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Consumer Checkpoint

Getaways and giveaways

11 July 2024

Key takeaways

- In June, total card spending per household was down 0.5% year-over-year, according to Bank of America internal data. Seasonally-adjusted total card spending dropped 0.1% month-over-month (MoM), but over the second quarter as a whole, total card spending rose 0.3%, suggesting that while softening, there is still some momentum behind consumer spending.
- Services spending kept rising in June, up 0.2% MoM, and 0.4% over Q2, partly reflecting greater spending on leisure - both at home and abroad.
- As for who is spending, while buoyant labor markets have benefited lower-income households, those with higher incomes are also seeing expanding wealth through rising financial assets, and we find evidence they are increasing spending as a result. At the same time, older, wealthier households appear to be distributing more of their assets to younger relatives.

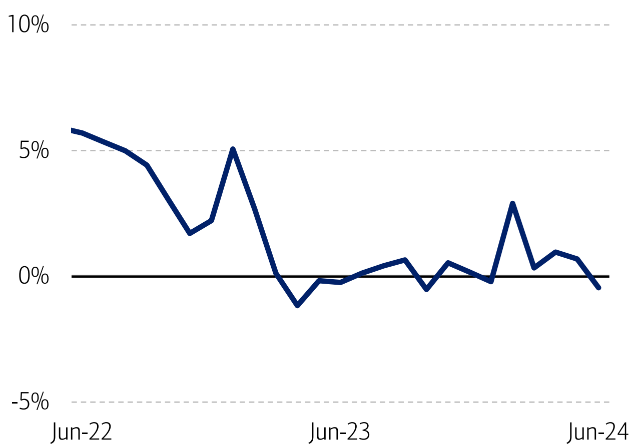
Consumer Checkpoint is a regular publication from Bank of America Institute. It aims to provide a holistic and real-time estimate of US consumers' spending and their financial well-being, leveraging the depth and breadth of Bank of America proprietary data. Such data is not intended to be reflective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

Spending: Softer in June

Bank of America aggregated credit and debit card spending per household fell 0.5% year-over-year (YoY) in June, following four months of consecutive growth (Exhibit 1). On a monthly, seasonally adjusted (SA) basis, June's total card spending per household fell 0.1% month-over-month (MoM), following the 1.0% MoM decrease in May. But strength in April spending means that over the second quarter as a whole, total card spending rose 0.3%. So, while softer, there still appears to be some forward momentum in consumer spending.

Exhibit 1: Bank of America credit and debit card spending per household decreased by 0.5% YoY in June

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



Source: Bank of America internal data

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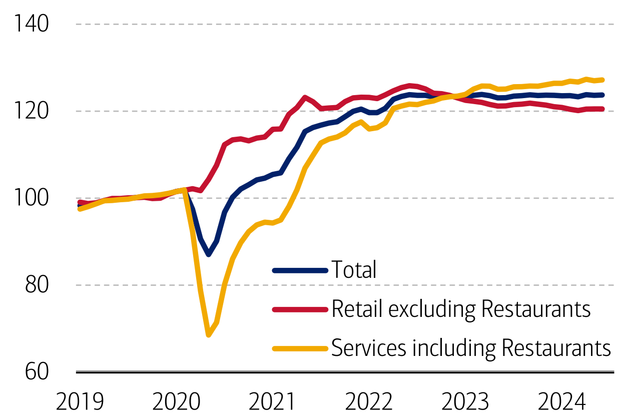
Exhibit 2: Services spending continues to have stronger momentum than retail

Total, retail, and services credit and debit card spending per household, based on Bank of America card data (three-month moving average, index 2019 = 100, seasonally adjusted (SA))



