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Consumer Checkpoint

Resolute in the new year?

10 January 2025

Key takeaways

- 2024 was a solid year for consumers and they finished the year strong, with December card spending per household up 2.2% year-over-year (YoY), according to Bank of America aggregated credit and debit card data. Seasonally-adjusted card spending per household rose 0.7% month-over-month (MoM).
- As we kick off 2025, the consumer continues to benefit from a supportive labor market with after-tax wage and salary growth up 3% YoY in December.
- Buy now, pay later (BNPL) is increasingly being used as a way of financing spending. The rise in BNPL adoption appears to have been driven by lower- and middle-income households. But it appears from Bank of America data that most users make relatively few BNPL payments each month.
- Additionally, consumers appear to believe it's a good time to buy durables ahead of potentially higher prices, though in Bank of America data we see little evidence that these concerns were spurring them to spend more in this area over the last few months of 2024. Changes in consumer sentiment do not always translate into action.

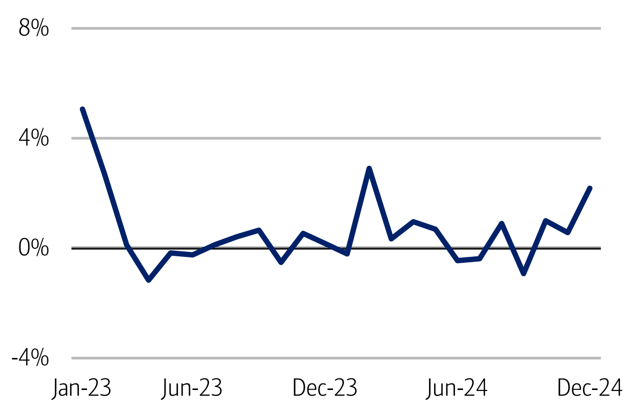
Consumer Checkpoint is a regular publication from Bank of America Institute. It aims to provide a holistic and real-time estimate of US consumers' spending and their financial well-being, leveraging the depth and breadth of Bank of America proprietary data. Such data is not intended to be reflective or indicative of, and should not be relied upon as, the results of operations, financial conditions or performance of Bank of America.

The consumer ended 2024 with a sparkle

2024 was a solid year for the consumer and spending growth finished in similarly good form. Spending per household was up 2.2% year-over-year (YoY) in December, following the 0.6% YoY rise in November (Exhibit 1), according to Bank of America aggregated credit and debit card data. December's growth was the second-fastest YoY spending growth in 2024. And spending per household rose a healthy 0.7% month-over-month (MoM) on a seasonally-adjusted (SA) basis in December.

Exhibit 1: Consumers continued to show solid momentum, with spending up 2.2% YoY in December 2024

Total credit and debit card spending growth per household, based on Bank of America card data (monthly, YoY%, non-seasonally adjusted (NSA))



Source: Bank of America internal data

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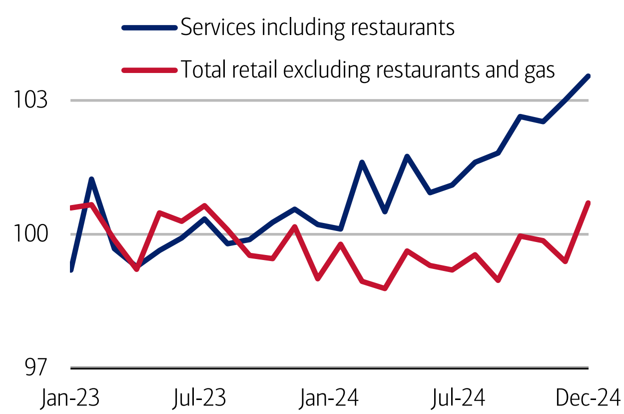
Exhibit 2: Services spending continued to be strong in December, and retail spending experienced a rebound

Spending by category, based on Bank of America card data (monthly, index 2023 = 100, seasonally adjusted (SA))



