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Consumer Morsel

What's the power of a woman's wallet?

21 January 2025

Key takeaways

- Consumer spending remained resilient throughout 2024, and women played a key role. Their median discretionary spending was up 0.9% year-over-year in November, and has been growing faster than men's for the past two years, per Bank of America internal data.
- According to Bank of America small business account data, this partly reflects above-average payroll growth in women-intensive service sectors for the past two years. Plus, increased labor force participation rates among women - supported by higher numbers of graduates - suggest relative strength in 2025.
- Moreover, women's median annual income growth continues to outpace men's, helped by greater pay increases when changing jobs - a difference that increased to the highest level in over three years at the end of 2024.

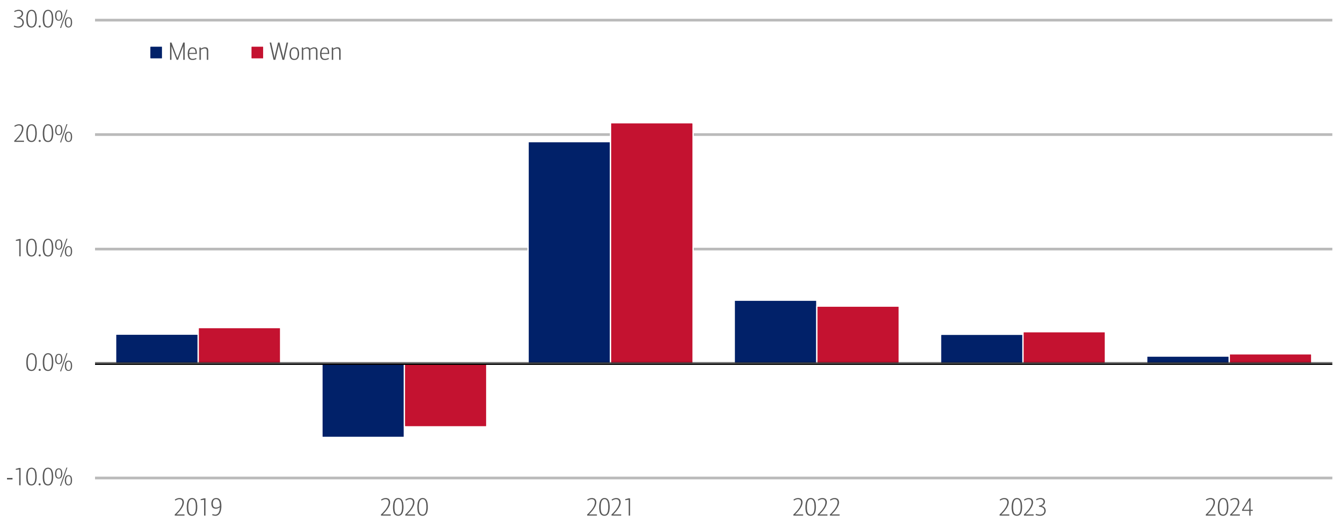
Women are helping to drive spending growth

The consumer ended 2024 with a sparkle after being resilient throughout the year (see our End of Year Review for more). Given consumer spending is about 70% of US GDP, this strength can be viewed as an overall win for the overall economy.

What – or who – is helping drive this strength? When we look at discretionary spending, we find that on average, women's spending growth has outpaced men's by 20bps for each of the past two years, and with the exception of 2022, has been stronger than men's since 2019 (Exhibit 1).

Continued strength in discretionary spending, especially as prices across some items within this category have fallen, suggests women have increased potential to drive economic growth.

Exhibit 1: Since 2019, women's median discretionary spending growth has been stronger than men's every year except 2022
Median discretionary spending growth by gender (average through November of each year, year-over-year (YoY) %)



Source: Bank of America internal data
Note: Discretionary includes dining, home improvement, professional/public services, recreation/entertainment, retail shopping, transportation/mobility, travel/tourism, and personal/family wellbeing. Spending includes debit card, credit card, automated clearing house, and check.

