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Consumer Morsel

There's strength in beauty

24 January 2025

Key takeaways

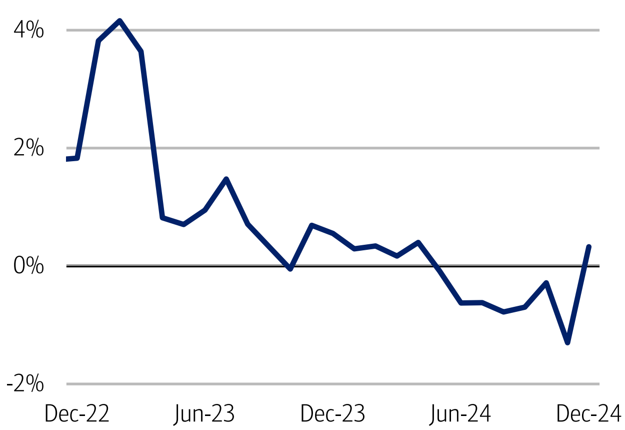
- When it comes to primping, some consumers aren't scrimping: spending on self-care services like salons and gyms is on the rise. In fact, it was up 1.6% year-over-year (YoY) in December 2024 and has been solid for the past two years. The downside however, is that consumers are deferring some self-care purchases at retailers, with spending down 1.4% YoY in December, according to Bank of America data.
- Within self-care, the beauty sector and gyms were notable standouts and spending growth in these categories has been positive over the past two years. However, growth has slowed since 2022, especially for specialty beauty stores, up 3.2% YoY in December, but down from the nearly 13% YoY increase in December 2022.
- Who's prioritizing self-care? Baby Boomers lead the pack with their spending growth for beauty sectors far outpacing other generations and remaining solid for fitness clubs and gyms. And our analysis suggests Baby Boomers also have some capacity to increase their self-care spending, while younger generations are more likely to seek value and low-cost alternatives.

Self-care: A services vs. goods story

Consumers have been cautious about overspending on self-care – at least that's what the latest data suggests. According to Bank of America aggregated credit and debit card data, consumer spending on self-care (i.e., spending at beauty salons, barbershops, specialty beauty stores, sporting goods stores, fitness clubs and gyms, massage parlors, spas, country clubs, golf courses, and clothing rental shops) appears to be starting to rebound. While it was only up 0.3% year-over-year (YoY) in December 2024 (Exhibit 1), that marks a notable improvement from the 1.3% YoY decrease seen in November.

Exhibit 1: Self-care spending was nearly flat in December 2024, up 0.3% YoY

Payment growth for self-care categories per household, based on Bank of America payments and card data (3-month moving average, YoY%)



Source: Bank of America internal data. Note: Self-care spending is largely based on card spending for specialty beauty stores, sporting goods stores, beauty salons, and barbershops except for fitness club payments which span across ACH, card, online bill pay, check and wires. The full details are in the Methodology.

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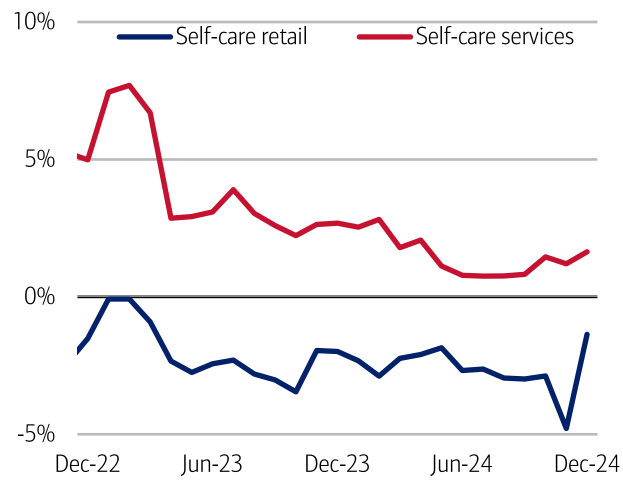
Exhibit 2: Despite significant improvement for self-care retail spending in December, it still decreased 1.4% YoY, while spending growth for self-care services was up 1.6% YoY

Payment growth by category per household, based on Bank of America payments and card data (3-month moving average, YoY%)



Source: Bank of America internal data. Note: Self-care retail is largely specialty beauty stores and sporting goods, while self-care services are mostly beauty salons, barbershops, and fitness clubs. The full list is in the Methodology.