Source: Bank of America internal data

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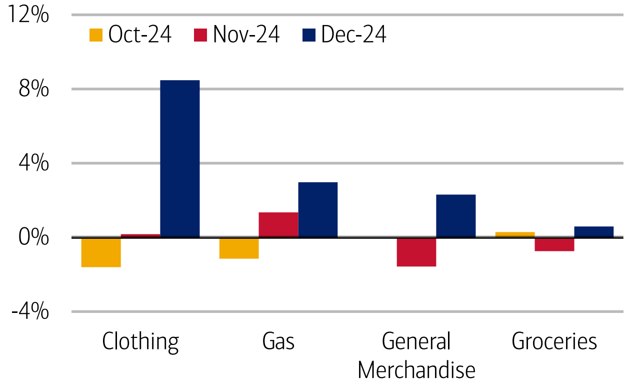
Spending on services was strong in December, with seasonally-adjusted Bank of America card spending per household on services including restaurants up 0.5% MoM. Notably, retail saw a bounce in December, with spending on retail, excluding restaurants and gas, up 1.3% for the same period – the biggest monthly rise of 2024 in this category (Exhibit 2).

The strength in retail was broad-based. Spending growth for clothing, up 8.5% MoM, was particularly strong in December. And gas spending growth accelerated in December, up 3% MoM. However, the rise does not appear to be due to higher gasoline prices, but more reflective of consumers continuing to travel through the end of the year. Meanwhile, general merchandise and groceries saw smaller increases in spending (Exhibit 3).

Exhibit 3: Spending growth for clothing, up 8.5% MoM, was strong in December

Spending per household by category, based on Bank of America card data (monthly, MoM%, SA)



Source: Bank of America internal data

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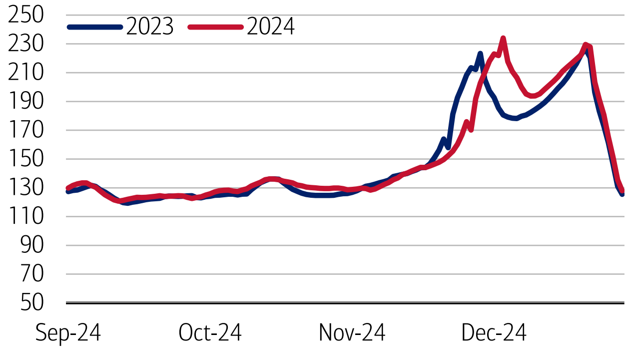
Exhibit 4: The holiday shopping season started late this year, but spending per household on holiday items was still up 1.8% YoY*

Card spending per household for holiday items, by year (7-day moving average (MA), index, 2019 average = 100)



Source: Bank of America internal data. *Average daily spending in the 10-week period up to December 31st. Holiday items include all MCC codes for which spending in Nov-Dec is at least 20% of total annual spending in the category.

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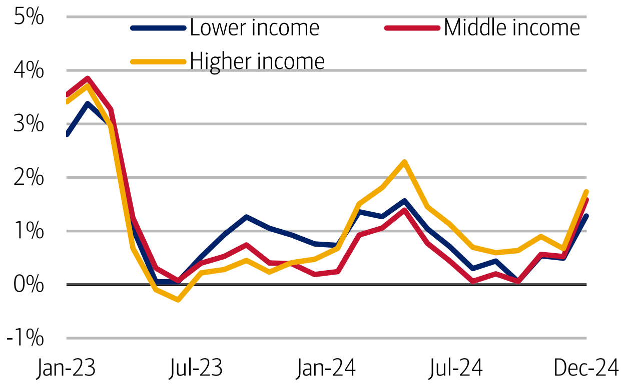
As we noted in the [December Consumer Checkpoint](), holiday spending per household was up significantly over the same period in 2023. Updating the data through the end of the year does not change this story – in the ten weeks up to December 31, spending on holiday items was 1.8% higher than the previous year (Exhibit 4).

Looking across income cohorts, higher-income households' card spending in December continued to grow at a faster rate than that of their middle- and lower-income counterparts, though the recent relative recovery in lower- and middle-income households' spending means the difference is small (Exhibit 5).

Of course, a major factor in consumer spending is the strength of the labor market. After-tax wage growth, based on Bank of America deposit data was 3% YoY last month across all income cohorts, with a broad-based uptick in growth (Exhibit 6).

