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Economy

Consumer Checkpoint: Oh, to be young…?

10 June 2025

Key takeaways

- Credit and debit card spending per household increased 0.8% year-over-year (YoY) in May after a gain of 1% YoY in April, according to Bank of America aggregated card data. Seasonally adjusted (SA) spending per household declined 0.7% month-over-month (MoM), with the seasonally adjusted annualized growth rate (SAAR) at -0.9% for May.
- In our view, May weakness in spending partly reflects declining gasoline spending, some payback from earlier tariff-related "buying ahead", and the impact of relatively poor weather. While we do not discount the possibility that consumer momentum has slowed further, the labor market continues to provide fundamental support to the consumer.
- Younger generations' card spending growth is weaker than that of older generations. One reason could be that the young make up a high share of those with major expenses such as housing costs, childcare and student loans, some of which are reflected in their increasing use of buy now, pay later (BNPL).

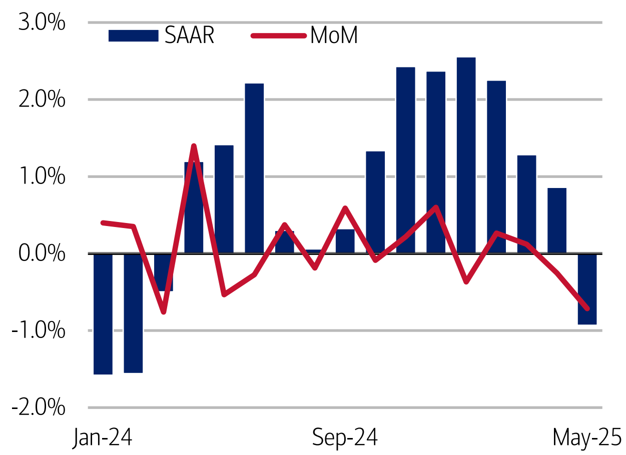
Consumer Checkpoint is a regular publication from Bank of America Institute. It aims to provide a holistic and real-time estimate of US consumers' spending and their financial well-being, leveraging the depth and breadth of Bank of America proprietary data. Such data is not intended to be reflective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

Consumer momentum wanes on falling gas prices and "buying ahead" payback

Credit and debit card spending per household increased 0.8% year-over-year (YoY) in May, compared to 1% YoY in April, according to Bank of America aggregated card data. Seasonally adjusted (SA) spending per household declined 0.7% month-over-month (MoM), with the three-month seasonally adjusted annualized growth rate (SAAR) at -0.9% for May (Exhibit 1).

Exhibit 1: Consumers pulled back on spending, with spending down 0.9% on an annualized basis in May 2025

Total credit and debit card spending growth per household, based on Bank of America card data (monthly, MoM%, seasonally adjusted (SA) and 3-month moving average, SAAR, SA)



Source: Bank of America internal data

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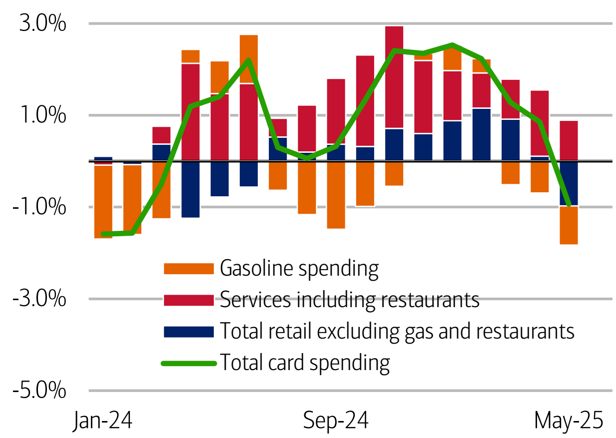
Exhibit 2: Services spending continued to grow, while consumers pulled back on retail and gasoline spending

Total credit and debit card spending growth per household, based on Bank of America card data (3-month moving average, SAAR, SA) and percentage point contributions to SAAR growth (3-month moving average)



