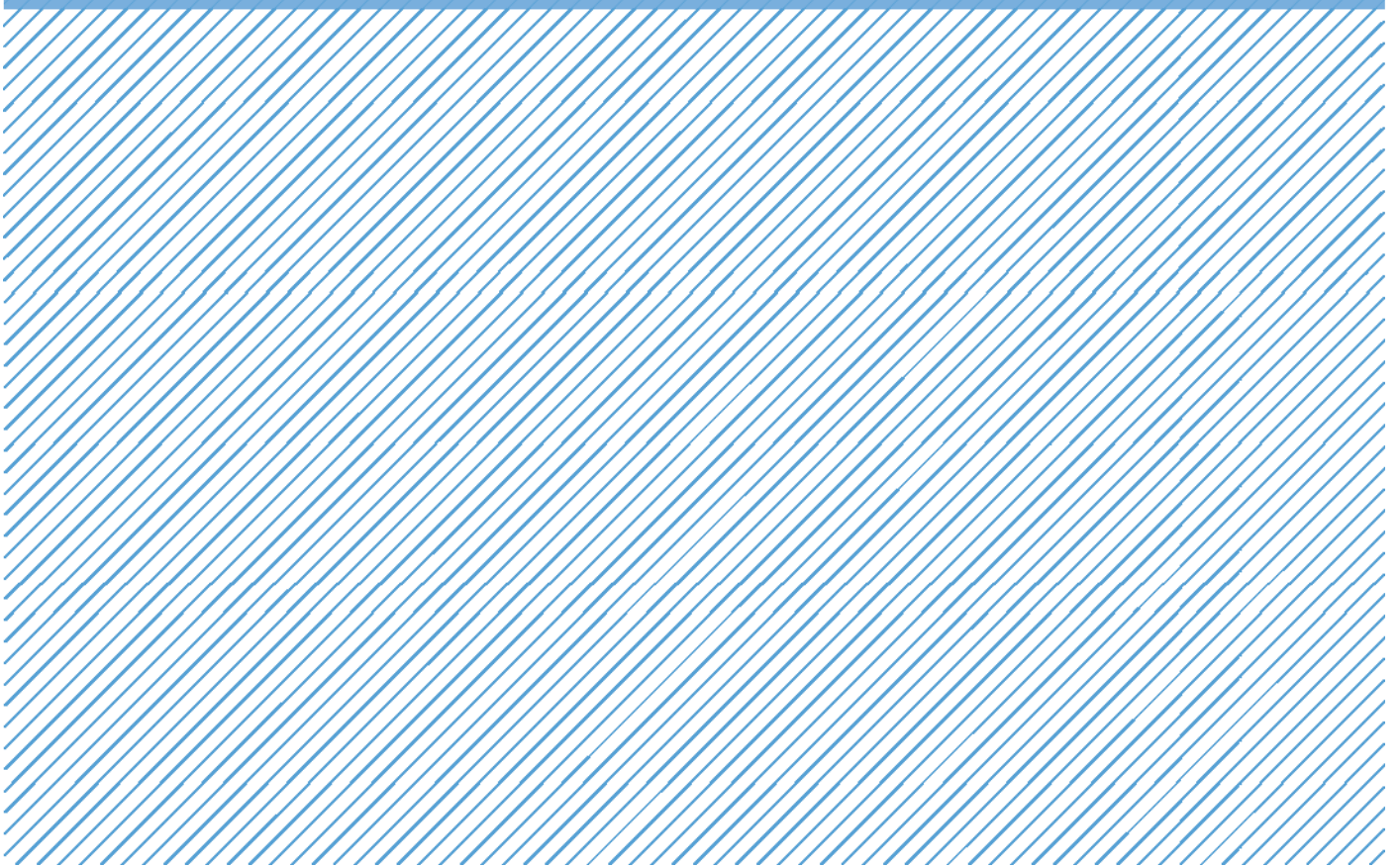


Card Expenditure Statistics

September 2016



Card Expenditure Statistics – September 2016

	Total Spending £ billions		Annual growth rates for spending		Number of purchases Millions	
	Sep 2016	Sep 2015	Sep 2016	Sep 2015	Sep 2016	Sep 2015
All payment cards	54.7	52.3	4.0%	8.3%	1,259	1,150
<i>Of which online *</i>	12.7	11.5	11%	12%	157	135
Debit cards	38.9	37.0	4.7%	8.8%	975	882
Credit cards	15.8	15.3	2.3%	7.1%	283	267

Unless otherwise stated all data referred to are seasonally adjusted and depict the underlying trend. The X12 ARIMA monthly seasonal adjustments include trading days and leap years. Unadjusted data are located in tables 3A to 3D. Annual growth rates are based on twelve-month rolling periods.

