

Visa's analysis of current economic data indicates that U.S. consumer spending downshifted to start Q1



"After a solid holiday shopping season, consumer spending downshifted a bit in January, even in light of strong job growth and elevated confidence levels. Disposable income growth has begun to decelerate, which is likely translating into more cautious consumers."

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

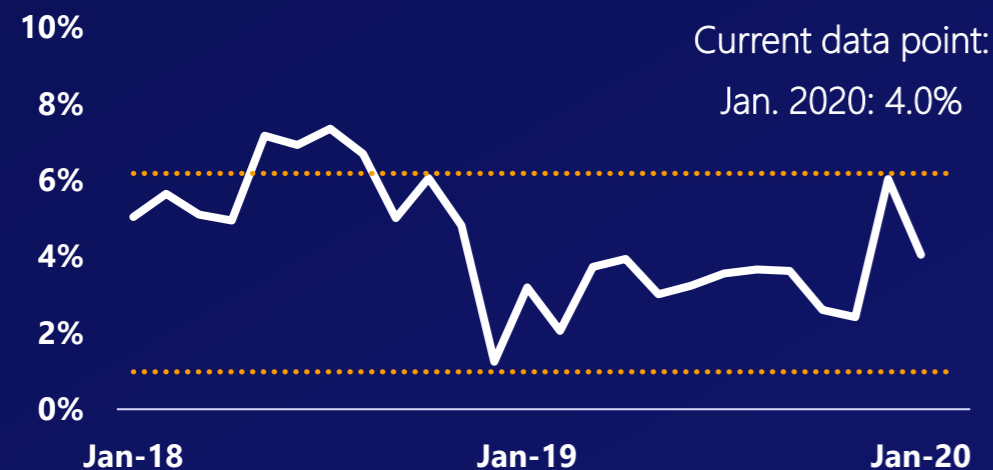
Early signals show a downshift in consumer spending

- Retail sales (excluding auto sales) growth decelerated in January to 4 percent year-over-year (YoY) after surging in December. On average, the growth in retail sales continues to trend higher. The closely-watched control group (which feeds into the calculation of GDP growth) was downwardly revised for December and flat in January, signaling that consumer spending started Q1 on a softer note.
- Personal disposable income growth slowed again in December to a 3.6 percent YoY pace. Part of the slowdown was due to a deceleration in compensation growth.
- Nominal consumer spending rose an impressive 5 percent in December as nondurable goods and services edged higher for the month. Real consumer spending grew 1.8 percent on a three-month annualized basis in December.

Key monthly consumer indicators:

