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Economy

Taking the pulse of consumer health

22 April 2025

Key takeaways

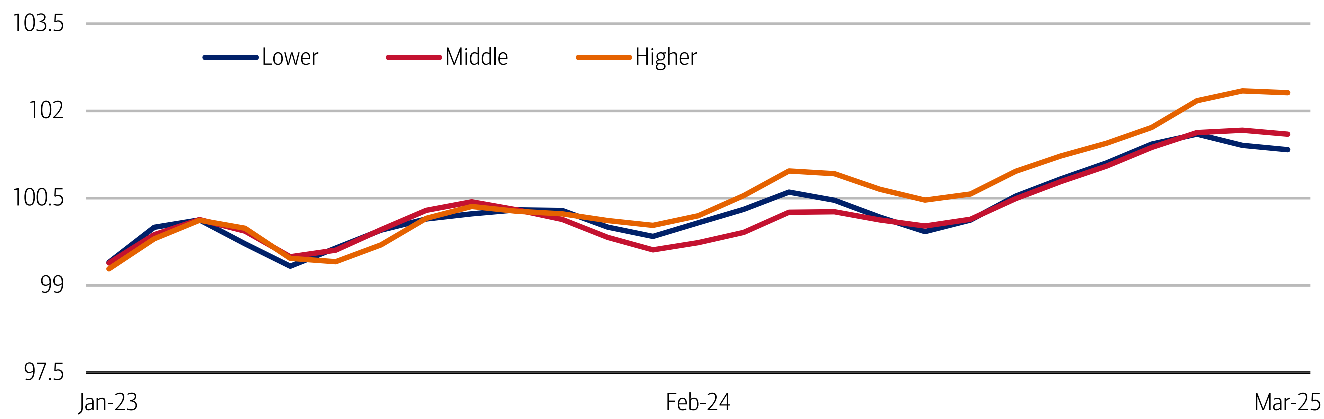
- According to Bank of America aggregated card data, higher-income households have seen comparatively stronger spending and wage growth since late 2023. Meanwhile lower-income households' YoY spending growth as eased over the past two years, with their March 2025 YoY wage growth only about a third of their long term (2018-2024) average.
- Yet, consumers still have elevated savings buffers. Median deposit levels remained well above their inflation adjusted 2019 levels in March for all income cohorts, according to Bank of America checking and savings data. While median deposits have declined since 2021, the rate of decline has slowed along with inflation growth.
- Consumers appear to be paring credit card debt. The share of households carrying a credit card balance has declined both YoY and compared to 2019 levels for all income groups, according to Bank of America credit card data. But a growing number of lower-income households are becoming more reliant on credit to maintain spending levels. If the labor market slows, some of these households may choose to further their reliance on credit or cut back discretionary spending altogether, in our view.

Higher-income household spending and wage growth outstripping all other groups

While consumers across the income spectrum are spending and earning more on average, higher-income households have been exhibiting comparatively stronger growth than their lower-income counterparts.

Looking at total credit and debit card spending per household, higher-income households have had more robust spending growth since late 2023, according to Bank of America aggregated card data (Exhibit 1). While middle-income households' growth lagged other cohorts since late 2023, they have caught up with and surpassed lower-income households in February of this year.

Exhibit 1: Spending growth has been stronger for higher-income households since late 2023, but it has slowed over the last few months
Total credit and debit card spending growth per household, based on Bank of America internal data (3-month moving average, index 2023 = 100, seasonally adjusted (SA))



Source: Bank of America internal data

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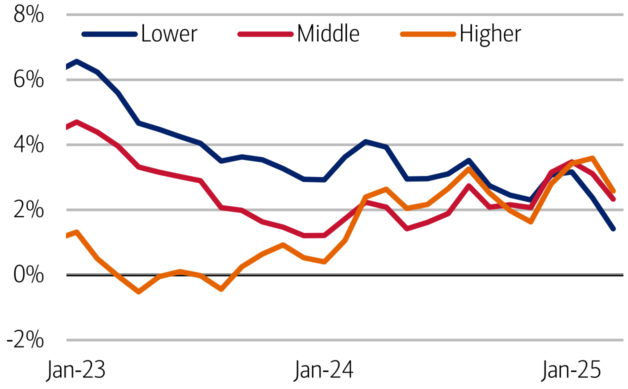
Those with the highest incomes appear to be benefitting from the recent strength in the labor market. In fact, their comparatively strong spending since early 2024 – and subsequent slowdown early this year – coincides with similar trends in after-tax wages (Exhibit 2). Meanwhile, wage growth for lower-income households has slowed over the past two years. In fact, wage growth for higher-income households is nearly on par with their long-term (2018-2024) average year-over-year (YoY) growth, while lower-income households' YoY wage growth is more than three times lower than the long-term average (Exhibit 3).