* As there are insufficient online data series collected to apply X12 ARIMA seasonal adjustment, the underlying trend is determined using linear regression. This allows an estimation of the likely scale of seasonal impacts to be made until there are sufficient data to use a recognised method of seasonal adjustment.

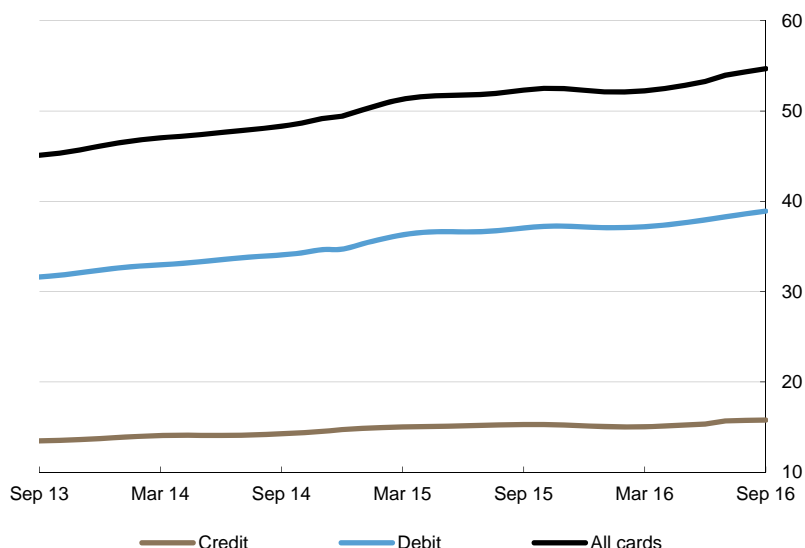
Introduction

Payment **card spending** amounted to £54.7 billion in September, up by 0.6% on August. The **number of purchases** also increased and reached a record 1.3 billion transactions, up by 0.7% during the month. Spending **online** amounted to £12.7 billion (23% of total value), while the number of online purchases rose to 157 million (13% of total volume). Meanwhile, spending on **contactless** cards increased to £2.4 billion (4% of total value) with corresponding purchases reaching 275 million (22% of total volume).

During Q3 of 2016 consumers made 103 million more purchases and spent £4.4 billion above the level recorded in Q2. The increase in card spending was registered despite a deceleration in national **retail sales**¹ and **economic performance**²; GDP growth slowed from 0.7% in Q2 to 0.5% in Q3. Seasonal factors also contributed to growth with back-to-school spending for over 10 million pupils and students in the UK^{3,4}.

Chart 1

Monthly expenditure
(£ billions)



¹ Reuters, UK retail sales suffer September setback: <http://uk.reuters.com/article/uk-britain-economy-retail-idUKKCN11X0YC>

² ONS, GDP Preliminary Estimate: July to September 2016: <https://www.ons.gov.uk/economy/grossdomesticproductgdp>

³ Department for Education, Schools, pupils and their characteristics: <https://www.gov.uk/government/statistics/schools-pupils-and-their-characteristics-january-2016>

