

Regional morsel

Regional Roundup: Defrosting in the Northeast

04 March 2025

Key takeaways

- The Northeast and Midwest are lagging behind the South and West when it comes to economic growth. However, the Northeast saw accelerating GDP growth in the first three quarters of 2024 and Bank of America aggregated credit and debit card data suggests the region has continued to rally, albeit with some weather-related disruptions early this year.
- Supporting the improving economy, we find wage growth has accelerated in the Northeast, according to Bank of America deposit data. Employment growth is rising for lower- and middle-paying industries, with employers likely competing for a diminishing workforce. At the same time, we find that higher-income households are returning to the Northeast, likely encouraged by return-to-office policies, especially in New York City.
- Looking ahead, the Northeast has seen less of a slowdown in the labor market than other regions, potentially helping the region catch up with growth seen in the South and Midwest. While the cost of living remains an obstacle, a strengthening labor market in New York, Massachusetts, Maine, and Vermont may provide a positive start.

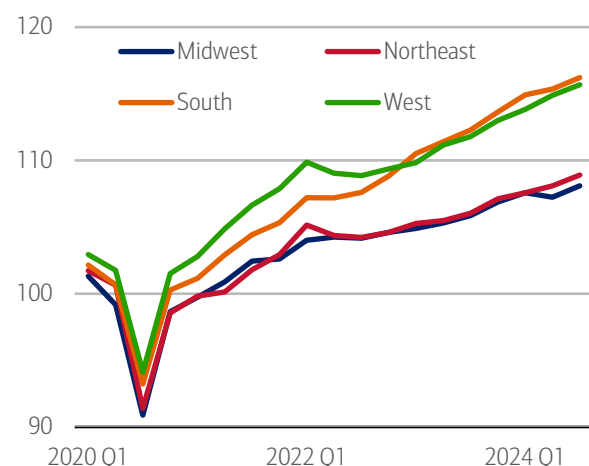
Spending strengthened across the US in the second half of 2024

Economic growth, measured by increases in gross domestic product (GDP), was broad based in the third quarter (Q3) of 2024, according to data from the Bureau of Economic Analysis (BEA), with expansion seen in every US Census region.

Compared to 2019, the South and West performed the best, with GDP up nearly 16% in Q3 of last year, while the Northeast and Midwest lagged behind by almost 7 percentage points (Exhibit 1). However, growth was more equal on a seasonally adjusted annualized basis, up around 3% for every region (Exhibit 2). Yet amid all the data there was one notable standout: the Northeast was the only region to see growth accelerate in each of the first three quarters of 2024.

Exhibit 1: GDP in Q3 2024 grew nearly 16% in the South and West compared to 2019, outpacing other regions by 7 percentage points

GDP by US Census Region (indexed, 2019=100)

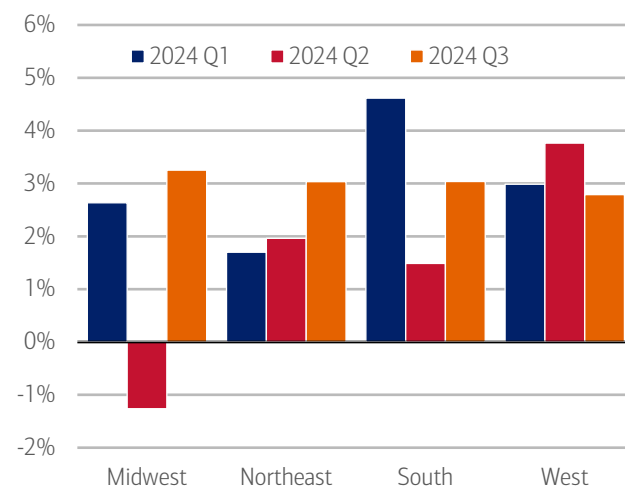


Source: Bureau of Economic Analysis

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Exhibit 2: GDP increased around 3% in the third quarter of 2024 across all regions

GDP by US Census Region (quarterly, seasonally-adjusted annual rate (SAAR) %)