Source: Bank of America internal data

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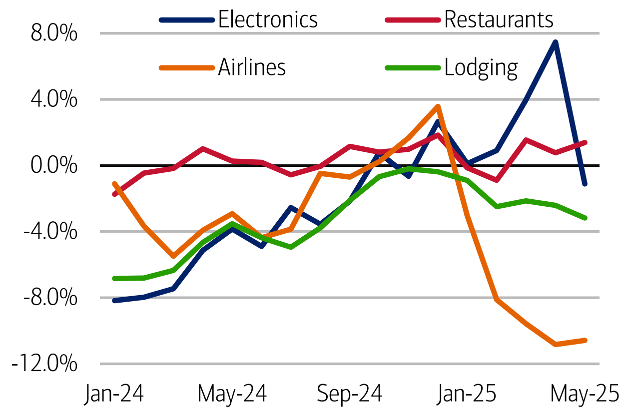
It appears that much of the decline in spending can be attributed to falling gasoline prices and some payback for tariff-related buying ahead activity that occurred earlier this year. Bank of America card data shows that the decreases in both gasoline and retail (excluding gasoline and restaurants) spending offset the increase in spending on services (Exhibit 2). Payback from tariff buy ahead was clear in electronics, which saw a sharp pullback in May. A positive point for services was restaurants. And airline spending saw some improvement, although was still down nearly 11% YoY (Exhibit 3).

Some of the weakness in card spending may also be explained by the weather. While all regions saw a MoM decline in retail (excluding gas) spending, it was fairly weaker in the Midwest and Northeast (Exhibit 4), both of which experienced abnormally cold weather during the latter half of May, possibly subduing some consumer activity around the Memorial Day weekend.

Exhibit 3: Electronics spending saw a 1.1% YoY decline in May after a 7.5% YoY increase in April

Total card spending per household, based on Bank of America card data, for select categories (monthly, seasonally-adjusted, YoY%)



Source: Bank of America internal data

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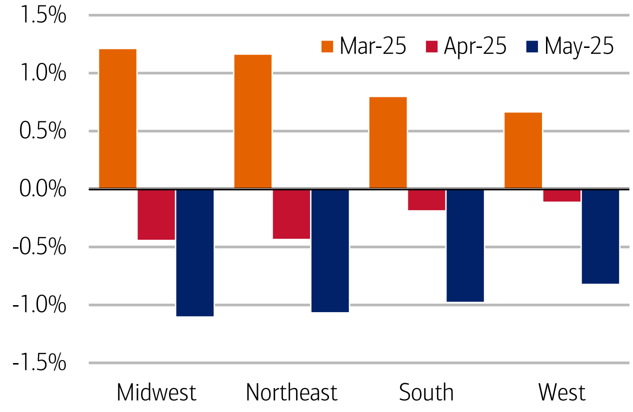
Exhibit 4: The Midwest and Northeast saw the largest declines in spending MoM

Card spending on retail excluding gasoline per household by census region (SA, MoM%)



Source: Bank of America internal data

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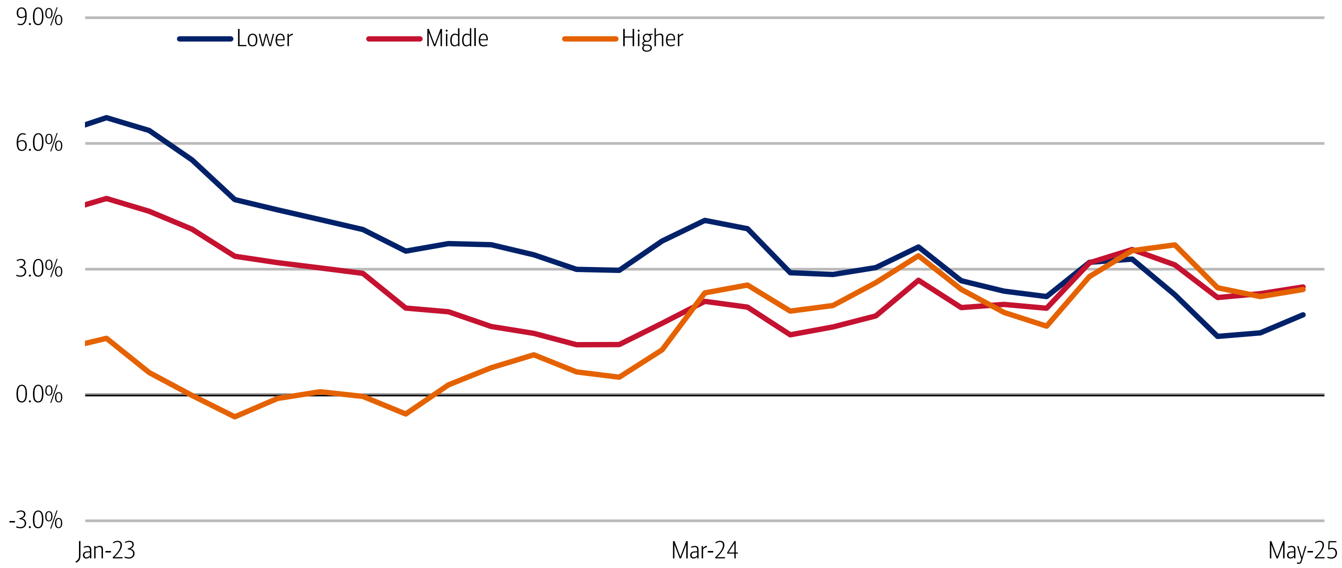
In our view, another reason to not read too much into May's card spending weakness is that the labor market continues to look in fairly good shape. Jobs growth from the Bureau of Labor Statistics (BLS) was 139K in May, while average hourly earnings growth rose to 3.9% YoY. Bank of America deposit data also showed a rise in after-tax wages and salaries growth in May (Exhibit 5), with lower-income households' wage growth rising to 1.9% from 1.5% in April.