Source: Bank of America internal data

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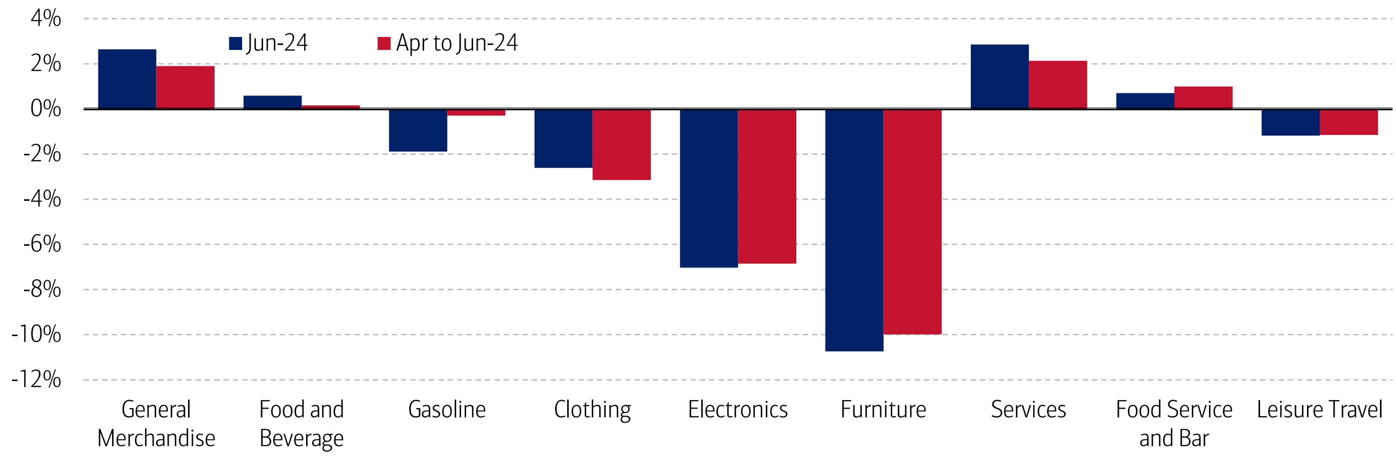
The first half of this year has seen continued growth in services spending, somewhat offset by weakness in retail spending, and partly reflecting lower gasoline spending. Compared to 2019, services spending has outperformed that of retail by a large margin (Exhibit 2).

Looking at the spending details, Exhibit 3 shows that card spending growth per household for 'necessity' retail categories such as general merchandise and food and beverages, was slightly higher in June compared to the period April-June. However, one notable change in momentum was the decline in gas spending growth, down 2% YoY in June, as prices at the pump came down.

Looking at services, the momentum in spending growth per household looks solid, and is perhaps even picking up. While leisure travel spending per household ticked down a little in June, much of this reflects price decreases in travel categories. For example, in May, the airfares in the Bureau of Labor Statistics' (BLS) Consumer Price Index data declined by 5.9% YoY, with car and truck rental prices down 8.8% YoY and lodging also down by 1.7% YoY. So, the underlying picture for travel remains robust.

Exhibit 3: Necessity spending growth in June is slightly stronger than over the April to June period (3% YoY v 2% YoY). Services spending momentum looks solid.
Card spending YoY % growth by select categories (28-day moving average compared to the 84-day moving average thru June 29th, YoY %)



Source: Bank of America internal data. Services spending is defined as total card spending less retail. Leisure travel is airlines, lodging, cruises, and travel agents.

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Current travel still strong, both home and away

Some current spending on leisure travel, such as airfare and travel agencies, may reflect future plans, given these items are often paid for well in advance. But how is current travel activity playing out?

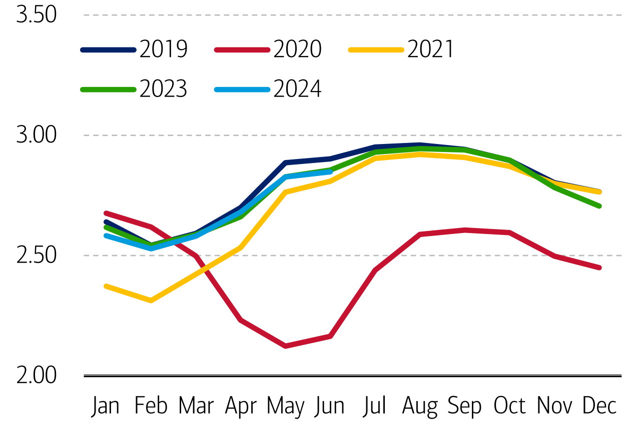
To look at domestic travel, we can leverage Bank of America internal card data to assess the amount of car travel by analyzing the number of gas purchases per household as a proxy. Our data shows that car travel fell during June 2020 as domestic travel was muted amid COVID restrictions and there was an uptick in working from home (Exhibit 4). But it appears that in June of this year, car travel returned almost to pre-pandemic levels. This is despite increased prevalence of remote or hybrid work, which may suggest miles driven for leisure-related reasons are actually up compared to 2019.

