## Economy

# Autos: How much gas is left in the tank?

12 June 2025

## Key takeaways

- Auto sales rose sharply in recent months as consumers raced to beat potential price increases due to the imposition of tariffs. But the growth in Bank of America consumer vehicle loan applications has now fallen back from April's peak, suggesting that "buying ahead" has largely run its course.
- Despite the slowdown in buying ahead, lower-income and younger consumers are poised to feel the most pressure from firmer prices. Bank of America data shows the growth in median car payments since 2019 has outpaced both new and used car prices. In fact, of those households with a monthly car payment, 20% have a payment greater than $1000 a month.
- Tariffs and other policy uncertainty have also complicated electric vehicle (EV) sales. According to Bank of America data, the number of new EV loan originations in May is almost 80% below 2022 average levels. Moreover, BofA Global Research expects EV penetration rates for the next few years to be about half of their estimate from last year.

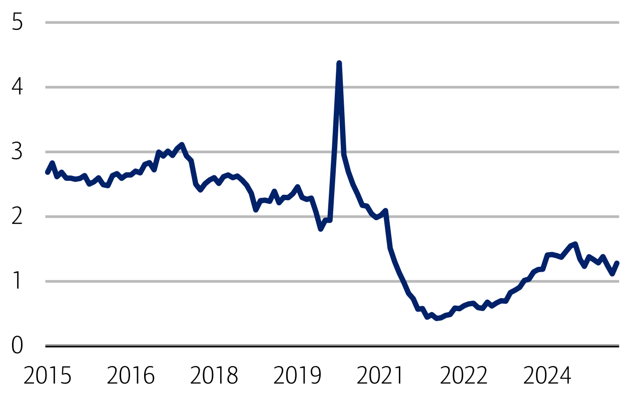
## Car buying has decelerated

One notable area where consumers appeared to be "buying ahead" before the imposition of tariffs, was autos. As we reported in the April Consumer Checkpoint, Bank of America data on consumer vehicle loan originations rose sharply in late March following the March 26 announcement of a 25% tariff on autos and auto parts imported into the US. And, according to the Bureau of Economic Analysis data on auto sales for March and April showed a pronounced spike, with the seasonally adjusted annualized rate (SAAR) of sales peaking at 17.8m in March.

This increase in auto sales has moved the ratio of auto dealer inventories-to-sales lower over the past year, from an already depressed point compared to pre-COVID 19 levels (Exhibit 1). While Bank of America consumer vehicle loan originations indicate that demand for vehicles appears to be stabilizing (Exhibit 2) – also evident in the drop back in auto sales data to 15.7m SAAR in May – the supply shock of tariffs means a further decline in inventory is likely, according to BofA Global Research. This may leave consumers with fewer options and - while auto prices dropped in May according to the consumer price inflation data from the Bureau of Labor Statistics (BLS) - there remains a possibility of further pressure on car prices over time.

**Exhibit 1: The auto inventory-to-sales ratio is significantly closer to 1 than it was a decade ago**

Domestic auto inventory/sales ratio (monthly, seasonally adjusted)




**Source:** Haver Analytics

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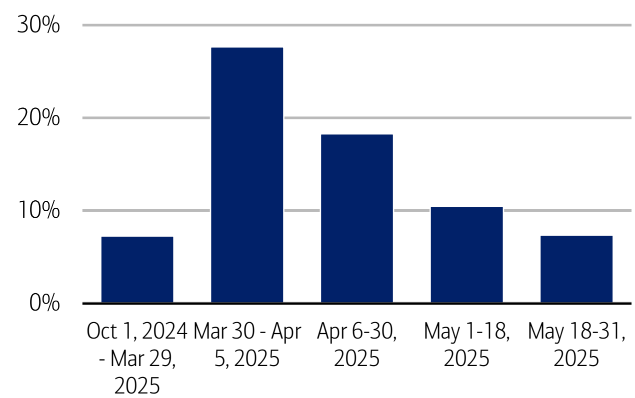
**Exhibit 2: Consumer vehicle loan application growth for Bank of America auto loans has normalized**

