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Economy

Consumer Checkpoint: Summer temperature check

10 July 2025

Key takeaways

- Credit and debit card spending per household increased 0.2% year-over-year (YoY) in June, compared to 0.8% YoY in May, according to Bank of America aggregated card data. Seasonally adjusted (SA) spending per household rose 0.3% month-over-month (MoM) in June, but that only partially unwound the MoM declines of 0.2% and 0.7% in April and May.
- While there was a 0.7% MoM rise in retail spending in June, services spending dropped by 0.1% MoM - the third straight monthly decline. It appears consumers are pulling back on some areas of discretionary services spending, though this cooling does not currently appear broad-based.
- Lower-income households' spending growth is particularly soft, with their total card spending growth negative YoY in the three-months to June; these households also have the weakest after-tax wage growth in Bank of America deposit data. But the spending and wage growth of higher-income households appears to have risen.

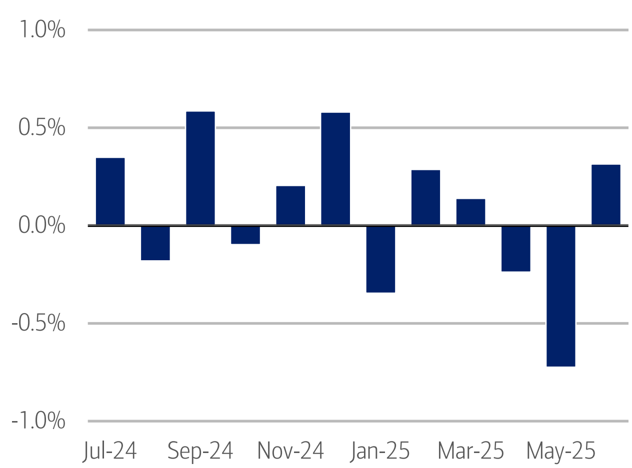
Consumer Checkpoint is a regular publication from Bank of America Institute. It aims to provide a holistic and real-time estimate of US consumers' spending and their financial well-being, leveraging the depth and breadth of Bank of America proprietary data. Such data is not intended to be reflective or indicative of, and should not be relied upon as, the results of operations, financial conditions or performance of Bank of America.

A rebound in June, following two weak months

Total credit and debit card spending per household increased 0.2% year-over-year (YoY) in June, compared to 0.8% YoY in May, according to Bank of America aggregated card data. Seasonally adjusted (SA) spending per household rose by 0.3% month-over-month (MoM), but that was not enough to fully offset the declines of 0.2% MoM and 0.7% MoM in the previous two months (Exhibit 1).

Exhibit 1: Total card spending rose 0.3% MoM in June, though this was following declines of 0.2% and 0.7% in April and May

Total credit and debit card spending growth per household, based on Bank of America card data (monthly, MoM%, SA)



Source: Bank of America internal data

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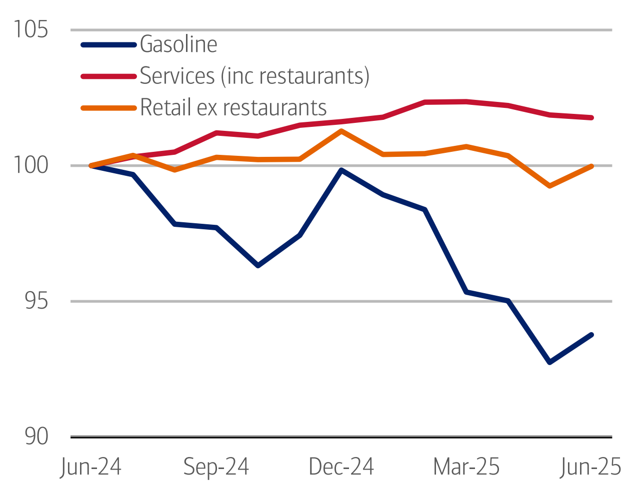
Exhibit 2: Retail spending rose in June, but services spending moved lower

Spending by category, based on Bank of America card data (monthly, index June 2024 = 100, SA)



