

Visa's analysis of current economic data indicates that U.S. consumer fundamentals remain strong, but declining consumer confidence may be cause for concern.



"Forward looking indicators of the consumer sector such as average hourly earnings are pointing towards a more modest pace of consumer spending in Q4. Our focus will be on the consumer confidence measures as we look for signs that consumers are becoming worried about the economy."

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

Retail sales hold steady in September; income growth remains strong

- Retail sales (excluding auto sales) growth remained at 3.7 percent in September, marking the third month in a row of more modest consumer spending. Sales at restaurants, pharmacies and health care stores got a boost in September, while sales at gas stations, clothing and electronic stores declined. Retail sales excluding food services, gas stations, autos and building materials sales—which feed into the calculation of GDP—also stayed flat in September, indicating that GDP is unlikely to be impacted.
- Nominal personal disposable income growth picked up slightly in August, rising 4.5 percent year-over-year (YoY). Wage and salary growth, up 5.3 percent YoY, helped to push up overall income growth. Average hourly earnings within the employment report downshifted in September, suggesting a somewhat slower pace of income growth.
- Nominal consumer spending downshifted again in August to 3.7 percent (YoY) down from July's 4 percent pace. After accounting for inflation, real consumer spending stands at 3.1 percent on an annualized basis as of August.

Key monthly consumer indicators:

Retail sales excluding auto sales

YoY percent change



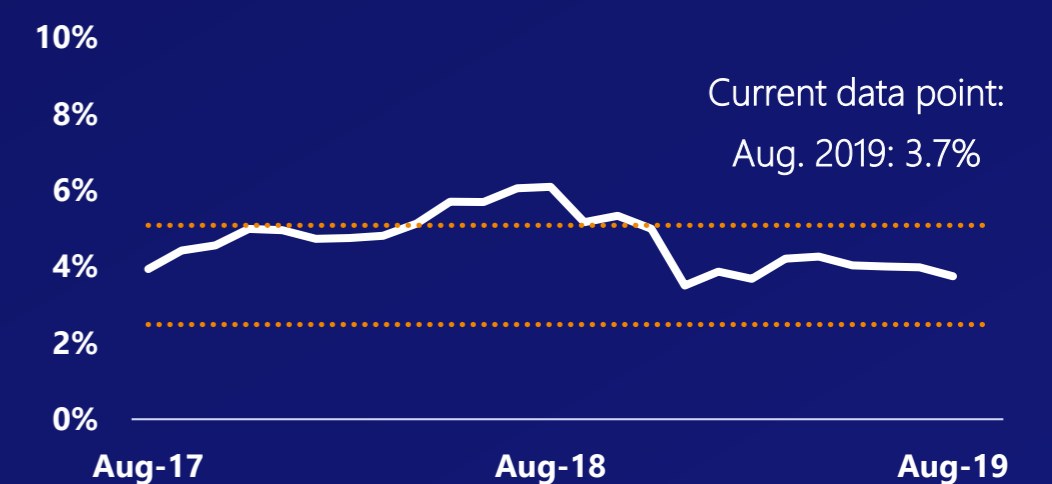
Nominal disposable personal income

YoY percent change



Nominal personal spending

YoY percent change



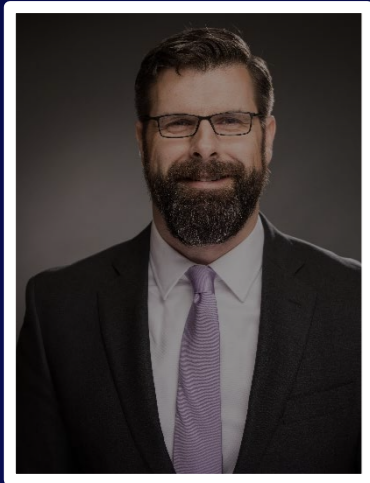
The orange lines represent the normal range for each measure in the current business cycle, defined as one standard deviation above and below the average change since August 2009.

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Job gains continue to support overall growth of consumer spending

September price growth on a year-ago basis remained flat as falling gas prices have counterbalanced rising consumer goods prices:

- Consumer confidence continued its post-July slide, dropping nine points in September. Consumers' declining future expectations drove the drop in confidence—the second largest since 2017. Consumers over 55 had the biggest decline in confidence, down 15 points in September.
- The U.S. economy added 136,000 jobs in September, and August job growth was revised higher to 168,000 from the originally reported 130,000 gain. The unemployment rate fell to 3.5 percent, the lowest since December 1969, due largely to more individuals finding jobs. However, employment data confirms other key data showing the manufacturing sector is contracting, losing 2,000 jobs in September.