Average daily consumer vehicle loan applications for different time periods (daily, YoY%)




**Source:** Bank of America internal data

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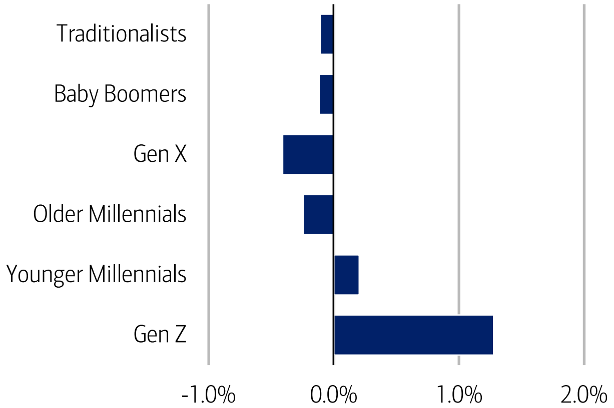
What do we know about those consumers who were buying ahead? Exhibit 3 uses Bank of America weekly data on the number of bank customers making large payments (above $2,000) to auto firms and vehicle finance providers. We use this data to serve as a proxy for new and used sales and show how the share of customers by generation changed from January 2024 to February 2025, and March 2025 to May 2025. We find some evidence that buying ahead was skewed towards the young – particularly Gen Z and younger Millennials.

Similarly, when we look at the same analysis of payments by customer income, we find that buying ahead may have been somewhat skewed toward lower- and middle-income customers (Exhibit 4), though the differences compared to the January 2024-February 2025 income shares are not large.

**Exhibit 3: Buying ahead was little skewed towards younger buyers**
The change in the share of large* customer auto payments by generation, March-May 2025 compared to January 2024-February 2025 (percentage points)




**Source:** Bank of America internal data. *Large payments are those over $2000 and where no payment greater than $600 was observed in the previous two months. Data is across payment channels. (credit and debit, automated clearing house (ACH), and wire)

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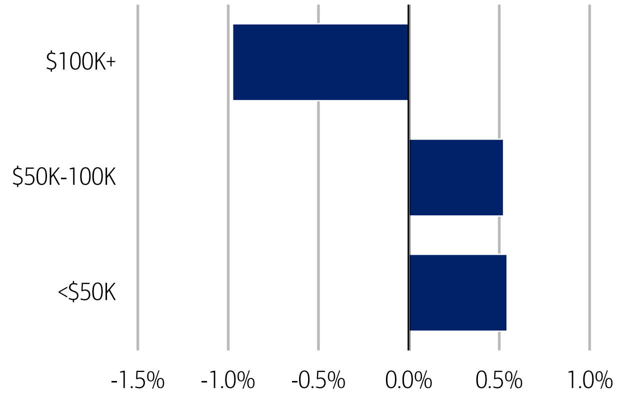
**Exhibit 4: By income, buying ahead appears concentrated on lower- and middle-income customers**
The change in the share of large* customer auto payments by income, March-May 2025 compared to January 2024-February 2025 (percentage points)




**Source:** Bank of America internal data. *Large payments are those over $2000 and where no payment greater than $600 was observed in the previous two months. Data is across payment channels. (credit and debit, ACH, and wire)

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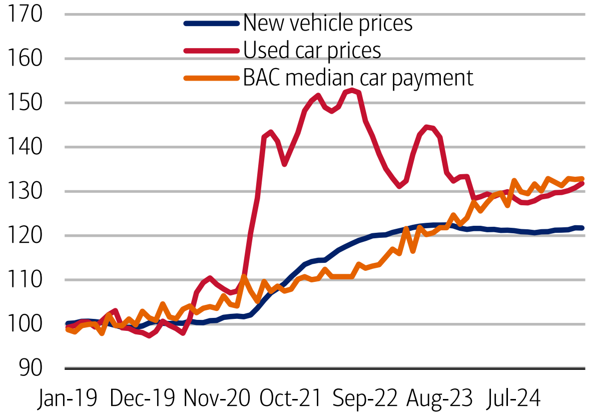
## Auto costs are gaining speed

