

# Visa Europe: Sweden Expenditure Index

Compiled by Markit on behalf of Visa Europe

## Index indicates that growth in consumer spending continued but at slower pace.

### Key findings

- The Visa Europe: Sweden Expenditure Index signalled ongoing expansion of expenditure by Swedish consumers in Q4. This marked the sixth successive quarter in which positive growth has been recorded. However, the pace of increase slowed to the weakest in this sequence.
- After adjusting for card issuance, consumer payment preferences and inflation, spending was estimated to have increased at an annual rate of 0.8% in Q4 2010, down from an upwardly revised growth figure of 5.4% in Q3. This indicates that, although the recovery in consumer spending is being maintained, the pace of increase slowed markedly in the final quarter of the year.
- Across the quarter, unadjusted monthly data suggest that the overall slowdown was focused on December, as growth held broadly steady in October and November. This suggests that official retail sales data are likely to see a slowdown of growth in December, and perhaps downward revisions to firm figures already available for October and November.
- A recent deterioration in consumer sentiment chimes with the Index and suggests that Q4 may well register a slight slowing in GDP growth, as the consumer-led recovery starts to slow, and inventory rebuilding wanes.
- By spending group, the latest data again highlighted broad-based rises in annual spending across six of the eight monitored categories. However, where growth was recorded the trend was generally towards a slower rate of increase. The sectors which recorded lower spending (Household Goods and Recreation & Culture) are both susceptible to changes in households' discretionary spending habits, suggesting that consumers may be starting to reappraise their spending habits.

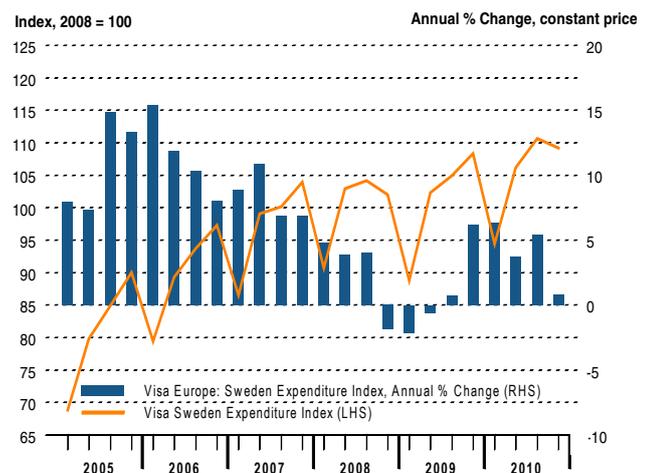
### Commenting on the latest results, Dr Steve Perry, Commercial Director at Visa Europe said:

*"The Swedish economy has been very strong during 2010 and preliminary figures show that GDP grew at a remarkable pace. The weaker growth indicated by the Index, combined with the deterioration in consumer confidence supports the perception that Swedish GDP growth will be more modest during 2011 than 2010. Our data also indicate that consumers will not take the lead in the GDP recovery from now on.*

*"October and November were strong months but our data indicate that December failed to deliver significantly on the quarter. There is still some time until the official Christmas shopping figures are released, but the predicted record in Christmas shopping may not be that certain anymore.*

*"During 2011 it will be interesting to see whether consumers are going to continue to be thoughtful in their spending on discretionary goods."*

Chart 1: Visa Europe: Sweden Expenditure Index\*



\*Values of the Visa Europe: Sweden Expenditure Index, as represented by the line in Chart 1 which shows absolute real spending with a base year of 2008, provide a convenient summary of the level of real card expenditure. By comparing different index values this gives an indication of how spending levels have changed across different time periods. For example, the index value in Q2 2010 is higher than it was in Q2 2007 indicating that real spending levels have recovered to a pre-recession levels.

# Consumer spending growth continued in Sweden, but rate of expansion slowed.

Data for Q4 2010 continued to indicate year-on-year growth of spending by consumers in Sweden. However, the rate of growth slowed since Q3.

