

Visa's analysis of current economic data indicates that fundamentals behind consumer spending remain solid so far in the third quarter.



"While job growth is slowing, wage and overall income growth remain solid, which should support another impressive pace of consumer spending in the third quarter. However, we also continue to monitor geopolitical risks for any potential adverse impact on consumer spending."

Michael Brown
Principal U.S. Economist, Visa Inc.

Retail sales downshift in August; income growth remains strong

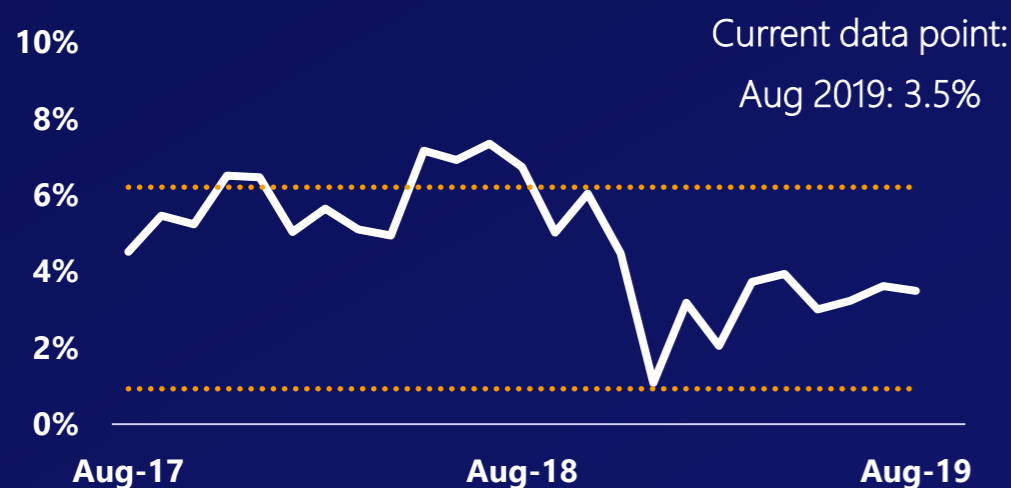
Retail sales (excluding auto sales) growth decelerated in August to a 3.5 percent pace following a solid gain in July. A pick-up in sales at building materials retailers along with non-store retailers (includes e-commerce) was offset by a slowdown in a number of retail categories, including restaurants, gasoline stations, clothing stores and department stores. Categories of retail sales that feed into the calculation of GDP, however, continued to grow, rising 0.3 percent.

- July nominal personal disposable income growth slowed only slightly to 4.5 percent from June's 4.7 percent. Wage growth remains a key support to overall income growth, rising 0.2 percent month-over-month in July. Average hourly earnings continued to trend higher in August, suggesting continued wage growth momentum.
- Real consumer spending was revised higher to a 4.7 percent annualized pace in the second estimate of GDP growth for Q2. Nominal consumer spending accelerated in July to 4.1 percent YoY, with spending on durable goods and services rising the fastest relative to last year.

Key monthly consumer indicators:

