

Spending Momentum Index



Australia

Australia spending momentum rises but cost of living pressures persist in August

The Visa Australia Spending Momentum Index (SMI) improved by 5.7 points to 100.5 in August as a larger share of Australians increased their spending compared to a year ago. Higher fuel prices, an unchanged cash rate, and a resilient labour market helped to support the spending momentum gains. Last August's weaker spending momentum, in part due to the July 2022 New South Wales' floods, also boosted this month's readings and month-on-month gains.

The fuel SMI saw the sharpest uptick in August as consumers were forced to spend more at the pump, with fuel prices up 15 percent year-on-year (YoY). This marked the first price increase after three consecutive months of decline resulting from production cuts by the Organisation of the Petroleum Exporting Countries (OPEC). However, the fuel SMI remained in contraction. At the same time, both the discretionary and non-discretionary SMIs improved by 2.3 points and 4.3 points respectively, partly as a result of inflation-induced cost increases. Both indices are now in expansion with readings above 100. Conversely, the restaurant SMI declined slightly in line with a similar YoY fall in the number of seated diners.

While the overall SMI has breached above the 100 mark for the first time this year, we don't yet view it as an inflection point. The increase in the SMI was driven more by credit rather than debit, suggesting that consumers drew down on available credit card credit lines to fund the increased spend. Further, the household savings rate also weakened in Q2-2023. Collectively, these developments imply Australians may be facing budget constraints due to higher mortgage payments and inflation. However, Australians' credit health remains robust based on the repayments data and the share of credit limits used.

21 September 2023

August SMI at a glance

Latest index reading

Nationwide momentum:

Change from previous month

Total

+5.7

Discretionary

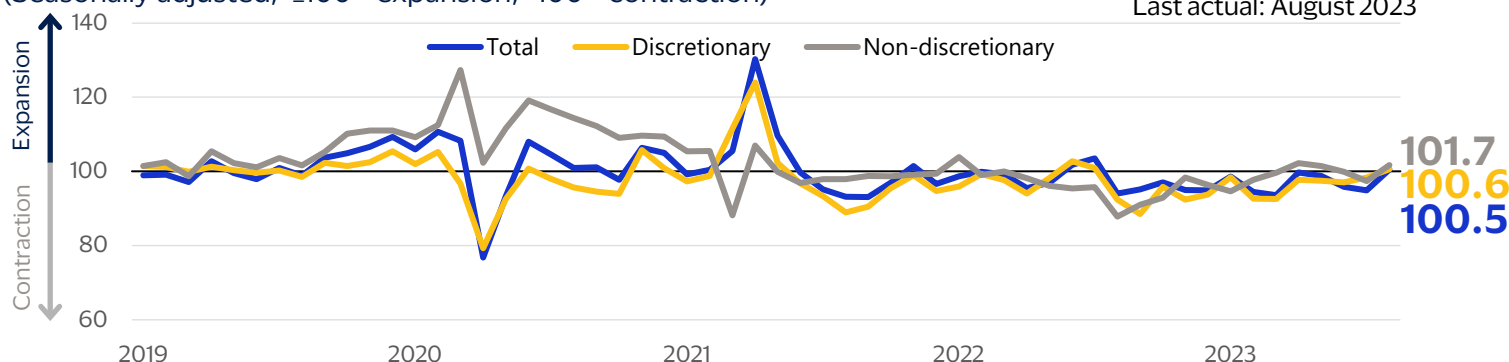
+2.3

Non-discretionary

+4.3

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.

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