The data (which are adjusted for card issuance, consumer payment preferences and inflation to ensure an accurate guide to changes in household spending habits) signalled a 0.8% year-on-year rise in Swedish consumer expenditure during Q4 2010.<sup>1</sup> That represented a slowdown in growth from Q3's upwardly revised reading of 5.4%, and the slowest year-on-year rise in consumer spend since Q3 2009.

Analysis of the unadjusted monthly data indicates that annual growth weakened markedly in December, with rates of expansion holding broadly steady in October and November.

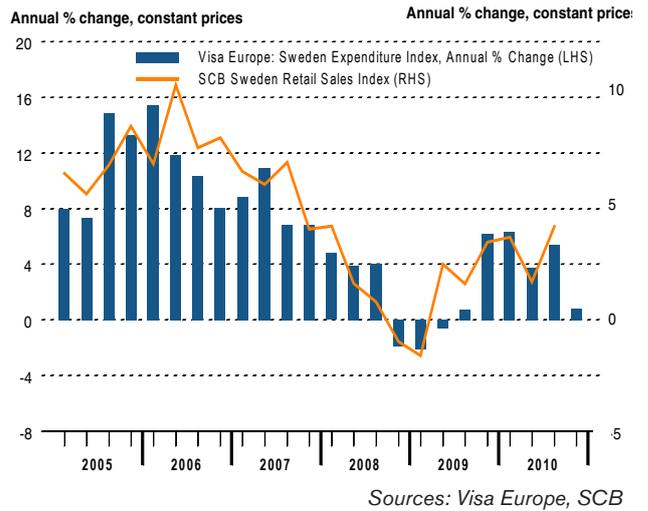
Broken down by broad spending categories latest data highlighted ongoing expansion in six of the eight monitored categories. However, in all but one case (Miscellaneous Goods & Services), the rate of annual growth slowed since the previous quarter. The strongest overall rise in Swedish consumer expenditure was recorded in the Hotels & Restaurants sector, where spending growth slowed only modestly. The other expenditure categories to register robust annual growth during the quarter were Health & Education and Food, Beverages & Tobacco.

The categories which saw real declines in year-on-year expenditure were Household Goods and Recreation & Culture. Both sectors are highly susceptible to changes in households' discretionary spending habits and, as such, suggest that consumers that have so far been a key driver of the recovery are starting to reappraise their spending habits.

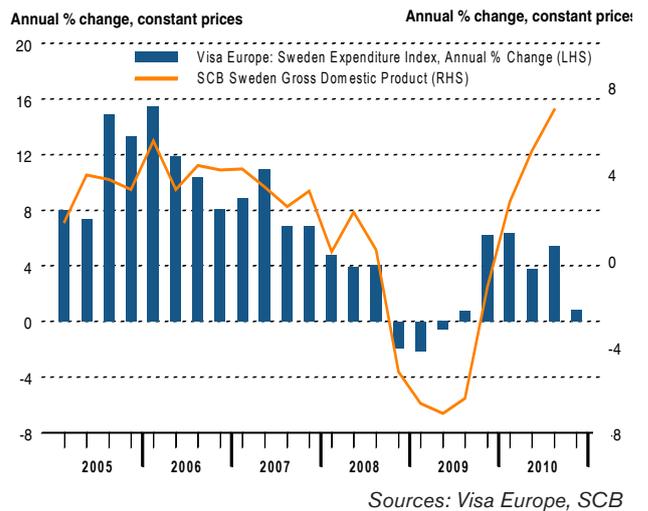
Consumer sentiment data is often seen as a key barometer of spending (chart 4). Although historically the Index has not exhibited a close relationship with the

<sup>1</sup> These figures are first estimates, based on transactions processed directly by Visa card operations. These account for around 65% of the final data, which are generally available 6-8 weeks after the end of a quarter.

**Chart 2: Visa Europe: Sweden Expenditure Index & Retail Sales**



**Chart 3: Visa Europe: Sweden Expenditure Index & GDP**



## Visa Europe: Sweden Expenditure Index

European Commission's measure of Swedish consumer confidence, the turning points of the two series are closely aligned. This may reflect that consumer surveys by their nature gauge opinion and sentiment, not actual spending by households. Nevertheless, consumer sentiment has slipped from its recent high, adding to the evidence from the Index that domestic demand is softening.