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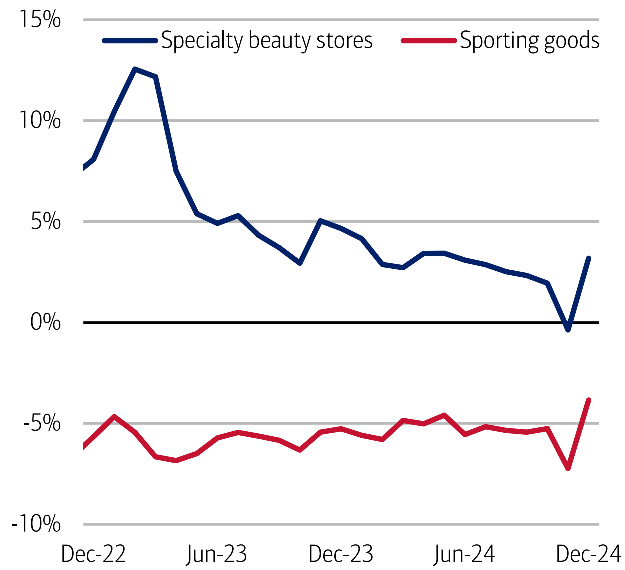
Yet there's a dichotomy in the data. In December, spending grew faster for self-care services than self-care retail. The former category has also generally fared better over the past two years, reflecting the strength in overall services spending (see our January Consumer Checkpoint for more). In fact, self-care services outlays have accelerated since September 2024 and were up nearly 1.6% YoY in December 2024, while spending on self-care retail was down 1.4% YoY (Exhibit 2).

Beauty and gyms do some heavy lifting for self-care spending

Looking across more granular categories within self-care there's more nuance, but one fact remains: there's strength in beauty. Spending in beauty salons, specialty beauty stores and barbershops has been solid since the end of the pandemic, likely as consumers returned to pre-Covid levels of primping. Additionally, spending in the 'beauty' specific sector may be driven by continuing gains in wage growth among women (see: What's in a women's wallet?).

According to Bank of America card data, in the retail arena, spending growth at specialty beauty stores rose 3.2% YoY in December 2024, which is solid but significantly lower than the nearly 13% YoY growth seen in December 2022 (Exhibit 3). However, spending on sporting goods (i.e., spending on sporting apparel, bikes and biking gear, and general sporting goods stores) continued to decline from pandemic peaks, likely as consumers splurged on exercise equipment due to gym closures then and have not yet needed to replace these items.

Exhibit 3: Consumer spending growth was stronger for specialty beauty stores than sporting goods over the past two years
Credit and debit card spending growth by select self-care retail categories per household, based on Bank of America card data (3-month moving average, YoY%)



Source: Bank of America internal data

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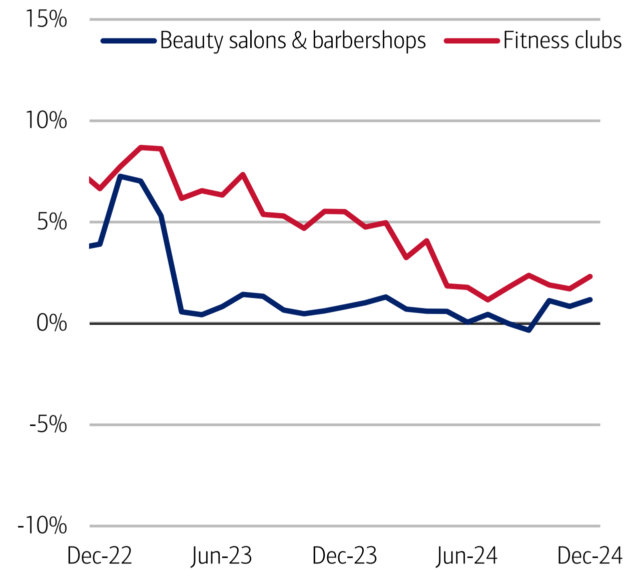
Exhibit 4: Spending growth for fitness clubs and beauty salons & barbershops was positive in December, but has slowed over the past two years
Payment growth by select self-care services categories per household, based on Bank of America payment and card data (3-month moving average, YoY%)



Source: Bank of America internal data. Note: Fitness clubs' spending includes payments across ACH, card, online bill pay, check and wires.