Source: Bank of America internal data

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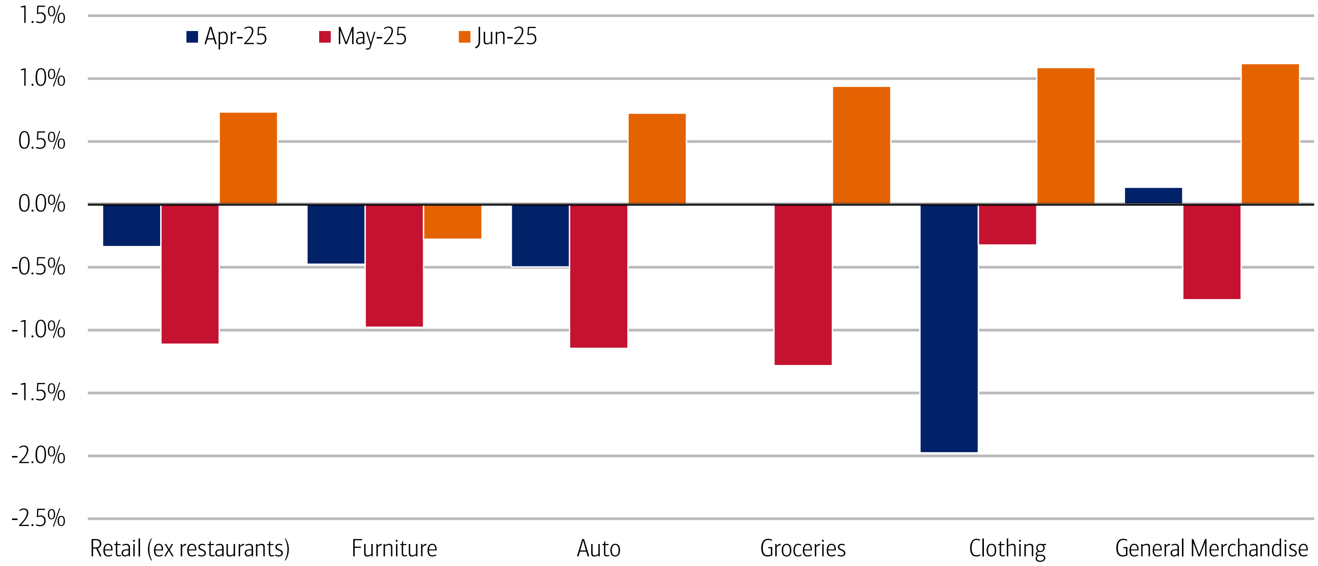
Looking at the detail, the rise in MoM total card spending was, somewhat unusually, due to a rise in retail spending (Exhibit 2). This rise was fairly broad-based: gasoline, grocery, clothing and general merchandise spending all rose (Exhibit 3). However, across most categories the rise in June was not enough to offset April and May declines. Meanwhile, electronics and furniture spending remained soft, likely in part reflecting the lingering impact coming from the unwinding of "buying ahead" of tariffs, as discussed in the June Consumer Checkpoint.

Exhibit 3: The rise in retail spending was fairly broad based in June, though in many categories, did not fully unwind the weakness in April and May

Spending by select retail category, based on Bank of America card data (monthly, MoM%, SA)



Source: Bank of America internal data

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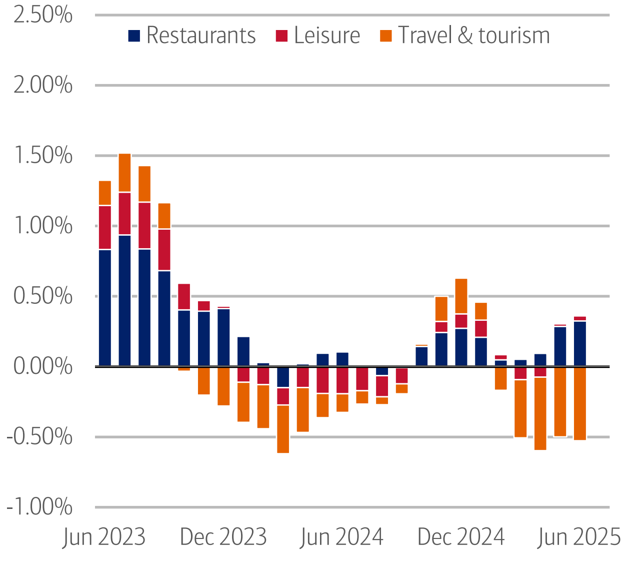
While the rise in retail spending is encouraging, in our view, it's concerning that consumers appear to be spending less enthusiastically on services, the mainstay of spending growth over the past few years. Services spending has now declined three months in a row on a seasonally adjusted basis – the first time it has fallen for three straight months in our data since 2008.