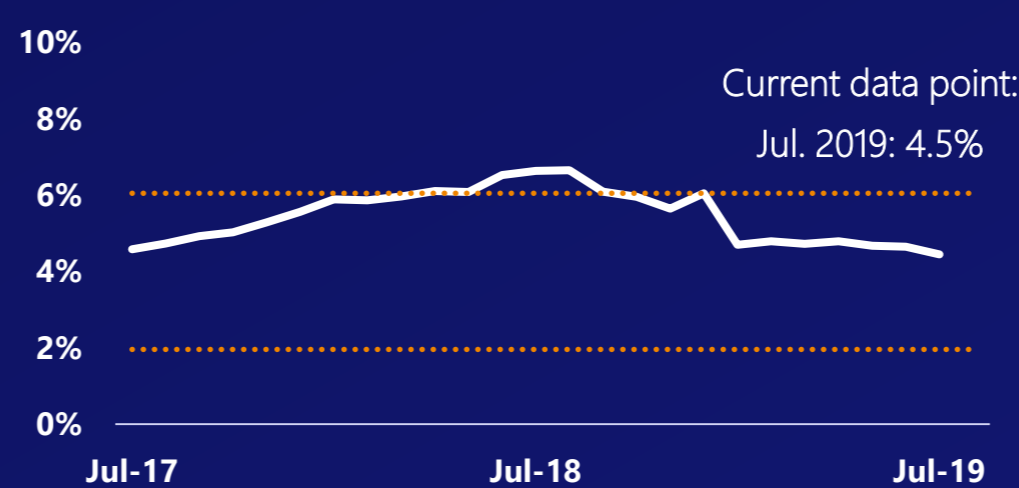
Retail sales excluding auto sales

Year-over-year percent change



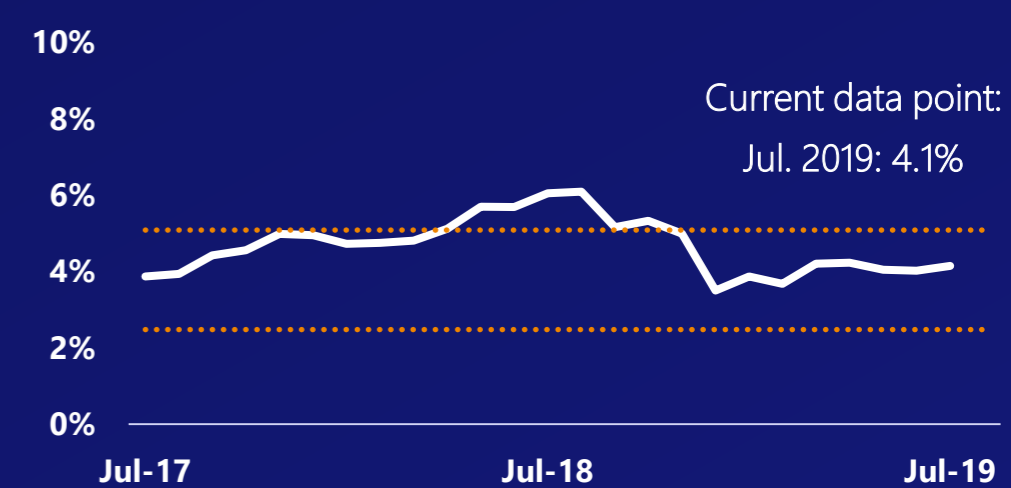
Nominal disposable personal income

Year-over-year percent change



Nominal personal spending

Year-over-year percent change



The orange lines represent the normal range for each measure in the current business cycle, defined as one standard deviation above and below the average change since August 2009.

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Consumer fundamentals remain strong despite slowing job growth

August prices dropped slightly, relative to the same period last year, largely due to falling gas prices:

- Consumer confidence declined slightly in August, falling less than a point. However, consumer confidence varied by age group – confidence among consumers over 35 either remained flat or fell slightly, whereas confidence among consumers under 35 rose by nearly 10 points.
- The U.S. economy added 130,000 jobs in August, and July's job growth figures were revised slightly lower. Weakness is due largely to soft job growth, rather than job losses across multiple sectors. Both unemployment and average hourly earnings remained stable at 3.7 percent and 3.2 percent YoY, respectively, which should support continued gains in consumer spending in the third quarter.



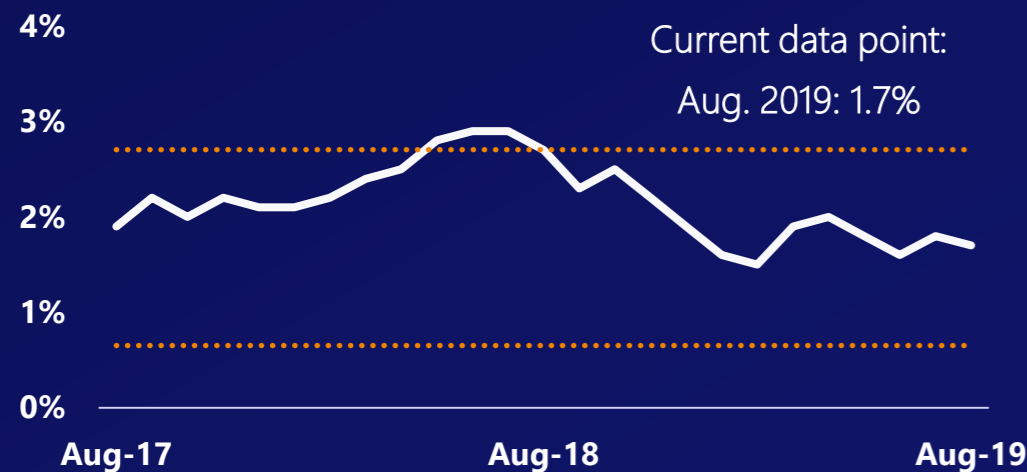
"Confidence is booming among younger consumers, likely due to continued job and wage gains in lower pay industries where many begin their careers. However, these same consumers are also most at risk if the economy slows."