⁴ Higher Education Statistics Agency: <https://www.hesa.ac.uk/>

Annual growth rates

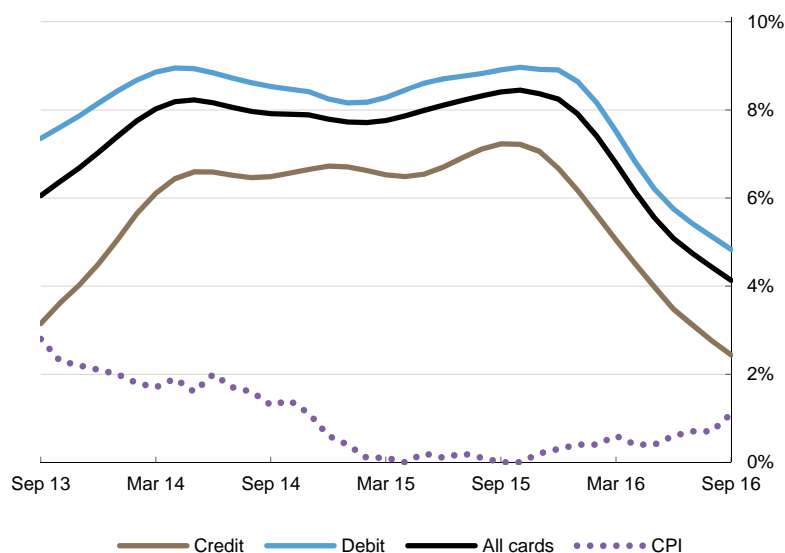
Growth in card spending continued to slow down in September with an **annual rate** of 4.0% – more than twice lower than a year ago (8.3%). Slower growth in card spending could be linked to an uptick in the annual **consumer price inflation** rate⁵ to a 22-month high, along with lower consumer confidence after the Brexit vote⁶.

Annual growth in the **service** sector continued to exceed that in **retail** sales as spending on services expanded by 5.1% – near double the growth of spending within retail (2.8%). Annual growth within services has been particularly strong in **financial** services (12%) and **hotels** (8.6%). Year-on-year growth in spending on **automotive fuels** and **other services** remained in negative territory, declining by 2.3% and 0.3% respectively.

Meanwhile, the annual growth rate of the **number of purchases** (11%) continued to outstrip that of spending, highlighting a consumer preference to use cards more frequently for lower value payments. This trend was also evident in **e-commerce** where the number of purchases grew by 18% compared to a year ago, with corresponding spending up by 11%. In contrast, **contactless** spending with an annual growth rate of 246% exceeded that on contactless purchases (189%).

Chart 2

Spending on payment cards
Year-on-year growth rates



Sub-sector	Annual growth (%)
Mixed business	6.0
Household	4.8
Food & drink	3.2
Other retail	2.7
Clothing	0.9
Automotive Fuels	-2.3
Retail sales	2.8
Financial	12.4
Hotels	8.6
Entertainment	7.1
Vehicle Sales & Services	4.6
Travel	2.2
Other services	-0.3
Services	5.1

⁵ ONS, Consumer Price Inflation: <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/sept2016>

⁶ Financial Times, Economic cost of uncertainty: <https://www.ft.com/content/b3c595ac-80b8-11e6-bc52-0c7211ef3198>

Average transaction values

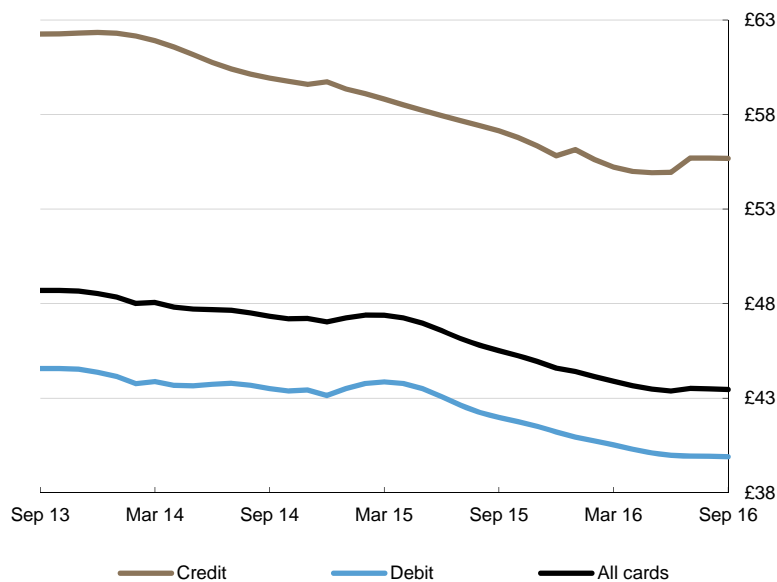
There was a slight decrease in the **average transaction value (ATV)** on all payment cards, which fell by 4p to £43.45, well below the level a year ago (£45.51). The ATV for **debit cards** decreased by 3p to £39.90, but the ATV for **credit cards** fell by 1p to £55.68. This consistent trend of continuously declining ATVs since 2011 is likely a reflection of changing consumer spending habits, increasing use of contactless cards alongside ongoing supermarket price wars⁷.