Discretionary services growth has softened

When we dig into services spending, we find evidence of a continuing pull back in "nice to have" discretionary services spending momentum.

Exhibit 4 and Exhibit 5 show the contribution to YoY services growth from various sub-components. As we first highlighted in our April Consumer Checkpoint, there are signs that the momentum in some areas of discretionary services spending, particularly travel and tourism, has cooled off, while spending on "necessity" services categories remains more robust. One large outlay is property insurance (see: Insurance: Climbing coverage costs cut into consumer budgets), with utility bills also seeing an increasing contribution (see also our February publication on utilities).

Exhibit 4: Discretionary services spending, particularly in travel, appears to be contributing negatively to services growth
Contribution to YoY services growth by discretionary services category (3-month moving average, percentage points)



Source: Bank of America internal data

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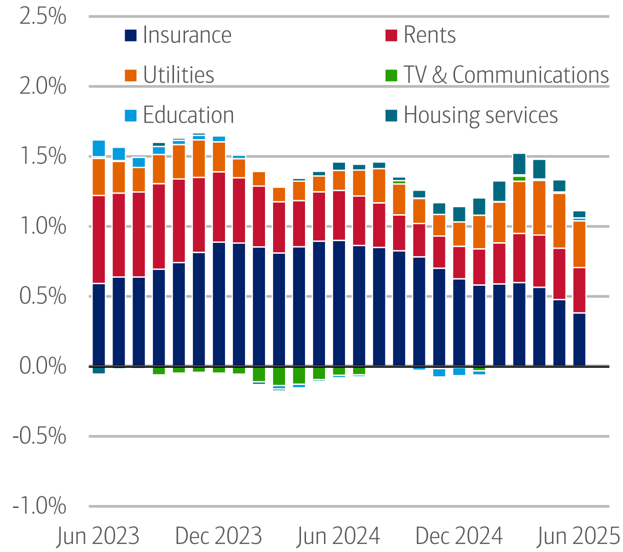
Exhibit 5: Insurance, rent and utilities have consistently driven nondiscretionary services spending growth over the past two years
Contribution to YoY services growth by nondiscretionary services category (3-month moving average, percentage points)



Source: Bank of America internal data

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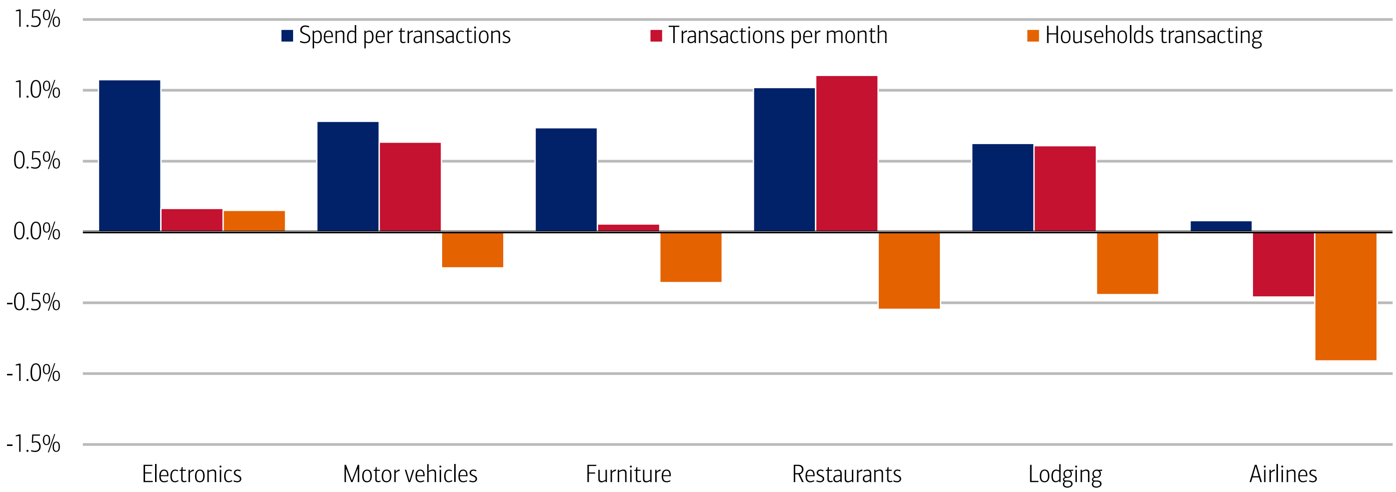
What form of "easing back"?