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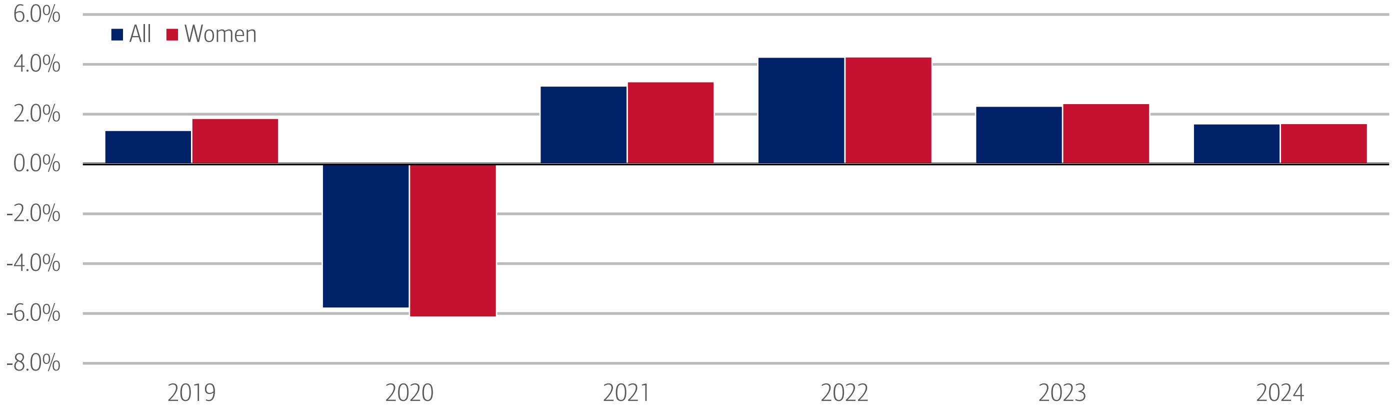
Empowerment through rising employment and education

What is driving this spending power? Women's employment growth continues to outpace the national average, although it has fallen slightly below pre-pandemic rates (Exhibit 2). If the 'catch-up' effect from the pandemic has yet to run its course, this suggests there is room for women's employment to recover further as we enter 2025.

According to data from the Bureau of Labor Statistics (BLS), women's average employment grew 1.63% year-over-year (YoY) in 2024, compared to 1.62% YoY for the overall population. We identify sectors that have the highest share of female employment, based on data from the BLS. These "women-intensive" sectors include social services, personal services, health services, educational services, and apparel stores.

Exhibit 2: Women's average employment growth outpaced the overall population the past two years, but has fallen below 2019 growth rates

Total employment growth by gender (average through each year, YoY%, seasonally adjusted)



Source: Bureau of Labor Statistics

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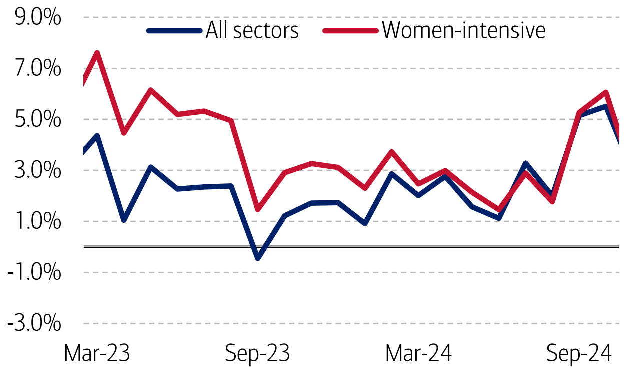
Using Bank of America internal data from small business accounts, we compare growth in payroll payments in these women-intensive sectors to growth in all sectors (Exhibit 3). Since the start of 2023, growth in women-intensive sectors has accelerated to above that of all sectors, underscoring how women have driven employment gains in key payroll growth sectors (i.e. services), though recently this gap has narrowed as the overall labor market has cooled off (see: Working towards a woman's world).

