

Spending Momentum Index



Australia

Australia SMI falls for third consecutive month in November

The Visa Australia Spending Momentum Index (SMI) fell 1.3 points in November to 90.6, in a third consecutive month of decline. The SMI has now fallen to its second-lowest level since 2019. The SMI hit an all-time low of 76.8 in April 2020, when pandemic lockdowns caused consumers to cut their spending across the board, except for non-discretionary, which surged. In contrast, spending momentum in November 2023 was subdued across all categories (discretionary, non-discretionary, fuel and restaurant). The SMIs in all categories remained well below 100, signaling a broad-based reduction in consumer spending relative to last year.

Of note, the restaurant SMI fell to its lowest level since January 2022. Elevated prices are causing Australians to cut back on dining out. Inflation for meals out and takeaway foods was 8.8 percent year-on-year (YoY) in Q3-2023, declining by only 0.6 percentage points from the preceding quarter and remaining near its historic highs. Over this same period, food and non-alcoholic beverage inflation has decelerated more, falling 3.1 percentage points to 6.0 percent YoY. Easing food prices have translated into greater resilience in grocery spending, with spending momentum on non-discretionary purchases up 0.2 points on the month to 95.0.

Spending momentum in the eight capital cities has lagged other Australian cities since August. This matches housing affordability trends where affordability dropped more in the capital cities than in the rest of Australia in Q3-2023. This suggests that the rising debt servicing costs on residential mortgages may be cutting into household budgets and putting downward pressure on overall spending.

20 December 2023

November SMI at a glance

Latest index reading

Nationwide momentum:

Change from previous month

Total

-1.3

Discretionary

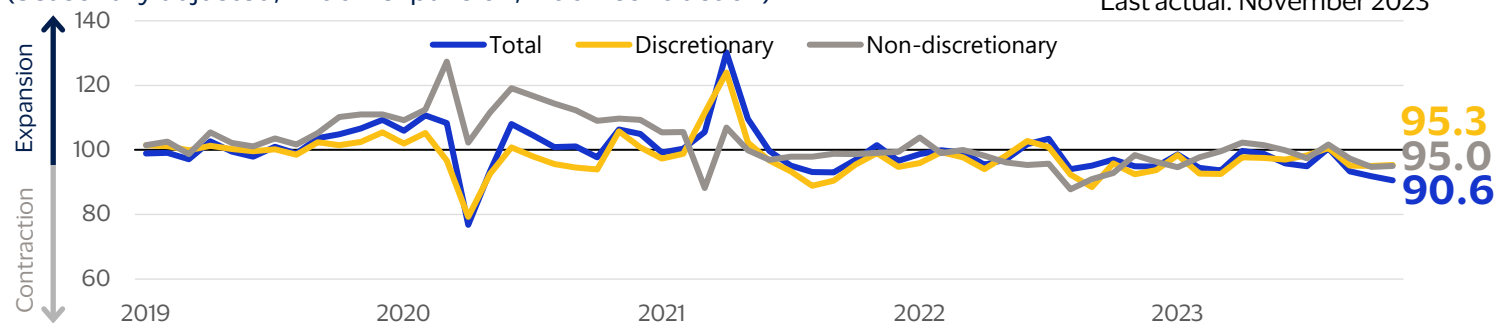
+0.4

Non-discretionary

+0.2

Spending Momentum Index

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



Last actual: November 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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