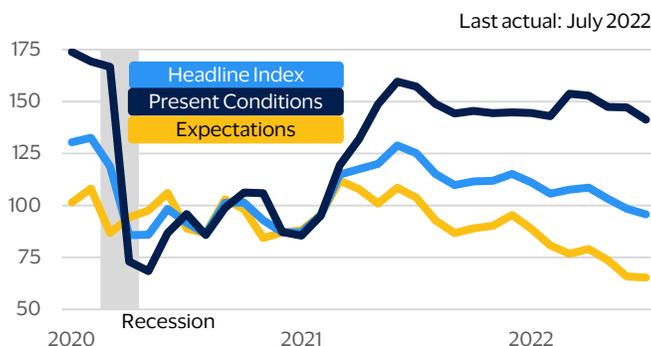


Monthly Consumer Monitor

August 2022

Consumers keep spending despite concerns about the future

 **Fig. 1: Consumer Confidence Index**
SA, index (1985 = 100)



Confidence and spending diverge in conflicting trends

Over the last year, *consumer confidence has taken a major tumble*. It rebounded in the summer of 2021 as consumers became more secure in their financial circumstances and more optimistic about the future. But by mid-2022 the Consumer Confidence Index had declined precipitously, recording some of the lowest readings of the pandemic era. *At the same time, consumer spending continued to expand as demand for goods and services remained robust*. So what is causing this divergence between how consumers are feeling and what they are doing? To start, it's important to disentangle the components of the index to understand the top concerns of today. After doing so, the story becomes clear—consumers are relatively content with their present situation, but worried about the future.

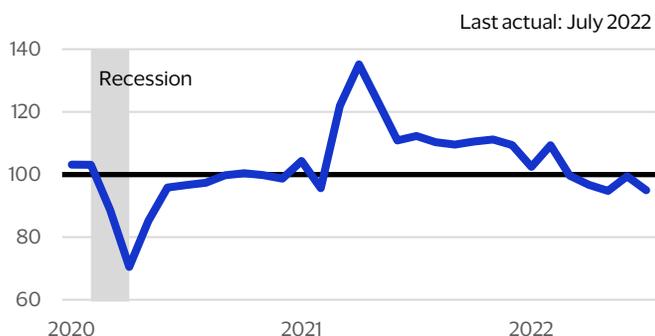
A closer look at the index components

Through Q2-2022, personal consumption expenditures continued to increase, even after accounting for inflation and population growth. The U.S. economy is creating jobs at a rapid pace and incomes are rising. Many households have an exceptionally high level of savings in the bank, while others have gained equity in their homes. *This is reflected in the present conditions component of the Consumer Confidence Index, which has been higher over the last 18 months than almost any period in the last two decades*. In part, consumers are still spending because they are fairly satisfied with their immediate situation, but they are also spending out of necessity. According to the Visa Spending Momentum Index, most households are spending more on necessities like gas and groceries—likely due to high inflation effects—while spending less on dining out and other non-essentials. At the same time, recent news about the stock market and Ukraine invasion has almost certainly contributed to a sense of unease about the future. Consumers also expect that jobs will become harder to get and business conditions will deteriorate over the next six months. They are increasingly worried that their incomes will decline, and they have less confidence in their ability to buy a car or a home. *These issues are dragging down the future expectations component of the Consumer Confidence Index, raising questions about future expenditure trends*.

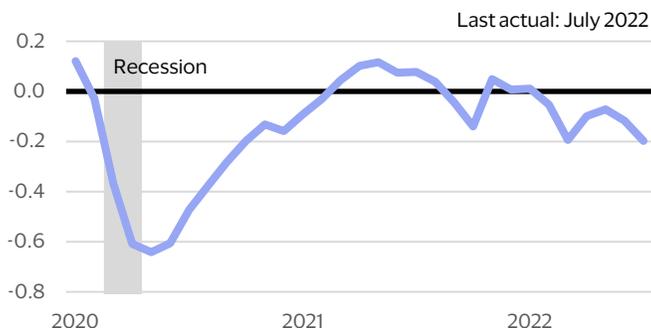
Potential turbulence for the remainder of 2022

The outlook for spending in the second half of 2022 is generally positive, but the deterioration in consumer expectations suggests that soft spots are likely to emerge. In July, nationwide retail sales held steady as consumers got some relief from falling gas prices and put those savings into other goods and services. Affluent individuals will probably continue to spend relatively freely through the end of the year, drawing on their stockpiles of savings and other forms of wealth, but cutbacks among lower-income households could start to become more common. The forecast for 2023 becomes more uncertain due to a confluence of global factors, but the rest of 2022 could be bumpy.

 **Fig. 2: Spending Momentum Index**
SA, ≥100 = expansion, <100 = contraction



 **Fig. 3: News Sentiment Index**
Higher values indicate more positive sentiment, lower values indicate more negative sentiment



Accessibility notes

Fig. 1: Line chart with three lines showing headline Consumer Confidence Index alongside the present situation and future expectations components. Headline consumer confidence ranges from 130.4 in January 2020 to a low of 85.9 in May 2020, a high of 128.9 in June 2021, and the latest reading of 95.7 in July 2022. The present situation index ranges from 173.9 in January 2020 to a low of 68.4 in May 2020, a high of 159.7 in June 2021, and the latest reading of 141.3 in July 2022. The expectations index ranges from 101.4 in January 2020 to a near-term low of 84.3 in November 2020, a high of 111.9 in March 2021, and a new low of 65.3 by the latest reading in July 2022.

Fig. 2: Line chart with a single line showing the Spending Momentum Index. The index ranges from 103.2 in January 2020 to a low of 70.5 in April 2020, a high of 135.1 in April 2021, and the latest reading of 95.0 in July 2022.

Fig. 3: Line chart with a single line showing the news sentiment index. The index ranges from 0.12 in January 2020 to a low of -0.64 in May 2020, returning to 0.12 in May 2021 and declining to -0.2 in the latest reading from July 2022.





Forward Looking Statements

This report may contain forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. These statements are generally identified by words such as “outlook”, “forecast”, “projected”, “could”, “expects”, “will” and other similar expressions. Examples of such forward-looking statements include, but are not limited to, statement we make about Visa’s business, economic outlooks, population expansion and analyses. All statements other than statements of historical fact could be forward-looking statements, which speak only as of the date they are made, are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, many of which are beyond our control and are difficult to predict. We describe risks and uncertainties that could cause actual results to differ materially from those expressed in, or implied by, any of these forward-looking statements in our filings with the SEC. Except as required by law, we do not intend to update or revise any forward-looking statements as a result of new information, future events or otherwise.

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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.



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