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ISSUE 6

SHOPPER
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OVERVIEW

International shopper activity in Europe falls in Q4 2019 following record high.

After a strong two quarters, international shopper activity across Europe slowed in the final three months of 2019. This was largely driven by all 25 component market currencies depreciating against the pound, which strengthened as the period of political instability surrounding Brexit appeared to subside.

The median score of the index fell to 90 in the fourth quarter of 2019 – down 13 points from Q3: the biggest fall witnessed in any quarter over the last two years. With international spenders left with less cash to spare, European retailers were unable to take advantage of what should have been one of the biggest spending periods of the year. The major festive periods including Golden Week and Christmas typically spurring an increase in travel and international shopper activity.

GLOBAL RANKING: Q4 2019 INDEX

Market	Rank	Index score rank	Sales rank	Average transaction value	Inflation %	GDP growth %	Currency vs EUR - quarterly % change	Currency vs GBP - quarterly % change
China	1	491	1	€ 488	4.3	6.0	0.0	-4.7
USA	2	200	2	€ 604	2.1	2.3	0.4	-4.3
Hong Kong	3 (2) ▲	141	6	€ 952	3.0	-2.9	0.4	-4.2
Russia	4 (-1) ▼	141	3	€ 482	3.4	1.7	1.8	-2.9
South Korea	5 (6) ▲	131	4	€ 487	0.3	2.0	1.9	-2.8
UAE	6	130	9	€ 781	-1.6	2.2	0.4	-4.4
Taiwan	7 (2) ▲	108	5	€ 252	0.7	3.0	2.7	-2.1
Saudi arabia	8	105	11	€ 592	-0.1	-0.5	0.4	-4.4
Kuwait	9 (1) ▲	104	8	€ 525	1.5	0.4	0.8	-4.1
Thailand	10 (-6) ▼	101	7	€ 307	0.4	2.6	1.8	-2.9
Indonesia	11 (1) ▲	100	14	€ 395	3.0	5.0	0.7	-3.9
Philippines	12 (1) ▲	92	18	€ 348	1.5	6.0	2.0	-2.7
Brazil	13 (-7) ▼	90	16	€ 438	3.4	1.2	-3.2	-7.7
Turkey	14 (10) ▲	89	21	€ 516	10.3	0.9	-1.7	-6.2
Singapore	15	89	10	€ 338	0.6	0.7	1.3	-3.4
Malaysia	16	88	13	€ 261	1.0	4.4	0.4	-4.3
Vietnam	17 (-10) ▼	88	22	€ 296	3.7	7.5	0.5	-4.2
Morocco	18 (5) ▲	88	23	€ 448	0.8	2.2	2.1	-2.9
Canada	19 (1) ▲	85	17	€ 391	2.3	1.7	0.4	-4.2
India	20 (-3) ▼	84	19	€ 325	5.8	4.5	-0.8	-5.4
Israel	21 (1) ▲	84	15	€ 266	0.4	3.8	1.4	-3.4
Mexico	22 (-1) ▼	82	24	€ 445	2.9	0.3	1.2	-3.5
Australia	23 (4) ▲	80	20	€ 357	1.8	1.7	0.1	-4.6
Japan	24 (-10) ▼	71	12	€ 121	0.5	1.7	-0.9	-5.5
Argentina	25	45	25	€ 219	51.5	-1.7	-15.4	-19.3



SOUTHEAST ASIA'S EMERGING MARKETS BEAR THE BRUNT OF US TRADE WARS

Southeast Asia's emerging markets suffered in the final quarter of 2019. Indonesia, Malaysia, Singapore, Philippines, Thailand and Vietnam all weathered index score declines of up to 27 points. This came at a time when leaders met to finalise an Asia-wide trade deal, as the ongoing US-China dispute threatened to stunt growth in the region – and spending abroad.