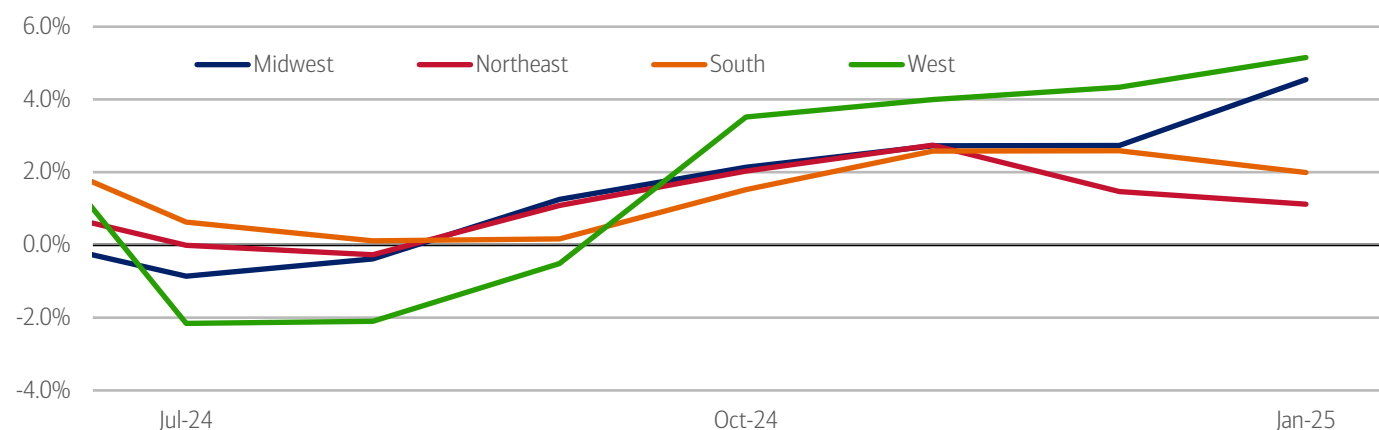
Source: Bureau of Economic Analysis

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But will this pattern continue into 2025? To better understand these economic trends, we examined Bank of America aggregated credit and debit card data, gaining insight into the direction of consumer spending, which accounts for around two-thirds of overall GDP.

Exhibit 3: Spending has improved in all regions since mid-2024, especially in the South and Midwest

Total credit and debit card spending per household from Bank of America data (3-month moving average, seasonally-adjusted annual rate (SAAR) %)



Source: Bank of America internal data

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We found that spending growth improved across all regions over the second half of 2024, suggesting GDP growth strengthened in the final quarter of the year. In the past two months, it has continued to accelerate in the West and Midwest but eased somewhat in the South and Northeast (Exhibit 3). However, in our view, the weakening in these regions in early 2025 is likely primarily weather related due to winter storms and cold temperatures as noted in our [February Consumer Checkpoint](#).

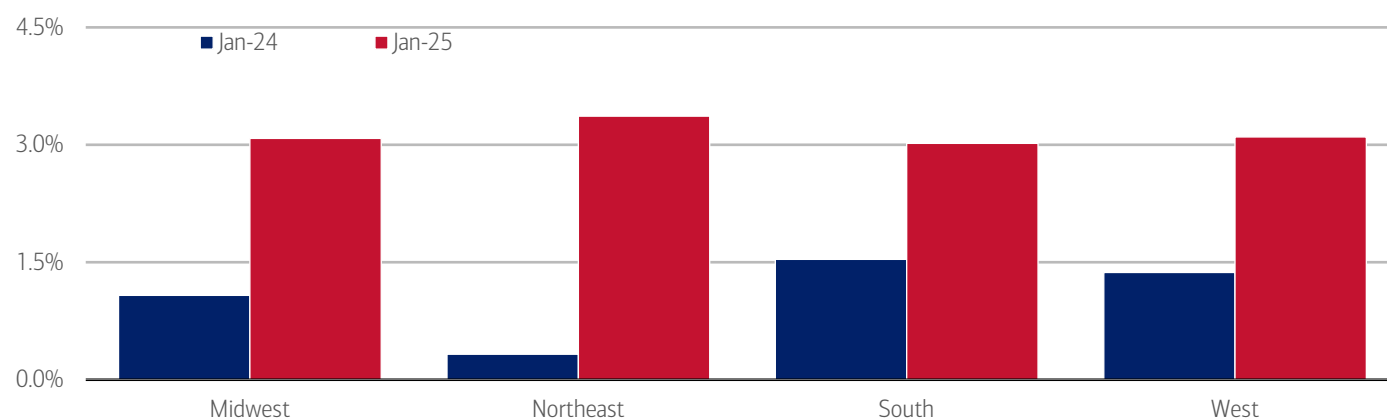
Is the Northeast's labor market waging a comeback?