Exhibit 5: Spending growth for middle- and higher-income households was up nearly 1.7% YoY, while lower-income households' was slightly lower at 1.3% YoY

Total credit and debit card spending per household, by household income terciles (3-month moving average, YoY%, SA)



Source: Bank of America internal data

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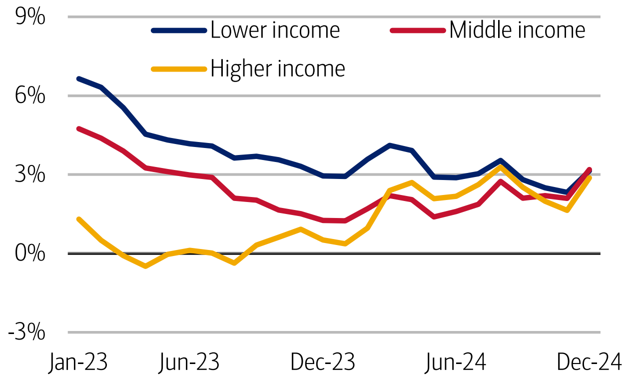
Exhibit 6: Wage growth has converged for all income cohorts, and growth remains solid, up 3% YoY

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



Source: Bank of America internal data

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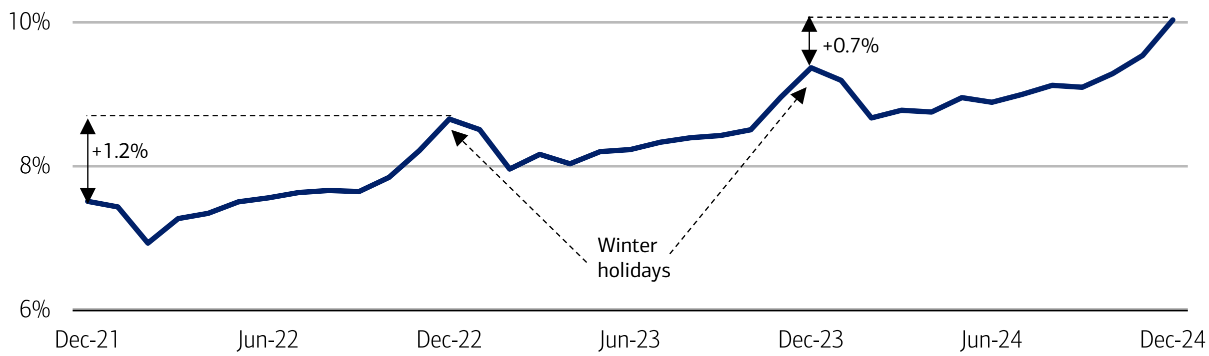
At the start of 2025, wage growth, particularly among lower-income households, may be supported by minimum wage increases occurring across 21 states. Many state-level minimum wage increases are linked to the rate of consumer price inflation. Additionally, retirees' income growth may also be supported by the 2.5% cost-of-living increase to social security benefits effective from January (see: Is the silver streak still on track? for more).

Did 'buy now, pay later' boost the consumer at the end of '24?

A perennial concern around the end of the year is consumers' reliance on alternate payment methods like 'buy now, pay later' (BNPL) to maintain their spending or to finance elevated holiday spending. However, Bank of America data did not show a significant sign of this at the end of 2024.

In fact, according to Bank of America card data 10% of households had a BNPL payment in December 2024, up just over half a percentage point from the previous year, suggesting that only a comparatively small number of new households adopted this payment method over the year (Exhibit 7). This is the same rate of adoption that occurred last year; however, these increases in BNPL adoption are nearly half the rate seen between December 2021 and December 2022.

Exhibit 7: 10% of households had a BNPL payment in December 2024, with adoption over the past year growing at half the rate seen in 2022
Percentage share of Bank of America deposit customers with a checking and savings account who had a BNPL payment (monthly, %)



