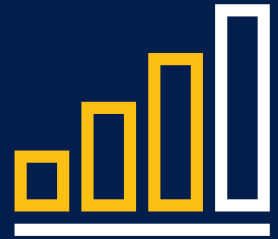


Spending Momentum Index



Australia

Spending momentum continues to weaken as costs remain high

Visa's Australia Spending Momentum Index (SMI) fell by a further 3.0 points overall to reach 95.8 in June. In the same month, the Reserve Bank of Australia (RBA) increased the cash rate by 25 basis points to 4.1 percent. Amid these elevated rates, high inflation and an uncertain economic outlook, spending momentum declined for all four categories (discretionary, non-discretionary, fuel and restaurant), putting them in contractionary territory (i.e., below 100).

Fuel spending momentum experienced the sharpest decrease, as prices at the pump dropped by 8.6 percent year-on-year. However, this did not boost spend in the other three categories as one might expect. Instead of reallocating spending to other categories, a larger share of cardholders decreased their spending in June relative to the same month last year. This suggests that Australian households could be facing budget constraints. At the same time, non-discretionary spending momentum fell by 1.6 points in June. Restaurant spending momentum slowed moderately, as more Australians likely dined out less to save costs. Based on data from OpenTable, the number of seated diners has trended downward since the start of the year. Collectively, these dynamics indicate that Australian consumers are becoming more cautious about spending, given that interest payments have increased and living expenses are still high.

While inflation has slowed to 5.6 percent as of May 2023, it remains well above the RBA's target of 2 to 3 percent. Further, services inflation has yet to peak. Even though the RBA maintained the cash rate in its July meeting, it stayed firm in tackling inflation. Accordingly, the cash rate could remain high for longer and, in turn, affect spend in the coming months.

27 July 2023

June SMI at a glance

Latest index reading

Nationwide momentum:

Change from previous month

Total

-3.0

Discretionary

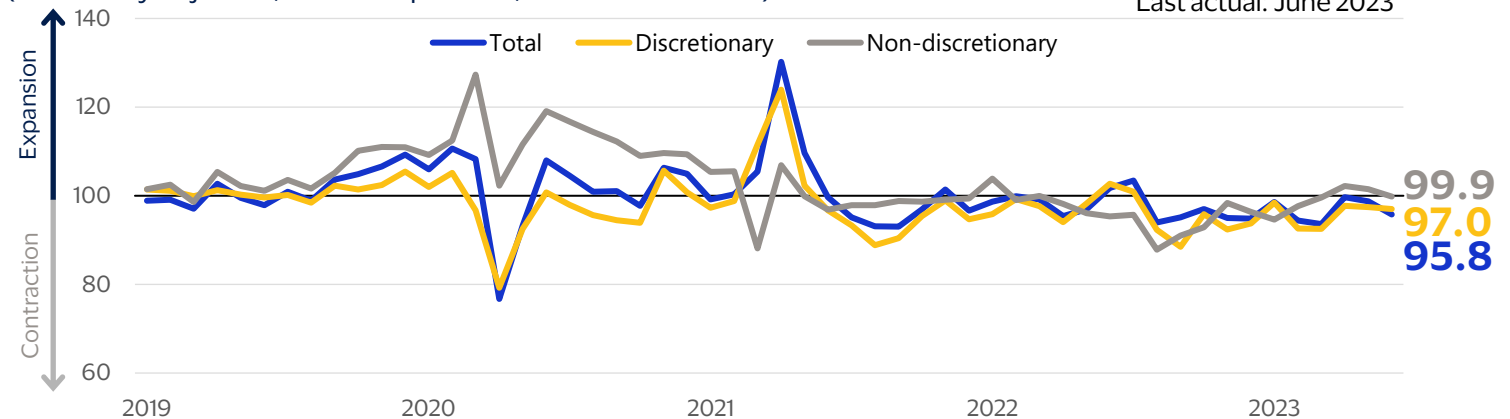
-0.4

Non-discretionary

-1.6

Spending Momentum Index

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



Last actual: June 2023

*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.

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.

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