

Spending Momentum Index

United States

October 13, 2021

Spending momentum slows further in September

Visa’s U.S. Spending Momentum Index (SMI) fell 1.1 points in September to 108.5 (seasonally adjusted). The latest reading indicates spending momentum continues to expand but not as rapidly as it had earlier this year. September was the third month in a row of declining consumer confidence, as COVID cases remained elevated throughout much of the U.S.¹ Consumers’ view of both current and future economic conditions slid again in September, with expectations of future growth now at their lowest level since last November. Beyond the pandemic effects, there are signs that inflation is also eating into the purchasing power of consumers. After adjusting for inflation, real average hourly earnings in August fell for the fifth month in a row as higher income growth was offset by the higher prices of goods and services.²

The pullback in the SMI reading was observed across both discretionary and non-discretionary spending. The discretionary SMI index fell 0.8 points in September while the non-discretionary index fell 0.5 points for the month to 99.6. The non-discretionary reading below 100 implies a contraction in consumer spending momentum for the category, the first such decline since June of this year.

In This Issue

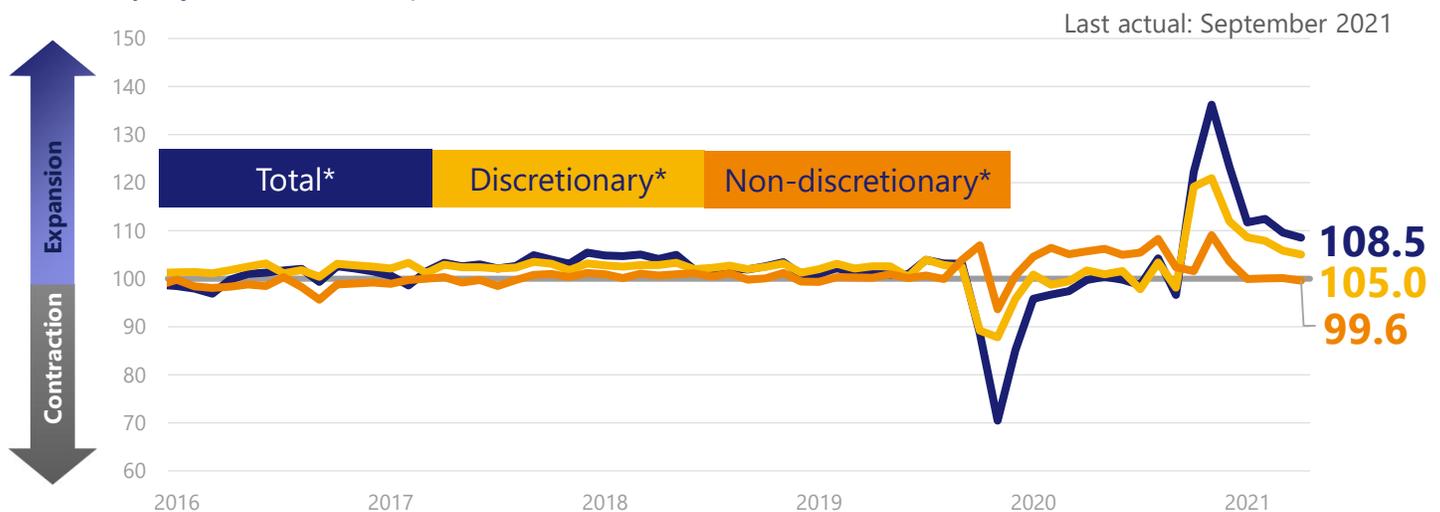
Momentum slowed further in September as consumer confidence fell and inflationary pressures rose

Spending momentum has remained resilient as the Delta variant has fueled the current wave of infections

Vaccination has helped blunt the impact from this current wave, with spending momentum in more vaccinated areas holding up better

Spending Momentum Index

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



*The discretionary and non-discretionary categories exclude restaurant and gas spending; both restaurant and gas are included in the total SMI. See additional definitions of spending categories on page 4. Source: Visa Business and Economic Insights. The Visa U.S. SMI measures the current month relative to the same month last year. Both national and regional readings of the index are based on year-over-year changes in consumer spending with Visa bankcards. Local markets are defined as a Combined Statistical Area.