Another way of looking at current domestic travel and its impact on spending is to consider how households are spending outside of their own metropolitan statistical area (MSA). Here, Bank of America internal data also finds evidence for robust current vacation activity. In June 2024 we find that the number of households who live in 10 major MSAs that made transactions outside of these cities has risen by 3.4% YoY.

Additionally, international travel activity also appears buoyant. Using Bank of America internal card data, we find households making transactions abroad has risen by 6.3% YoY, and the number of households with brick-and-mortar transactions abroad is nearly 30% higher than 2019 (Exhibit 5). Events such as the Taylor Swift Eras tour could be having an impact, as we find a 23% YoY increase in households with in-person spending in cities across Europe where she has been performing.

Mexico, Canada, United Kingdom, France, and Italy had the greatest number of households with brick-and-mortar transactions outside of the US in June. Bank of America internal card data also shows that people who traveled internationally are spending more on goods, with the share of retail spending abroad at its highest level since June 2020 (Exhibit 6).

Exhibit 4: Purchases per household at gas stations have nearly returned to pre-pandemic levels
Number of purchases at gas stations per household (three-month moving average, index June 2019 = 100)



Source: Bank of America internal data

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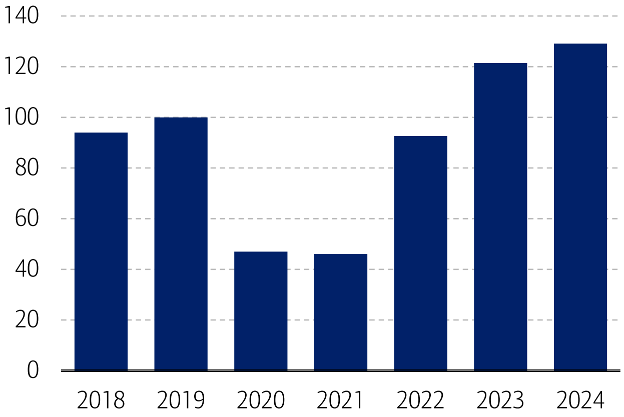
Exhibit 5: The number of households travelling abroad has increased in the past two years, and, as of June, is nearly 30% higher than 2019 levels
Number of households with brick-and-mortar transactions outside of the United States through June of each year (indexed, 2019 = 100)



Source: Bank of America internal data

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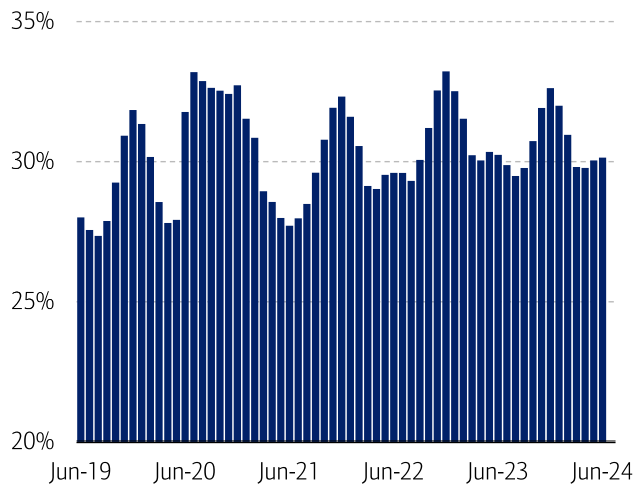
Similar to last summer, the share of luxury goods spending taking place outside of the US is trending upwards, with the June 2024 share higher than both June last year and pre-pandemic (Exhibit 7). It is likely that Americans traveling internationally are taking advantage of the favorable exchange rates this and last year.

Exhibit 6: The share of retail spending abroad is higher than both last year and pre-pandemic
Percentage share of retail (ex food, auto, and gas) card spending with an international point-of-sale (three-month moving average, %)



Source: Bank of America internal data

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Exhibit 7: The share of spending on luxuries done abroad has been rising into the summer holiday period and has surpassed summer 2022 and pre-pandemic levels
Share of card spending on luxury items spent abroad through June 29 (three-week moving average, weekly, %)

Source: Bank of America internal data Note: Luxury is defined by a reference to a group of retailers specializing in luxury products.