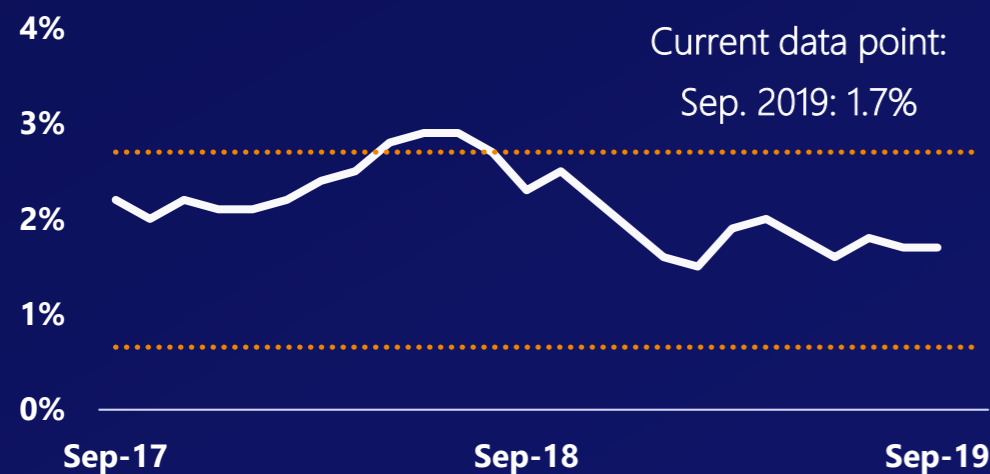
"Despite slowing job creation, the labor market continues to support consumer spending growth. However, drops in confidence and rising consumer goods prices are offsetting positive effects from the job market."

Eric Warner
U.S. Economist, Visa Inc.

Key monthly consumer indicators:

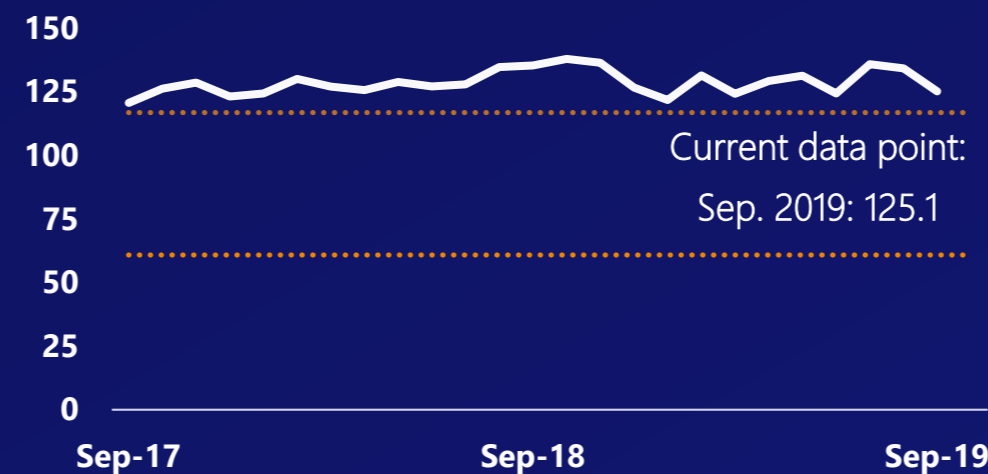
Consumer Price Index

Year-over-year percent change



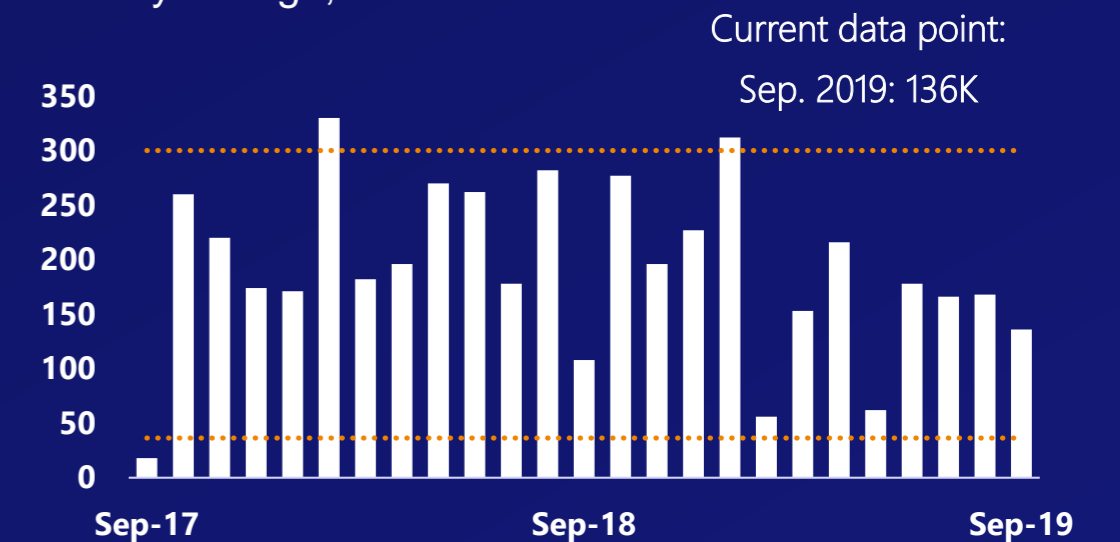
Consumer Confidence Index

Index, 1985=100



Monthly employment growth

Monthly change, in thousands



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