Economy

Regional Roundup: Is the sun setting in the West?

18 June 2025

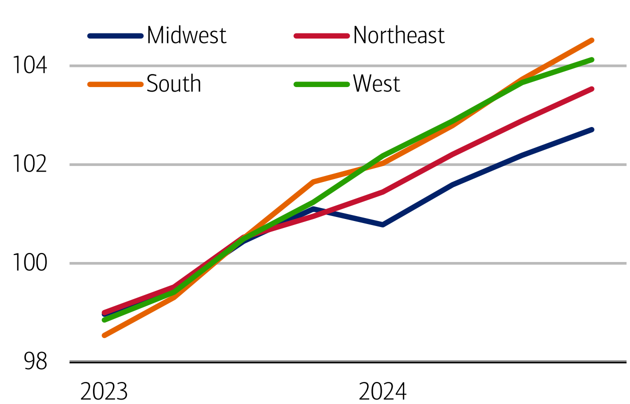
Key takeaways

- US economic growth was broad based in 2024. In the West, spending growth has been significantly higher than other regions over most of 2025, but it has also slowed the most, decreasing around five percentage points since February, according to Bank of America aggregated credit and debit card data. This suggests that there may be some economic moderation in the second quarter of this year in this region.
- Some of the slowing in spending growth in the West can be attributed to the fading of previous temporary boosts following heatwaves in the region last year. But while, according to Bank of America deposit data, wage growth in the West looks solid, there are some signs of underlying weakness. In fact, the region was the only one in April 2025 that had a job openings rate below the unemployment rate.
- The slowdown in spending growth appears to be largely centered around lower-income households, which may reflect a weaker jobs market in leisure and hospitality-related areas. On the other hand, higher-income households' spending looks more stable, potentially reflecting an improved outlook for tech jobs.

Spending strengthened across the US in the second half of 2024

Economic growth, measured by increases in gross domestic product (GDP), continued to be widespread in the fourth quarter (Q4) of 2024, according to data from the Bureau of Economic Analysis (BEA), with expansion continuing in every US Census region. The West and the South posted the best performance in Q4 2024 compared to the same period a year earlier, with growth increasing 2.9% and 2.8%, respectively. However, the West saw the slowest growth on a quarter-over-quarter (QoQ) basis (Exhibit 1). The Northeast came in third of the four regions, up 2.6%, while the Midwest was last, up 1.6% but recovering from a slowdown earlier in 2024. The relative strength in the South and slowdown in the West are notable as they contributed over 60% to US GDP in 2024 (Exhibit 2).

Exhibit 1: GDP growth in the South and West has outpaced the Northeast and Midwest since 2019
GDP by US Census Region (indexed, 2023=100)



Source: Bureau of Economic Analysis

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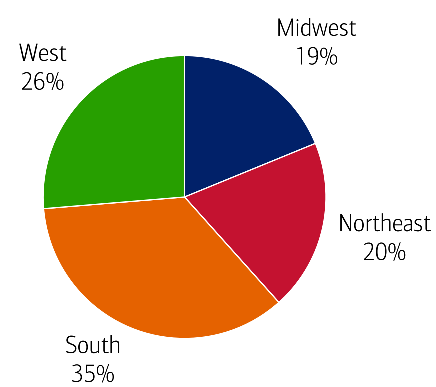
Exhibit 2: The South and West also continued to contribute the lion's share to US GDP
GDP percentage share by US Census Region (2024, %)



Source: Bureau of Economic Analysis

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So, has this pattern continued in the first half of this year? To better understand these economic trends, we examined Bank of America aggregated credit and debit card data to gain insight into the direction of consumer spending, which accounts for around two-thirds of overall GDP in the US. Thus far, we find mixed results from quarter to quarter.

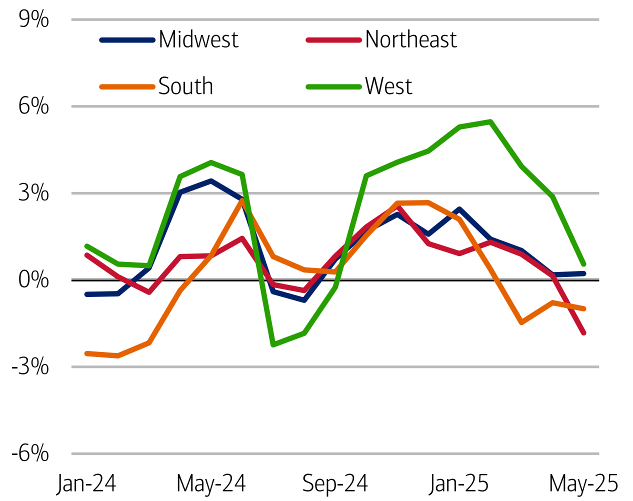
Spending was considerably weaker so far in the second quarter of 2025 across all regions