If some households are recalibrating their discretionary spending decisions, both in services and potentially discretionary goods, they could do so in several ways. For example, they could decide to reduce the amount they spend per shopping trip, make fewer shopping trips each month, or even forgo some spending categories entirely.

Looking across Bank of America card data at categories where spending tends to be a more discretionary decision, there is no single story. Exhibit 6 shows that in airlines, the growth in spending per transaction is close to flat – likely partly due to airfare price declines – while households are making less transactions per month. Additionally, we find some evidence that a portion of households appear to be forgoing airline spending completely over the three months April to June 2025.

Exhibit 6: In airlines, there appears to be a pullback in the number of households deciding to spend
Spend per card transaction, card transaction per month (three-month moving average, % YoY) and households transacting as a proportion of card total sample (three-month moving average percentage point change YoY)



Source: Bank of America internal data

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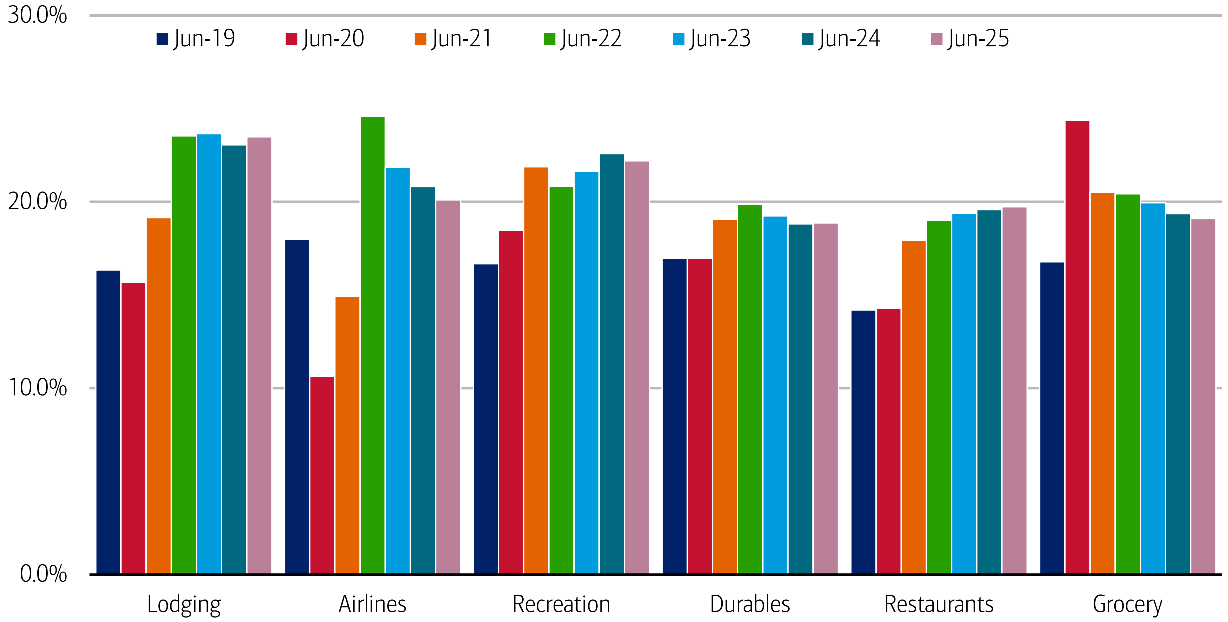
However, these trends are not obviously repeated across other discretionary spending categories. In restaurants, for example, the households that are spending in this category are actually spending significantly more per transaction and making more transactions per month, too. Meanwhile, in electronics, Bank of America data shows more households are spending more often and more dollars each time as well – though data in this category was likely impacted by the buying ahead of tariffs.