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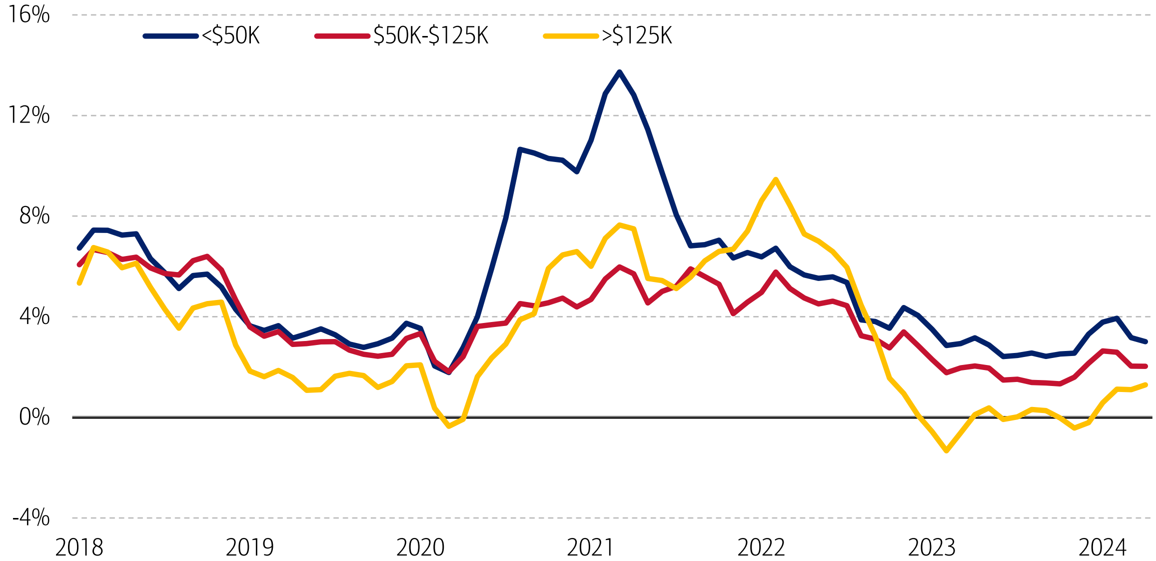
Looking for 'wealth effects'

We've noted many times that the labor market remains a key source of consumer spending momentum, and although there may have been some cooling in the jobs market, it appears fairly gradual (see also: The Great Hesitation). Over the post-pandemic rebound, lower-wage jobs have seen relatively strong growth, boosted by hiring in services such as leisure and hospitality. In Bank of America deposit data this is reflected in relatively strong growth in after-tax wages and salaries for lower-income (<$50k) households (Exhibit 8), though there has been some recovery for higher-income households of late.

Exhibit 8: The lower-income end of the labor market has been strong, and lower-income wage growth has been commensurately buoyant
After-tax wage and salary growth by income group, based on Bank of America aggregated consumer deposit data (%YoY, three-month moving average, seasonally adjusted (SA))



Source: Bank of America internal data

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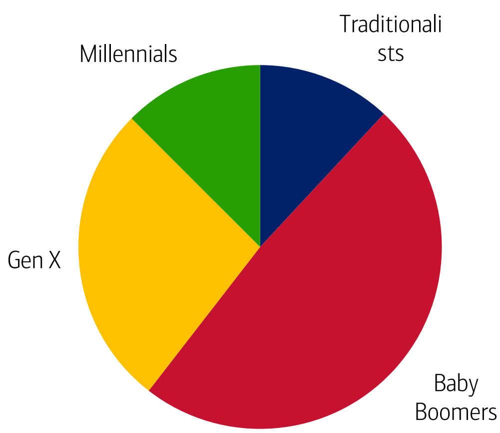
However, another likely driver of consumer spending for some, is personal wealth. You might expect that consumers experiencing the largest wealth increases step up their spending the most, as long as they feel confident the increases will 'stick' and not be temporary.

