

Visa's analysis of current economic data indicates that U.S. consumers continue to power economic growth, even with a slower pace of job growth.



"Consumer spending came in stronger than expected in the third quarter. The resilience of the U.S. consumer helped to support GDP growth even as business investment contracted for the second consecutive quarter. The pick up in disposable income growth is a positive sign for spending in the months ahead."

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

## Retail sales decelerate in October; income growth accelerates

- Retail sales (excluding auto sales) growth slowed to just 2.8 percent in October, marking the slowest pace of growth since February. While the deceleration looks dramatic, last October's sales growth of 6.1 percent makes the year-over-year (YoY) comparable a bit tough. Sales increased in six of 13 industries last month, unchanged from September. The control group\* within retail sales—which feeds into the GDP calculation—rose 0.3 percent month-over-month (MoM) in October, suggesting continued modest consumer spending growth to start Q4.
- Nominal personal disposable income growth accelerated in September, rising 4.9 percent YoY, led higher by interest and dividend income. The saving rate climbed higher for the month to 8.3 percent, up from 8.1 percent in August, suggesting some increased consumer caution.
- Nominal consumer spending remained robust in September at 3.9 percent YoY. After accounting for inflation, real consumer spending grew 2.9 percent on an annualized basis in the third quarter.

## Key monthly consumer indicators:

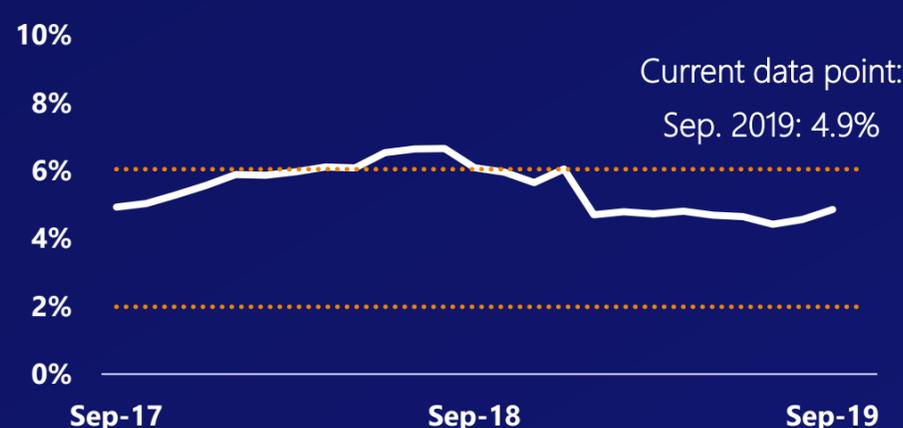
### Retail sales excluding auto sales

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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## October job growth was stronger than it appears

- October YoY price growth rose 10 basis points due in large part to rising energy prices; however, falling rents kept core inflation relatively muted.
- Consumer confidence remained relatively stable in October, dropping by less than half a point. Consumers' future expectations continued to decline despite a slight increase in their confidence in the present situation. Consumers under 35 had the largest decline in confidence, down 11 points in October.
- The U.S. economy added 128,000 jobs in October, falling below both August and September's totals. An auto worker strike led to a loss of 36,000 manufacturing jobs in October. As a result of the strike and an increase in job seekers, the unemployment rate grew slightly to 3.6 percent. These conditions are temporary and indicate October's job growth was more robust than the headline number suggests.



*"Job growth continues to slow, due mostly to a tight labor market. However, consumer confidence remains strong and prices are still stable. Leading indicators largely support continued growth in consumer spending."*

**Travis Clark**  
Associate 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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