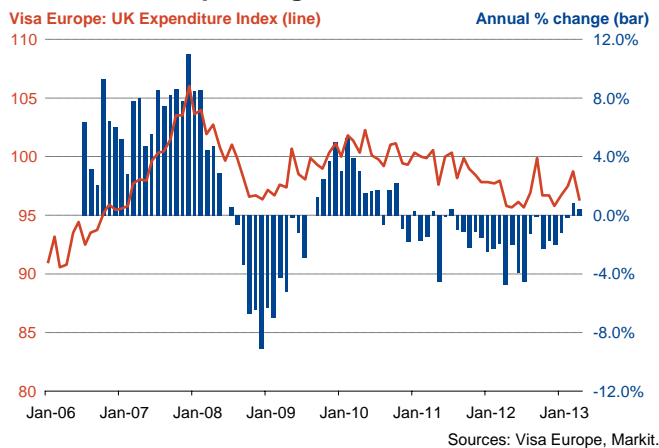


United Kingdom

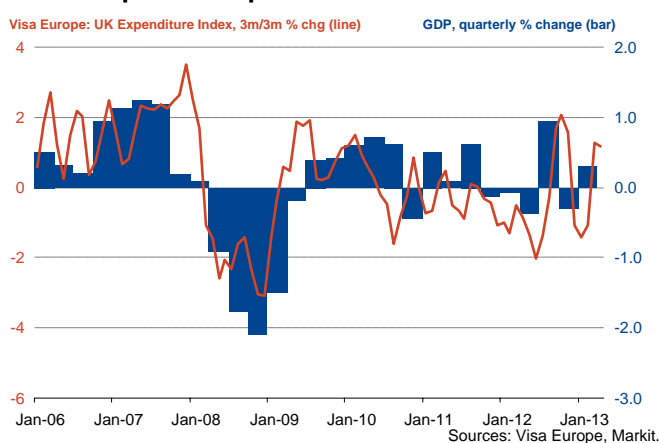
Subdued start to Q2 for UK consumer spending

- Household expenditure falls in April, but remains up on the year following solid gains in prior months
- Downturn largely driven by lower food spending
- Spending under pressure from squeeze on incomes, but offset by fewer job worries

UK Consumer Spending



Visa Europe: UK Expenditure Index and GDP



Consumer spending fell in April, contrasting with marked growth seen in each of the previous three months. The Visa Europe: UK Expenditure Index, which is derived from card spending data, adjusted for factors such as changes in card usage and inflation, signaled a 2.5% drop in spending compared to March, the largest monthly decline since last October.

Spending had risen by 1.2% in March and grown at rates just under 1% in both January and February.

With consumers accounting for just over two-thirds of all spending in the economy, the Visa Europe: UK Expenditure Index data provide a useful insight into GDP trends. A 1.1% downturn in spending signaled in Q4 2012 and a 1.3% upturn in Q1 2013 was mirrored by a 0.3% GDP contraction late last year and a 0.3% expansion in the first quarter. April's fall in expenditure subsequently suggests the consumer acted as a drag on the economy at the start of Q2 2013.

Spending still up on a year ago

The worry is expenditure may be under pressure once again from weak pay growth and rising inflation. Pay is rising at an annual rate of just 1.0%, the weakest on record, while inflation has picked up to 2.8%.

However, it would be premature to say the April drop in spending marks the start of a renewed downturn, and it is reassuring to see annual expenditure growth of 0.5% in April. Although down from March's 0.8%, the past two months have seen the first back-to-back annual increases since late-2010. Furthermore, in April 2012, spending was falling at an annual rate of 4.7%.