Exhibit 5: Higher- and middle-income households' wage growth continued to outpace lower-income households'

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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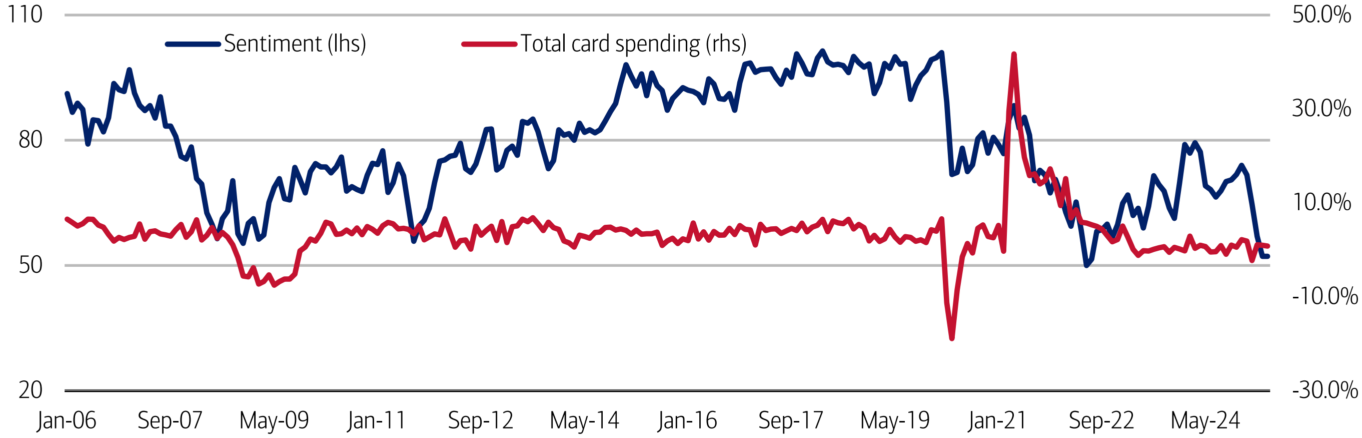
Consumer sentiment: Up, down, does it matter?

Could the apparent softness in card spending in May be a reaction to recent weakness in consumer confidence? Although the Conference Board's Consumer Confidence Index actually experienced its largest monthly increase in over four years in May, it does still, after all, remain well below 2019 levels. And consumer sentiment from the University of Michigan (UMich) survey has been persistently soft, with little bounce in May.

In our view, these ebbs and flows in consumer sentiment don't tend to make much difference to consumer spending. Looking back over the past two decades, sentiment has fluctuated much more than credit and debit card spending growth (Exhibit 6). It is noteworthy that from around 2012 to 2019, the UMich measure of sentiment was gradually rising, while consumer spending grew relatively steadily.

Exhibit 6: Consumer sentiment often diverges from consumer spending growth

University of Michigan consumer sentiment index (left hand side (lhs), 1Q66 = 100, monthly) and total card spending per household (right hand side (rhs), non-seasonally adjusted, YoY%, monthly)