Wage growth is solid across all regions, but the Northeast shone bright in January 2025

It appears that the labor market also supports the proposition that the Northeast's economy has been improving. While after-tax wage growth accelerated across all regions, in the Northeast it rose 3.4% year-over-year (YoY) in January, the biggest gain among all regions and a marked turnaround from the same month last year (Exhibit 4), according to Bank of America consumer deposit data.

Exhibit 4: Wage growth was up nearly 3% across all regions, although it accelerated the most in the Northeast

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



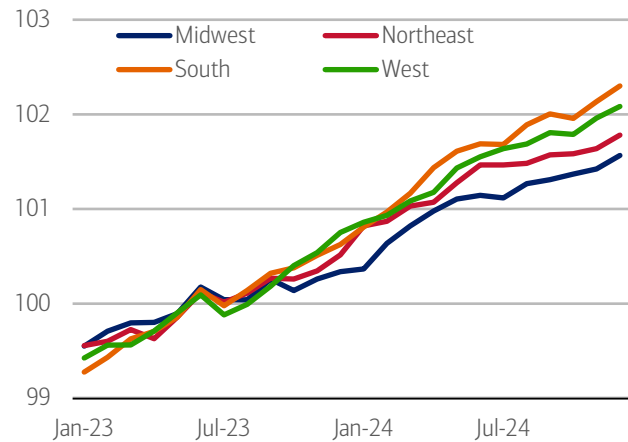
Source: Bank of America internal data

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Yet job growth has slowed slightly in the Northeast since July 2024 (Exhibit 5). And there's an interesting divergence in the data. Typically, wage gains are driven by industries with the highest pay, such as tech and finance. But that's not the case this time in the Northeast. In fact, employment growth in the highest paying industries (see Methodology) fell slightly in the Northeast in December 2024, down 0.4% YoY. By contrast, jobs in these industries grew 1.1% in the South (Exhibit 6).

Exhibit 5: Job growth has risen the most in the South and West, while it has slowed somewhat in the Northeast since mid-2024

Total nonfarm employment (monthly, index 2023 average = 100)

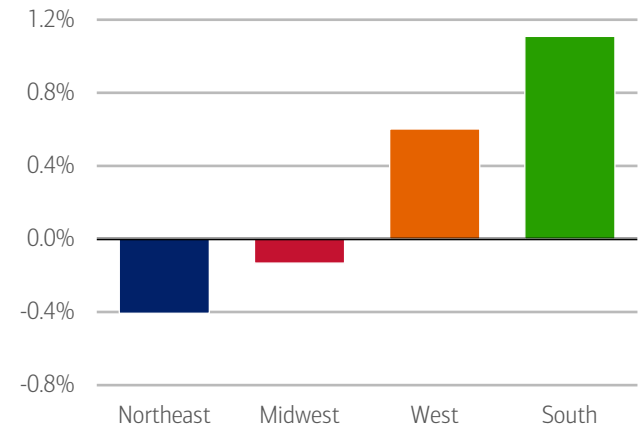


Source: Bureau of Labor Statistics

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Exhibit 6: Employment growth in industries with higher average wages has declined 0.4% YoY in the Northeast