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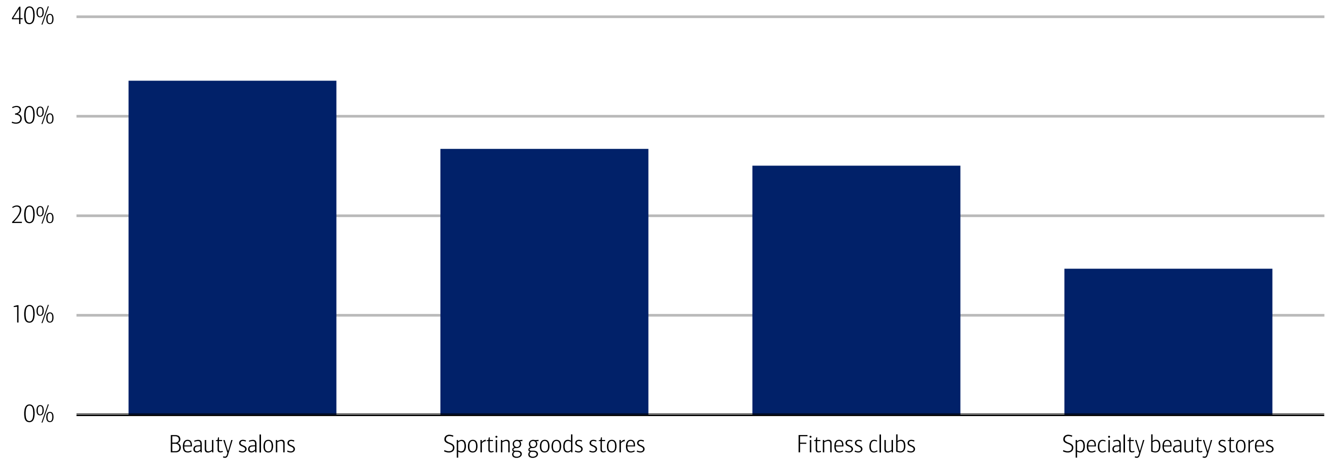
Part of this could also be explained by consumers returning to gyms. Spending at fitness clubs (which includes spending at gyms, country clubs, and golf courses) accelerated in the last half of 2024, rising 2.3% YoY. By contrast, spending at beauty salons and barbershops rose a more modest 1.2% YoY in December, and has been comparatively consistent over the past two years (Exhibit 4).

Importantly, beauty and fitness clubs accounted for nearly three-quarters of self-care spending in 2024, according to Bank of America card data (Exhibit 5).

Exhibit 5: Beauty categories and fitness clubs accounted for nearly 75% of self-care related spending in 2024
Percentage share of payment amounts by self-care categories, based on Bank of America payments and card data (2024, %)



Source: Bank of America internal data. Note: Fitness clubs' spending includes payments across all vehicles (ACH, card, online bill pay, check and wires).

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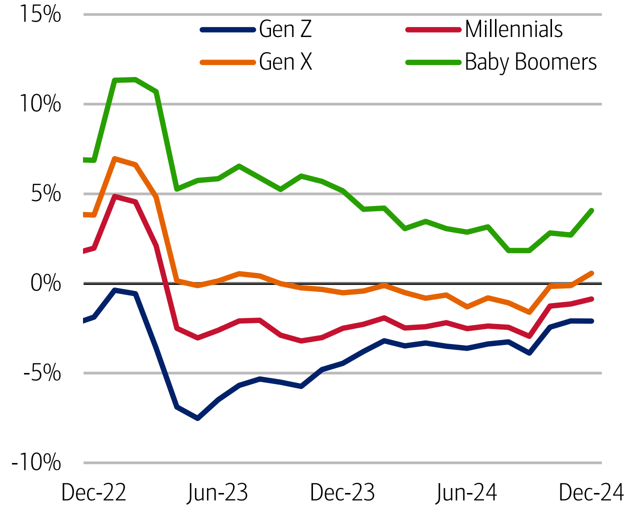
New year, new me and a Baby Boomer spending spree

When it comes to beauty spending growth, one generation rises far above the rest: Baby Boomers. Although older generations have generally outpaced overall spending (as mentioned in our publication: Is the silver streak still on track?), the difference in beauty stands out.