Source: Haver Analytics, Bank of America internal data

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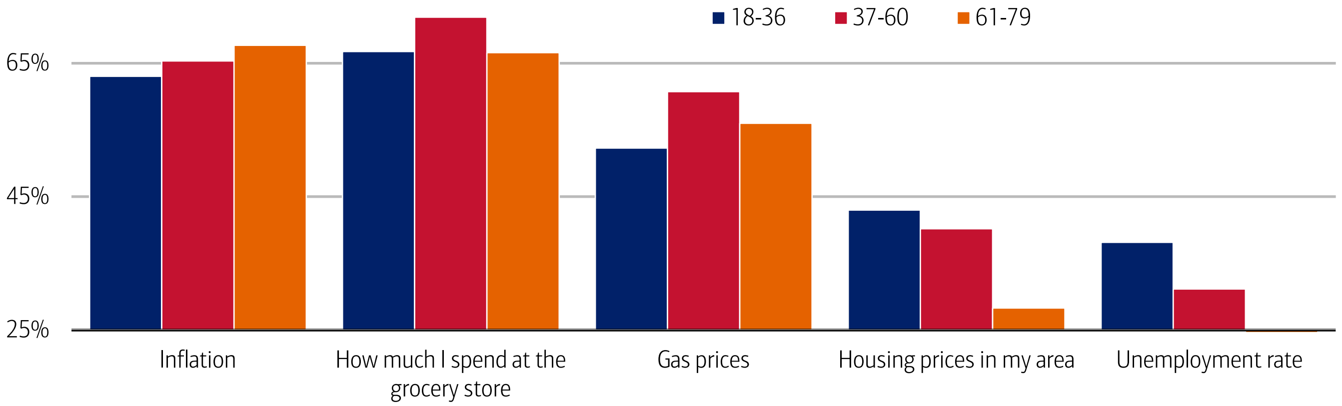
Older generations worry more about inflation; the young about housing and the labor market

In contrast with many consumer sentiment measures since the 1960s, but similar to other inflationary periods, sentiment in the post-Covid period has appeared more closely related to concerns about rising prices than to concerns about lower incomes.[1]

But in 2025, these inflation concerns may, in our view, have been augmented by broader anxiety over the economy – for example, there has been sharp decline in respondents' one-year-ahead expectations of business conditions in the UMich survey.

Exhibit 7: Prices at the grocery store and at the pump have a stronger impact on all generations than the unemployment rate

How much do changes in each of the following impact how you feel – either positively or negatively – about your personal finances? (% of respondents by age group)



Source: Bank of America Proprietary Insights

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[1] Sinem Hacıoğlu Hoke, Leo Feler, Samantha Mitc, ell, and Jack Chylak; https://www.federalreserve.gov/econres/notes/feds-notes/tracking-consumer-sentiment-versus-how-consumers-are-doing-based-on-verified-retail-purchases-20250424.html

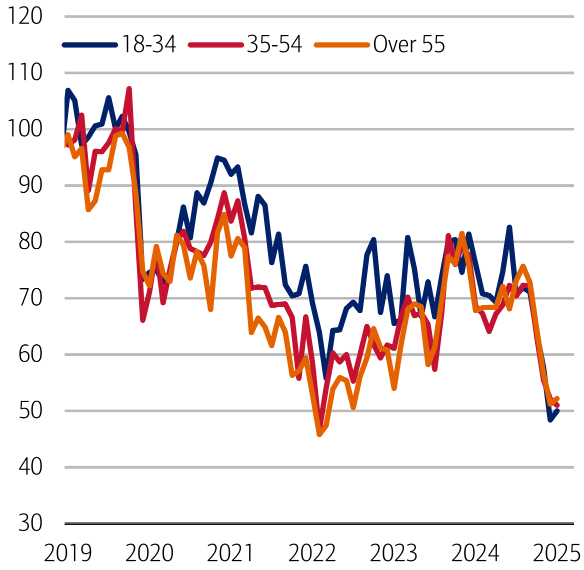
Interestingly, the May 2025 Bank of America Proprietary Insights Survey ('Insights Survey') found that while older age groups (61-79) seemed to be relatively more concerned about general inflation, younger age groups (18-36) appear relatively more worried than other cohorts about the broader economic issues of housing prices and unemployment rates (Exhibit 7).

Of course, this makes sense as younger age groups are more likely to be looking for a new home and dependent on the labor market for their income. Conversely, older age groups may have already paid off their mortgages and are closer to retirement, if not already retired.

So it could be that heightened economic anxieties (including those around the labor market and persistently high mortgage rates) are more so impacting the young. Perhaps reflecting this, while the 18-34 age group has historically been more optimistic than older cohorts, their sentiment, according to the UMich survey, has fallen just below the 35-54 and over 55 cohorts over the past six months (Exhibit 8).