Employment growth for select industries (December 2024, YoY%)



Source: Bureau of Labor Statistics. Note: higher wage industries include information, finance, and professional business services

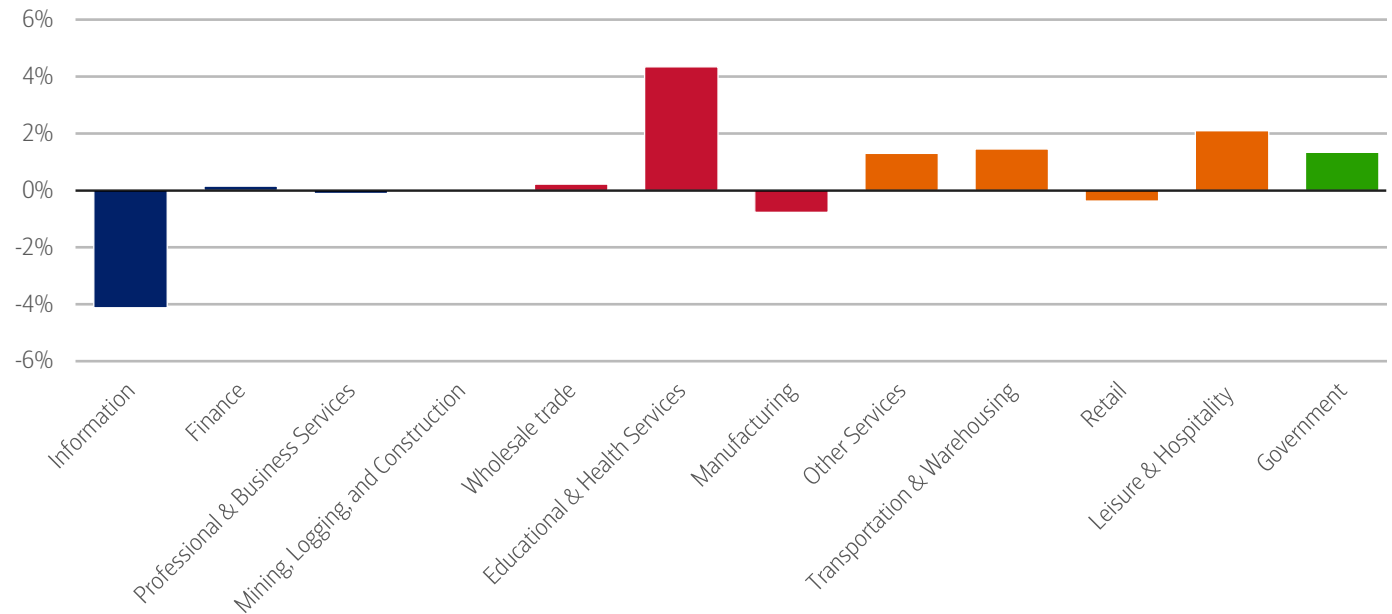
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Driving the Northeast's gains: Middle- and lower-wage industries

Instead of higher-paying industries, the Northeast's wage acceleration appears to have been boosted, in part, by industries at the middle- and lower-end of the pay spectrum, as these employers compete for a diminishing workforce.

Exhibit 7: Job gains in December were much stronger in the middle- and lower-end of the pay spectrum, compared to top-paying industries

Employment growth in the Northeast by industry (December 2024, YoY%) BLUE bars: industries with higher average wages, RED bars: industries with middle average pay, YELLOW bars: industries with lowest average wages, GREEN bar: government jobs.



Source: Bureau of Labor Statistics

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Exhibit 7 shows that in the middle of the pay spectrum – employment growth was strong in education and health services, up over 4% YoY in December. And for the industries with the lowest average hourly earnings, other services, transportation and warehousing, and leisure and hospitality all posted solid employment growth. Only retail posted a slight decline YoY. Government jobs, too, also experienced a modest increase.

