

Visa Europe: UK Expenditure Index

Compiled by Markit on behalf of Visa Europe

April consumer spending growth strongest since 2010; shoppers increasing spend on fashion, food and eating out

Jeremy Nicholds, Executive Director of Commercial Development at Visa Europe said:

"The current drumbeat of positive economic news together with the return of warm weather is putting a spring in the step for consumers. Spending volumes were 2.9% higher compared to a year ago, marking the strongest growth rate seen in four years.

"While the later timing of Easter provided some boost to April's performance, there is a fundamental improvement in consumer spending underway with growth recorded across almost all retail sectors and both online and in the high street. This broad-base improvement should help drive further ongoing growth as we move through the year.

"Spending in the hotel and restaurant sector was particularly strong, up 7.3%, as the recent good weather encouraged people to spend more on eating out and leisure activities. Consumers also bought more clothing and footwear and spent further on home improvement projects, perhaps buoyed by recent reports of the strengthening housing market."

Paul Smith, Director at Markit said:

"April's data pointed to a marked underlying improvement in consumer spending heading into mid-year, with the annual measure signalling the strongest increase in expenditure for four years. Although the timing of Easter played some role, growth was broad-based with spending volumes up for a whole host of goods and services including clothing, food, and recreational activities.

"The picture is now one of consumers benefiting from a stronger economic climate. With confidence hitting record levels, unemployment at a five-year low and real wages starting to rise, all the signs are for growth to be sustained at a decent pace over the coming months."

Headline findings:

- **Year-on-year household spending** increased at the strongest rate for four years in April (+2.9%), following a slight increase in March (+0.5%).
- **Month-on-month expenditure** was unchanged in April (+0.0%), following a strong rise in March (+1.4%).
- **Quarterly spending figures** signalled that underlying expenditure improved in April (+1.2%), and at a similar rate to that recorded in March (+1.1%).
- Non-seasonally adjusted year-on-year expenditure rose solidly through Online (+4.9%), Face-to-Face (+3.4%) and Mail/Telephone Order (+1.6%) categories in April.

Summary Table

	Apr-14	Mar-14	Feb-14
Overall Spending Annual % Change (SA)	+2.9%	+0.5%	+0.3%
Overall Spending Monthly % Change (SA)	+0.0%	+1.4%	-0.3%
Overall Spending 3m/3m % Change (SA)	+1.2%	+1.1%	-0.5%
Face-to-Face Spending Annual % Change (NSA)	+3.4%	-0.1%	-0.9%
Online Spending Annual % Change (NSA)	+4.9%	+3.8%	+4.4%
Mail/Telephone (MOTO) Order Annual % Change (NSA)	+1.6%	-2.3%	-0.7%

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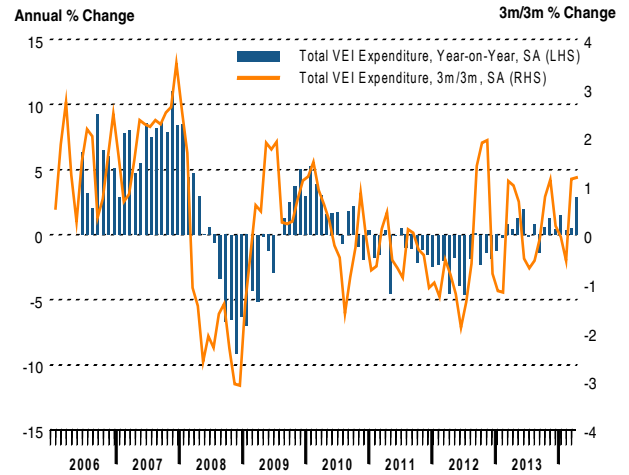
Summary

UK consumer spending increased by +2.9% year-on-year in April, up from +0.5% in March. Moreover, it was the strongest increase in household expenditure on an annual basis for four years. Meanwhile, consumer spending was unchanged on a monthly basis in April (+0.0%), following an increase in March (+1.4%).

This is according to Visa Europe's UK Expenditure Index, which takes card spending data and adjusts it for a variety of factors to create a like-for-like comparison of consumer spending. This distinguishes the Index from Visa's corporate performance, and thereby provides a robust indicator of consumer spending habits.

Household expenditure increased on the quarterly measure in April (+1.2%), signalling that underlying spending trends improved over the month and at a similar rate to March (+1.1%).