Eric Warner
U.S. Economist, Visa Inc.

Key monthly consumer indicators:

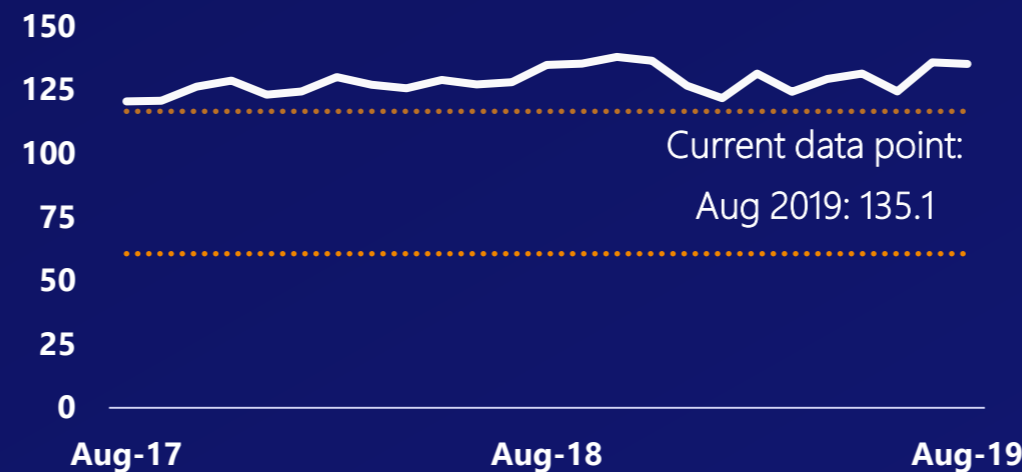
Consumer Price Index

Year-over-year percent change



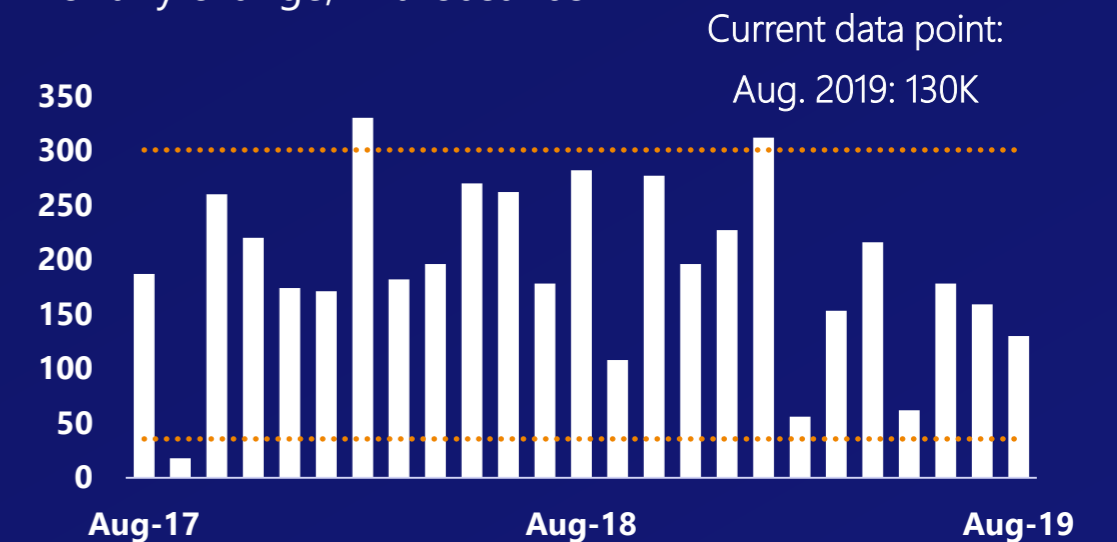
Consumer Confidence Index

Index, 1985=100



Monthly employment growth

Monthly change, in thousands



The orange lines represent the normal range for each measure in the current business cycle, defined as one standard deviation above and below the average change since August 2009.

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