SOUTH KOREA ESCAPES REGIONAL TENSION, WITH SHOPPERS SPENDING MORE THAN EVER

South Korean shoppers withstood heightened political tension with Japan, witnessing its highest score to date. Shopper activity from South Korean nationals rose by 21 points – falling just behind China Hong Kong and Turkey, who were the highest climbers of the quarter. South Korean shoppers' average transaction value (ATV) also saw major gains, rising to eighth place – nine places higher than in Q3.



UAE SHOPPERS CONTINUED THEIR SPENDING SPREE AMID SUBDUED SPENDING BY GCC NEIGHBOURS

Despite a promising performance in the previous quarter, shoppers from Middle Eastern nations appeared to lose steam in the final quarter of 2019, with Kuwait and Saudi Arabia both seeing their scores drop by seven points. The UAE bucked the trend, with a score gain of 12 points. As well as its highest score to date, the UAE fell just behind China Hong Kong in terms of ATV, inching up by two places from Q3.

MARKETS IN FOCUS

BIGGEST CLIMBER: CHINA HONG KONG

China Hong Kong's international shopper activity recovered in Q4 by the same rate at which it declined in Q3. Strengthening by 22 points, China Hong Kong increased its ranking from 5th on the Planet Shopper Index to 3rd in Q4.

This recovery was in line with an easing of political unrest across the country, allowing for GDP to hold steady and inflation to slow by 0.3%. This also coincided with the national holiday, Golden Week, which historically leads to increased travelling abroad. As a result, China Hong Kong's ATV topped the index at €952, reaching an average spend of €171 more than the next highest market, the UAE.



IN FOCUS: TURKEY

Turkey climbed an impressive 10 places in the latest issue of the Planet Shopper Index, reaching its strongest ranking in the last five quarters.

Turkey's economy is steadily recovering post-recession. In December 2019, Turkey's central bank lowered the benchmark interest rate in an attempt to boost the country's economic growth. Inflation surged in June 2018 after the crash of the lira, peaking at 25.2% in 2018, but settling at 10.3% in Q4².

The Finance and Treasury Minister Berat Albayrak committed to strengthening Turkey's economy in his 2020 budget speech last year, aiming to achieve 5% annual growth for each of the next three years³. This will hopefully mark a sustained period of economic recovery and position Turkey as a growing source market for retailers in 2020.