It's perhaps unsurprising then that women's labor force participation rate (LFPR) has seen relatively strong gains, and, for prime age workers (age 25-54), the LFPR grew twice as fast as the men's rate compared to last year (Exhibit 4).

Exhibit 3: Small business payroll payments growth in women-intensive sectors increased at a faster rate than all sectors in 2023, but slowed at the end of 2024

Small business payroll payments for women-intensive sectors vs. all sectors (% YoY, three-month moving average as of November)



Source: Bank of America internal data

Note: Women-intensive sectors are defined as social services, personal services, health services, educational services, and apparel stores.

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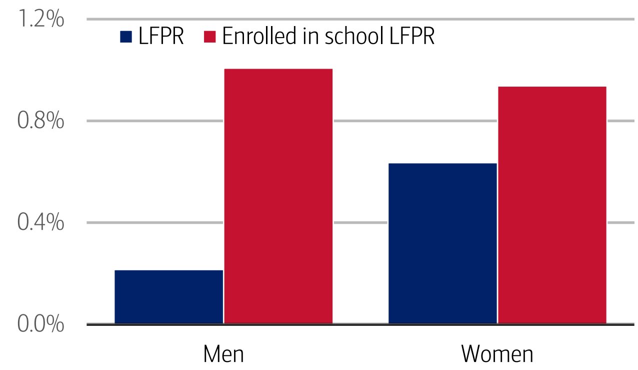
Exhibit 4: For those prime age workers (age 25-54), women's labor force participation rate grew twice as fast as the men's rate compared to last year

Average 2024 prime-age labor force participation rate (LFPR) by gender (YoY%) and average 2024 LFPR for those enrolled in school by gender (YoY%)



Source: Bureau of Labor Statistics

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One reason for this strength has been the continued rise in education enrollment among women. Women between the ages of 25 and 34 remain more likely than men in the same age group to have a bachelor's degree, according to the US Census Bureau Current Population Survey. In fact, 47% of US women aged 25 to 34 have a bachelor's degree, compared with 37% of men, and of those currently enrolled in school, the average growth in the LFPR rate for women was 0.9% in 2024, nearly equal to men's 1.0% (Exhibit 4). So, women's productivity has increased on two fronts – in education and in the workforce.

Making money moves

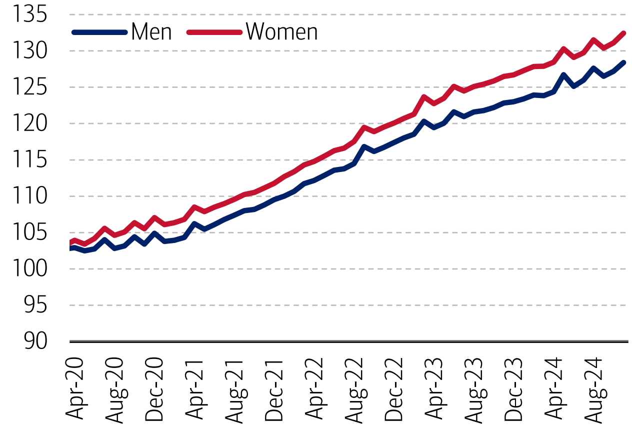
Employment income is the most likely signal for strength in consumer spending, and based on Bank of America proprietary data, after tax wages and income continue to grow (read more on this in our January Consumer Checkpoint). And though median earnings for women in 2022 were 83% of the median for men (source: BLS), using Bank of America internal customer account data, we find that women's median annual income has been rising faster than men's for the past few years (Exhibit 5).

Moreover, for those women who have changed jobs, the associated rise in pay has been relatively strong. Though the overall percentage raise associated with a job-to-job change has been slowing (as mentioned in The Great Hesitation), the raises women have received from a job change have been higher than men since 2019, per Bank of America internal data. Our piece, Labor pains or labor gains?, has more on this topic. Plus, these raises have recently been steadily increasing, reaching the highest rate in over three years (Exhibit 6).