Exhibit 2: Wage growth for higher-income households eased back to 2.6% YoY in March, while it slowed for lower-income households to 1.4% YoY

After-tax wage and salary growth by household income terciles, based on Bank of America aggregated consumer deposit data (3-month moving average, YoY%, SA)



Source: Bank of America internal data

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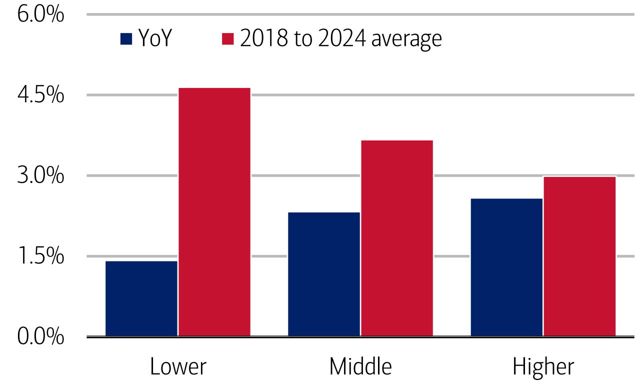
Exhibit 3: YoY wage growth for lower-income households is much lower than the long-term (2018-2024) average for this group

After-tax wage and salary growth by household income terciles, based on Bank of America aggregated consumer deposit data (3-month moving average, YoY%, SA) compared to (2018 to 2024 YoY monthly average, SA)



Source: Bank of America internal data

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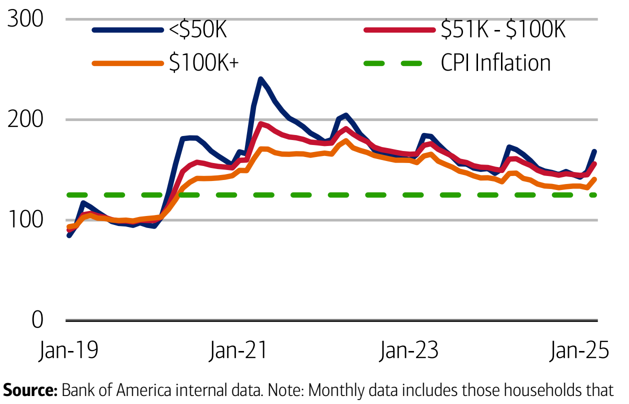
Households' buffers have declined, but remain in good shape

Beyond earnings and expenditure growth, how is the financial health of consumers? Overall, it appears they are in good shape through March, based on Bank of America internal data on households' deposits and credit levels.

While household median deposit levels have declined since 2021, they increased across the income spectrum last month and remain at least 40% higher than 2019 levels on a nominal basis and 15% above inflation adjusted levels, according to Bank of America checking and savings account data (Exhibit 4).

Exhibit 4: Median checking and savings deposit balances have declined over the past year for all income cohorts, but remain above inflation-adjusted 2019 levels

Monthly median household savings and checking balances by income for a fixed group of households through March 2025 (monthly, indexed 2019 = 100)



Source: Bank of America internal data. Note: Monthly data includes those households that had a consumer deposit account (checking and/or savings account) for all months from January 2019 through March 2025.