So, in our view, the pullback in discretionary spending may be relatively contained to a subset of households deciding not to spend – particularly in travel – while others are spending more. This also fits with the view that while the labor market is in a good place for many households, there are still some who feel significantly more squeezed.

Limited signs of shrinking ticket size

Another way households could adjust their spending is the "ticket" size of their purchases (i.e. passing on the relatively expensive laptop or long-haul flight for a more economical option).

Exhibit 7: The share of higher-value transactions in airlines has fallen, but is little changed elsewhere
Share of high-value transactions in overall transactions in Bank of America card data (sequential May-June periods, %)



Source: Bank of America internal data. Durables: auto parts, furniture, electronics and building materials

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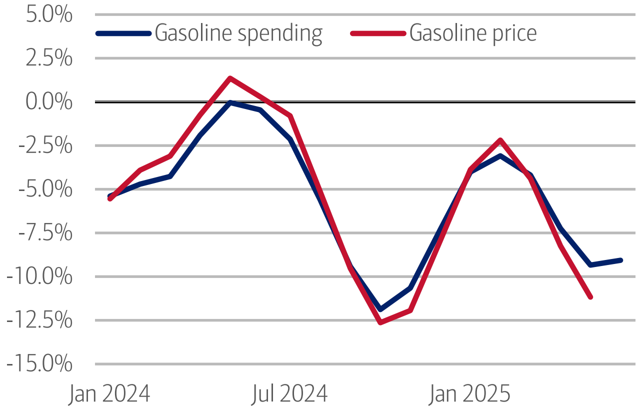
Exhibit 7 looks at transactions across a range of categories to see how the share of higher-value transactions has changed (see methodology) for successive May-June periods since 2019. We see limited evidence for a drop in these high-value transactions outside of airlines.

Discretionary spending firepower finding some support from lower gas and trading down

Overall, we would argue that while the spending data has softened, it is likely too early to wave the white flag. Household discretionary spending decisions, in our view, also remain supported by the freeing-up of spending power due to previous declines in gasoline prices (Exhibit 8) as well as the continued migration towards "value" when grocery shopping (Exhibit 9). Were these trends to end or reverse, this might put consumer discretionary spending under greater pressure.

Exhibit 8: Falling gasoline prices have led to reduced gasoline spending

Card spending at gasoline stores and gasoline prices (three-month moving average, % YoY)



Source: Bank of America internal data

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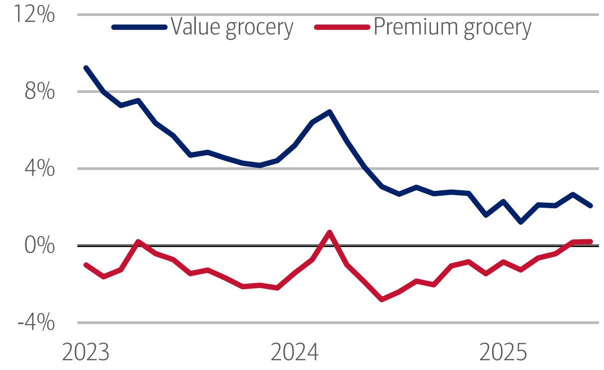
Exhibit 9: Households continue to look for value in their food shop

Card spending per household at Value and Premium grocery stores (three-month moving average, % YoY)



Source: Bank of America internal data

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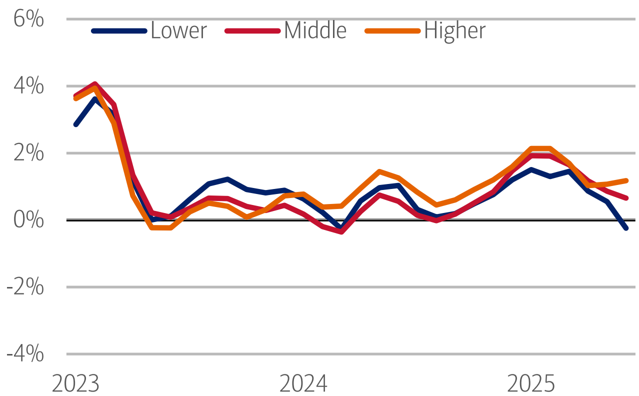
Lower-income households spending growth goes negative

The weakening in card spending growth appears to be particularly a lower-income story. Exhibit 10 shows card spending across income cohorts. In June, the three-month moving average of card spending was -0.2% YoY for lower-income households, the first outright YoY decline in over a year. However, middle- and higher-income household spending growth appears to be holding up better with rates of 0.7% and 1.2%, respectively.