Source: Bank of America internal data

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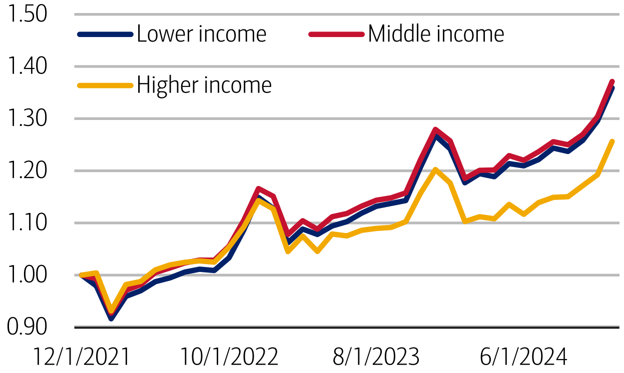
Looking across income cohorts, we see that most of the increase since December 2022 has been driven by lower- and middle-income households (Exhibit 8). However, adoption has slowed across all income groups and Bank of America card data suggests that the rate of BNPL usage doesn't differ greatly by income anymore. Nearly 80% of households that used BNPL across all income cohorts were categorized as "light users," meaning each household had less than 10 card payments to BNPL providers in December, suggesting very few monthly purchases made via that payment method (Exhibit 9).

Exhibit 8: BNPL has been adopted by more lower- and middle-income households than higher-income households since December 2022
Percentage share of Bank of America households with a BNPL payment (monthly, index December 2021 = 1)



Source: Bank of America internal data

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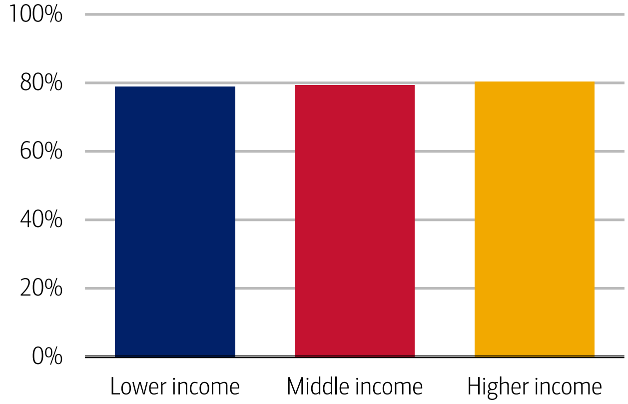
Exhibit 9: Nearly 80% of households with a BNPL payment across all income cohorts are light users
Bank of America households that used BNPL by rate of use and income tercile (December 2024, %)



Source: Bank of America internal data

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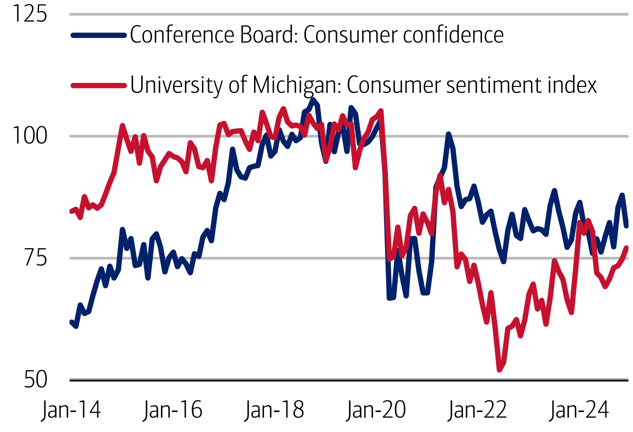
In our view, slowing adoption and light use likely indicates that many BNPL users across all income spectrums view this payment method as a tool to manage their cashflow.

Where will consumer confidence land (and does it matter)?

As we start 2025, measures of consumer confidence suggest consumers remain less optimistic than they were before the pandemic (Exhibit 10). Nonetheless, there was an improvement in consumer confidence over 2024 – particularly in the University of Michigan consumer sentiment index, which has increased each month since July 2024.

Exhibit 10: The University of Michigan index of consumer sentiment rose in the second half of 2024, but both this and the Conference Board measure remain below 2019 levels

Conference Board measure of consumer confidence and University of Michigan consumer sentiment index (monthly, 2019=100)



Source: Haver data analytics

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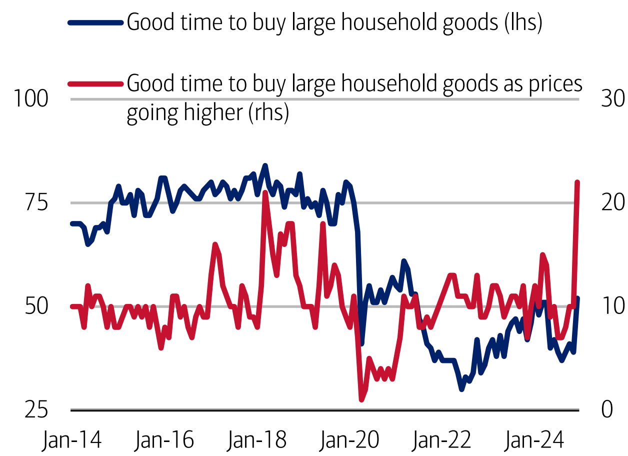
Exhibit 11: The University of Michigan survey shows a jump in people saying it's a good time to buy consumer durables