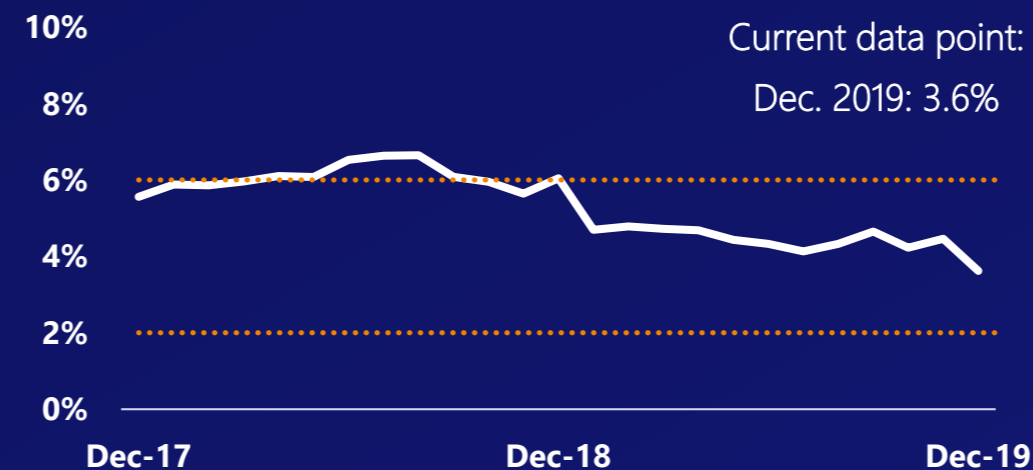
Retail sales excluding auto sales

YoY percent change



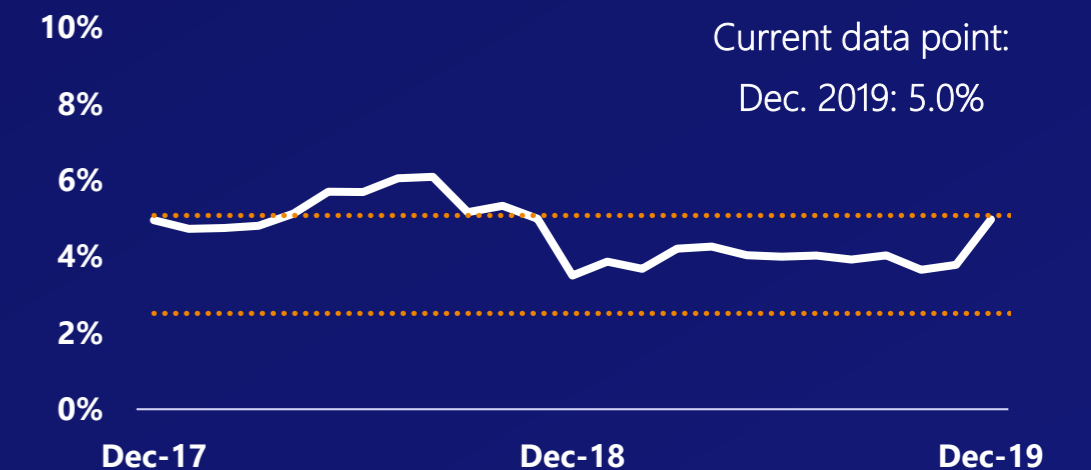
Nominal disposable personal income

YoY percent change



Nominal personal spending

YoY percent change

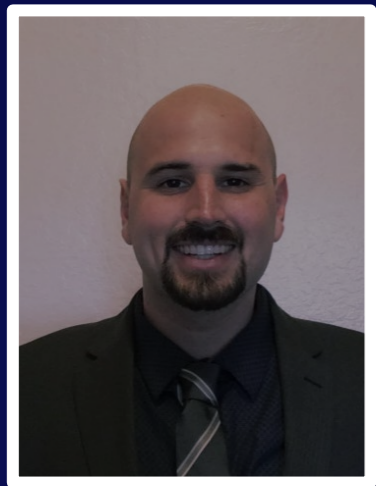


The orange lines represent the normal range for each measure in the current business cycle, defined as one standard deviation above and below the average change since August 2009.

*The control group within retail sales is defined as total retail sales excluding food services, gas stations, autos and building materials sales.

Sources: Visa Business and Economic Insights and U.S. Department of Commerce

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"This year started off with strong job growth while price pressures have emerged over the last few months. Consumer confidence also posted a sizable improvement in January, implying that the economy remains well positioned for consumer spending growth in 2020."

Travis Clark
Associate U.S. Economist, Visa Inc.

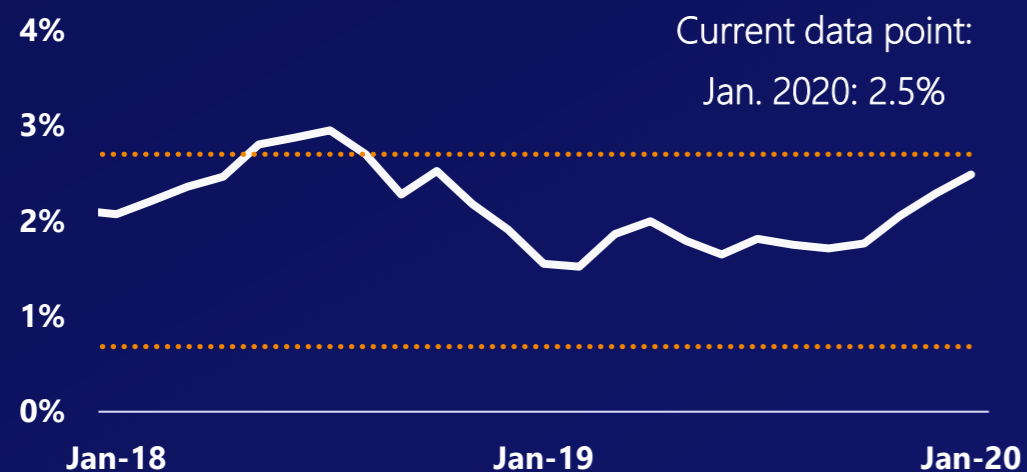
January job growth kicks off 2020 with a strong showing

