

Spending Momentum Index

Australia



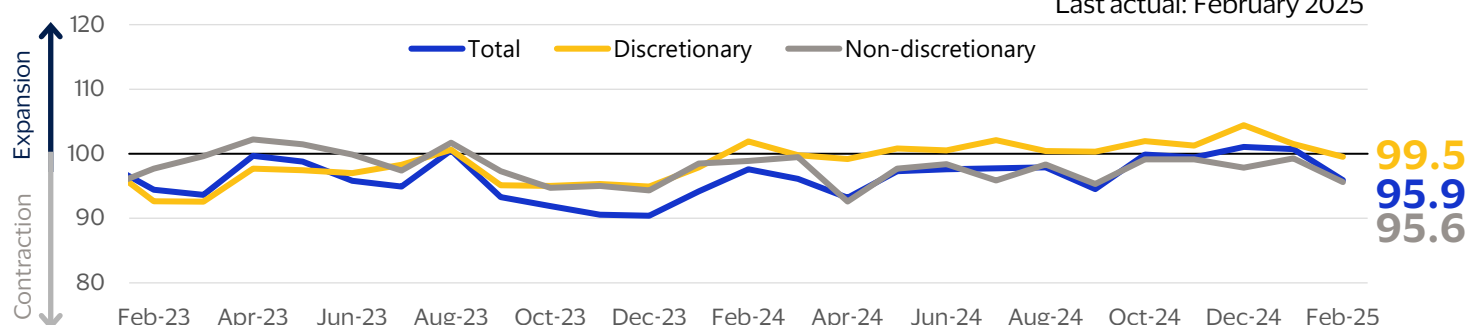
Stormy weather hinders Australian consumer spending in February

After a firm start to 2025, the Visa Australia Spending Momentum Index (SMI) fell 4.8 points to 95.9 in February, moving back into contraction. Storms disrupted activities, reducing consumer mobility. Spending momentum deteriorated as a result, with readings below 100 in all states and territories. That said, averages for January-February 2025 remained at or above 2024 levels. The Northern Territory showed the most resilience.

All four SMI segments (discretionary, non-discretionary, fuel, and restaurant) fell in February, each with readings below 100. The discretionary SMI fell for the second month to 99.5 and the restaurant SMI declined for the third consecutive month. The loss of momentum in discretionary and restaurant spend was particularly stark in Queensland, as consumers curtailed non-essentials amid record rainfall and severe flooding. At the same time, the non-discretionary SMI dropped by 3.7 points, with the sharpest declines in Tasmania and Victoria. Victoria's spending momentum has weakened considerably since November 2024. Meanwhile, fuel spending fell sharply, especially in the Australian Capital Territory. The decline in the fuel SMI aligns with the 5 percent YoY decrease in average petrol prices nationwide. Despite weather-related disruptions and geopolitical uncertainty, we believe ongoing improvements in real disposable income growth and a stable labor market should still support household consumption in the near term. However, as the boost from tax cuts and fiscal support measures starts to wane, the question (and risk) becomes how long indebted households will continue to dip into savings to pay their monthly bills before they start to reduce spending.

Spending Momentum Index*

(≥100 = expansion, <100 = contraction)



*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.

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February SMI at a glance
Latest index reading
Nationwide momentum:
Change from previous month

Total

-4.8

Discretionary

-2.0

Non-discretionary

-3.7



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, 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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