This data enjoys a strong relationship with official retail sales data (see chart 2), and therefore point to a slowdown in growth of official sales figures in the final quarter of 2010.

The strength of GDP growth surprised many analysts in Q3, as strong domestic demand and inventory rebuilding boosted output (chart 3). However, the latest expenditure data indicate a slowdown in consumer spending growth at the end of the year, and a weaker contribution to overall growth in Q4.

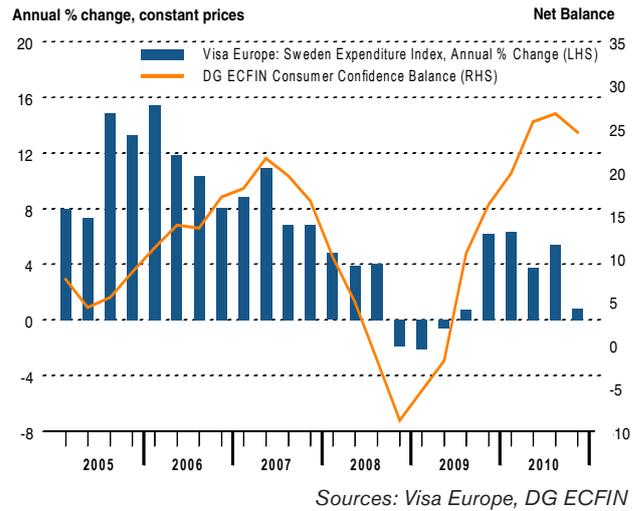
### Average Transaction value

Average Transaction Value (ATV) data provides a convenient way of understanding the growing role that cards are playing in consumer spending habits, with a generally downward trend exhibited by the ATV series over time.

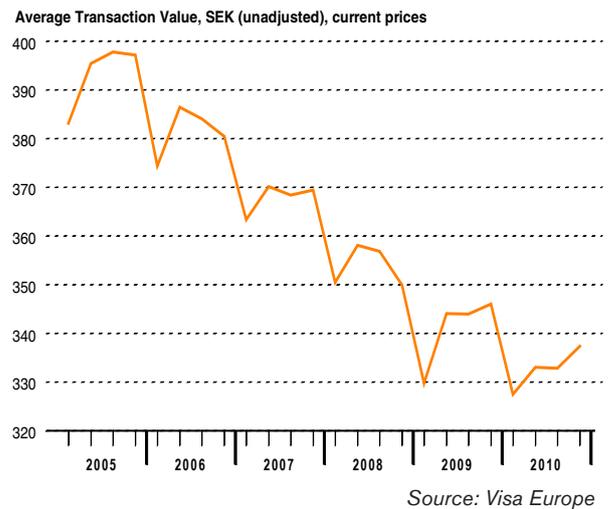
The key factor reducing ATV has been an increasing preference and ease amongst households and retailers to use debit cards over cash for everyday transactions.

There is also evidence that consumers are becoming ever-more price conscious following the recession and the uncertain global economic outlook. ATV in Q4 2010 stood at 337.4kr, down from 346.1kr in Q4 2009.

**Chart 4: Visa Europe: Sweden Expenditure Index & Consumer Confidence**



**Chart 5: Average Transaction Value (ATV)**



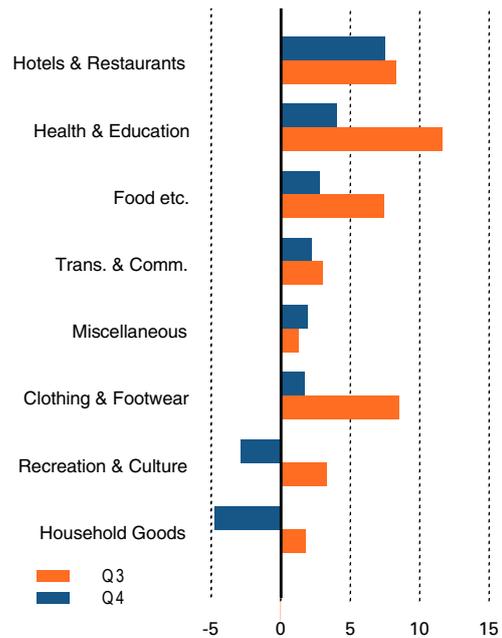
# Spending by product category: Hotels & Restaurants saw strongest growth in Q4.

