

Spending Momentum Index



Australia

Consumer spending rotates strongly to everyday spend

Shifts in inflation, interest rates and the government’s COVID-19 response continue to affect Australians’ spending habits, as captured by Visa’s Australia Spending Momentum Index (SMI). In March, the overall SMI declined by 0.8 points to 93.6. A closer examination reveals a dramatic pivot away from discretionary (-0.1 points) to non-discretionary spending (+1.9 points). This is the lowest discretionary SMI reading since September 2022, when public health authorities began to manage COVID-19 as an endemic disease. In contrast, non-discretionary spending momentum rose to its strongest level yet in the endemic phase of the cycle.

The profound forces affecting consumers in the endemic phase are far from uniform. Our internal analysis found that inflation’s drag on discretionary spending momentum has more than doubled since 2020, nearly matching the impact of unemployment. Since the Reserve Bank of Australia started raising rates in May 2022 to contain inflation, we can see that while inflation has declined slightly, unemployment has surprisingly declined more. The spending momentum indices bear out these changes in fundamentals. Discretionary spending momentum was down 5.1 points and non-discretionary spending momentum fell 0.4 points compared to March 2022.

Recent developments in inflation, the cash rate and unemployment suggest the most volatile of changes in these variables are now behind us. However, we expect their combined effect of driving spending away from discretionary towards non-discretionary spending to linger.

27 April 2023

March SMI at a glance

Latest index reading

Nationwide momentum:
Change from previous month

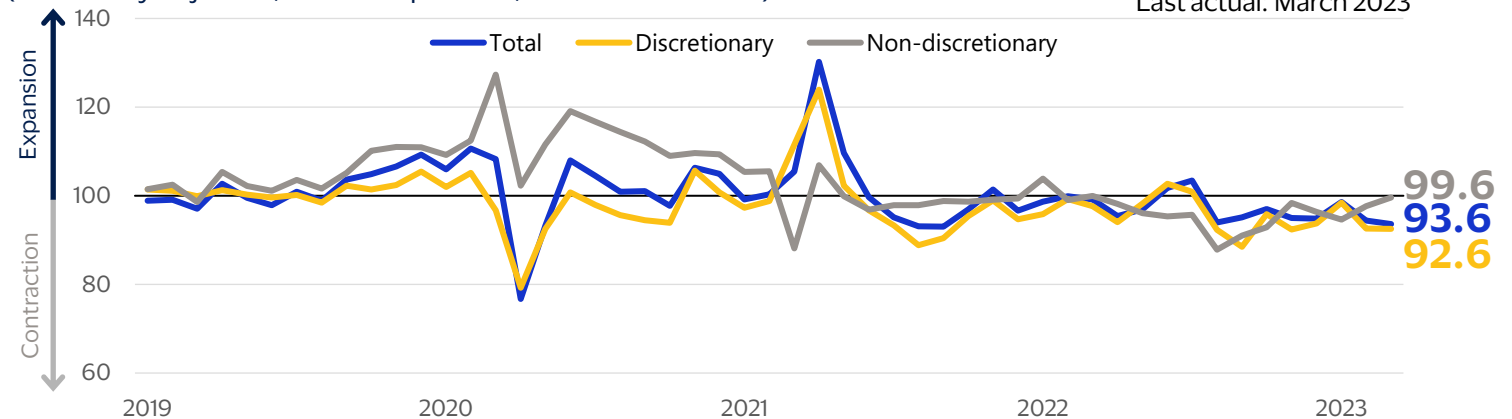
Total
-0.8

Discretionary
-0.1

Non-discretionary
+1.9

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(Seasonally adjusted, * ≥100 = expansion, <100 = contraction)



Last actual: March 2023

*The discretionary and non-discretionary categories exclude restaurant and fuel spending; both restaurant and fuel are included in the total SMI. See additional definitions of spending categories on page 3. Source: Visa Business and Economic Insights. The Visa Australia SMI measures the current month relative to the same month last year. The national readings of the index are based on year-over-year (YoY) changes in consumer spending with Visa bankcards.