- January was the third consecutive month of price growth above 2 percent YoY. At 2.5 percent, it is the highest YoY price growth since October 2018. The strong price growth of the past three months can be traced primarily to increases in medical care and housing costs.
- Consumer confidence showed a slight uptick of 3.4 points from December to January. Confidence in both current and future economic conditions increased as trade tensions subsided with the trade agreement between the U.S. and China and a new trade deal passed between the U.S., Canada and Mexico.
- The U.S. economy added 225,000 jobs in January, thanks in large part to the mild winter that has allowed industries such as construction and leisure and hospitality to be busier than usual at this time of year. Businesses were also able to draw from a larger labor pool as the labor force participation rate ticked up 0.2 percent to 83.1 percent. However, the increase in job seekers also pushed the unemployment rate up to 3.6 percent.

Key monthly consumer indicators:

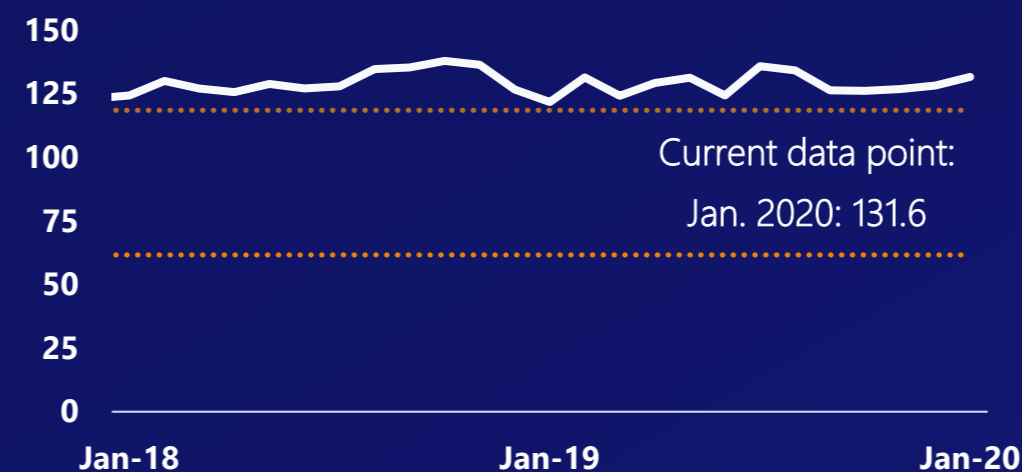
Consumer Price Index

Year-over-year percent change



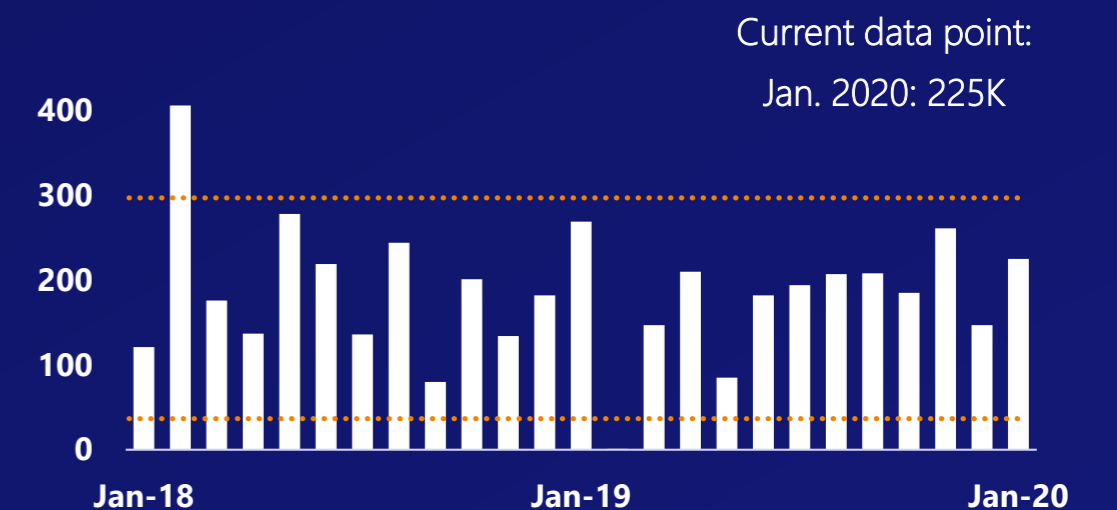
Consumer Confidence Index

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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