Most notably, we see a broad-based slowdown in spending growth since February 2025 across all regions, suggesting some potential moderation in economic activity in the second quarter of this year. In the West, spending growth has been significantly higher than in other regions over most of 2025, but it has also slowed the most, decreasing around five percentage points since February. As a result, while spending growth in the West was still the highest amongst the four regions in May 2025, the gap has narrowed considerably. While spending growth also slowed across all the other regions, it was from a much lower starting point (Exhibit 3).

A multitude of factors came into play in the West. The region saw several temporary boosts to spending, followed by subsequent paybacks. For example, one appears to be a recovery from widespread heat waves in the region throughout 2024, while the wildfires and subsequent rebuilding efforts likely pushed spending in 2025 Q1 higher. More recently, another factor affecting all regions was the boost from consumers seeking to buy ahead of potential price increases due to tariffs. Other factors included a continued slowdown in gasoline prices and gasoline spending (read more about this topic in our June Consumer Checkpoint).

Exhibit 3: Despite a comparatively large slowdown in spending growth, the West still had the strongest growth in May

Credit and debit card spending per household from Bank of America Data, 3-month moving average, seasonally-adjusted annual rate (SAAR) %



Source: Bank of America internal data

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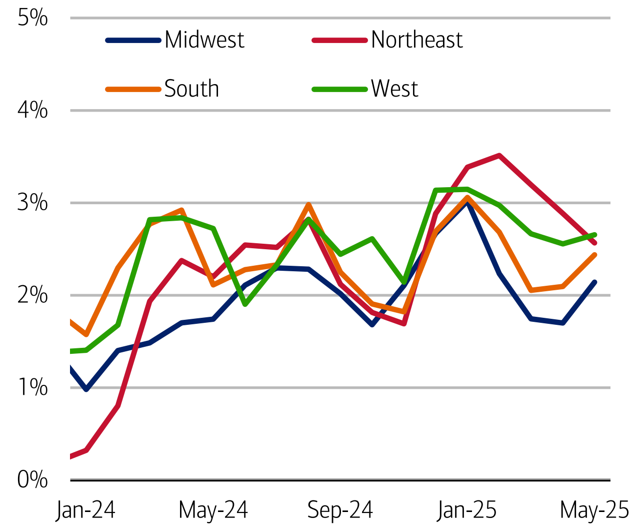
Exhibit 4: Wage growth has largely mirrored spending growth and was highest in the West in May

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



Source: Bank of America internal data

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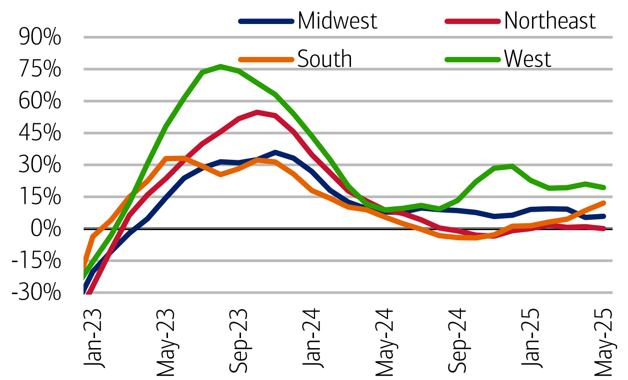
Stress is building in the West's already tight labor market

Another factor that may be affecting spending is the labor market. Exhibit 4 shows that based on Bank of America consumer deposit data, growth in after-tax wages and salaries has slowed across all four census regions since the beginning of the year, somewhat following the pattern of spending gains. However, one potential bright spot was that wage growth did tick up in May across all regions except the Northeast.

While after-tax wage growth in the West is not particularly weak compared to other regions, in our view, broader weakness in the West's job market may be inducing consumers to pull back as a precautionary measure. For example, while the growth in the number of households receiving unemployment in the West was down more than 50 percentage points compared to peak growth in August 2023, it was still up 19% YoY in May 2025 (Exhibit 5) – significantly more than other regions.