In December, Baby Boomers' spending at beauty salons was up a strong 4% YoY, at least three percentage points higher than any other generation (Exhibit 6). And Baby Boomers' strength was also apparent in specialty beauty stores, up 7% YoY, more than five percentage points higher than any other generation (Exhibit 7).

Exhibit 6: Baby Boomers' spending growth at beauty salons and barbershops remained comparatively strong in December 2024,
up 4% YoY…
Credit and debit card spending growth per household at beauty salons and barbershops, based on Bank of America card data (3-month moving average, YoY%)



Source: Bank of America internal data

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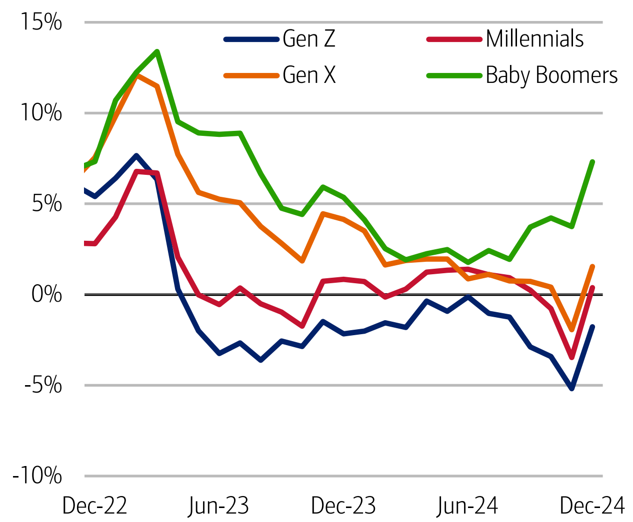
Exhibit 7: …but their spending growth was even stronger in specialty beauty stores, up 7% YoY in December, far outpacing other generations
Credit and debit card spending growth per household at specialty beauty stores, based on Bank of America card data (3-month moving average, YoY%)



Source: Bank of America internal data

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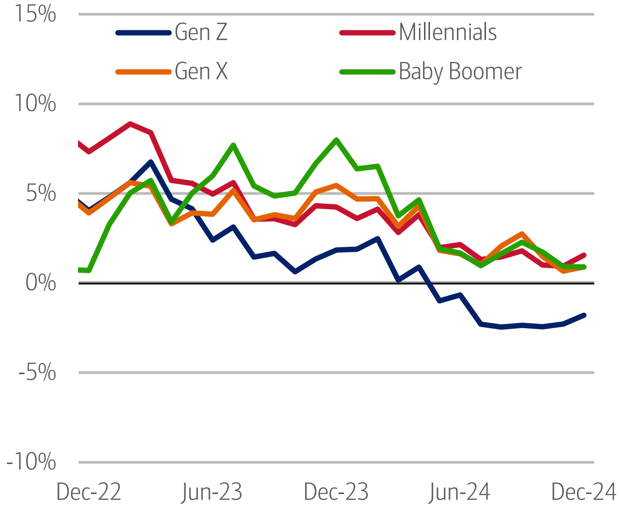
This strength also extended to fitness clubs, with solid spending growth across most generations over the past two years (Exhibit 8). Notably, however, 2024 fitness club spending per household for Baby Boomers was lower than it was pre-Covid (Exhibit 9).

Exhibit 8: Baby Boomers' spending growth at fitness clubs was more muted, up 1% YoY in December

Aggregated payments per household at fitness clubs, based on Bank of America payments data (3-month moving average, YoY%)



Source: Bank of America internal data. Note: Fitness clubs' spending includes payments across all vehicles.

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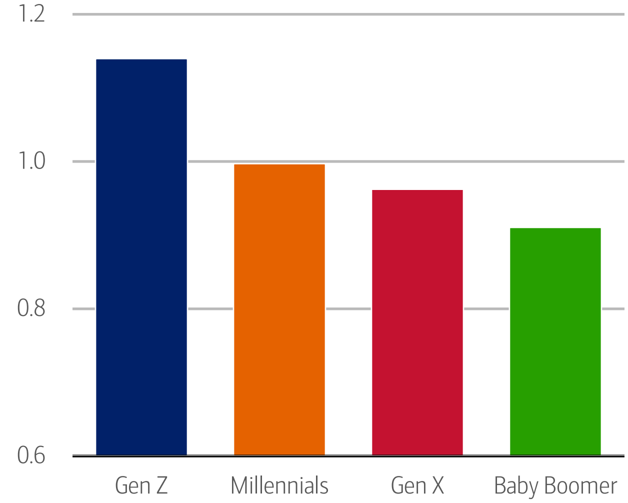
Exhibit 9: Spending at fitness clubs is higher for Gen Z, but lower for Baby Boomers, relative to 2019

Aggregated payments per household at fitness clubs, based on Bank of America payments data (2024, index 2019 average = 1)



Source: Bank of America internal data. Note: Fitness clubs' spending includes payments across all vehicles.