Exhibit 10: Spending growth for lower-income households was negative YoY in the three months to June

Total credit and debit card spending per household, according to Bank of America card data, by household income terciles (3-month moving average, YoY%, SA)



Source: Bank of America internal data

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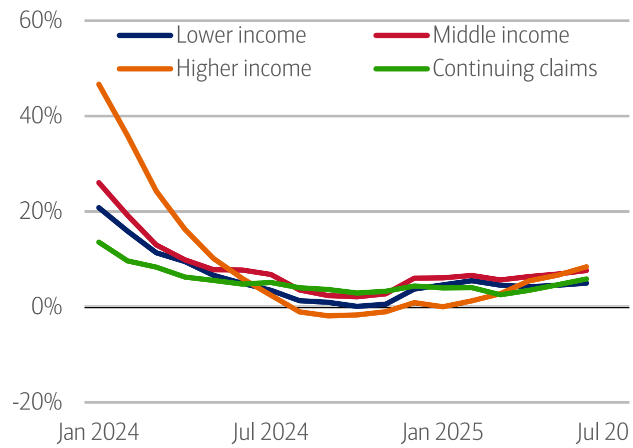
Exhibit 11: Unemployment payments have been rising, but by under 10% YoY across income cohorts

Number of households receiving unemployment payments by income tercile (3-month moving average, YoY%, NSA)



Source: Bank of America internal data, Haver Analytics

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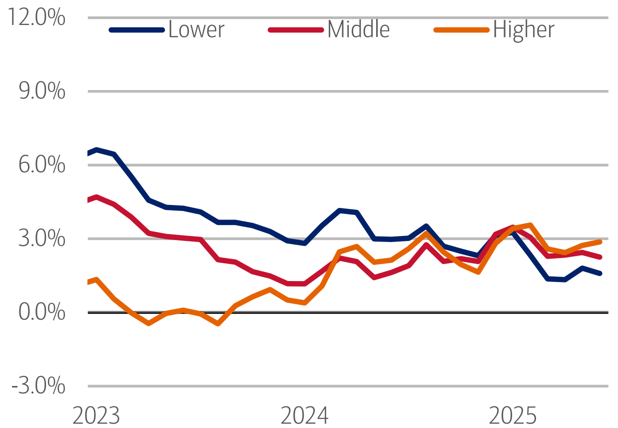
While the labor market continues to look broadly supportive, there are nuances

The overall labor market looks in good shape, with a gain of 147K jobs in June according to the Bureau of Labor Statistics. And in Bank of America deposit data, while there has been a YoY rise in the number of households receiving unemployment payments (Exhibit 11), it is not showing markedly different trends across income cohorts.

But Bank of America deposit data also shows that the three-month moving average of after-tax wage growth for lower-income households was 1.6% YoY in June, decelerating from 1.8% YoY in May and below that of other cohorts (Exhibit 12). At the same time, higher-income wage growth accelerated to 2.9% YoY in June from 2.7% in May.

Exhibit 12: Wage growth for lower-income households was 1.6% YoY in June, down from 1.8% YoY in May

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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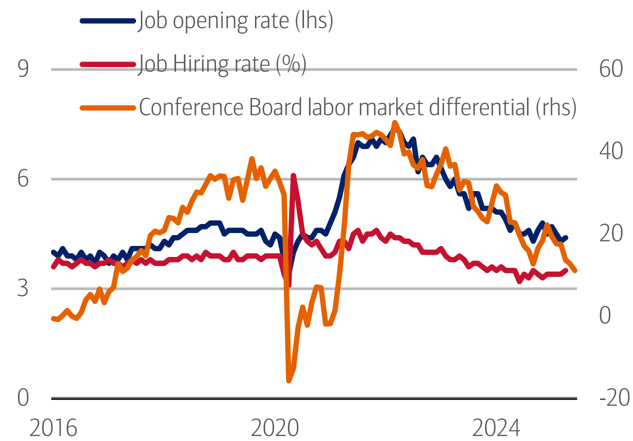
Exhibit 13: Consumer perceptions of the labor market have deteriorated as job openings have declined