Exhibit 5: The YoY percentage change in the number of households receiving unemployment payments increased the most in the West and South

The number of households receiving unemployment payments by census region (3-month moving average, YoY%)



Source: Bank of America internal data

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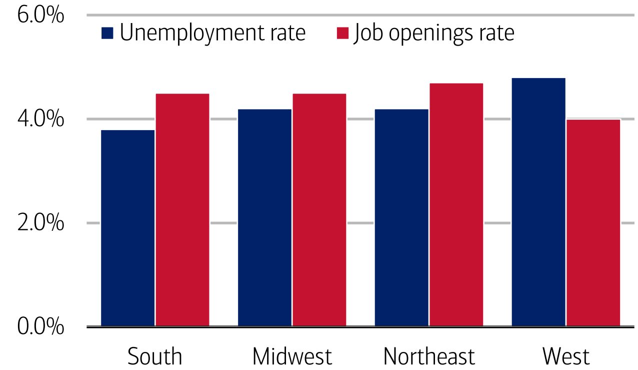
Exhibit 6: The labor market was in comparatively good shape for all regions except the West

Unemployment rate (April 2025, %) and job openings rate by Census region (April 2025, %)



Source: Bureau of Labor Statistics

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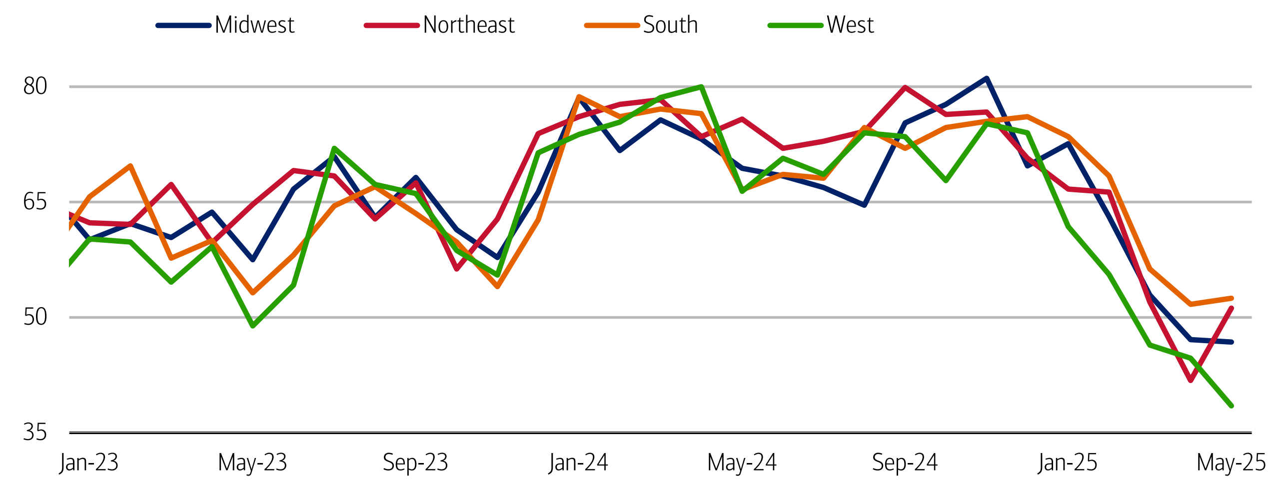
Furthermore, In April 2025, the West was the only region where the unemployment rate was larger than the job openings rate, suggesting that jobseekers may be finding more competition for a limited number of positions (Exhibit 6). These factors may help explain why western consumer expectations continued to fall in May, while recovering across all other regions (Exhibit 7), according to the University of Michigan Survey of Consumer Sentiment.

Exhibit 7: Consumer expectations continued to fall through May 2025 in the West

University of Michigan's Survey of Consumer Sentiment: Index of consumer expectations (monthly, index Q1 1966 = 100)



Source: Haver Analytics

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The labor market is disproportionately pressuring lower-income households

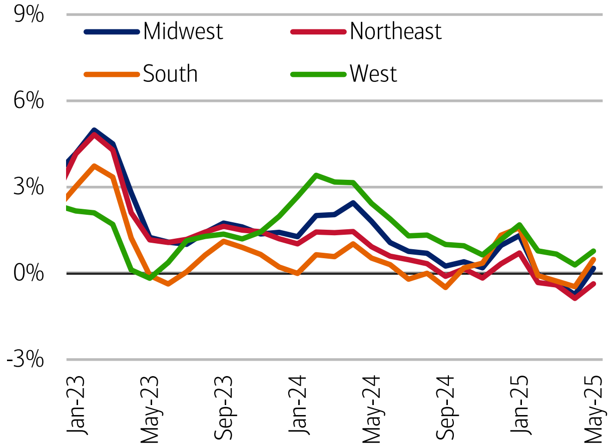
Leisure and travel industries may be a drag on spending in the West

In our view, this developing labor market slowdown may be having a disproportionate effect on lower-income households. In fact, Exhibit 8 shows that May spending growth for lower-income households in the West slowed to nearly a quarter of the rate seen in February 2024.