If auto prices rise due to tight inventory and tariffs, how much additional strain could be placed on consumers' wallets? Bank of America payments data shows that overall median car payments are already more than 30% higher than the 2019 average and have now outpaced both new and used car prices, possibly as there is a push towards more expensive cars (Exhibit 5). In May, Bank of America monthly car payments accounted for 13% of households' median deposit balances.

**Exhibit 5: Bank of America median car payments have outpaced both used and new vehicle prices**
New and used vehicle prices (monthly, indexed, 2019 average = 100) and median car payments (monthly, indexed, 2019 average = 100)




**Source:** Haver analytics, Bank of America internal data

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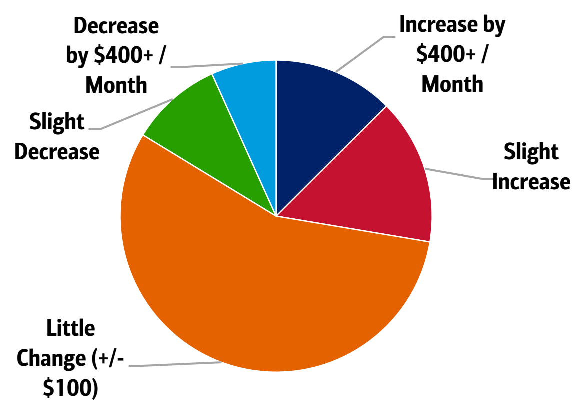
**Exhibit 6: The number of households who were paying more each month on their car payment is greater than those paying less**
Distribution of monthly average car payment by the change in amount, June 2024-May 2025 compared to June 2022 -May 2023 (%)




**Source:** Bank of America internal data Note: This is all households who have paid in the past 36 months.

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In fact, from June 2024 to May 2025, the share of households whose monthly average car payment increased by over $400 a month from the period two years earlier was 11 percentage points (pp) greater than those who saw a decline (Exhibit 6). And according to Bank of America data, of households who have a monthly car payment, 20% have one greater than $1000 a month.

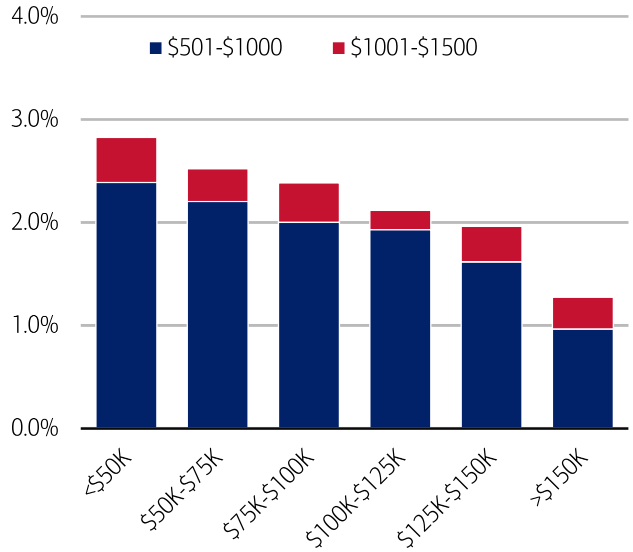
### Could lower-income and younger generations buckle under pressure?

Rising auto loan payments pressure seems to be a particular feature of lower-income and younger households: Exhibit 7 and Exhibit 8 show that both lower-income and younger households (particularly young Millennials) had a greater year-over-year rise than other cohorts in the share of those who have a total auto loan payment of more than $500 per month.

In our view, if auto prices were to rise at a faster rate, these payment trends may intensify.