University of Michigan survey question on whether it is a good time to buy large household goods (% answering 'yes') and the percentage of those saying prices are going higher (monthly, %)



Source: Haver data analytics

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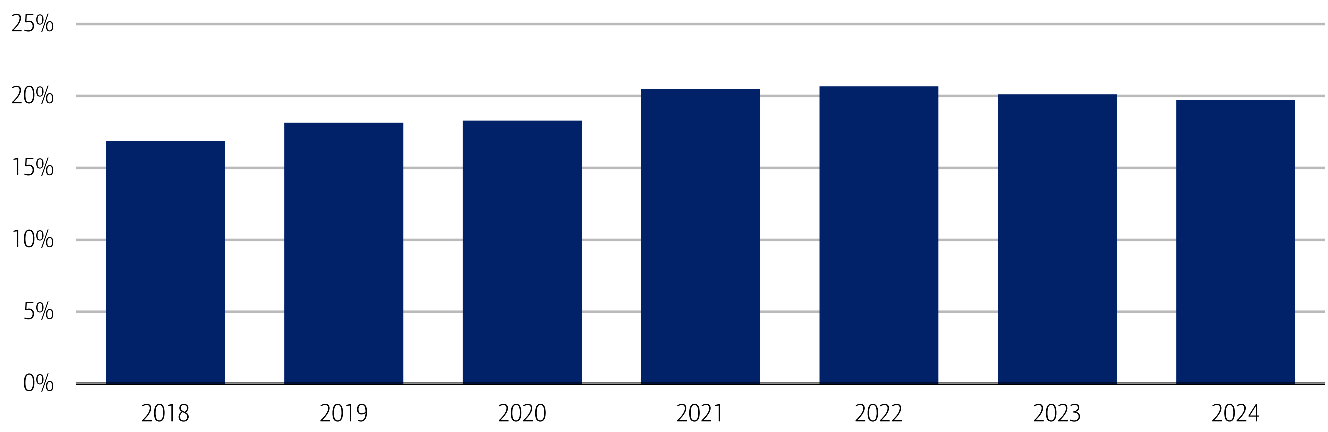
Notably, the rise in the Michigan survey has been driven by an increase in consumers saying it is a 'good time to buy large household goods' such as furniture, a refrigerator, stove or televisions. One reason could be that consumers think that recent cuts to the Federal Reserve's policy rate will make financing these purchases easier.

But the survey also shows that consumers feel as though 'it is a good time to buy large household goods as prices are going higher' (Exhibit 11). One possible explanation is that prospective buyers believe that disinflation in household durables is coming to an end – durable goods prices rose MoM in September, October and November, according to the consumer price inflation report from the Bureau of Labor Statistics (BLS) after declining in the previous eight months of 2024. An additional factor could be that consumers may believe potential tariffs may raise the price of imported goods.

Exhibit 12: The share of spending on higher-value* durables has declined since 2022

Share of 'high-value' transactions in overall durables transactions in Bank of America card data (sequential November-December periods, %)



Source: Bank of America internal data. *See Methodology.

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However, Bank of America card data does not currently show that consumers are increasing their share of card spending on large big-ticket items to get ahead of potential price increases. Exhibit 12 shows a proxy for durables spending from credit and debit card data that focuses on auto parts, furniture, electronics and building materials and then looks at the distribution of 'durables' transactions within this data that are of comparatively higher dollar value (see Methodology for details). The share of higher value durables spending in November-December 2024 is similar to 2023.

This highlights, we think, that volatility around consumer confidence and sentiment over recent months, and potentially continuing at the start of 2025, may not be indicative of future spending trends. Indeed, depressed confidence over the last few years has not, in fact, translated into weak consumer 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.

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