Year in Review

Let’s recap: 2023 at a glance

20 December 2023

Key takeaways

• Bank of America Institute is dedicated to uncovering powerful insights that move business and society forward. In the last year, we’ve delivered over 80 publications across our three pillars: Proprietary Economic Insights, Sustainability and Transformation.
• As the year comes to a close, we’ve consolidated some of the most insightful charts that we’ve published along the way.
• From domestic migration to moderating wage growth, our 2023 wrap-up serves as a great way to ramp up holiday party chatter and reflect on what we’ve seen.

Consumer spending: Resilient and (baby) booming

If you’ve heard it once, you’ve heard it a thousand times – consumers have continued to be resilient, and their spending reflects that. We started the year with total credit and debit card spending per household up 5.1% year-over-year (YoY) from January 2022 (Exhibit 1). And this resilience continued over the first quarter of 2023, with spending levels remaining above 2022 levels in total as well as services spending (Exhibit 2).

Exhibit 1: Total credit and debit card spending per household, based on Bank of America internal data (%YoY, monthly through January 2023)

We saw signs of a strengthening in consumer spending in January.

Exhibit 2: Total credit and debit card spending per household (index, January 2020=100, seasonally adjusted, monthly through March 2023)

Despite the drop in March, services spending remained well above 2022 levels.

A key theme of 2023 consumer spending has been the difference in spending by age group. Specifically, we brought attention in June to how younger generations’ spending growth was lagging older generations (Exhibit 3). The 8.7% 2023 cost-of-living adjustment (COLA) to social security, which boosted retirement incomes, as well as higher levels of wealth as markets increased were among the drivers of this outperformance by older generations like Baby Boomers.
A significant gap opened up between younger and older generations’ spending growth.

Source: Bank of America internal data. Note the latest dip in the daily data was due to Memorial Day timing distortions.

Growing pains
Younger generations, in particular, have also been facing a range of economic headwinds including student loan repayments and rising childcare costs.

The former resumed this fall after a three-and-a-half-year moratorium. When we took a look at Bank of America internal data in September, we found that a sharp rise in the value of student loans repayments in August 2023 reflected a relatively small number of customers making large lump-sum repayments to avoid the re-start of interest accrual on student loans from September (Exhibit 4), rather than some more broadly-based resumption of loan repayments.

As for childcare, Bank of America data revealed that families making childcare payments have been spending at a slower pace than the rest of the population since May (Exhibit 5). With a whopping 30% increase since 2019, rising childcare costs might be forcing some parents to spend less and draw on savings more across all income cohorts.
Reminiscing on the year and on the move

Domestic migration during the pandemic has helped shape the housing market today, and housing remains a focal point in the economy as it constitutes the biggest monthly outlay for consumers. While rising borrowing costs have dampened home sales over the last year, shelter costs continued to rise at record pace, and the differences we found across regions were striking.

A housing morsel earlier this year found that cities in the Sun Belt region such as Phoenix, Miami, Tampa, and Atlanta, experienced a stronger housing boom, driving up rents and mortgages more than those in the Northeast and the West in February (Exhibit 6). The underlying reasons may be complex, but we proposed some potential explanations: domestic migration driven by affordability, above-average employment gains and an increasing share of higher-paid jobs.

Exhibit 6: Median rent and mortgage payments in major metropolitan statistical areas (MSAs), based on Bank of America internal data (%YoY, for the 6-month ending February 2023)

Phoenix saw a staggering surge of 26% YoY in median rent payments for the six months through February, followed by 23% for Tampa.

Digging further into regional migration, we also considered factors that are driving these moves. A main motivator of a family move is often career-driven, and in a recent On the Move publication in November, we found that when workers switched jobs, they received a bigger jump in compensation than those who didn’t.

Exhibit 7 shows the %YoY change in median pay for people who moved into a given MSA in 3Q and for those who didn’t. The sharp rise in pay for movers in large cities like Seattle and New York could be due to larger overall salaries where the cost of living is also higher. These cities also have a greater concentration of tech and financial services sectors, which are often higher-paid industries.
Exhibit 7: %YoY change in median pay for people who moved into or stayed in a given MSA in 3Q 2023
Workers who moved to Seattle in 3Q 2023 saw an impressive 15% YoY increase in their median paycheck, compared with just a 1% increase for non-movers in the city.

Source: Bank of America internal data

High earners’ hurdles
However, those in higher-paid industries haven’t had a hurdle-free year. The labor market might be in overall decent shape, but throughout the year we found fractures.

Strong wage growth was one of the main drivers behind the resiliency in consumer spending last year, allowing consumers to keep spending even in the face of higher inflation. But in March of this year, Bank of America data showed higher-income households saw wages contract by 0.5% YoY, the first negative growth reading since May 2020 (Exhibit 8). As hiring freezes and job cuts in industries such as tech and financial services put downward pressure on wages in this cohort, we found that in May the share of pay disruptions among higher-income customers rose sharply, but fell for lower-income customers, suggesting that the higher-income end of the labor market was softening much more significantly than the lower end. (Exhibit 9).

Exhibit 8: After-tax wages and salaries growth by income group, based on Bank of America aggregated consumer deposit data (%YoY, 3-month moving average through March 2023)
Higher-income households are seeing the fastest slowdown in wage growth.

Source: Bank of America internal data

When looking at the labor market more broadly, in November we found that job moves are slowing and pay raises for movers have declined. In fact, we estimated the median pay raise from a job-to-job (j2j) move is back to pre-pandemic levels at 10.8%, significantly lower than the average of 18% in 2022, as well as below the 12.9% average of the first half of 2023 (Exhibit 10).

Exhibit 9: Pay disruptions by income (% share of total disruptions, monthly through April 2023)
The share of pay disruptions have been rising for higher-income earners.

Source: Bank of America internal data
**Exhibit 10: Median pay raise for job-to-job movers (% YoY)**
Pay rises for j2j moves appear to be declining sharply

![Graph showing median pay raise for job-to-job movers (% YoY)](image)

Source: Bank of America internal data. Data to October 2023. *Calculated as the change in pay in the three months from a job move compared to pay over the same three months a year earlier.

**It’s all about balance(s)**
And with holiday spending looking relatively strong, our December Consumer Checkpoint publication again highlighted one of the main sources of resilience for the consumer throughout 2023: deposit balances. While slightly declining, these savings buffers remain well above the levels seen before the pandemic for all income groups.

At the outset of 2024 we believe this should continue to help support spending in what may be a challenging year for the overall economy.

**Exhibit 11: Monthly median household savings and checking balances by income (2019=100) for a fixed group of households through November**
In November households across income cohorts continued to have raised deposit balances compared to 2019

![Graph showing monthly median household savings and checking balances by income (2019=100)](image)

Source: Bank of America internal data. Monthly data includes those households that had a consumer deposit account (checking and/or savings account) for all months from January 2019 through November 2023.

**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.

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:

5. Baby Boomers: 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.

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.

We estimate the median pay rise associated with a j2j change using the pay in the latest three-month period compared to the same three months a year ago.

We define a pay disruption as where we observe a payroll payment coming into a customer account consistently in each of the last 12 months, but then observe no payment for three consecutive months. Pay disruption rate is pay disruptions as a percentage of customers with 12 consecutive months of pay.

Our analysis for 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 2018 and 3Q 2023. Migration pattern is then extracted based on customer home addresses. This methodology yields a fixed sample size of roughly 45 million customers.

Job change is determined if a customer has at least 12 consecutive months of pay via direct deposit but did not receive direct deposit from the same employer in the most recent quarter.

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