**Exhibit 7: Lower-income households' share of average monthly auto payments outpaced higher-income**

Change in the share of households by income average monthly auto payments by income between May 2024 and May 2025 (YoY%)




**Source:** Bank of America internal data

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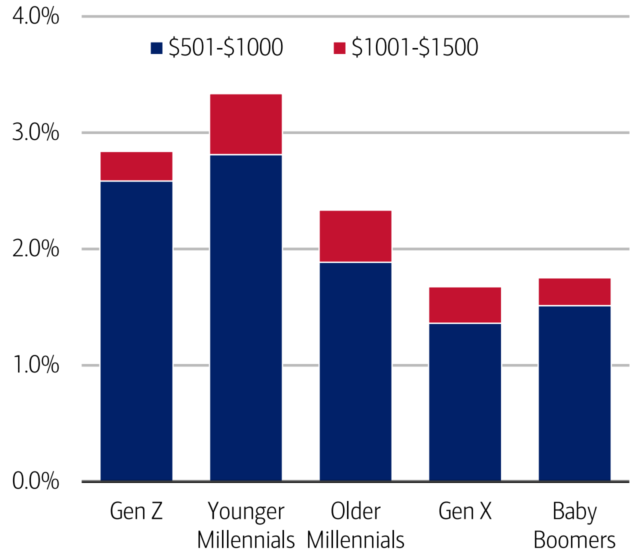
**Exhibit 8: Gen Z and younger Millennials' share of average monthly payments increased more than older generations**

Change in the share of households by generation average monthly auto payments between May 2024 and May 2025 (YoY%)




**Source:** Bank of America internal data

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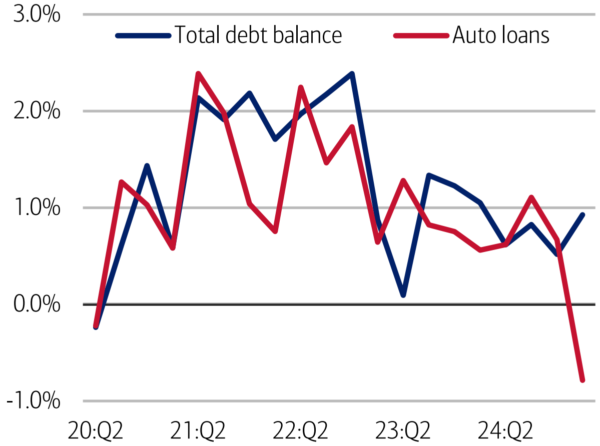
### Overall auto debt is falling, but pressure on borrowers remains

According to data from the New York Federal Reserve, the contribution of auto debt to overall consumer debt balances actually fell quarter-over-quarter (QoQ) in Q1 2025 (Exhibit 9), so the underlying pace of auto loan growth may be slowing even if buying ahead was a temporary upward pressure.

One reason for this may be a tightening in credit availability for auto financing, with the New York Fed's most recent Credit Access Survey finding the average perceived probability of a rejection for an auto loan application reached 33.5% in February - the highest level since the start of the series.

Cooling auto loan growth alongside continued labor market strength and solid wage growth among younger households (see our June Consumer Checkpoint) is likely helping mitigate some of the risks from rising auto payments. And it appears a rise in newly delinquent auto loans may have levelled off (Exhibit 10). Still, in our view, there continues to be pressure on consumers' finances and the situation warrants continued attention.

**Exhibit 9: The US total debt balance increased 0.9% QoQ in the first quarter of the year, but auto loan debt fell**
Debt balance composition (QoQ%, quarterly)