Exhibit 9 and Exhibit 10 show, using Federal Reserve data, that the distribution of total household assets is skewed towards older generations who have had time to build up savings and investments, and also towards those with higher incomes. In fact, in the first quarter of 2024, Baby Boomers and Traditionalists accounted for around 60% of total household assets and around 65% of household net worth (assets less liabilities), while those households in the top 20% of the income distribution accounted for around 68% of total household assets and 71% of net worth.

Exhibit 9: Older generations hold a large proportion of total household assets
Distribution of total assets by generation (2024 Q1, %)



Source: Board of Governors of the Federal Reserve System

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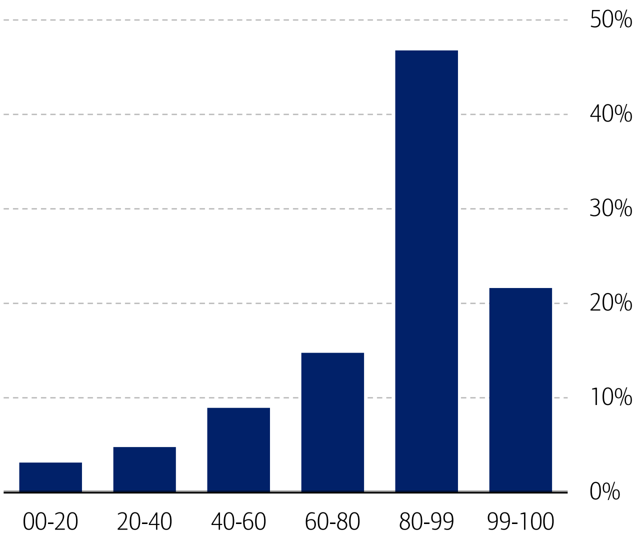
Exhibit 10: The distribution of total household assets is also skewed to the upper end of the income distribution
Distribution of total assets by income percentiles (2024 Q1, %)



Source: Board of Governors of the Federal Reserve System

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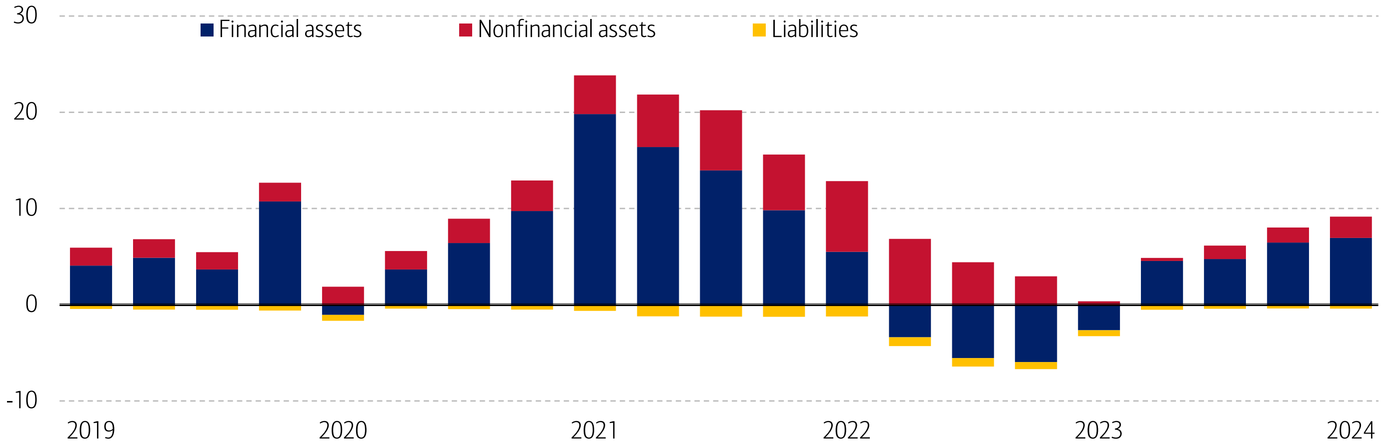
Just over two-thirds of household assets are financial, such as equities and bonds, as opposed to non-financial assets such as real estate. In the first quarter of 2024, total household net worth rose 8.8% YoY, with rising financial assets accounting for 6.9 percentage points of the increase (Exhibit 11).