Exhibit 8: For the past six months, younger consumers' sentiment has dipped below middle-aged and older consumers'

UMich index of consumer sentiment by age groups (Q1 1966 = 100, monthly)



Source: Haver analytics

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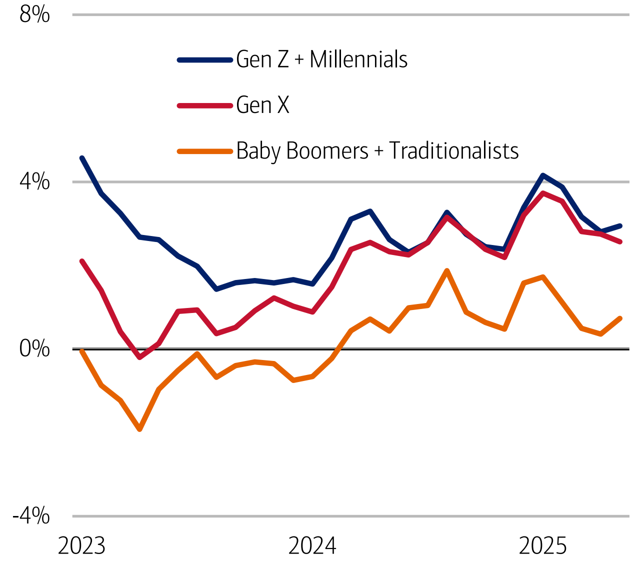
Exhibit 9: Wage growth for Gen Z, Millennials, and Gen X has been much stronger than Baby Boomers' and Traditionalists'

After-tax wage and salary growth by household generation, 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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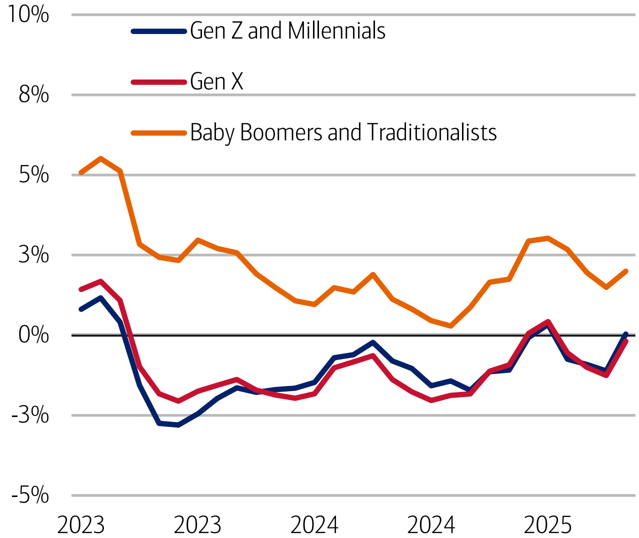
But older generations continue to see stronger spending growth

While younger age groups may worry about the economy, their wage growth is still solid. In Bank of America deposit data, YoY after-tax wage growth for Gen Z, Millennial, and Gen X higher-income households was around 3% YoY in May, but only 1% YoY for Baby Boomers and Traditionalists (Exhibit 9).

But despite their relatively stronger wage growth, when we look at credit and debit card spending the weakest cohort does appear to be Gen Z and Millennial households (Exhibit 10), particularly lower income, though Gen X households also look challenged (Exhibit 11). Older cohorts (Baby Boomers and Traditionalists), on the other hand, are showing faster card spending growth than other generations across income terciles.

Exhibit 10: Older generations continue to show firmer spending growth than younger generations
Total credit and debit card spending per household, based on Bank of America data, by generation (three-month moving average, % YoY)



Source: Bank of America internal data

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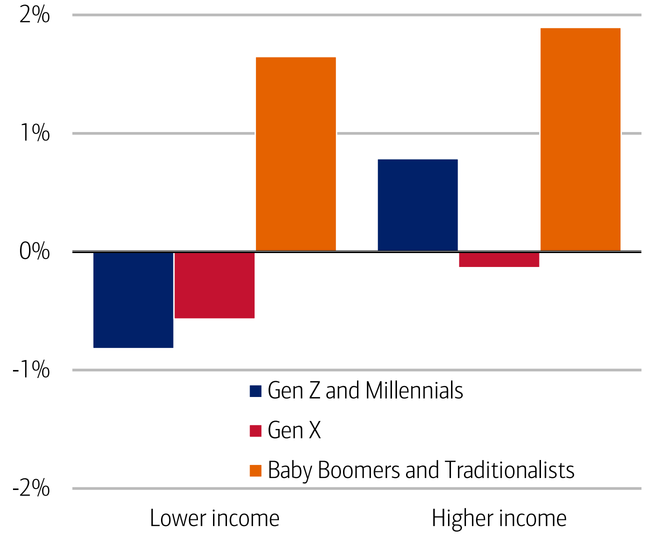
Exhibit 11: Lower-income Gen Z and Millennial spending growth is particularly weak
Total credit and debit card spending per household, based on Bank of America data, by generation and income (May 2025, three-month moving average, % YoY)



