

Spending Momentum Index



Australia

Australia spending momentum may have bottomed out as sentiment improves

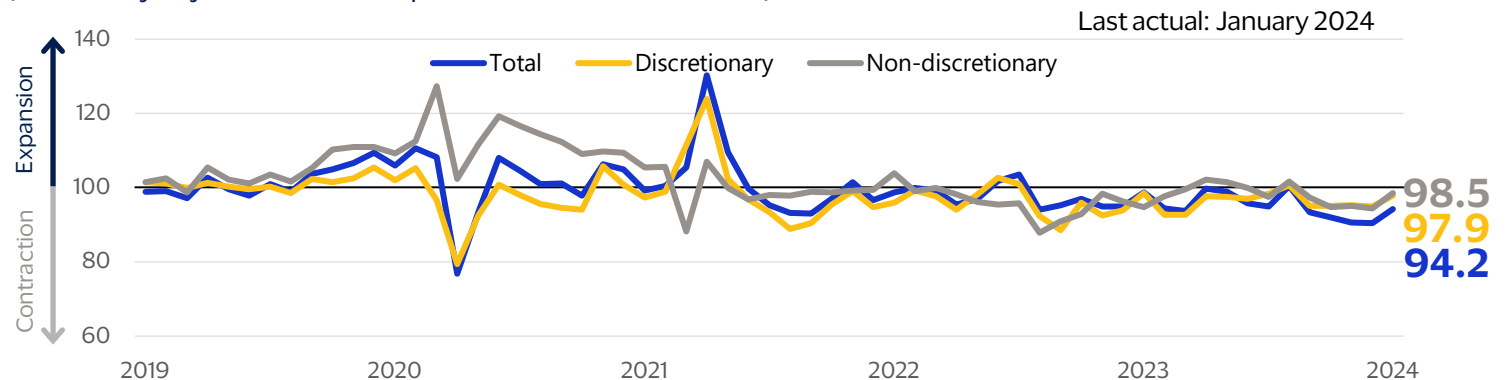
The Visa Australia Spending Momentum Index (SMI) rose 3.8 points in January to 94.2, marking the highest reading and the first month-on-month increase since August 2023. The rebound was broad-based, suggesting that consumer sentiment may be turning around.

In January, both the discretionary and non-discretionary SMIs were up, rising by 3.0 points and 4.2 points respectively. The improvement can be partly attributed to falling inflation as well as an unchanged cash rate, which boosted consumer sentiment. Sentiment may have received further support as the increase in government benefits outpaced inflation with updates to the indexations of the benefits, in turn promoting spend on non-discretionary goods and service. However, both indices remained below the 100 mark, implying that consumer spending momentum still has a way to go to recover compared to a year ago. For the other two spending categories (i.e., restaurant and fuel), spending momentum declined. The fuel SMI fell marginally, reflecting the slower pace of energy price increases in January. Due to higher food costs, Australians have likely pivoted to buying more groceries for cooking at home, resulting in a drop in the restaurant SMI and an improvement in the non-discretionary segment.

Consumer price inflation has fallen continuously since last September and was 3.4 percent year-on-year in December. This marked the lowest inflation rate since December 2021 and brought it within 40 basis points of the Reserve Bank of Australia's upper limit target. While inflation is moving in the right direction, non-tradables inflation, which encompasses goods and services that are mostly affected by domestic factors, remains elevated.

Spending Momentum Index

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



22 February 2024

January SMI at a glance

Latest index reading

Nationwide momentum:

Change from previous month

Total

+3.8

Discretionary

+3.0

Non-discretionary

+4.2

*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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