And importantly, these growing industries are competing for a diminishing workforce. In our recent analysis, [On the move: The rising tide of rent payments](#), we noted that many residents of the Northeast are leaving in search of more affordable areas in the Midwest and South. In fact, using Bank of America internal data, we see that overall net domestic migration to the Northeast

has been negative, down 0.3% YoY in the fourth quarter of 2024 (Exhibit 8). Falling labor supply combined with rising jobs growth has likely been putting pressure on the Northeast's wage growth at the middle- and lower-end of the wage distribution.

Return to office may be boosting wage and economic growth in the Northeast

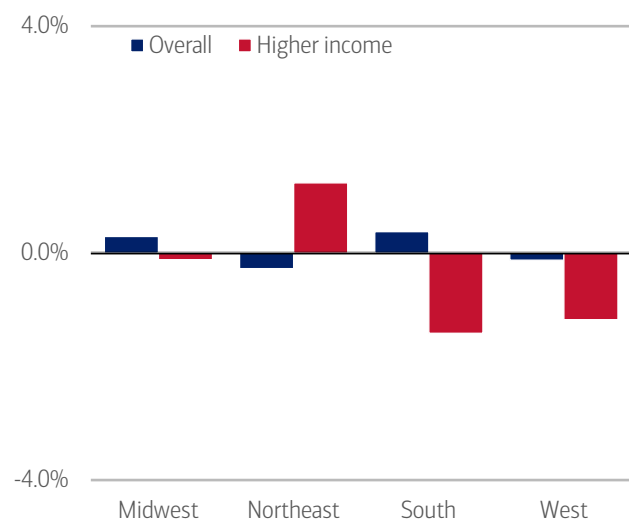
Interestingly, while the population of the Northeast has been declining, in our data we see that it has increased for higher-income customers over the year to Q4 2024.

What's behind this trend? In our view, it could be that some of these workers are returning to the Northeast as more companies, potentially those in industries like finance and tech (information), call for their employees to return to the office. This could be another reason for the acceleration of wages in the Northeast, as remote workers are more likely to have higher incomes¹ and their reentry into the region may be driving the average wage up.

Exhibit 8: Net domestic migration for higher-income customers

has increased 1.2% YoY in the Northeast while falling in other regions

Net population change, overall and higher-income customers, by region according to Bank of America data (Q4 2024, YoY%)

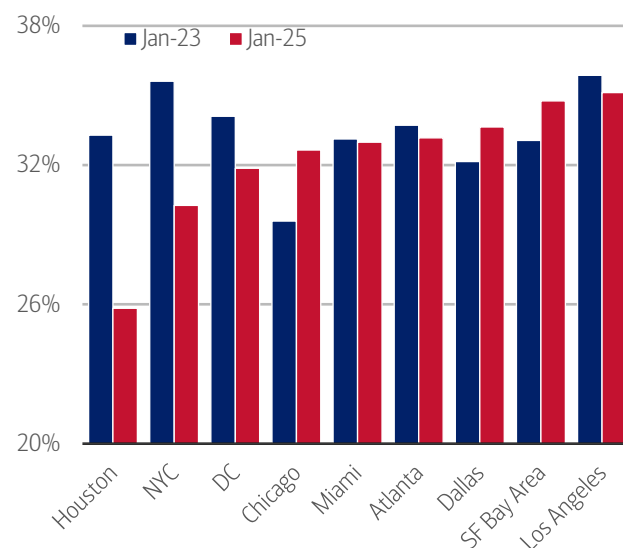


Source: Bank of America internal data. Note: Positive means net inflow, negative means net outflow.

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Exhibit 9: Remote working rates are much lower in New York City and have declined significantly over the past two years

Percentage share of days worked from home for select cities (monthly, %)



Source: Survey of Working Arrangements and Attitudes (SWAA)

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Looking across the nine largest cities in the US, it appears that employers in New York City have been fairly successful in getting workers to return to the office. In January, the city had second-lowest rate of working remotely among nine cities tracked, according to data from the Survey of Working Arrangements and Attitudes² (Exhibit 9). Only Houston had a lower rate. Notably, NYC has experienced a 5.4% decline in time spent working from home over the past two years, the second-largest decrease with these returning workers potentially providing a boost to local economies in the form of more consumer spending.