Source: Bank of America internal data

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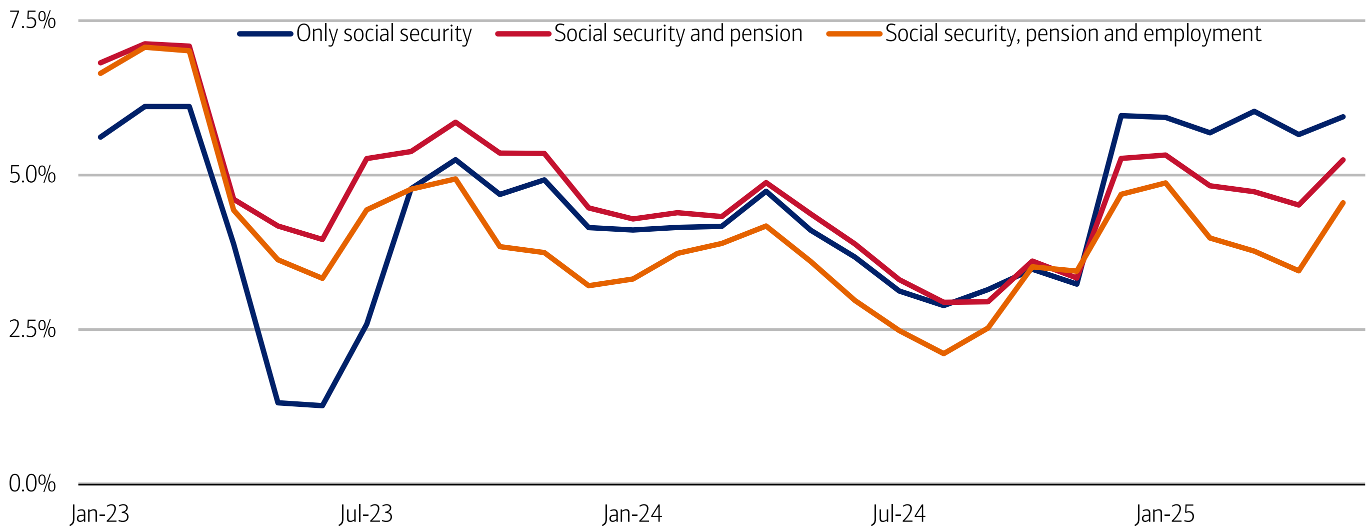
Notably, older generations don't usually receive all their income in the forms of wages, as they often also receive social security, pensions and other investment income. For some former public sector workers receiving pensions, the Social Security Fairness Act (SSFA) has recently provided an income boost by increasing their entitlement to social security benefits. And it appears this may also be providing a boost for some retirees' spending. While spending for households only receiving social security payments is growing faster than those receiving additional sources of income, retirees with a pension saw a sharp spending acceleration in May, according to Bank of America card data (Exhibit 12).

Exhibit 12: Retirees are still spending strongly, but those receiving only social security outpace the rest
Total credit and debit card spending per household aged 62+, based on Bank of America data, by source of income (3-month moving average, YoY%)



Source: Bank of America internal data

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More bills means more stress for some of the young

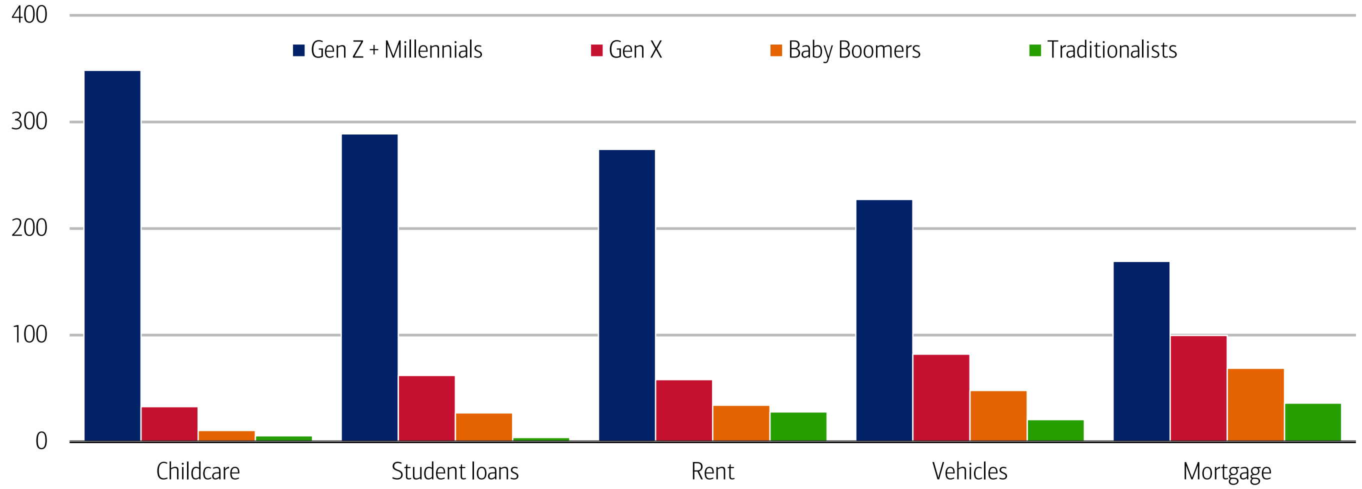
Why are younger households seeing rising wages but weak card spending? One explanation is the rising spending pressures they face that are not predominantly paid for by card, particularly items that have a disproportionate effect on the young.

