

Spending Momentum Index



Australia

Consumer spending weakens in October amid elevated inflation and fuel prices

The Visa Australia Spending Momentum Index (SMI) dropped by 1.4 points to 91.9 in October as consumers continued to respond to rising fuel costs, sticky inflation and high interest rates. Fifty-one percent of Australian cardholders reduced their spend last month compared to a year ago—the highest share recorded this year, according to the SMI. This was in contrast to the recent Australian retail sales figures reported by the Australian Bureau of Statistics, which recorded a 2.0 percent increase year-on-year (YoY) in September. The SMI divergence from the retail sales figures suggests the SMI is picking up on a change in spending, with a small, select group of consumers likely driving the economy. These are likely affluent consumers, given their considerable savings and the types of discretionary goods purchased.

Among the four spending categories (discretionary, non-discretionary, fuel and restaurant), the largest increase in spending momentum continued to be on fuel purchases. The fuel SMI grew in tandem with a 12 percent YoY jump in petrol prices. At the same time, restaurant spending momentum accelerated slightly after the number of seated diners improved, but the restaurant SMI remained in contraction territory. However, both the discretionary and non-discretionary SMIs declined by 0.1 points and 2.6 points, respectively. These suggest increased spending on petrol may be displacing spending in other categories.

Looking ahead, households' interest rate burden is expected to increase as more mortgages fixed at low interest rates reprice at today's higher prevailing rates. Combined with elevated inflation and interest rates, especially in light of the recent rate increase, consumer spending will likely face further headwinds in the coming months.

23 November 2023

October SMI at a glance

Latest index reading

Nationwide momentum:

Change from previous month

Total

-1.4

Discretionary

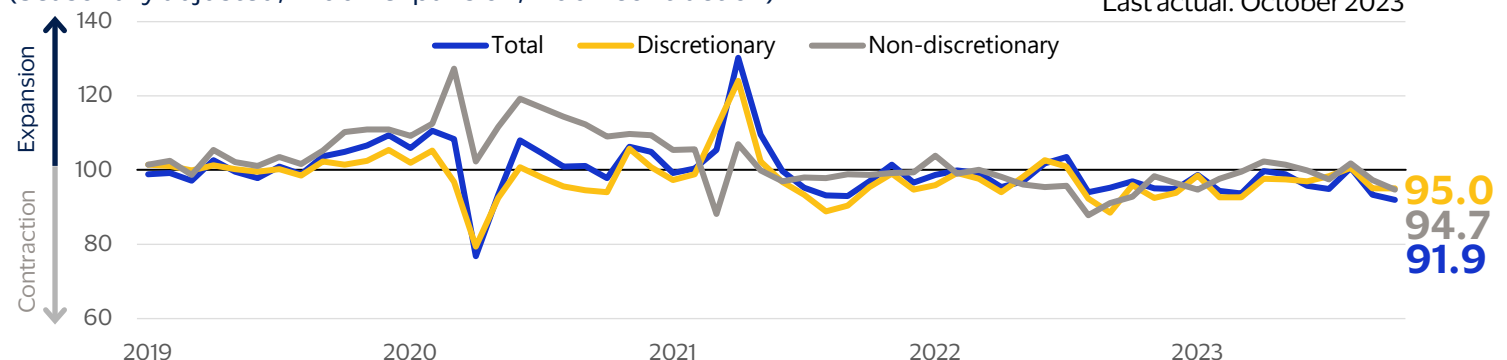
-0.1

Non-discretionary

-2.6

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



Last actual: October 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.

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