In our view, this is likely because lower-income consumers who are worried about the job market are pulling back spending on bigger-ticket discretionary "nice to haves," such as airline tickets or hotels. This further aligns with the slowdown in travel and leisure spending thus far this year (read more about this topic in our latest travel publication) and in the concentrated decline in the number of those employed in these lower-paying industries. For example, the West and Northeast have seen lower employment in retail and leisure and hospitality since the beginning of the year, while there was a still a strong increase in the Midwest and South (Exhibit 9).

Exhibit 8: Lower-income households' have seen slowing spending growth across all regions over the past year and a half

Credit and debit card spending per household from Bank of America data for lower-income households by region (monthly, YoY%)



Source: Bank of America internal data

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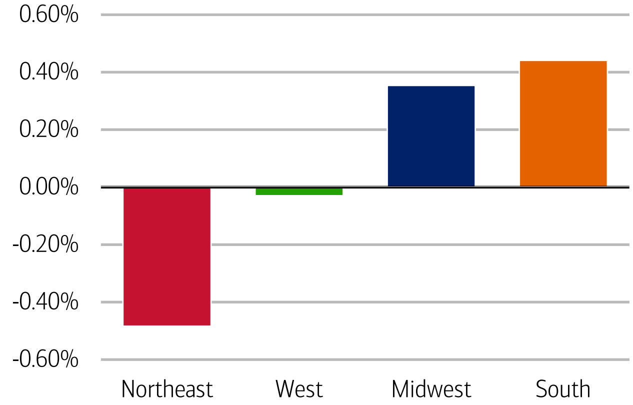
Exhibit 9: The Northeast and West have seen some decline in leisure and hospitality and retail employment since the beginning of the year

The number of employed persons in the retail and leisure and hospitality industries by census division (January to April 2025, % change, SA)



Source: Haver Analytics

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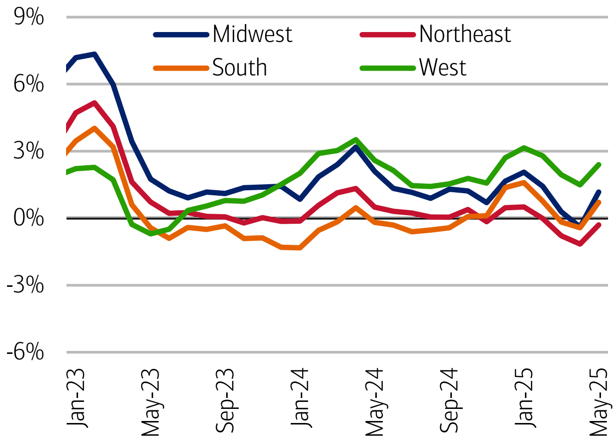
Stability in the tech job market is an important component of the West's labor market

Meanwhile, spending growth for higher-income households has been comparatively more stable, up 2.4% YoY in May 2025, compared to the 3.5% YoY peak in April 2024 (Exhibit 10).

Exhibit 10: Higher-income households' spending growth has remained firmer in the West

Credit and debit card spending per household from Bank of America data for higher-income households by region (monthly, YoY%)



Source: Bank of America internal data

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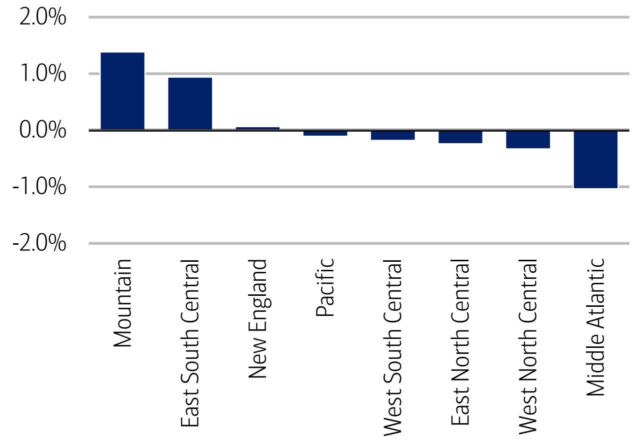
Exhibit 11: Job growth in the information industry has been strongest in the Mountain division since the beginning of 2025

The number of employed persons in the information industry by census division (January to April 2025, % change, SA)



