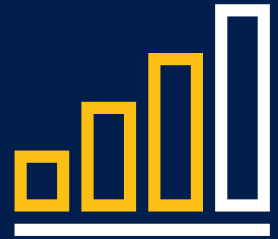


Spending Momentum Index



Australia

Spending momentum declines in May as consumers show signs of cost-cutting

Spending momentum dropped in May for all four categories (discretionary, non-discretionary, fuel and restaurant), with Visa’s Australia Spending Momentum Index (SMI) declining 0.9 points overall to reach 98.8, a reversal from the increase in the preceding month. This came as the Reserve Bank of Australia (RBA) increased the cash rate by 25 basis points for the twelfth time since April 2022. Fewer cardholders increased their spending in May relative to the prior year, with a majority now cutting back. Fuel spending momentum declined sharply as fuel prices dropped by 5.5 percent year-on-year in the same month. This drop could also suggest Australian consumers are driving less to save costs, given that inflation remains high. By category, the second greatest decline in May was restaurant spending momentum, which slowed modestly. Although spending momentum in the non-discretionary segment declined by 0.7 points, it was still within expansionary territory (i.e., above 100) given that consumers seem to be paying closer attention to their budgets and spending less on restaurants. At the same time, discretionary spending momentum fell slightly by 0.2 points, a reversal from the 5.1-point gain in the previous month.

All spending categories except for non-discretionary spend are now in contractionary territory. These dynamics are likely to persist as consumers’ budgets remain constrained due to the high interest rates and inflation. Excluding volatile items such as groceries and fuel, consumer price inflation remains elevated at 6.5 percent. Further, the RBA remains firm in curbing inflation, while the May budget included measures to relieve inflation in utilities. This should reduce cost-of-living pressures for lower-income households.

21 June 2023

May SMI at a glance

Latest index reading

Nationwide momentum:

Change from previous month

Total

-0.9

Discretionary

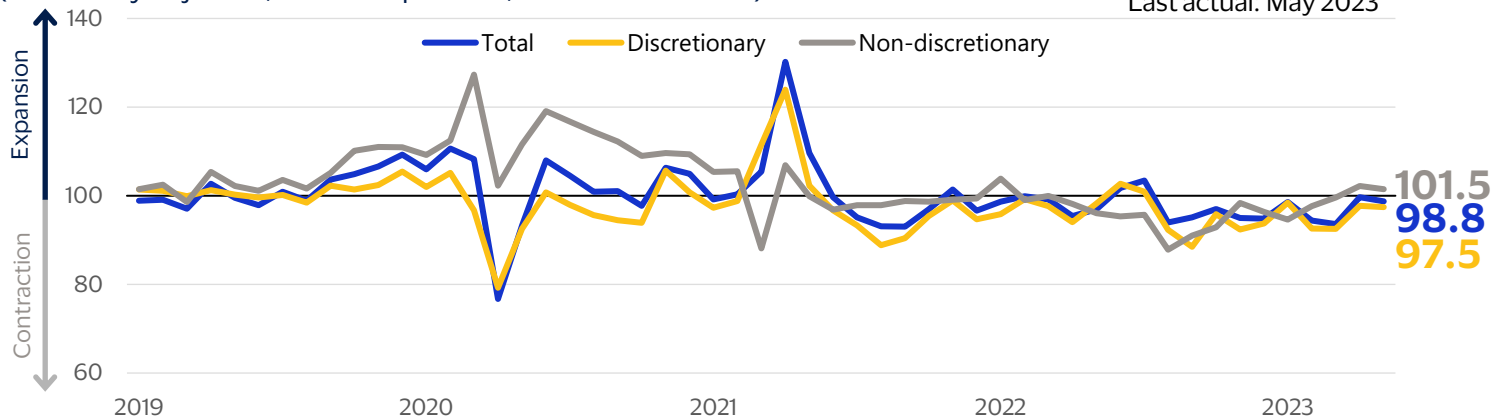
-0.2

Non-discretionary

-0.7

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.



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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