Exhibit 11: A rise in financial assets has been behind a rise in household net wealth
Contributions to the YoY change in household net wealth (percentage points)



Source: Board of Governors of the Federal Reserve System

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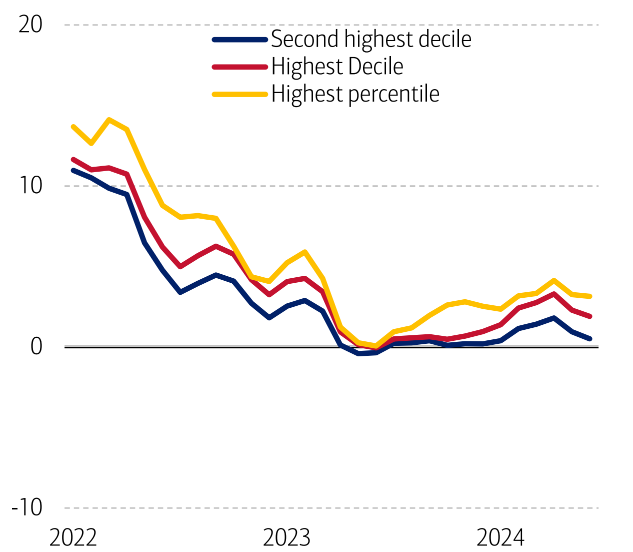
So, are there any signs that the holders of these rising financial assets are increasing their spending as a result?

Exhibit 12 shows one piece of supporting evidence. Using Bank of America internal card spending, we break out spending by household income for the top two income deciles and also the top percentile, allowing us to look more closely at households with particularly high incomes and potentially large financial assets, too. We find that spending growth amongst households in the highest decile of income has been rising faster than those in the next decile down. Moreover, household spending growth in the highest percentile – consistent with household incomes above $500K in this sample – is greater still.

Exhibit 12: The highest income percentiles have faster growth
Total card spending by selected percentiles in the distribution of income (% YoY)



Source: Bank of America internal data

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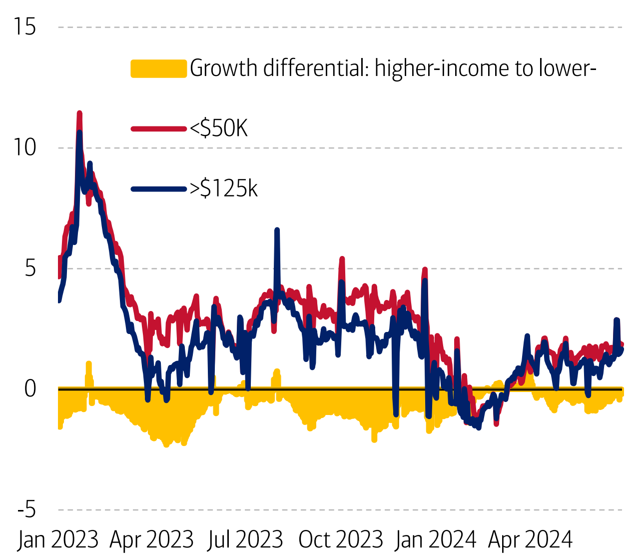
Exhibit 13: Among Baby Boomer and Traditionalist households, the gap between lower-income and higher-income spending growth has narrowed
Baby Boomer and Traditionalist total card spending by income (% YoY, 28-day moving average, data to June 29th)



Source: Bank of America internal data

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We have also previously noted that the spending growth of older generations has tended to be stronger than that of Millennials and Gen X (See: June Consumer Checkpoint). In Exhibit 13 we find some evidence in the latest data that the gap between the spending growth of older generations with higher incomes and older generations on lower incomes is narrowing. Given that these older/higher-income households are likely to have more wealth than the older but lower-income cohort, this also potentially provides some evidence for a wealth effect.

