%	-3.2%	-5.0%
Household Goods	-1.1%	+1.6%	+0.1%
Health & Education	-3.7%	+0.2%	-1.3%
Transport & Communication	-1.8%	+0.7%	-1.2%
Recreation & Culture	+2.6%	-2.1%	-4.4%
Hotels, Restaurants & Bars	+4.5%	+0.7%	+5.2%
Misc. Goods & Services	-7.9%	-3.2%	-4.6%

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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 during Q4 so far.
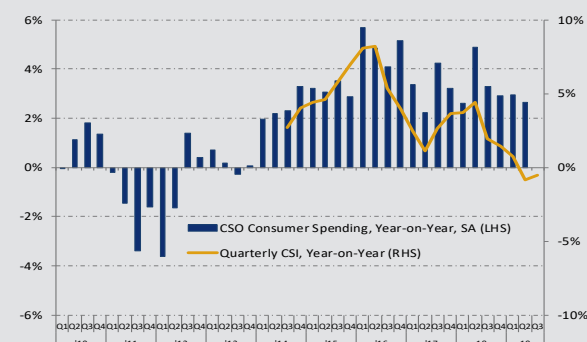
Monthly CSO data on retail sales pointed to ongoing growth during October. Sales were up +3.0% year-on-year, although this represented a softer expansion than the +3.8% increase seen in September. Visa's CSI data suggest a further slowdown is likely in November.

Consumers generally remained pessimistic in November. Although less negative than seen in October, the reading of -3.3 from the European Commission extended the current sequence of pessimism to five months. The CSO unemployment rate remained relatively low, unchanged at 4.8% in November.
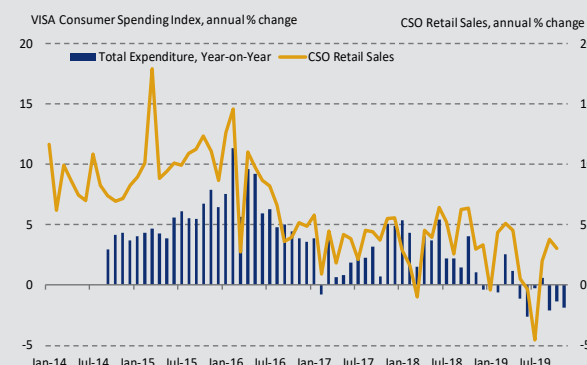
IHS Markit PMI data signalled an improvement in growth momentum during November. Output across the combined manufacturing and service sectors increased at the fastest pace since June.

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:

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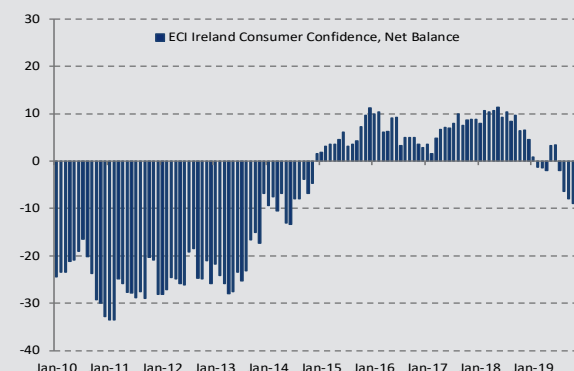## Ireland Consumer Spending
Annual % Change

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

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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

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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.

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