What's next for the Northeast?

The job openings and labor turnover survey (JOLTS) data from the Bureau of Labor Statistics (BLS) suggests the Northeast's labor market is holding up better than other parts of the country. While the job openings rate for December 2024 for the Northeast was on par with the national average (Exhibit 10), it appears that the demand for additional labor in the Northeast has cooled by less than most of its regional counterparts (Exhibit 11).

In fact, the labor markets in New York, Massachusetts, Maine, and Vermont (Exhibit 12) are heating up, with the job openings rate rising in these states. Notably, these four Northeastern states accounted for over half of the Northeast's GDP in Q3 2024.

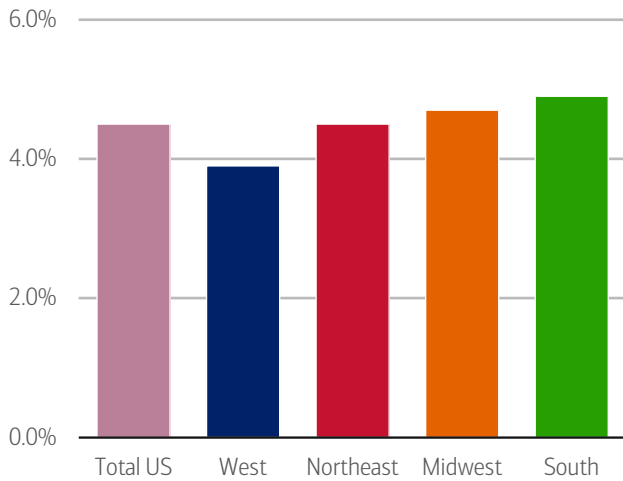
So, overall, the combination of a strengthening labor market for lower- and middle-income jobs and returning higher-income workers is providing a positive start in the Northeast's economic catch up with the South and West. However, the higher cost of living in cities like New York will likely remain an obstacle (see our [Q4 2024 Regional Roundup for more](#)).

¹ Pew Research: About a third of US workers who can work from home now do so all the time

² Barrero, Jose Maria, Nicholas Bloom, and Steven J. Davis, 2021. "Why working from home will stick," National Bureau of Economic Research Working Paper 28731

Exhibit 10: The job openings rate in the Northeast was equal to the national rate...

Job openings rate by region (December 2024, %)

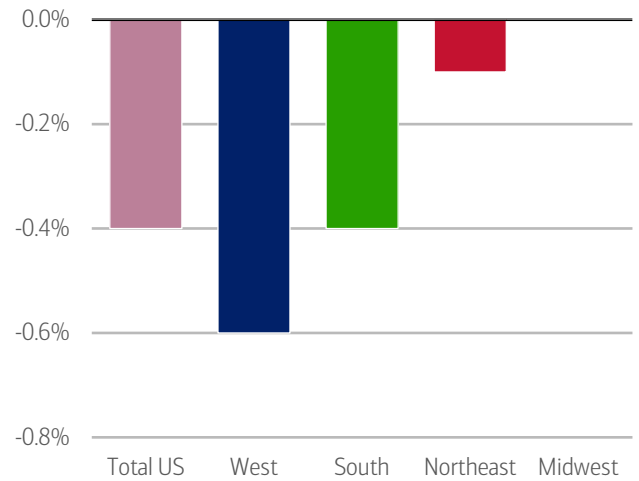


Source: Bureau of Labor Statistics

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Exhibit 11: But the national decline of 0.4% MoM was much lower than the 0.1% MoM decline in the Northeast

Change in job openings rate by region (December 2024, MoM%)