¹ Conference Board

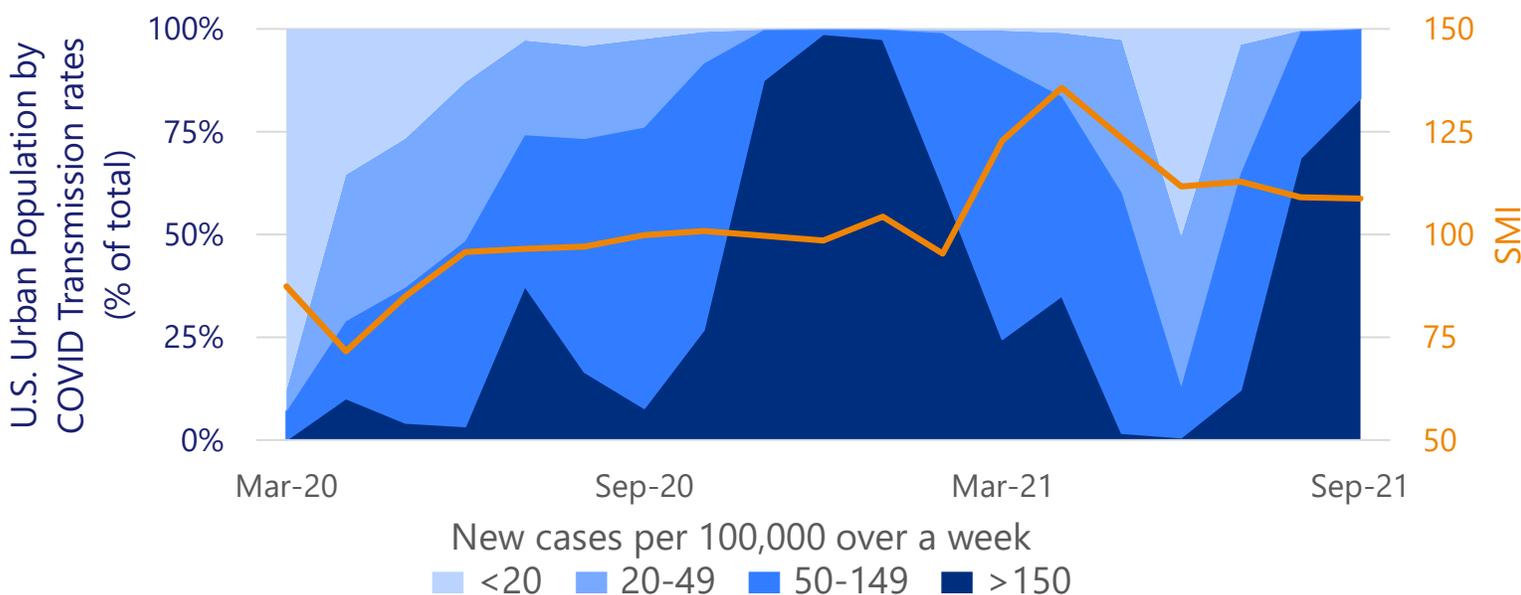
² U.S. Department of Labor

Vaccination helps to insulate consumer spending momentum

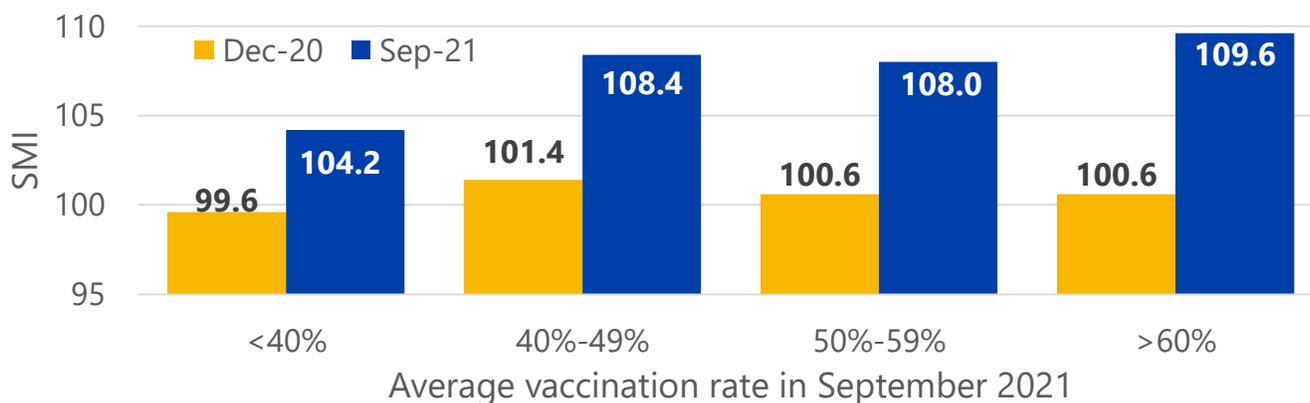
The Delta variant's spread since this summer has placed increasing stress on health care systems and communities. Over 80 percent of the U.S. population now lives in cities where transmission of the novel coronavirus is at the highest tier of community spread.³ While from a public health standpoint this current wave rivals that of last winter in terms of its pervasiveness and severity, its impact on consumer spending momentum has been more muted as the Visa SMI was 108.7 in September 2021, which was much stronger than 98.5 in December 2020. Part of this resiliency stems from a stronger labor market with over 3 million more people working today than at the end of last year, but it is not the only reason.

Vaccination has played an equally important role in blunting the impact of the Delta variant on the economy. The SMI indicates that in cities facing the fastest rate of community spread in both the current and last waves, spending momentum today is stronger where a larger share of population has been fully vaccinated against COVID-19. These cities are much more differentiated today than they were at the end of last year when the winter wave hit spending in all these cities equally hard. The fact that vaccinations make such a difference today across cities gives us hope that medical advances are helping us to decouple spending from the pandemic, helping to sustain the economic recovery.

Consumer spending momentum remains strong despite current wave



SMI in U.S. cities with the highest rates of transmission by vaccination rate



³ Tiering based on World Health Organization, "Considerations for implementing and adjusting public health and social measures in the context of COVID-19, Interim guidance." 14 June 2021. Sources: Visa SMI, U.S. Centers for Disease Control, Texas Health and Human Services

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, membership clubs, tolls/fees, wholesale).

**The discretionary and non-discretionary categories exclude restaurant and gas spending; both restaurant and gas are included in the total SMI.

Methodology

The Visa U.S. 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.

Disclaimer

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