The **retail sales** ATV declined by 6p to £30.68, while the ATV for **services** fell by 14p to £67.34. Within the merchant sectors, the largest decrease came from the **financial services** sub-sector, which recorded an ATV fall of £1.65, while **other services** registered the largest increase of £1.71 during the month. Within the merchant categories, the highest average value per transaction (£2,015.59) was recorded at **security brokers and dealers**, while **miscellaneous travel** services recorded the lowest ATV (£9.63).

The ATV for **online spending** on all payment cards stood at a record low of £80.78, down from £81.12 in August, likely driven by the preference to purchase lower value items via online retailers on the go, using mobile devices such as smartphones and tablets⁸. The ATV on **contactless** cards also decreased, to £8.81, down by 16p on August.

Chart 3

Average transaction values



Sub-sector	ATV
Household	£69.35
Clothing	£40.77
Other retail	£39.51
Mixed business	£29.22
Automotive Fuels	£27.82
Food & drink	£22.82
Retail sales	£30.68
Financial	£324.59
Vehicle Sales & Services	£181.20
Hotels	£134.10
Other services	£106.73
Travel	£71.33
Entertainment	£19.45
Services	£67.34

⁷ The Telegraph, Supermarket price war drives down shop prices: <http://www.telegraph.co.uk/business/2016/10/04/supermarket-price-war-drives-down-shop-prices-despite-the-fallin/>

⁸ Internet Retailing, Mobile commerce at tipping point of surpassing desktop: <http://internetretailing.net/2016/09/mobile-commerce-tipping-point-surpassing-desktop-global-path-purchase/>

Spending by sector – retail sales and services

The number of transactions within the **retail sector** increased by 4.2 million to 820 million, with the corresponding spend rising by £77 million to £25.2 billion. Meanwhile, the number of transactions in the **services sector** grew by 4.9 million to 438 million, corresponding to a rise in spending of £267 million to £29.5 billion.

The greatest increases in **retail** spending came from the **food & drink** and **household** sub-sectors, where spending amounted to £9.6 billion and £4.0 billion respectively. Despite the evidence of falling food prices⁹, the food & drink category recorded a rise of £54 million, while the household sub-sector grew by £12 million. There was however, a decrease in spending in the **mixed business** sub-sector.

The largest growth within the **services** sector was registered at **other services**; an increase of £136 million to £8.6 billion, driven by a surge in spending at **educational establishments**. The **entertainment** sub-sector was also a strong contributor to growth after increasing by £50 million to £4.8 billion, mainly due to higher spending on **cinema, theatre & dance**.