Source: Bureau of Labor Statistics

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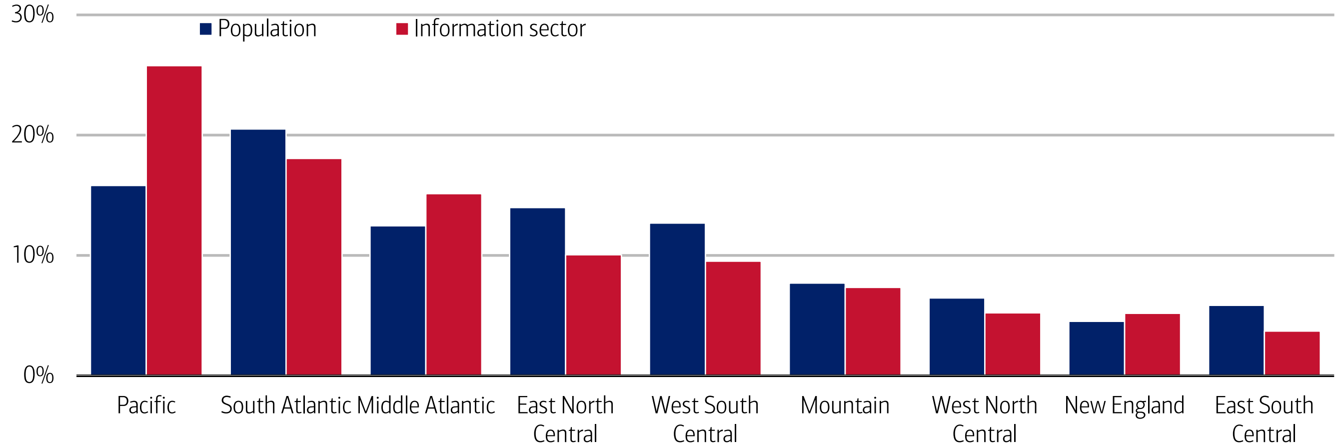
Why the disconnect? In our view, these households may be more freely spending in part because they are benefitting from an improvement in the labor market for tech jobs this year. In fact, tech jobs have gained momentum in the Mountain division (e.g., Nevada, Colorado, Arizona, Idaho, Montana, New Mexico, Utah, and Wyoming) of the West since the beginning of the year, according to the Bureau of Labor Statistics (BLS) (Exhibit 11). And in the western Pacific division (California, Washington, Oregon, Hawaii, and Alaska), we have also seen more stability in the labor market for some tech workers (read more about this topic in a recent Small Business Checkpoint), following substantial job losses in the industry throughout 2023 and weakness in 2024.

The labor market for tech jobs is an important driver of the economy in the West and indeed the broader US. In fact, according to data from the US Census Bureau and BLS, when combined, the Pacific and Mountain regions together account for around a quarter of the US population and make up a third of tech jobs (Exhibit 12). So, the relative outperformance of higher-income spending growth in the West may, in our view, continue for some time yet.

Exhibit 12: The Pacific division remained an outsized supplier of information industry jobs

US population by census division (April 2025, % share) compared to employment in the information industry (April 2025, % share, non seasonally-adjusted (NSA))



Source: US Census Bureau and Bureau of Labor Statistics

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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 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:

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

US Census Regions of the United States:

Northeast: Connecticut, New Jersey, Maine, New York, Massachusetts, Pennsylvania, New Hampshire, Rhode Island, Vermont

Midwest: Indiana, Iowa, Illinois, Kansas, Michigan, Minnesota, Ohio, Missouri, Wisconsin, Nebraska, North Dakota, South Dakota

South: Delaware, Alabama, Washington DC, Kentucky, Florida, Mississippi, Georgia, Tennessee, Maryland, Arkansas, North Carolina, Oklahoma, South Carolina, Texas, Virginia, West Virginia, Louisiana

West: Arizona, Alaska, Colorado, California, Idaho, Hawaii, New Mexico, Oregon, Montana, Washington, Utah, Nevada, Wyoming

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.

Our analysis for domestic 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 2020 and 4Q 2024. Migration pattern is then extracted based on customer home addresses. This methodology yields a fixed sample size of roughly 45 million customers.

Because our data is based on a fixed sample of customers it will not capture the impact of international migration. Instead, our analysis is designed to look at how internal migration in the United States is changing. Accordingly, the overall population movements in the official Census Bureau data, which also accounts for international migration, will not necessarily align with our data in some MSAs, though our data should give similar directional signals.

Higher average wage industries are based on average hourly earnings across thirteen industries using data from the Bureau of Labor Statistics. The top three industries by average hourly earnings denote the higher average wage industries.

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