

Spending Momentum Index



Australia

Australia spending momentum may be out of the woods in February

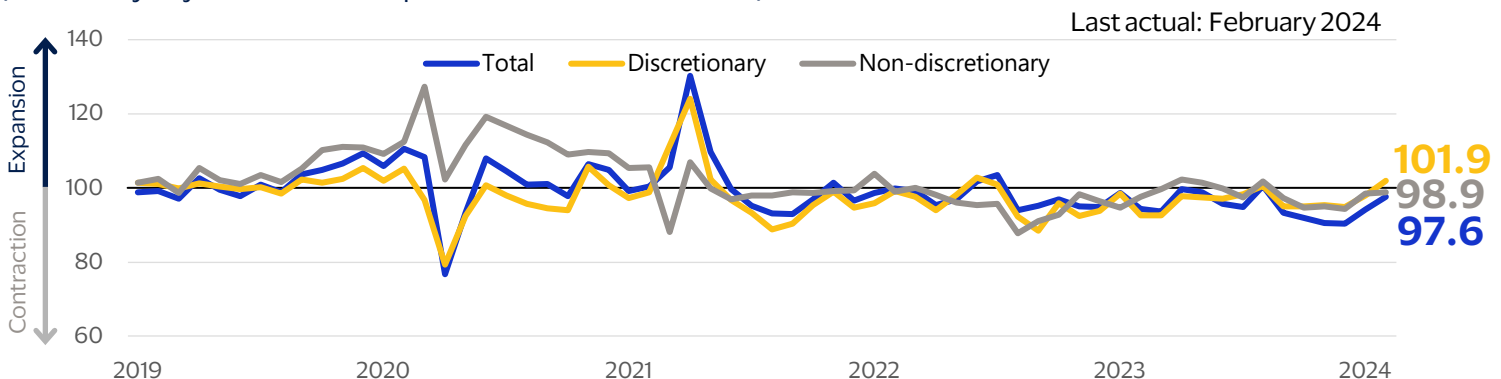
The Visa Australia Spending Momentum Index (SMI) continued to increase in February—up 3.4 points to 97.6, marking the second consecutive month of improvement. The rise was in part attributable to the leap year effect, which provided an extra day of consumption. Further, spend was also boosted by concert-goers attending a major international singer’s performances in Australia.

The celebrity-driven fan economy never goes out of style. Concert-goers tend to have a higher propensity to consume, splurging on retail and travel, as was the case in Australia in February. The uptick in the SMI’s discretionary segment, which rose by 4.0 points to 101.9 in February, was a strong indication of that. It also marked the highest reading since June 2022 and signaled a general increase in discretionary spending relative to last year. Restaurants also likely benefited from the concerts as more people dined out instead of eating at home. By contrast, non-discretionary spending momentum rose at a far slower pace of 0.4 points to 98.9, with some of the spend on groceries and other essentials likely diverted towards non-essentials. Fuel spending momentum rose in tandem with an acceleration in fuel prices (5.7 percent year-on-year) but remained below the 100 mark.

Whether Australia can sustain this acceleration in spending momentum remains to be seen. February’s uptick can largely be attributed to one-off effects. However, other encouraging signs, such as the steady decline in goods inflation, suggest that the current cash rate could be put on hold. This may in turn lift consumer sentiment in Australia.

Spending Momentum Index

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



19 March 2024

February SMI at a glance

Latest index reading

Nationwide momentum:

Change from previous month

Total

+3.4

Discretionary

+4.0

Non-discretionary

+0.4

*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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