About the Visa Australia Spending Momentum Index

First released in August 2021, the Visa SMI is an economic indicator to gauge the health of consumer spending. The Visa SMI delivers insight into what drives upturns and downturns in spending by measuring the breadth of the momentum supporting these trends.

Currently available in eight countries (Australia, Brazil, Canada, Ireland, Italy, United Arab Emirates, the United Kingdom and the United States), the SMI provides a consistent method across countries to measure global spending trends.



A sample pulled from the Visa network

The SMI leverages the power of the Visa network utilising a sample of depersonalised and aggregated spending data from Visa-branded credit and debit credentials. This makes it a timelier read on consumer spending compared to other consumer spending measures (e.g. retail sales and personal consumption expenditures).



Tracks upturns and downturns in consumer spending

The resulting sample data is then aggregated using a diffusion index framework where index values are scored from 0 to 200. When the Visa SMI rises above 100, the consumer spending momentum is strengthening and when it falls below 100, the spending momentum is weakening as fewer consumers are spending more relative to the previous year.



A better way to track the economic recovery

SMI has correlation with key macroeconomic indicators, including retail sales, unemployment and household income. The SMI does not take into account the volume of payments nor does it rely on all Visa credentials, and therefore does not reflect Visa's operational or financial performance. The SMI can assess the variation in spend down to a geographic (national, state, city and county) and industry vertical level.



Spending Categories*:

Discretionary (airlines, lodging, auto rental, appliance retail, computer retail, fashion retail, florist, general department store, home goods retail, leisure goods retail, luxury goods retail, repurposed goods retail, sporting goods retail, attractions & amusements, duty free, entertainment, gambling, marina services, sport & recreation, transportation, travel agencies, construction services, electric goods repair, home repair services, personal services, professional services, spa/beauty services, telecommunication, charity, direct marketing, education, membership clubs).

Non-discretionary (medical/health services, pharmacy, food retail, supermarkets, postal/courier, utilities, education, tolls/fees, wholesale).

Methodology

The Visa Spending Momentum Index (SMI) measures the breadth of year-over-year change in household spending within an economy, including the share of households with increased spending compared with those where spending was stable or declined. The index is generated using proprietary techniques that extract economic signals from business-related noise inherent in VisaNet transaction data, such as portfolio flips, routing changes, or evolving acceptance across geographies or merchant segments. Regional and national aggregates are population-weighted averages.

The resulting sample data is then aggregated using a diffusion index framework in which index values are scored from 0 to 200. Values above 100 indicate broad-based net acceleration in economic momentum. Values below 100 indicate contraction on an annual basis. To ensure compliance with Visa’s confidentiality obligations and with applicable laws, any market or competitor data that does not meet Visa Inc.’s minimum benchmarking requirements will not be shared.

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Visa Business and Economic Insights Staff

Wayne Best, Chief Economist

wbest@visa.com

Bruce Cundiff, Vice President, Consumer Insights

bcundiff@visa.com

Michael Brown, Principal U.S. Economist

michael.brown@visa.com

Adolfo Laurenti, Principal European Economist

laurenta@visa.com

Richard Lung, Principal Global Economist

rlung@visa.com

Glenn Maguire, Principal Asia Pacific Economist

gmaguire@visa.com

Mohamed Bardastani, Senior CEMEA Economist

mbardast@visa.com

Jennifer Doettling, Director, Content and Editorial

jdoettli@visa.com

Michael Nevski, Director, Consumer Insights

mnevski@visa.com

Dulguun Batbold, Global Economist

dbatbold@visa.com

Ben Wright, U.S. Economist

bewright@visa.com

Travis Clark, U.S. Economist

wiclark@visa.com

Angelina Pascual, European Economist

anpascua@visa.com

Mariamawit Tadesse, Global Economist

mtadesse@visa.com

Woon Chian Ng, Asia Pacific Economist

woonng@visa.com

Juliana Tang, Project Coordinator

jultang@visa.com

For more information, please visit us at [Visa.com/EconomicInsights](https://www.visa.com/EconomicInsights) or VisaEconomicInsights@visa.com.