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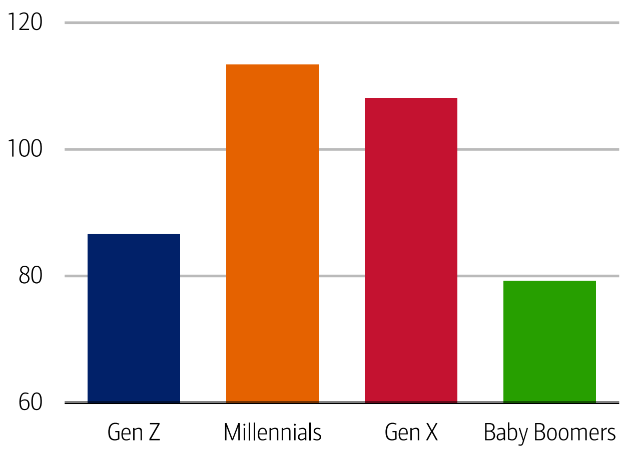
Furthermore, looking more broadly at self-care spending by generation, Bank of America data shows that average spending per household on self-care was significantly lower for Baby Boomers and Gen Zs compared to other generations in 2024 (Exhibit 10). This suggests, in our view, that these generations may have some capacity to increase spending across all self-care categories in the year ahead.

Exhibit 10: Gen Z and Baby Boomers spend comparatively less than other generations on self-care

Payments per household for self-care categories, based on Bank of America payments and card data (2024, index average spending per household of all generations = 100)



Source: Bank of America internal data.

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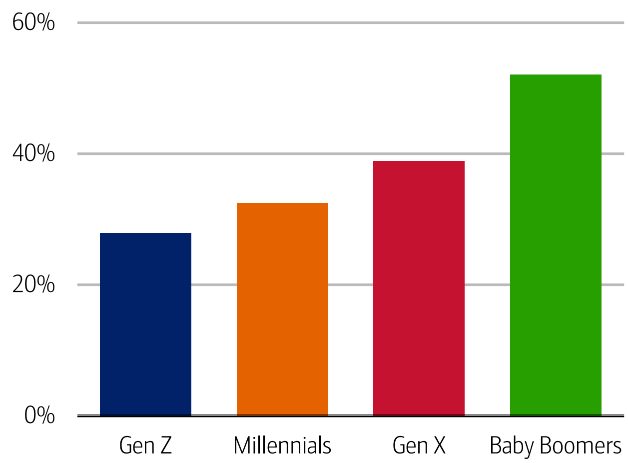
Exhibit 11: 52% of Baby Boomer survey respondents report having enough money for self-care

Percentage share of survey respondents who 'strongly agreed' or 'agreed' to the question, 'I currently have enough money to spend on self-care activities' by generation (%)



Source: Bank of America Market Landscape Insights Study

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Importantly, over half of Baby Boomers report having enough money to spend on self-care activities, according to a recent Bank of America survey of US consumers (Exhibit 11; see Methodology). This is nearly twice the share of Gen Z respondents, suggesting that younger people may seek value and low-cost alternatives by turning to general merchandise stores or shopping online for their self-care needs. So, for now, Baby Boomers will likely continue to be the driving force of self-care spending.

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.

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.

Self-care includes spending at beauty salons, barbershops, specialty beauty stores, sporting goods stores, fitness clubs and gyms, massage parlors, spas, golf courses, country clubs and clothing rental shops. Specialty beauty stores are stores that largely sell only makeup/skincare.

Spending for beauty salons, barbershops, specialty beauty stores, sporting goods stores, massage parlors, spas and clothing rental shops are based on card data. Fitness clubs include gyms, golf courses, and country club spending across ACH, credit and debit card, Online Bill Pay, checks, and wires.

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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Disclosures

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