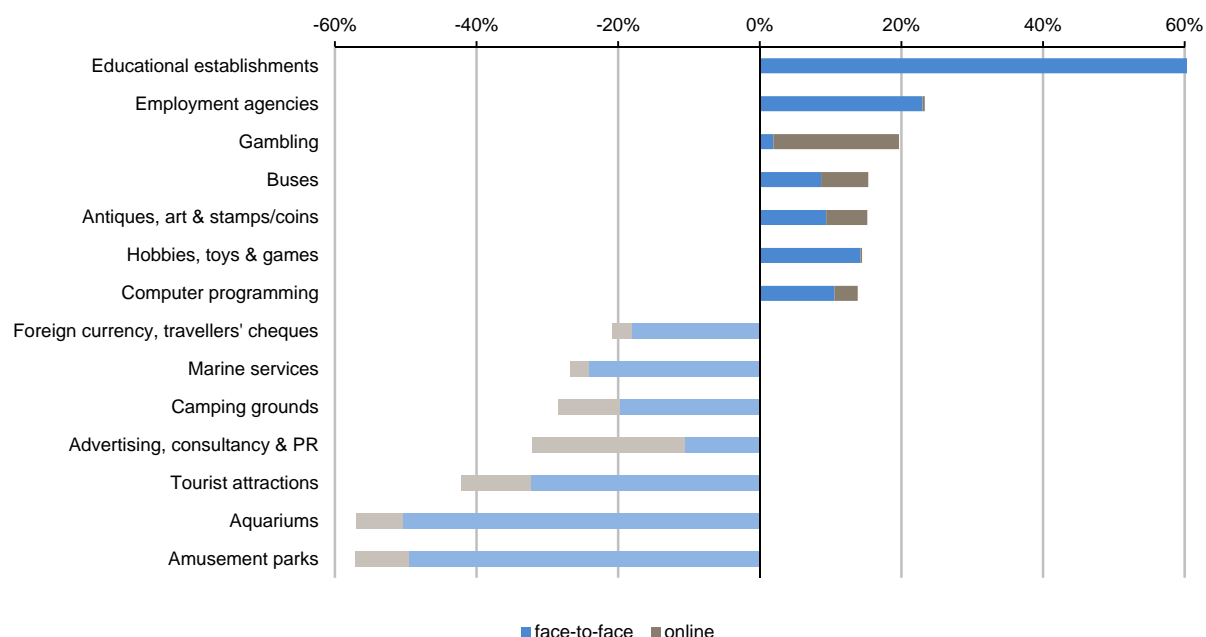
Spending by merchant categories (not seasonally adjusted)

The strongest monthly increase in spending was recorded at **educational establishments**, boosted by the start of the new school year. There were also notable rises in spending at merchants related to entertainment such as hobbies, toys & games and antiques, art & stamps/coins.

In contrast, travel related merchants selling foreign currency and travellers' cheques as well as marine services and camping grounds registered decreases when compared to August. The popular visitors destinations such as **amusement parks**, aquariums and other tourist attractions recorded the largest percentage decreases, marking the end of the summer holiday season.

Chart 4

Largest changes in card spending between August and September^{10,11}



⁹ Sky News, Record food price fall driven by supermarket price war: <http://news.sky.com/story/competition-for-customers-sees-food-prices-continue-to-fall-10605814>

¹⁰ Chart 4 shows relative growth rates. Some listed merchant categories are too small in size to make a material impact on the overall total

¹¹ Actual monthly total and online growth rates for spending at educational establishments (191% and 216% respectively) are not fully covered in chart in order to illustrate the majority of changes within the given scale

Online spending (seasonally adjusted)

The **number of purchases made online** continued to grow at double the rate (17%) of that for purchases made **in-store** (8.5%). Meanwhile, the growth rate in **value spent online** (11%) was almost four times higher than that for value spent **in-store** (2.8%). During Q3 of 2016 cardholders made 17 million more e-commerce purchases and spent £0.9 billion above the level recorded in Q2.

In terms of **market share**, online spending accounted for 23% of total card spending, with the number of e-commerce payments accounting for 13% of the total number of card payments. When compared to September 2014, these figures stood at 21% and 10% respectively.

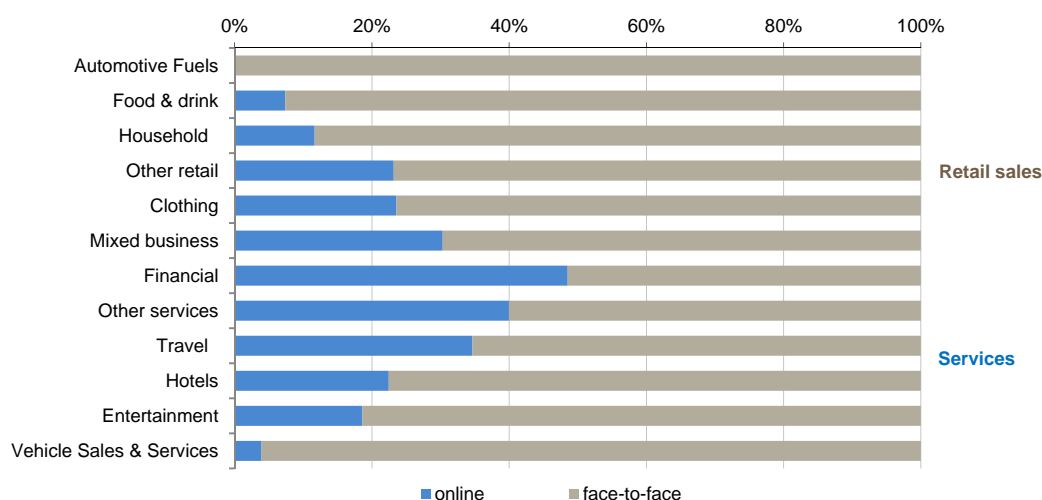
Online spending by sector (not seasonally adjusted)

