

# Spending Momentum Index



Australia

## Consumer sentiment dips as inflation remains elevated in April

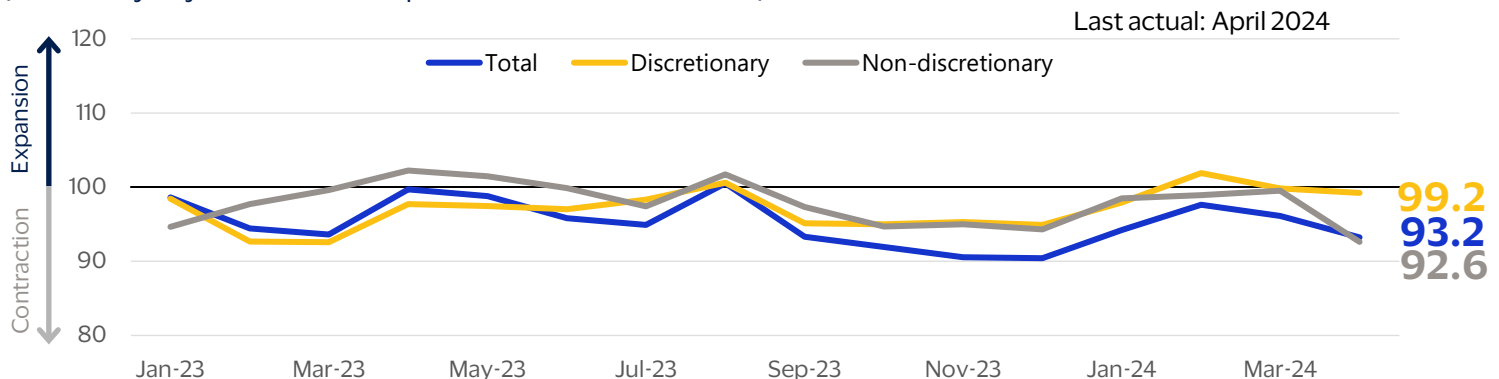
The Visa Australia Spending Momentum Index (SMI) dipped by 2.9 points in April to 93.2, as the share of Australian cardholders who decreased their spending grew by 1.4 percentage points. This can be attributed in part to persistently high inflation, especially in the housing segment, which has eaten into Australians' budgets. Further, the cash rate has remained high at 4.35 percent since November 2023. Collectively, these factors weighed on consumer sentiment and spend. By region, Queensland and Victoria suffered a sharper decline in spending momentum. As of March 2024, unemployment rates in these two states exceeded the national average by at least 0.3 percentage points, according to monthly labour force data from the Australian Bureau of Statistics.

Overall, all four categories' spending momentum (i.e., discretionary, non-discretionary, fuel, and restaurant) dropped. Restaurant and fuel spending momentum had the smallest declines in April. Non-discretionary spending momentum deteriorated partly because it was particularly strong this time last year. (Cost-of-living pressures began to affect many consumers in March 2023, leading them to cook more at home instead of dining out.) Despite a 7.3 percent increase in petrol prices, fuel spending momentum fell marginally. Households have adapted to higher fuel prices by driving less.

Housing rents are likely to remain high due to strong demand stemming from the return of migrant workers and students. The low supply of housing resulting from a lack of skilled workers and construction companies was also a factor. These trends could delay any reductions in the cash rate and keep consumer sentiment low, especially in the restaurant segment.

### Spending Momentum Index

(Seasonally adjusted, \* ≥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.



16 May 2024

### April SMI at a glance

### Latest index reading

### Nationwide momentum:

Change from previous month

Total

**-2.9**

Discretionary

**-0.6**

Non-discretionary

**-6.8**



# 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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