

# Spending Momentum Index



Australia

## Rising petrol prices lead to slower consumer spending in September

The Visa Australia Spending Momentum Index (SMI) fell by 7.3 points to 93.3 as consumers dealt with high fuel prices by cutting back spending in September. The latest Australia SMI reading suggests that around 50 percent of Australian cardholders reduced their spend last month compared to a year ago—the lowest overall SMI reading this year, putting it back in contraction territory.

All four SMIs (discretionary, non-discretionary, fuel, and restaurant) fell in September. The fuel SMI fell, despite a 22 percent year-on-year (YoY) jump in petrol prices—the steepest increase since July 2022. This divergence suggests that Australians may be changing their behaviour by driving less in response to high prices at the pump. At the same time, both the discretionary and non-discretionary SMIs dropped by 5.6 points and 4.4 points, respectively. Both indices are now in contraction with readings below 100. The restaurant SMI continued to decline, as the average number of seated diners fell sharply compared to a year ago. In fact, the number of seated diners plunged over the week when Australia experienced the spring heat wave.

As the base effects from the July 2022 floods ended, the SMI reading showed that Australians were still facing budget constraints from high interest rates and inflation. This was further compounded by the sharp increase in fuel prices. Elevated interest rates also affected the labour market. Job vacancies were steadily trending downward and growth in the monthly number of hours worked has slowed. Given these dynamics, Australian consumer spending may continue to face headwinds in the coming months.

25 October 2023

### September SMI at a glance

#### Latest index reading

#### Nationwide momentum:

Change from previous month

Total

**-7.3**

Discretionary

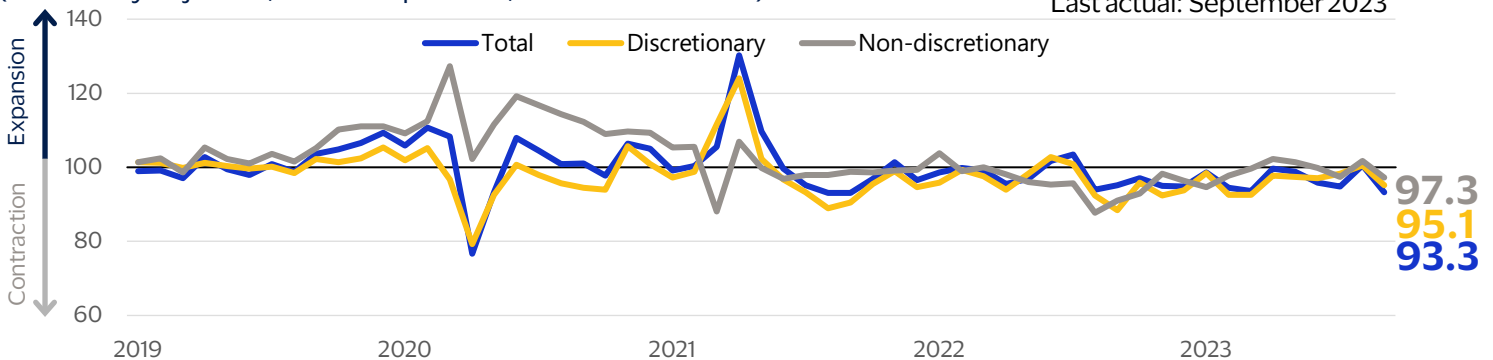
**-5.6**

Non-discretionary

**-4.4**

### Spending Momentum Index

(Seasonally adjusted, \* $\geq 100$  = expansion,  $< 100$  = contraction)



Last actual: September 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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