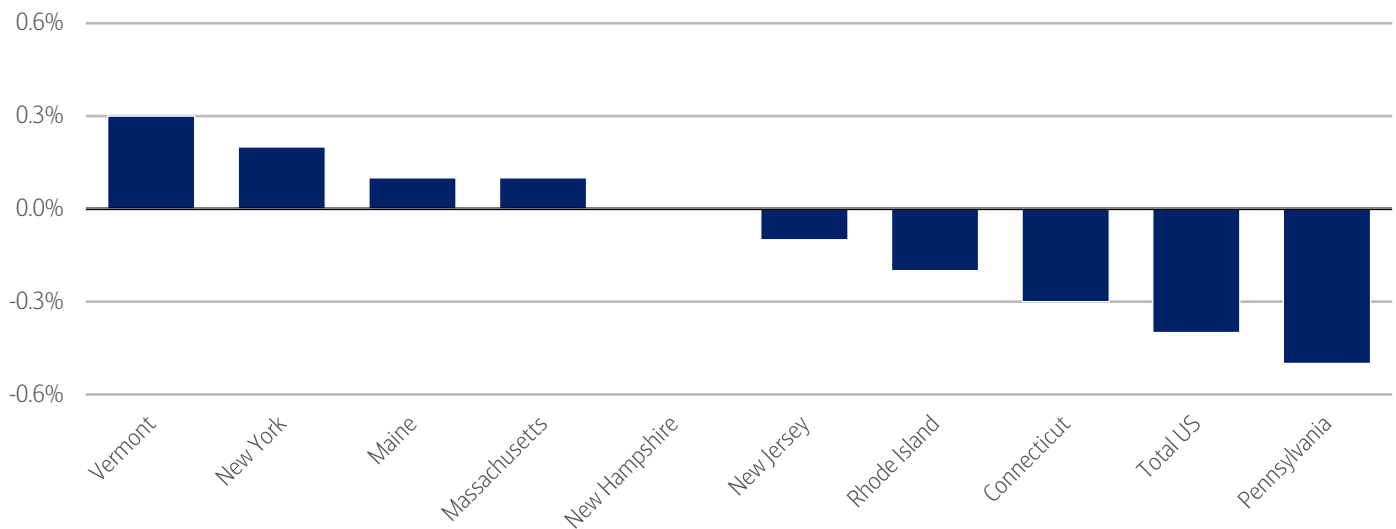


Source: Bureau of Labor Statistics

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Exhibit 12: The labor market strengthened in New York, Massachusetts, Maine and Vermont but declined in the rest of the Northeast

Change in job openings rate by northeastern states (December 2024, MoM%)



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 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.

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

US Census Regions of the United States:

Northeast: Connecticut, New Jersey, Maine, New York, Massachusetts, Pennsylvania, New Hampshire, Rhode Island, Vermont

Midwest: Indiana, Iowa, Illinois, Kansas, Michigan, Minnesota, Ohio, Missouri, Wisconsin, Nebraska, North Dakota, South Dakota

South: Delaware, Alabama, Washington DC, Kentucky, Florida, Mississippi, Georgia, Tennessee, Maryland, Arkansas, North Carolina, Oklahoma, South Carolina, Texas, Virginia, West Virginia, Louisiana

West: Arizona, Alaska, Colorado, California, Idaho, Hawaii, New Mexico, Oregon, Montana, Washington, Utah, Nevada, Wyoming

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Our analysis for domestic migration pattern is based on the group of Bank of America customers who had an open consumer checking, savings, credit and/or other investment accounts for every quarter between 4Q 2020 and 4Q 2024. Migration pattern is then extracted based on customer home addresses. This methodology yields a fixed sample size of roughly 45 million customers.

Because our data is based on a fixed sample of customers it will not capture the impact of international migration. Instead, our analysis is designed to look at how internal migration in the United States is changing. Accordingly, the overall population movements in the official Census Bureau data, which also accounts for international migration, will not necessarily align with our data in some MSAs, though our data should give similar directional signals.

Higher average wage industries are based on average hourly earnings across thirteen industries using data from the Bureau of Labor Statistics. The top three industries by average hourly earnings denote the higher average wage industries.

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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