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Online and Face-to-Face Spend

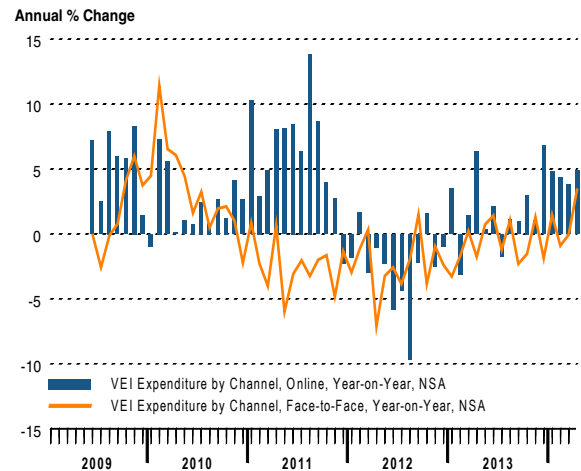
Household expenditure increased through Online, Face-to-Face and Mail/Telephone Order categories in April. This was the first time that spending rose simultaneously across all three channels since January.

Online spending rose by +4.9% on an annual basis in April, up from +3.8% in March. Moreover, this was the strongest year-on-year increase in 2014 so far.

Face-to-Face expenditure increased by +3.4% year-on-year in April, and marked the steepest increase since May 2010.

Consumer spending also rose through Mail/Telephone Order categories in April (+1.6%), following a reduction in the previous month (-2.3%).

UK Expenditure Index: Online vs Face-to-Face*



Spending by Sector

Visa Europe's UK Expenditure Index monitors eight broad sectors. Summary data for annual growth rates in April and March 2014, which are not adjusted for seasonality and trading days, are provided in the table opposite.

Consumer spending increased in six of the eight broad categories in April. Hotels & Restaurants saw the strongest increase in expenditure, followed by Clothing & Footwear. Furthermore, it was the strongest increase in the latter for three years. Spending also rose in Food, Beverages & Tobacco categories, and at the strongest rate since February 2010, while Household Goods, Recreation & Culture and Transport & Communication categories also noted increased expenditure.

Meanwhile, household spending decreased markedly in Misc. Goods & Services, and at a solid pace in Health & Education.

Annual Growth Rates By Sector*

Broad Sector	Apr '14	Mar '14
Food, Beverages & Tobacco	+6.4%	-3.3%
Clothing & Footwear	+7.1%	+5.0%
Household Goods	+5.7%	+5.3%
Health & Education	-4.6%	-0.7%
Transport & Communication	+2.2%	+1.4%
Recreation & Culture	+4.1%	+1.7%
Hotels & Restaurants	+7.3%	+10.0%
Misc. Goods & Services	-8.9%	-13.1%

*data not adjusted for seasonality and trading days

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Official Data Comparisons

Annual percentage changes in Visa Europe’s UK Expenditure Index have an excellent relationship with a number of official data series, in particular household expenditure from the Office for National Statistics (ONS).

Most recently, the Visa Europe: UK Expenditure Index successfully tracked a further expansion of GDP in Q1 of 2014.

Latest data signalled that UK household expenditure increased year-on-year for the seven consecutive month in April. Furthermore, it was the strongest annual increase in consumer spending for four years. The quarterly spending measure also noted an improvement in underlying expenditure trends (+1.2%), and indicated a further improvement in the UK economy at the start of the second quarter.

Improving household expenditure trends remain consistent with other key economic indicators, including the expansion of GDP in the first quarter of the year. Consumer confidence posted at a record high, UK unemployment has fallen to a five-year low and the squeeze on wage packets has eased further as inflationary pressures continue to weaken. Furthermore, consumers and businesses continued to benefit from historically low interest rates.

All these factors suggest that the UK economy maintained its steady growth footing at the start of the second quarter, and the sustained upward trend in household expenditure will continue in upcoming months.

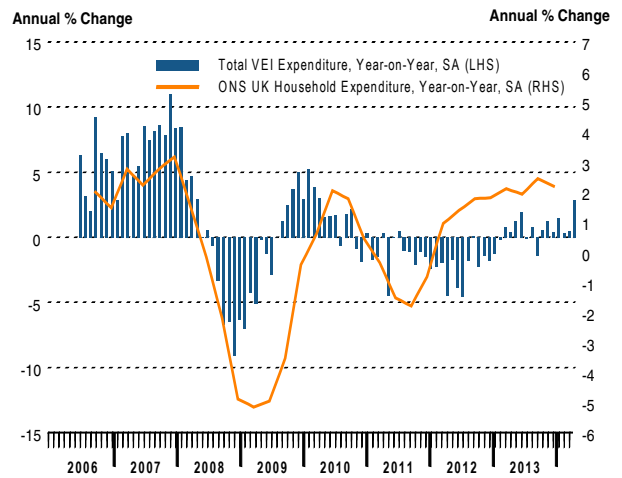
The Visa UK Expenditure Index uses card transaction data to provide a robust indicator of total consumer expenditure across all payment methods and is used by a range of stakeholders to gain insights into consumer spending, including HM Treasury. It is based on spending on all Visa debit, credit and prepaid cards which are used to make an average of over 1.9 billion transactions every quarter and account for £1 in £3 of all UK spending. Working with 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 Europe’s business performance and the Index reflects overall consumer spending, not just that on cards.