Job opening and hiring rate (lhs, %) and Conference Board labor market differential* (rhs, % balance)



Source: Haver Analytics

*percentage of respondents saying jobs are plentiful minus those saying jobs hard to get

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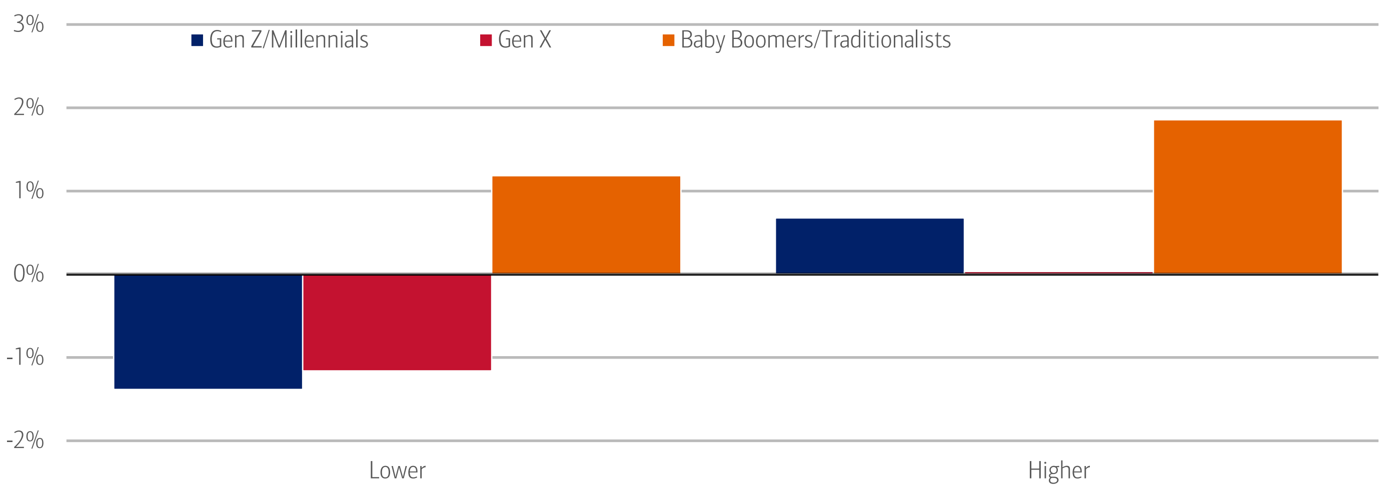
In our view, the experience of a "healthy labor market" likely differs across consumers right now. The decline in the number of job openings and hiring rate towards more "normal" levels has been very gradual (Exhibit 13), but this lower hiring/firing environment likely favors those with a steady job.

On the other hand, those people poised to enter the labor market, such as recent graduates, or those on short tenure jobs, may feel more concerned about the lower number of job openings. It is noteworthy that people's perceptions of the labor market – as measured by the differential in responses to the Conference Board on whether jobs are "plentiful" or "hard to get" – have deteriorated significantly; if anything, by more than the decline in job openings would suggest (Exhibit 13).

Exhibit 14: Lower-income Gen Z and Millennial spending growth is particularly weak

Total credit and debit card spending per household, based on Bank of America data, by generation and income (June 2025, three-month moving average, % YoY)



Source: Bank of America internal data

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It could be some of these nuances in the labor market are weighing on some lower-income/younger households' spending decisions right now. When we look at card spending by income and age, this is where we see the biggest contraction (Exhibit 14). In our view, whether these labor market anxieties remain only amongst limited portions of consumers or move to center stage will be key to how consumer spending shapes up in the second half of 2025.

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 the 2024 reference year. 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.

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.

Contributors

David Michael Tinsley

Senior Economist, Bank of America Institute

Liz Everett Krisberg

Head of Bank of America Institute

Taylor Bowley

Economist, Bank of America Institute

Vanessa Cook

Content Strategist, Bank of America Institute

Sources

Li Wei

Director, Global Risk Analytics

Yan Peng

Vice President, Global Risk Analytics

Akshita Jain

Assistant Vice President, Global Risk Analytics

Jon Kaplan

Senior Vice President, Digital and Data

Ana Maxim

Senior Vice President, Consumer and Small Business

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