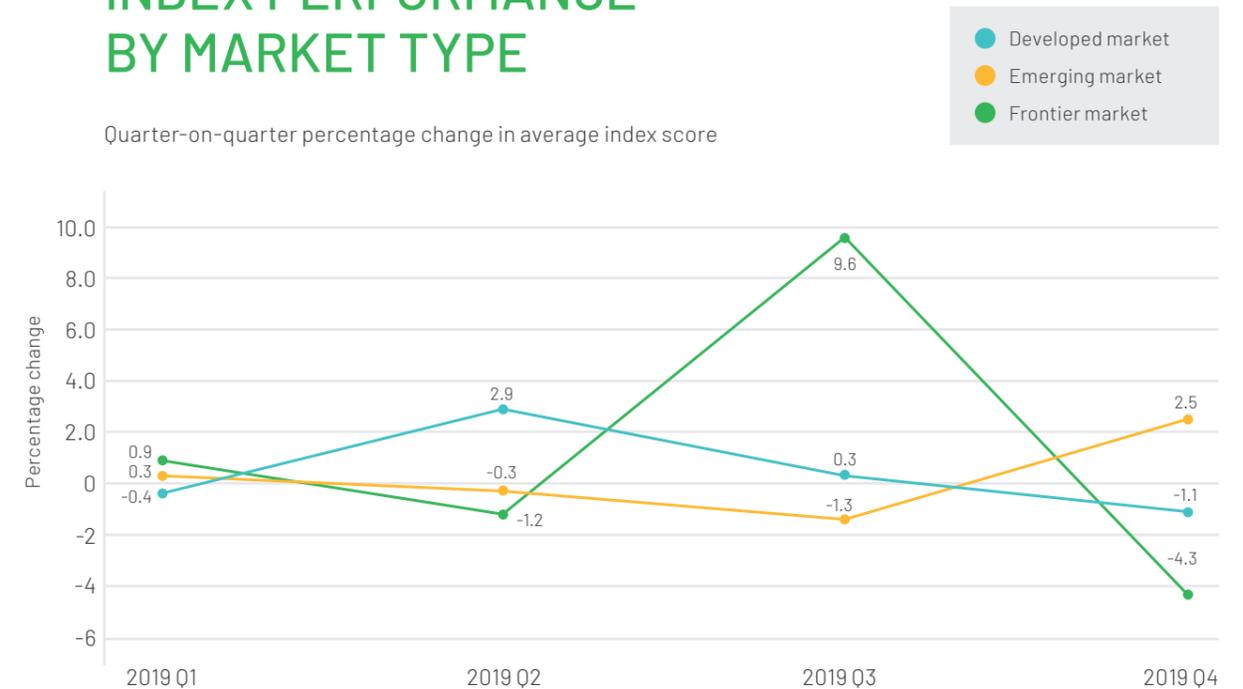
BIGGEST FALL: JAPAN

Japan's economy continued to decline in the last quarter of 2019 amid trade tensions, and likely further dampened by the impact of the typhoon during the Rugby World Cup. This period of disruption coincided with a decline in consumers' willingness to spend abroad. The 27-point fall is the country's steepest decline since the inception of the Planet Shopper Index.

As a result, Japan's ATV ranking fell from 9th to 25th in three months, and currency strength also declined. This is in line with government reports that Japanese households cut their household spending by 5.1% in October last year – partly in reaction to a sales tax hike causing consumers to rein in spending. The last time household spending fell this much it took more than a year for it to recover to previous levels¹.

INDEX PERFORMANCE BY MARKET TYPE

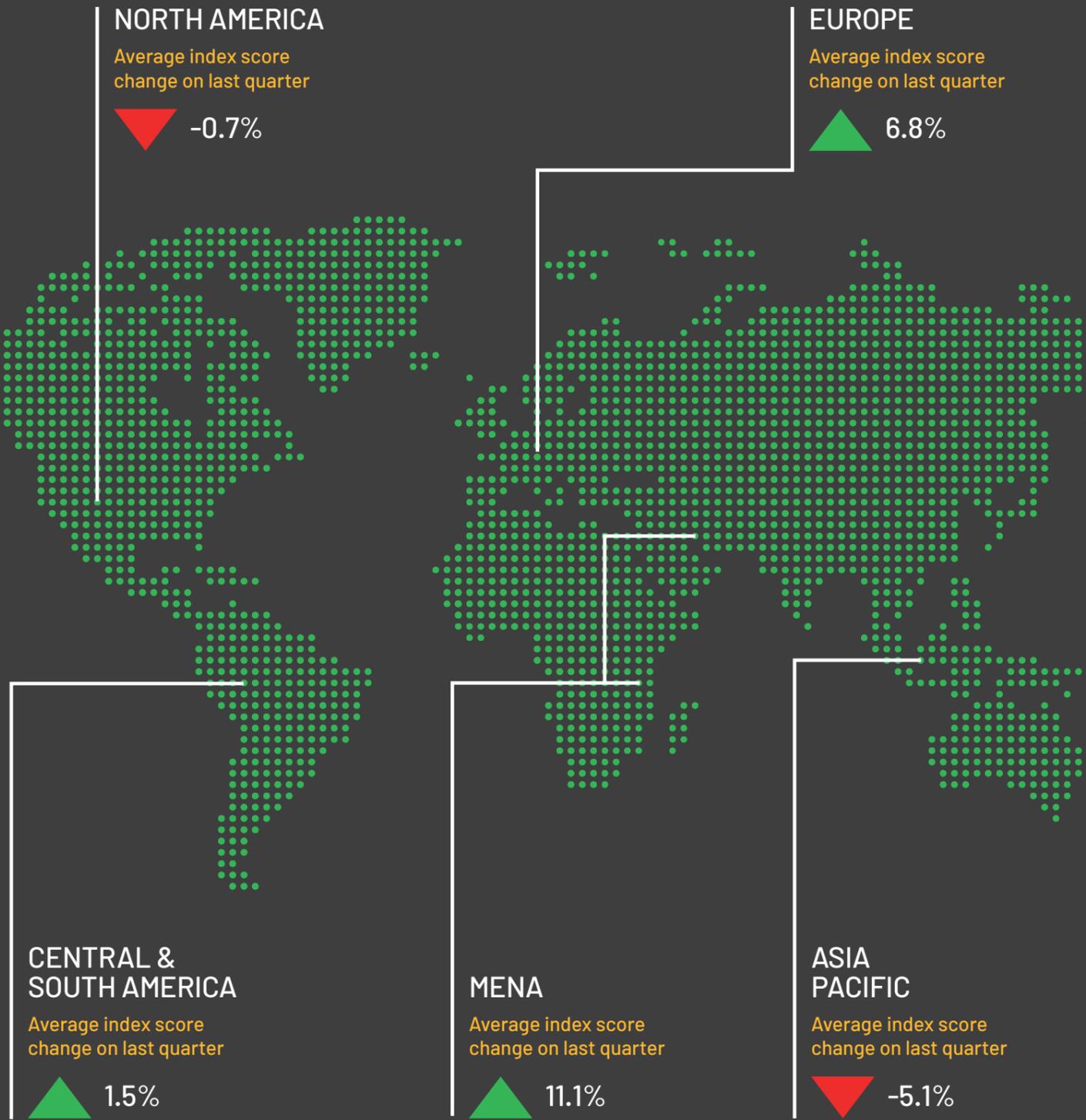
Quarter-on-quarter percentage change in average index score