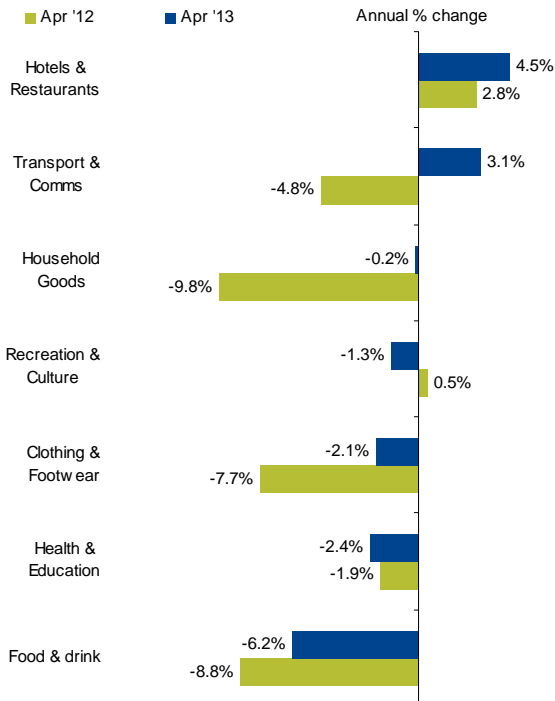
The favorable comparison with a year ago corroborates survey data that have shown household finances deteriorating at a far weaker pace. Markit's [Household Finance Index](#), based on a survey of 1,500 households, confirmed an intensification of the income squeeze in April, but has also shown an improvement in job security. This partly offset worries about the income squeeze and helped to underpin an improvement in sentiment about future finances, which may in turn boost spending in the coming months.

Food-related decline

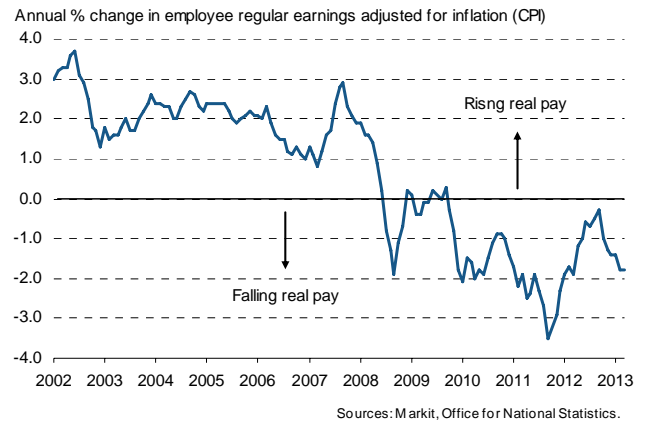
Looking into further detail of the drivers of the weakness in April also gives cause for hope that the underlying spending trend has some relative strength. Much of the fall in spending in April was confined to

food, which posted a 6.2% decline on the year. Encouragingly, expenditure on household goods, which is a more reliable indicator of consumer well-being than more volatile food & drink spending, was just 0.2% down, with the annual rate of decline having eased sharply since hitting 9.7% at the end of last year.

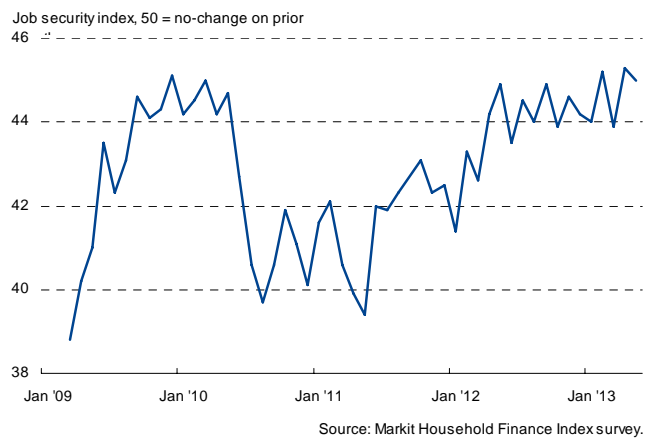
Visa Europe: UK Expenditure Index categories



Income squeeze



Household Finance Survey – job security



Chris Williamson

Chief Economist

Markit

Tel: +44 207 260 2329

Email: chris.williamson@markit.com

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For further information, please visit www.markit.com