Within **retail sales**, 8.8% of purchases were made online, corresponding to 13% of the total spend. The highest proportion (30%) of spending online within retail was registered in the **mixed business** sub-sector; the majority came from **catalogue** sales, where the e-commerce proportion surpassed 92%. **Clothing** (24%) and **other retail** (23%) sub-sectors also exhibited relatively high proportions of spending via the internet.

In the **services** sector just below 18% of card payments were made online, equating to 32% of spending. The highest proportion remained unchanged within **financial services**, with 49% of traffic routed via the internet, mainly driven by **banking services** and **money transfers**. **Other services** and **travel** were the other sub-sectors with pronounced e-commerce traffic at 40% and 35%, driven by spending at **government services** and **airlines** respectively.

Chart 5

Online and face-to-face spending proportions by merchant sectors in September



Merchant categories with the highest and lowest online spending proportion in September¹²

Highest categories	Online share	Lowest categories	Online share
Catalogues	92%	Pawn shops	0.7%
Digital entertainment	83%	Vehicle sales	1.1%
Computer programming	74%	Bakers & dairies	1.6%
Wire transfer money order	74%	Laundry & cleaning	1.7%
Timeshares	72%	Public houses	1.8%
Security brokers and dealers	71%	Veterinary services	1.9%
Government services	69%	Employment agencies	2.1%
Concerts & entertainers	65%	Funeral services	2.3%
Banking services	58%	Auto repair shops	2.6%
Cinema, theatre & dance	56%	Wrecking & salvage yards	2.6%

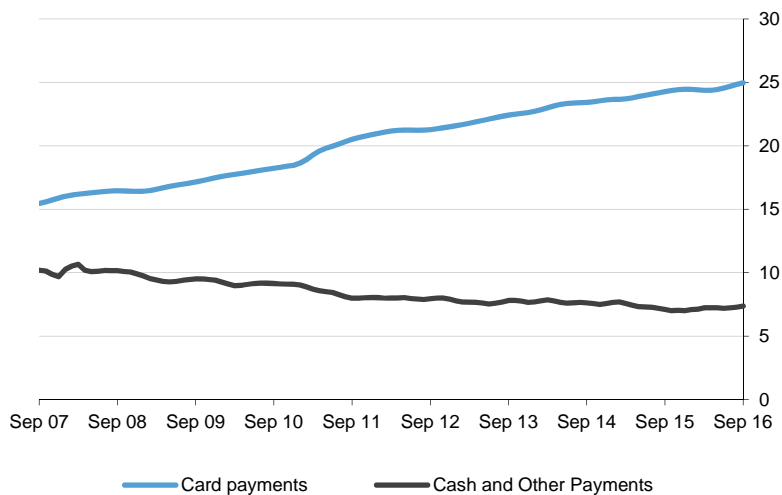
¹² Some of these merchants are relatively small, and as such will have limited impact on driving headline totals. For more details, see table(s) OL-3A to OL-3F

Payment card spending within national retail sales

Retail sales form a significant part of household spending in the UK and data from merchants show increasing use of payment cards over many years. The percentage **share of retail sales** (including automotive fuels)¹³ accounted for by cards stood at 77.1% in September, with debit and credit card splits of 53.3% and 23.8% respectively.

This trend was also reflected in other sub-sectors such as **food & drink** and **automotive fuels**. The share of spending within food & drink accounted for by cards rose to 74.0%, while the majority of expenditure on automotive fuels was accounted for by payment cards at 85.3%.

Chart 6
Retail sales (high street spending)
Average monthly spend, £ billions



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¹³ CES 3-month moving average spend of £25.1 billion expressed as a percentage of a similar 3-month moving average for ONS Retail Sales – All Retailing Including Automotive Fuel (J5A3) that amounted to £32.5 billion.