1 <https://www.nytimes.com/2019/11/13/business/japan-economy.html>
 2 http://www.xinhuanet.com/english/2019-12/14/c_138629576.htm
 3 <https://www.ft.com/content/e60f872c-e35f-11e9-9743-d5a370481bc>

REGIONAL COMPARISON:

Quarter-on-quarter change in average index score



METHODOLOGY

The Planet Shopper Index follows the top 25 markets in terms of Tax Free spend, tracking over time the spending power of its tourists.

It incorporates both internal and external data, combining the quarterly movements of five key metrics:

- Tax Free sales
- Average Transaction Value
- Inflation
- GDP growth
- Currency strength in relation to both the Euro and Great British Pound

The intention of the Index is to be a balanced, forward-looking measure that anticipates the spending trends of international shoppers.

This is achieved by combining metrics of actual tourist shopping behaviour, with metrics that directly affect the decision-making process of prospective tourists.

Tax Free sales is one of the most important of these measures and gives an insight into the overall significance that a country's tourists could have on a store or retailers performance.

Average Transaction Value is also crucial as it provides customer context; showing the actual spending habits of individual tourists. Inflation has been included within the index as inflation affects domestic spending power and, in turn, the ability for tourists to travel.

GDP growth is very much a way of capturing the overall state of an economy; and a great way to understand the prospective outlook of tourists.

Finally, currency strength captures the quarterly movement of a market's currency, demonstrating the direction of the international spending power of a country's tourists in relation to other countries (Tourists in countries with an increase in currency strength are able to purchase more abroad compared to the previous quarter.)

In order to calculate the Planet Shopper Index, first scores are calculated for each market within each metric. This allows us to see the highest and lowest performers, as well as the relativity between each of the countries for each metric.

These scores are then combined using a weighted algorithm. This weighted algorithm places importance first to Tax Free sales and Average Transaction Value, as the effects of these two metrics are most felt directly at the point of purchase. These are followed by currency strength, Inflation and GDP growth.

ABOUT

Planet is an international payments provider that helps businesses exceed the needs of their international customers.

With over 1,500 experts across 60+ markets, Planet creates better international payments and service experiences for 500,000+ merchants and over 100 partner banks in five continents. Planet is also part of the Eurazeo portfolio of growth companies.

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