The Index by product category continued to show increases in spend across six of the eight monitored areas. However, where growth was recorded trends were generally towards a slower rate of growth.

Hotels & Restaurants recorded, by some margin, the strongest annual rise of the monitored sectors during the final quarter of 2010. Health & Education recorded strong growth, although the annual pace of expansion slowed substantially since Q3.

Overall falls in consumer spend were recorded in the Recreation & Culture and Household Goods sector, with the latter recording the stronger decline. Lacklustre growth was also recorded in the Clothing & Footwear category.

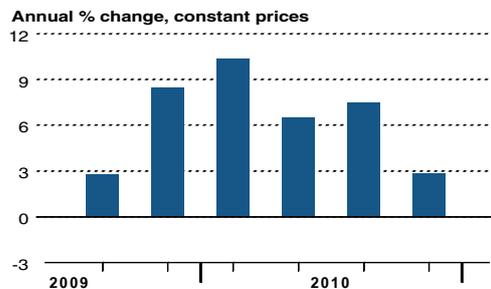
Chart 6: Growth by Product Sector Q4 2010



## Food, Beverages & Tobacco

### Growth slowed since Q3

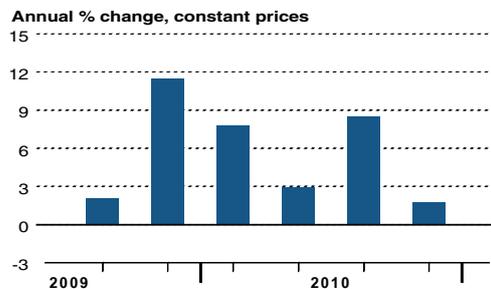
Spending on Food, Beverages & Tobacco rose at a solid annual pace during the final quarter of 2010, albeit at the weakest rate since Q3 2009. Compared with the same period one year ago, spend in the sector was up 2.8% during Q4, down from 7.5% growth in Q3.



## Clothing & Footwear

### Spending rose at weakest rate in series history

Latest data highlighted a further year-on-year rise in expenditure on Clothing & Footwear on Visa cards in Sweden. However, the real terms rise of 1.7% was considerably weaker than that recorded in Q3 (8.5%) and the weakest in one-and-a-half years of data availability.

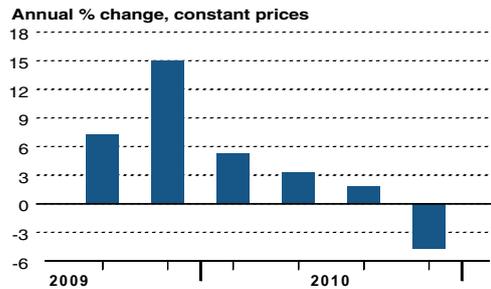


## Household Goods\*

Real spend down 4.7% on last year

Consumer spending on Household Goods in Sweden declined in real terms, compared with one year ago, during the final quarter of 2010. Moreover, the 4.7% annual fall was the first in the history of the series and the strongest of the monitored spending categories.

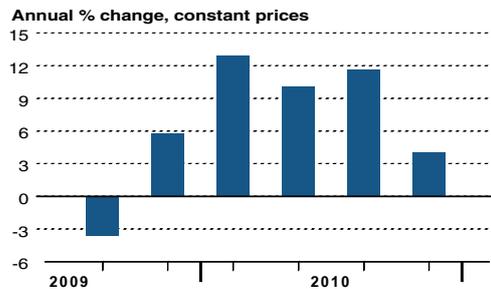
\*includes spending on furniture, furnishings, household equipment, utilities and housing related goods and services.