This rising, positive difference in pay increases for women changing jobs suggests women are narrowing the gender pay gap, likely due in part to more opportunities for higher-paying work as well as accelerated wage growth in lower-paying sectors in female-dominated professions.

Exhibit 5: The median annual income for women has been rising faster than for men

Median annual income by gender (monthly, indexed, 2019 average = 100)



Source: Bank of America internal data

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Exhibit 6: The positive difference between pay increases associated with a job change when comparing women to men suggests women have continued to see success in narrowing the gender pay gap

Difference in median pay increase associated with a job change between women and men (3-month moving average, %)

Source: Bank of America internal data

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Women's economic power yet to be realized

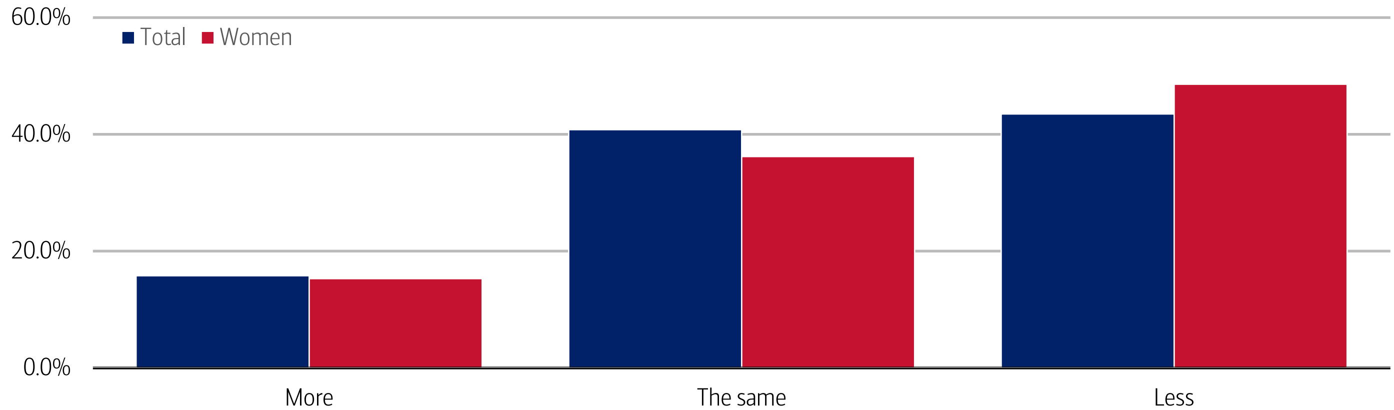
Women – through their increased participation in the workforce, importance to service-providing sectors, and amplified spending power – are playing an increasingly important role in US economic growth. Even so, there remains untapped potential, which would unequivocally benefit the economy.

How might things evolve from here? According to the Q4 2024 Bank of America Market Landscape Insights study (see Methodology), women were more likely to buy less than the overall population in response to current economic conditions (Exhibit 7).

Additionally, women's employment growth has slowed from the beginning of last year and in our view, it could be that lower pay means that women are hit harder by high inflation. This highlights that it's increasingly important that women need not only to sustain economic gains but to improve them through efforts that support continuing education and acceleration in women's labor market participation.

Exhibit 7: In Q4 2024, more women answered they bought less because of the current economic condition compared to the overall population

Based on current economic conditions (e.g., inflation, rising interest rates, etc.,) how would you describe how your purchasing and spending are changing? (% of respondents)



Source: Bank of America Market Landscape Insights Study

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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.

Bank of America 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 is 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.

If applicable, the 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.

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

Median annual income growth is derived from customers who have a valid income value for every month over the time period and who have a non-null gender code. Gender data is self-select.

The job-to-job change rate (j2j rate) is defined as the proportion of customers with an identified change in their employer as a proportion of the total number of customers with employment income. We estimate the median pay rise associated with a j2j change using the pay in the first three months of the new job compared to the same three months a year ago who have a non-null gender code.

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 8,100 respondents.

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

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

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