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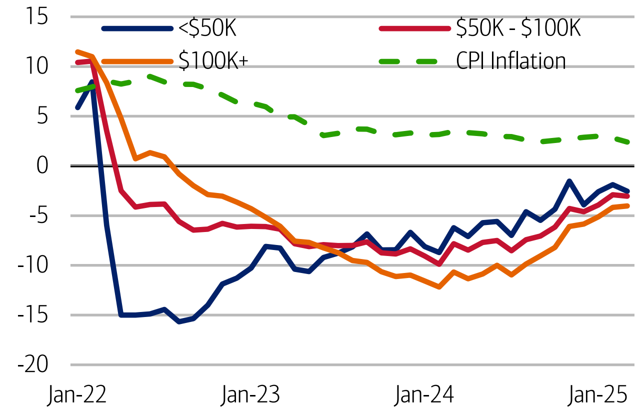
Exhibit 5: Deposit balances are declining, but through March 2025 the rate of decline has eased over the past year

Monthly median household savings and checking balances by income for a fixed group of households through March 2025 (YoY%, monthly)



Source: Bank of America internal data. Note: Monthly data includes those households that had a consumer deposit account (checking and/or savings account) for all months from January 2019 through March 2025.

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Additionally, the rate of decline in deposits is significantly slower compared to two years ago, reflecting easing inflation over the same period. This is especially true for lower-income households. While median deposits fell around 3% YoY in March, that's a noteworthy improvement from the 15% YoY decline that occurred three years ago (Exhibit 5).

While BofA Global Research is not forecasting a recession, they anticipate prices will start increasing at a faster rate in the near future, as recent increases in tariffs make their way to consumers' wallets. So, while deposit declines are easing for now, a resurgence in inflation could emerge as a potential headwind.

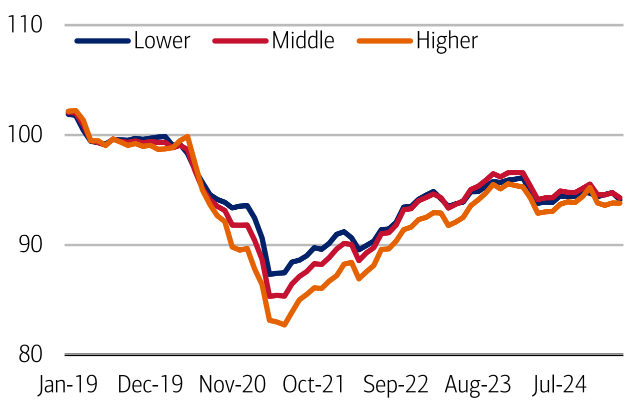
Credit card trends: A tale of two spenders

Additionally, Bank of America credit card data reveals a growing divergence for consumers. Six percent more households are consistently paying off all of their credit card debt each month compared to 2019, but a smaller share of "revolvers" may be relying more on credit to maintain their spending levels.

The share of those consumers who carry a credit card balance from month to month (aka "revolvers"), has declined both YoY and compared to 2019 levels for all income cohorts (Exhibit 6). While some consumers may be paying off their balances to avoid higher interest payments as rates remain higher for longer, it could also be that some consumers are in a better financial position than they were pre-Covid. Taken together with elevated deposits, in our view, this suggests most consumers have some capacity to "tap" into savings or credit to increase their spending if need be.

Exhibit 6: The share of those who carry credit card balances has fallen below 2019 levels for all income groups

Ratio of households who are revolvers to total households in Bank of America credit card data, by household income terciles (monthly, index 2019 average = 100)



Source: Bank of America internal data

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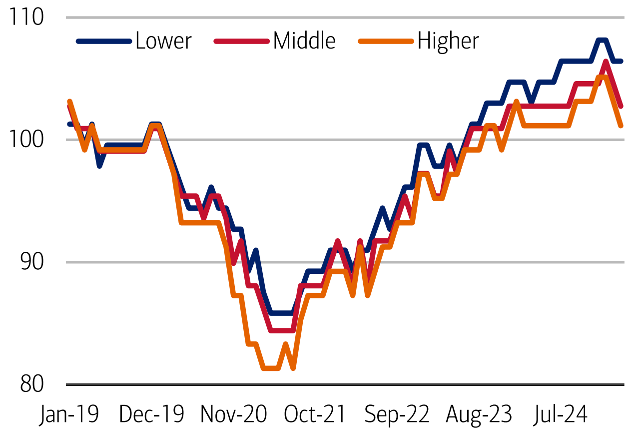
Exhibit 7: Lower-income households are the only cohort to have higher card usage rates both YoY and compared to 2019 levels

Median credit card utilization rate for households with a revolving balance by household income (monthly, index 2019 average = 100)