## Health & Education

Expenditure growth slowed strongly

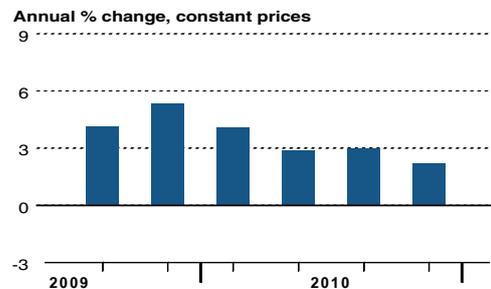
For the fifth straight quarter, year-on-year expenditure at Swedish merchants operating in the Health & Education sector increased during Q4 2010. However, the annual rise of 4.1% was the slowest in this sequence, albeit the second-strongest rise of the monitored spend groups.



## Transport & Communication

Spending growth slowed in Q4

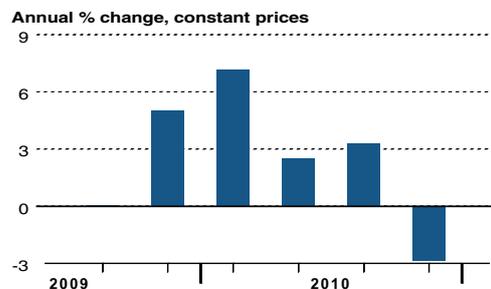
Consumer spending in the Transport & Communication sector continued to grow in Q4. However, the pace of increase slowed from an upwardly revised reading for Q3. At +2.2%, from +3.0%, the annual rise in spend in the sector was the slowest in the history of the series.



## Recreation & Culture

Fall in spend seen in Q4

The Recreation & Culture sector was one of only two categories to report a year-on-year decline in expenditure levels during the final quarter of 2010. Although weaker than that recorded in the Household Goods sector, the -2.9% year-on-year fall was marked.

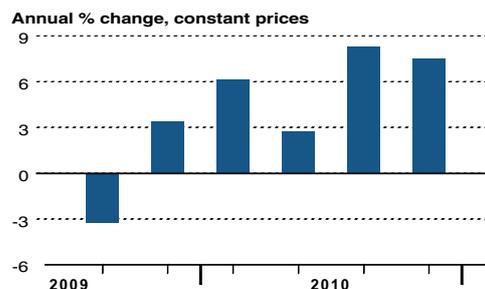


## Visa Europe: Sweden Expenditure Index

### Hotels & Restaurants

#### Spend rose at strongest rate of monitored categories

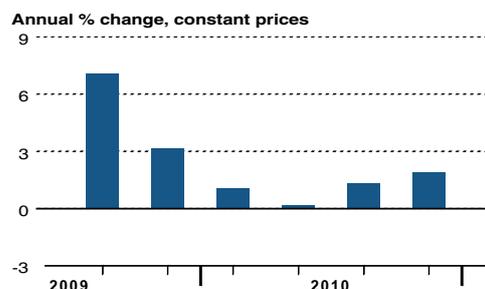
Swedish consumer expenditure at Hotels & Restaurants continued to increase at a considerable pace during the last quarter of 2010. Although slowing since Q3 (when an annual rise of 8.3% was recorded), the 7.5% rise was the strongest of the monitored spend categories.



### Miscellaneous Goods & Services

#### Spending growth accelerated at end of 2010

Data for Q4 indicated a further modest rise in Swedish consumers' expenditure on Miscellaneous Goods & Services – the category that includes many discretionary items such as jewellery and personal goods. The 1.9% annual rise was the strongest seen in the sector in 2010.



### Notes and Further Information

The headline 'Visa Europe: Sweden Expenditure Index' is based on spending on all cards issued by Visa – debit, credit and prepaid – with a number of adjustments 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 consumer price index to provide an indicator of real changes in household spending.

The 'Visa Europe: Sweden 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

\*includes Visa card spend n.e.c.



In Europe, there are more than 400 million Visa debit, credit and commercial cards. In the 12 months ending June 2010 those cards were used to make purchases and cash withdrawals to the value of €1.4 trillion. 11.2% of consumer spending at point of sale in Europe is with a Visa card, and more than 70% of that is on Visa debit cards.

Visa Europe is owned and operated by more than 4,000 European member banks and was incorporated in July 2004. In October 2007, Visa Europe became independent of the new global Visa Inc., with an exclusive, irrevocable and perpetual licence in Europe. As a dedicated European payment system it 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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