

Spending Momentum Index



Australia

Consumer spending momentum remains weak for seventh consecutive month

Visa's Australia Spending Momentum Index (SMI) fell to 94.4 in February, coming in below the 100-line that indicates contracting economic momentum for the seventh straight month. This marks the longest period of weakening momentum in the series' history. The 4.2-point drop came after economic data confirmed the highest inflation rate since the 1990s and the Reserve Bank of Australia (RBA) announced its determination to raise rates further to rein in that inflation. A slowdown in the restaurant, fuel and discretionary segments led the decline. This is only the second time since the RBA started increasing rates that these three segments have fallen simultaneously.

Consumer behavioural adjustments are becoming more evident. The rising non-discretionary index and falling restaurant index suggest spending is rotating from eating out to once again preparing meals at home. The fall of the fuel index into contractionary territory suggests households are driving less after the summer school holidays and return to work.

The cumulative effects of past tightening and high inflation are eroding consumer momentum. Australia has seen some disinflation in the price of goods; however, elevated services inflation and a hawkish RBA likely to push rates even higher are signs that the momentum loss across discretionary segments could well continue. Accordingly, we do not expect Australian consumer momentum to stabilise just yet.

22 March 2023

February SMI at a glance

Latest index reading

Nationwide momentum:

Change from previous month

Total

-4.2

Discretionary

-5.8

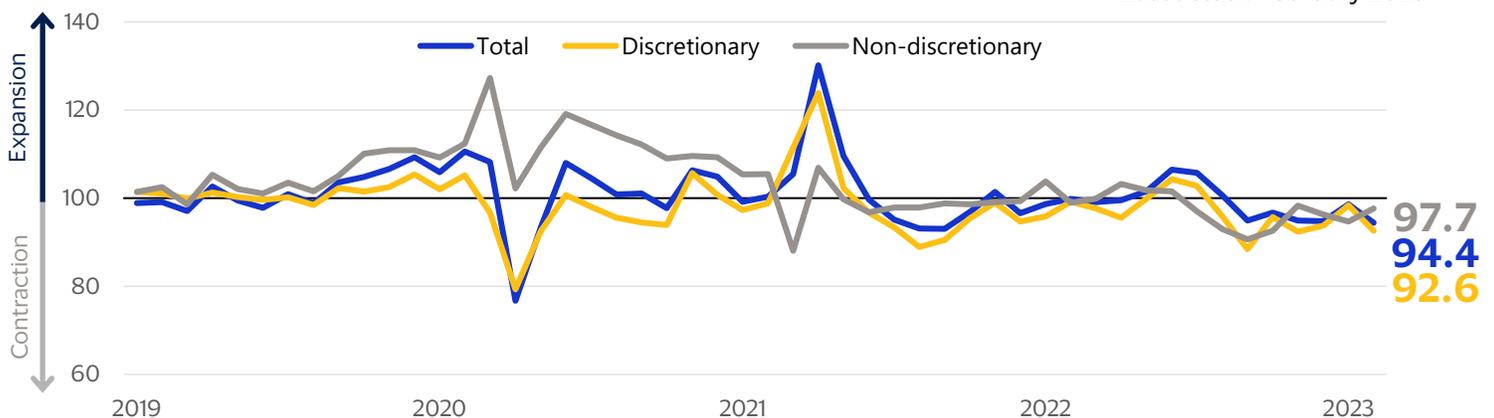
Non-discretionary

+3.1

Spending Momentum Index

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

Last actual: February 2023



*The discretionary and non-discretionary categories exclude restaurant and gas spending; both restaurant and gas 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 six countries (Australia, Canada, Ireland, New Zealand, 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.

Disclaimer

The Australia Visa Spending Momentum Index (SMI) is based on a sample of aggregated, depersonalised VisaNet and third-party data; it is not reflective of Visa operational and/or financial performance. SMI is provided “as is” without warranties of any kind, express or implied, including, without limitation, as to the accuracy of the data or the implied warranties of merchantability, fitness for a particular purpose, and/or non-infringement.

SMI is intended for informational purposes only and should not be relied upon for marketing, legal, technical, tax, financial, or other advice. Visa is not responsible for your use of the information contained herein, including errors of any kind, or any assumptions or conclusions you might draw from its use, and Visa has no obligation to update data contained therein.

The views, opinions, and/or estimates, as the case may be (“views”), expressed herein are those of the Visa Business and Economic Insights team and do not necessarily reflect those of Visa executive management or other Visa employees and affiliates. This presentation and content, including estimated economic forecasts, statistics, and indexes are intended for informational purposes only and should not be relied upon for operational, marketing, legal, technical, tax, financial or other advice and do not in any way reflect actual or forecasted Visa operational or financial performance. Visa neither makes any warranty or representation as to the completeness or accuracy of the views contained herein, nor assumes any liability or responsibility that may result from reliance on such views. These views are often based on current market conditions and are subject to change without notice.

*The discretionary and non-discretionary categories exclude restaurant and gas spending; both restaurant and gas are included in the total SMI.



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, Executive Assistant

jultang@visa.com

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