For example, in Bank of America payments data, covering ACH, wires, credit and debit and other payment channels, Gen Z and Millennials make up a far larger share of childcare, student loan, vehicle and rent payers than their overall customer share (Exhibit 13). Meanwhile, older generations make up a disproportionately small portion of households with these major expenses.

Rising housing costs will likely continue to be drains on the spending power of the young in coming months (read more about this topic in our latest On The Move publication). At the same time, the resumption of student loan repayments may also crimp younger generations. The Department of Education has estimated that there could be up to 10 million people in default on their student loans in due course. In some cases, some delinquent loan holders may see wage garnishments later this summer, which would provide further headwinds to student loan borrowers' spending.

While these factors are less important for Gen X, in our previous research on the Gen X cohort, we found that the need to save for approaching retirement is an additional constraint on this generation's spending with their investments per household 40% higher than the overall population.

Exhibit 13: Gen Z and Millennials make up a disproportionately higher share of those with major expenses in May 2025
Percentage share of households with payments for selected categories (3-month moving average, index client share = 100)



Source: Bank of America internal data. Note: Mortgage payments include payments to any mortgage lender.

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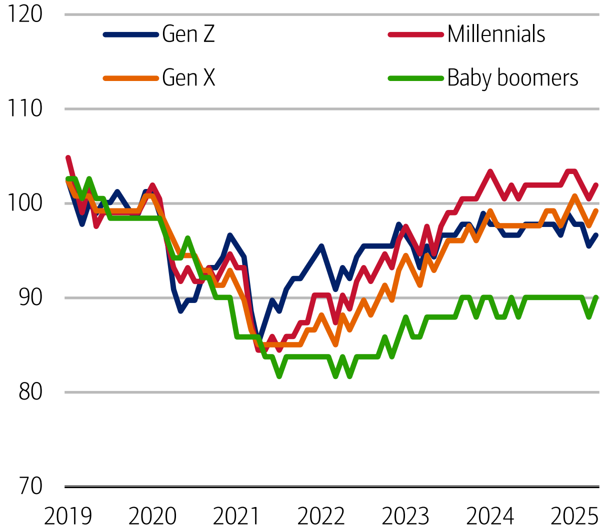
Deposits remain elevated for most, but Millennials have become more reliant on credit and BNPL

There are several signs these rising costs of living are putting financial pressure on some younger consumers.

Looking at Bank of America credit card data on households with a revolving balance, Millennials have seen the largest rise in their utilization rate (Exhibit 14). However, the good news is that their rates appear to have stabilized over the past year and a half.

That said, the data also suggests that some of the young may be becoming more reliant on alternative payment methods like buy now, pay later (BNPL). In fact, use of BNPL among Gen Z and Millennials seems to be accelerating in the past year after a three year period of slowing growth, according to Bank of America payments data (read more about this in Buy now, pay later: Spreading the pay(n)?) (Exhibit 15).

Exhibit 14: Millennials have seen the largest increase in credit card utilization rates, though not much change over the last 18 months
Median credit card utilization rate for households with a revolving balance by generation (monthly, index 2019 average = 100)