Source: Bank of America internal data

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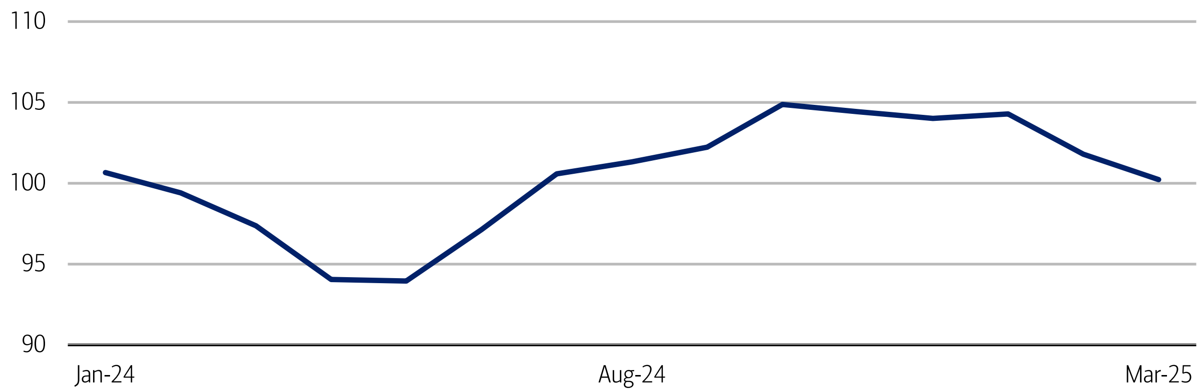
But among those that do carry a balance, card utilization rates are higher compared to pre-2019 levels. Perhaps unsurprisingly, lower-income households are using their credit cards more than any other income group – around four times more than middle- and higher-income households compared to pre-Covid levels (Exhibit 7). Additionally, while there was some seasonal drop in credit card utilization from January to March, it continued to rise YoY for those with lower incomes. Meanwhile, utilization rates were flat YoY among those in the middle- and higher-income groups.

And according to Bank of America credit card data, while early stage (30-day) delinquencies have increased slightly YoY in March, they have declined over the past 6 months (Exhibit 8)

Exhibit 8: The rate of 30-day credit card delinquencies has declined since October 2024

Percentage share of overall 30-day credit card delinquencies (monthly, index 2024 average = 100)



Source: Bank of America internal data

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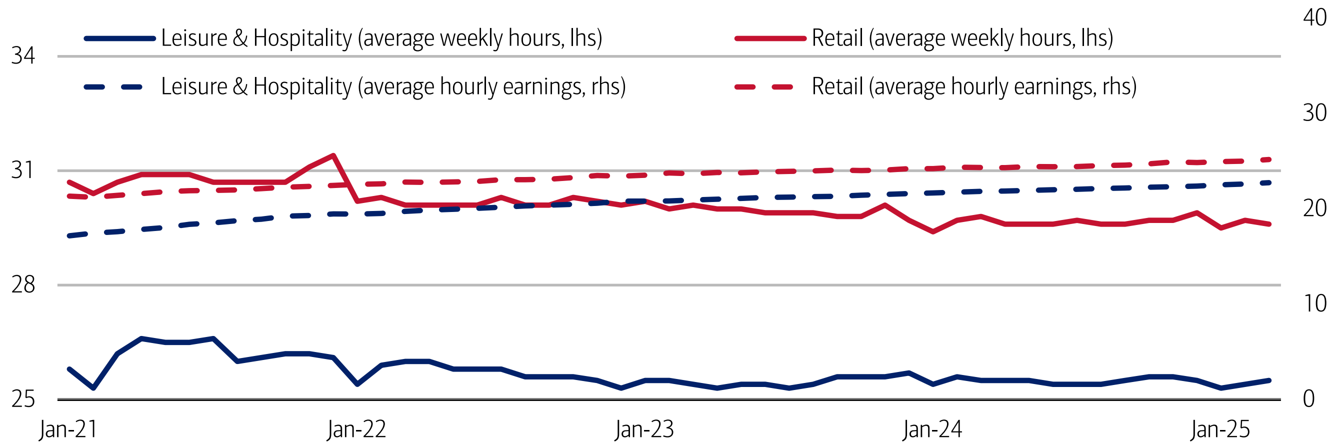
What's next for lower-income households?