For further information, please contact:

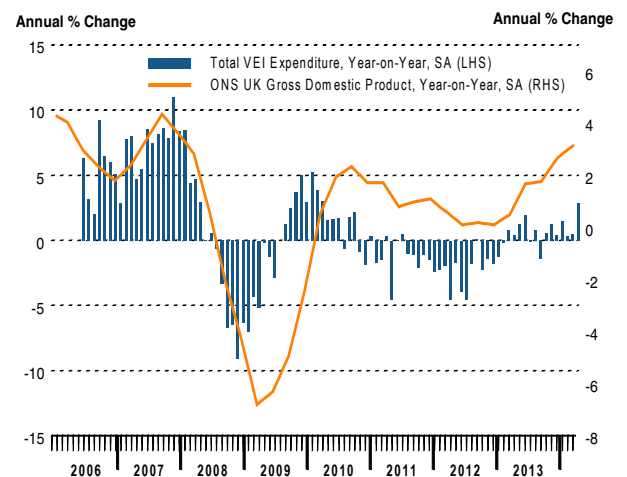
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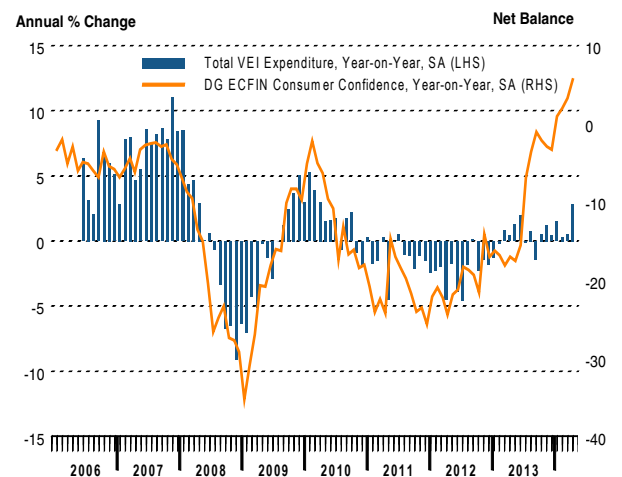
UK Expenditure Index & Household Expenditure



UK Expenditure Index & GDP



UK Expenditure Index & Consumer Confidence



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

Notes and Further Information

The headline 'Visa Europe: UK Expenditure Index' is based on data for all Visa debit, credit and prepaid cards with a number of adjustments made to ensure an accurate indication of consumer spending trends is provided.

First, the data are cleaned to remove any spending on items that are not ordinarily be 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 an assessment of the trends in cash withdrawals and point-of-sale (POS) transactions on Visa cards. 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. Finally, the headline data are seasonally and trading day adjusted.

The 'Visa Europe: UK Expenditure Index' spending by product categories consist of the following standard Classification of Individual Consumption According to Purpose (COICOP) groups:

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



Visa Europe is a payments technology business owned and operated by member banks and other payment service providers from 37 countries across Europe.

Visa Europe works at the forefront of technology to create the services and infrastructure which enable millions of European consumers, businesses and governments to make electronic payments. Its members are responsible for issuing cards, signing up retailers and deciding cardholder and retailer fees.

Visa Europe operates a high volume, low cost business model that provides services to its members. Its surplus is reinvested into the business and used to improve capital and reserves.

More than £1 in every £3 spent in the UK is on a Visa card, with debit cards accounting for over 80% of this. In the year to September 2013, total expenditure on UK Visa cards increased 9.2% to £445 billion, while online spending increased 18% to £110 billion.

Since 2004, Visa Europe has been independent of Visa Inc. and incorporated in the UK, with an exclusive, irrevocable and perpetual licence in Europe. Both companies work in partnership to enable global Visa payments. 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.

For more information, please visit www.visaeurope.com

Markit Economics is a specialist compiler of business surveys and economic indices, including the *Purchasing Managers' Index™ (PMI™)* series, which is now available for 32 countries and key regions including the Eurozone. The PMI™ surveys have become the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

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