Source: Bank of America internal data

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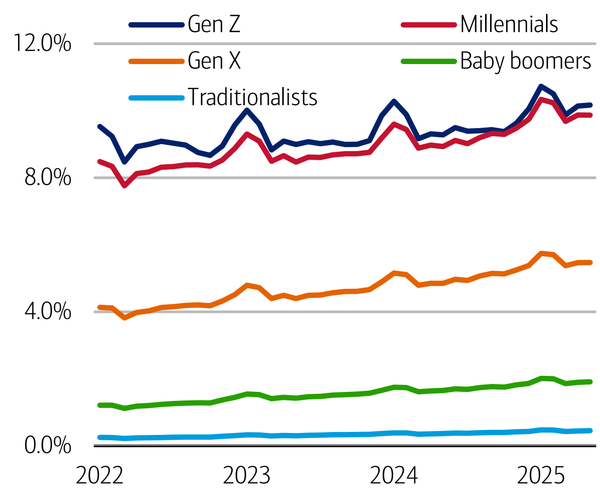
Exhibit 15: The share of Gen Z and Millennials with a BNPL payment has increased at a faster rate this year compared to the last
Share of Bank of America customers with a BNPL payment by generation (%)



Source: Bank of America internal data

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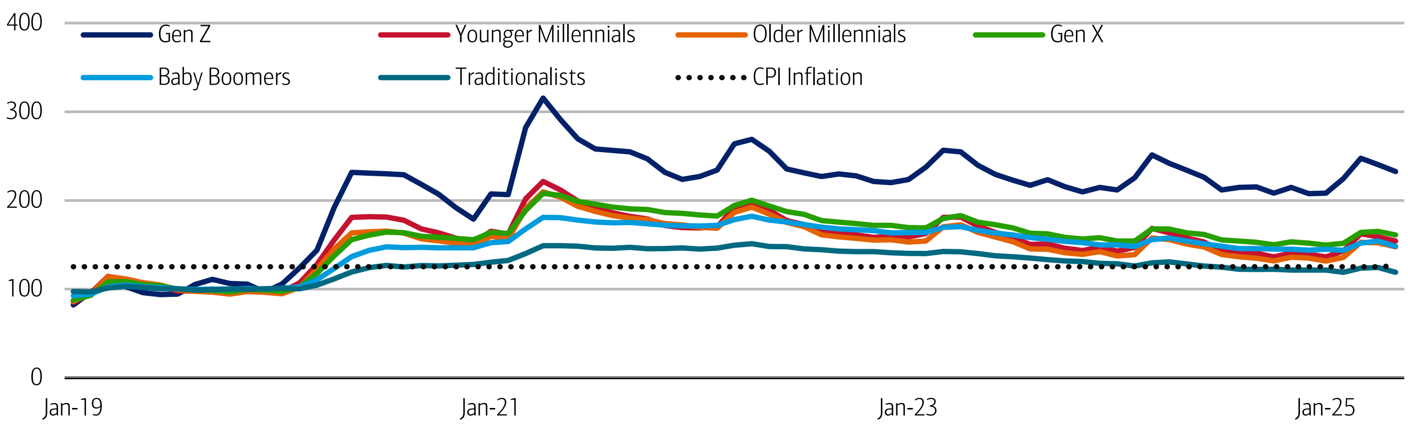
Additionally, a recent National Bureau of Economic Research (NBER) study found that consumers may use these types of platforms to make purchases they might otherwise not have made or spend more than they had initially planned[2]. This might be why BNPL users have more debt, lower credit scores and higher delinquency rates, according to the Bank of International Settlements[3]. So, in our view, this acceleration in BNPL adoption among the young is worth monitoring.

But while there are signs of some pressures on younger generations, it appears that this is not necessarily a generalized phenomenon across this generation, but more of story about the 'tails of the distribution'. In particular, the median deposit level of Gen Z and Millennials remains elevated compared to 2019 levels in Bank of America data. So, the younger households in the middle of the distribution do not appear to be running down their savings in the face of higher costs.

In fact, across all generations except Traditionalists, median deposit levels are at least 48% above 2019 levels and 21% above on an inflation adjusted basis, according to Bank of America deposit data (Exhibit 16).

Exhibit 16: Except for Traditionalists, median deposits levels remain significantly elevated compared to inflation
Monthly median household savings and checking balances by generation for a fixed group of households through May 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 May 2025.

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[2] The Economics of "Buy Now, Pay Later": A Merchant's Perspective. NBER, Tobias Berg, Valentin Burg, Jan Keil, Manju Puri.
[3] Buy Now, Pay Later: A Cross-Country Analysis. Bank of International Settlements. Giulio Cornelli, Leonardo Gambacorta, Livia Pancotto

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.

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.

Bank of America Proprietary Market Landscape Insights Study is an online, quarterly quantitative survey among Bank of America customers and noncustomers sampled and balanced to provide a representative view of the U.S. adult population. Insights are based on aggregated and anonymized responses to surveys. Significance testing is done at the 90 percent confidence interval with a sample of over 1,792 respondents.

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

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Disclosures