While many consumers remain in good financial shape, they may be cutting back on "nice to have" discretionary spending like travel and leisure activities in order to do so (read more about this topic in the April Consumer Checkpoint). In our view, this may partially reflect easing wage growth and the rising cost of living. Consequently, is this slowdown in discretionary services affecting employees in these industries? We think so.

Exhibit 9: Hourly earnings growth has slowed in 2025 for the retail and leisure and hospitality industries, and employees have been working fewer hours

Average hourly earnings (monthly, actual $s) and average weekly hours (monthly, actual hours) for select industries



Source: Bureau of Labor Statistics

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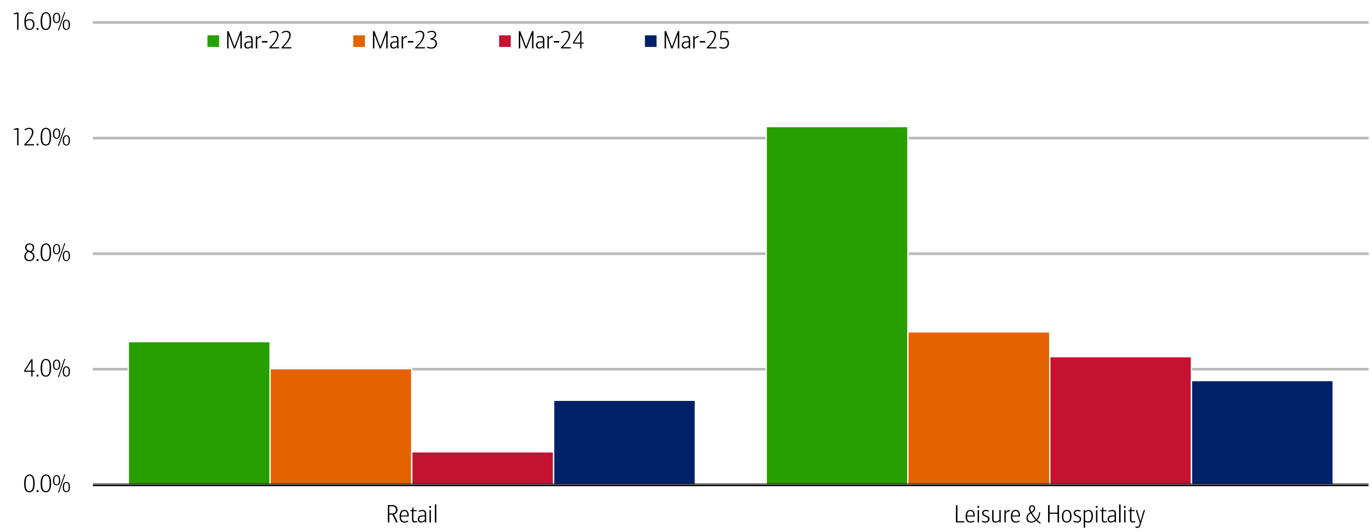
While average hourly earnings are still increasing among companies in these industries, it is at a much lower rate than four years ago, according to data from the Bureau of Labor Statistics. Additionally, these employees have generally been working fewer hours over the past two years, which is partially offsetting any YoY pay increases (Exhibit 9). In fact, we have largely seen a slowdown in average weekly YoY earnings growth for both the retail and leisure and hospitality industries over the past four years (Exhibit 10). And while there was a small increase in retail employees' average hourly earnings YoY as of March, it was potentially temporarily boosted by heightened demand as consumers tried to get ahead of tariff-related price increases.

So, if the broader labor market were to slow, we think it may further pressure lower-income households employed in these industries, especially those households already heavily reliant on their credit cards.

Exhibit 10: Retail and hospitality workers have seen average earnings growth largely slow during the past four years

Average weekly earnings for select industries (3-month moving average, YoY%)



Source: Bureau of Labor Statistics

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Methodology

Selected Bank of America transaction data is used to inform the macroeconomic views expressed in this report and should be considered in the context of other economic indicators and publicly available information. In certain instances, the data may provide directional and/or predictive value. The data used is not comprehensive; it is based on **aggregated and anonymized** selections of Bank of America data and may reflect a degree of selection bias and limitations on the data available.

Any payments data represents aggregated spend from US Retail, Preferred, Small Business and Wealth Management clients with a deposit account or credit card. Aggregated spend include total credit card, debit card, ACH, wires, bill pay, business/peer-to-peer, cash, and checks.