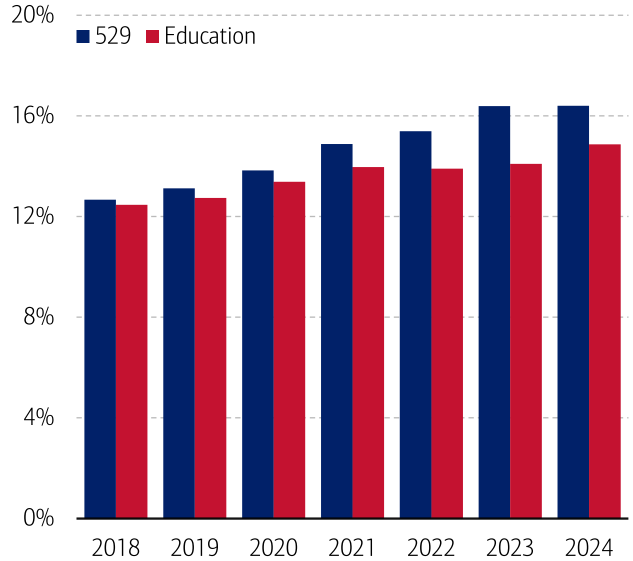
Paying it forward?

It could also be that older generations with rising financial assets are not just increasing their own spending but also finding ways to help others, most obviously family members.

Exhibit 14 uses Bank of America internal deposit account data to look at the share of education spending and investments in 529 accounts (tax-advantaged college savings plans) that appears to be funded by customers over the age of 60. The idea here is that these customers, in many cases, are less likely to have children of school or college age themselves, so this could be a proxy for 'grandparents' contributing to their grandchildren's education. The data shows a significant and rising trend (particularly for 529 accounts) in the share of these payments coming from older customers.

Exhibit 14: There is a rise in the share of 529 saving and education spending that are 'paid' by those over 60 years old

Share of total spending/saving on education and in 529 accounts done by over 60-year-olds (%)



Source: Bank of America internal data

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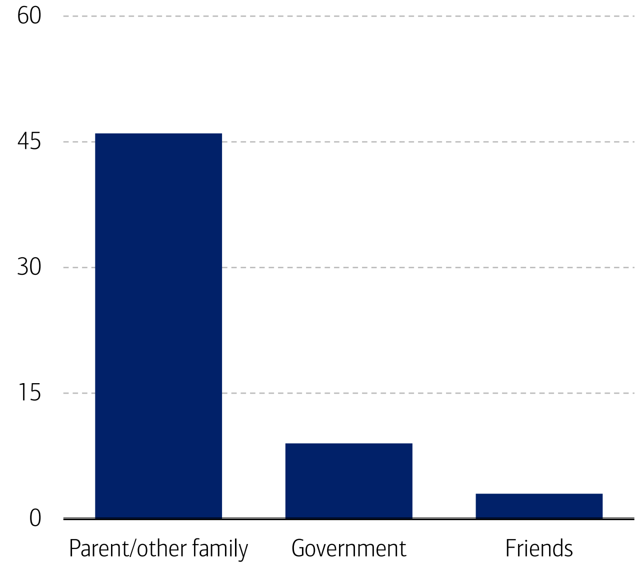
Exhibit 15: Family is a key source of financial support for Gen Z

Gen Z top sources of financial assistance (%)



Source: 2024 Bank of America Better Money Habits Survey

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So, are older generations gradually passing on their share of wealth? According to the 2024 Bank of America Better Money Habits Survey, it seems so. The survey found that despite their discipline, adult Gen Z (18-27) remains financially dependent on others, with over half (54%) not paying for their own housing. Where is this financial assistance coming from? Better Money Habits found that 46% of Gen Z are relying on financial support from their parents or other family members.

While it does appear that rising financial wealth is leading to firmer spending growth, especially for the highest-income households, in our view this could increasingly be 'transmitted' across the economy in more subtle ways by older households.

Monthly data update

Total payment growth across all channels (ACH, Bill Pay, Credit and Debit Card, Wires, Person-to-Person, Cash and Check) fell 1% in June due to calendar timing. Bank of America total credit and debit card spend, which comprises around 20% of total payments, increased 1.6% YoY in June.

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.

Discretionary spending consists of total payments across credit card, debit card, ACH, wires, bill pay, business/peer-to-peer and checks. minus necessities (food at home, childcare, housing, autos, etc.) and other outflows (transfers, debt payments, cash, etc.).

The data on inflows and outflows into direct deposit accounts data is based on BAC internal data, it is derived by anonymizing and aggregating data from Bank of America consumer deposit accounts in the US at a highly aggregated level. Inflows and outflows are calculated as six-month averages.

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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