**Source:** New York Fed/Equifax

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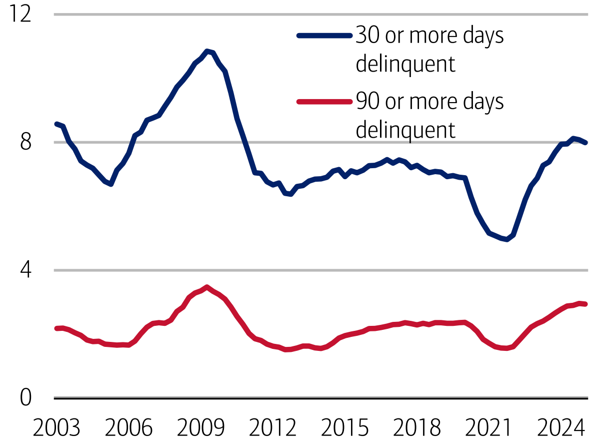
**Exhibit 10: The rise in auto loan delinquencies appears to have flattened off**
Newly delinquent auto loans (% of loan balance)




**Source:** New York Fed

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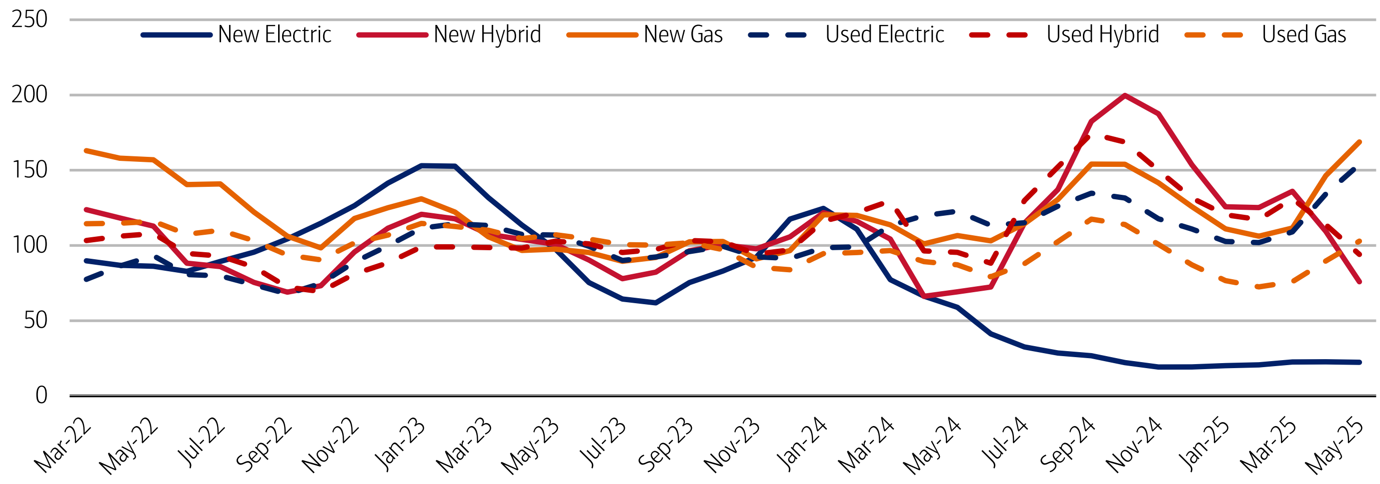
## Have EVs short-circuited?

The tariff trend isn't the only factor affecting buying. For electric vehicles, regulatory and policy uncertainty has also clouded the outlook, including the likely elimination of the $7,500 Inflation Reduction Act consumer EV incentive, according to BofA Global Research.

In fact, Bank of America internal data shows a sharp pull-back in consumer loan originations for EVs in recent months, though some of this could be due to an increase in leasing for these vehicles. Such EV originations were almost 80% below the 2022 average in May, though used EV loans were up about 54% (Exhibit 11). However, new and used gas-powered vehicle originations have increased over the past few months, possibly due to lower fuel prices, which suggests further momentum for combustion engine cars in the coming months.

Looking further ahead, BofA Global Research expects the next four years will be the most uncertain and volatile time ever for EV product strategy, with implied EV penetration rates for the next few years about half of what was estimated last year.

**Exhibit 11: New electric vehicle auto originations have fallen sharply, whereas new gas originations are on the rise**
Auto originations by type (monthly, indexed, 2022 average = 100, 3-month moving average)




**Source:** Bank of America internal data

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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 (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.

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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