Any **Small Business** payments data represents aggregate spend from Small Business clients with a deposit account or a Small Business credit card. Payroll payments data include channels such as ACH (automated clearing house), bill pay, checks and wire. Bank of America per Small Business client data represents activity spending from active Small Business clients with a deposit account or a Small Business credit card and at least one transaction in each month. Small businesses in this report include business clients within Bank of America and generally defined as under $5mm in annual sales revenue.

Unless otherwise stated, data is not adjusted for seasonality, processing days or portfolio changes, and may be subject to periodic revisions.

The differences between the total and per household card spending growth rate (if discussed) can be explained by the following reasons:

1. Overall total card spending growth is partially boosted by the growth in the number of active cardholders in our sample. This could be due to an increasing customer base or inactive customers using their cards more frequently.

2. Per household card spending growth only looks at households that complete at least five transactions with Bank of America cards in the month. Per household spending growth isolates impacts from a changing sample size, which could be unrelated to underlying economic momentum, and potential spending volatility from less active users.

3. Overall total card spending includes small business card spending while per household card spending does not.

4. Differences due to using processing dates (total card spending) versus transaction date (per household card spending).

5. Other differences including household formations due to young adults moving in and out of their parent's houses during COVID.

Any household consumer deposit data based on Bank of America internal data is derived by anonymizing and aggregating data from Bank of America consumer deposit accounts in the US and analyzing that data at a highly aggregated level. Whenever median household savings and checking balances are quoted, the data is based on a fixed cohort of households that had a consumer deposit account (checking and/or savings account) for all months from January 2019 through the most current month of data shown.

Bank of America aggregated credit/debit card spending per household includes spending from active US households only. Only consumer card holders making a minimum of five transactions a month are included in the dataset. Spending from corporate cards are excluded. Data regarding merchants who receive payments are identified and classified by the Merchant Categorization Code (MCC) defined by financial services companies. The data are mapped using proprietary methods from the MCCs to the North American Industry Classification System (NAICS), which is also used by the Census Bureau, in order to classify spending data by subsector. Spending data may also be classified by other proprietary methods not using MCCs.

We consider a measure of services necessity spending that includes but is not limited to childcare, rent, insurance, insurance, public transportation, and tax payments. Discretionary services includes but is not limited to charitable donations, leisure travel, entertainment, and professional/consumer services. Holiday spending is defined as items in which spending in the November-December period is usually at least 20% of total annual spending on the category.

For analysis looking at higher value transactions (including durables), we consider a value per transaction threshold estimated with reference to the top 30% of transactions by value in 2024. The share of higher value transactions is then the number of transactions above this threshold as a percentage of total transactions over time.

Lower, middle and higher household income cuts in Bank of America credit and debit card spending per household, and consumer deposit account data are based on quantitative estimates of each households' income. These quantitative estimates are bucketed according to terciles, with a third of households placed in each tercile periodically. The lowest tercile represents 'lower income', the middle tercile represents 'middle income' and the highest tercile 'higher income'. The income thresholds between these terciles will move over time, reflecting any number of factors that impact income, including general wage inflation, changes in social security payments and individual households' income. The income and tercile in which a household is categorised are periodically re-assessed.

Overall 30-day delinquency rates are derived by taking the amount of consumer balances that are 30 days delinquent and dividing by the total consumer credit card balance.

Major grocery categories include sugar and sweets, juices and other non-alcoholic beverages, bakery products, processed fruits and vegetables, fresh fruit and vegetables, coffee and tea, fats and oils, milk, cereal and cereal products, other, cheese, and meats, poultry and fish, Other includes soups, snacks, frozen and freeze-dried prepared foods, and spices, seasonings, and condiments.

Generations, if discussed, are defined as follows:

1. Gen Z, born after 1995
2. Younger Millennials: born between 1989-1995
3. Older Millennials: born between 1978-1988
4. Gen Xers: born between 1965-1977
5. Baby Boomer: 1946-1964
6. Traditionalists: pre-1946

Any reference to card spending per household on gasoline includes all purchases at gasoline stations and might include purchases of non-gas items.

Additional information about the methodology used to aggregate the data is available upon request.

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Sources

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Disclosures