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Year in Review

Five themes from ’25

22 December 2025

Key takeaways

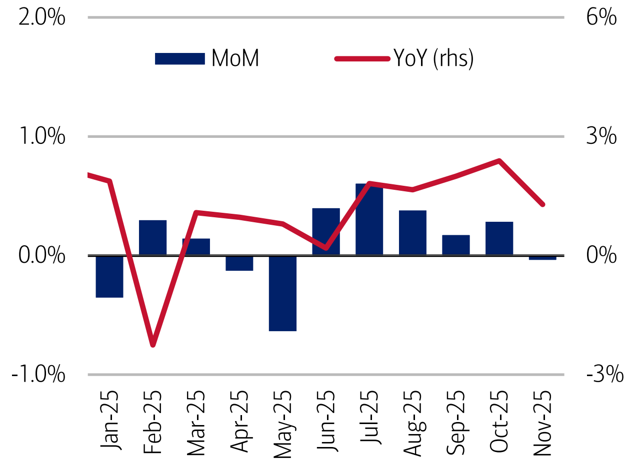
- Bank of America Institute is dedicated to uncovering powerful insights that move business and society forward. This year, we have delivered over 100 publications across our three pillars: Economic Insights, Sustainability and Transformation.
- Economic resilience has been a key theme, although affordability looks different across households. A "K-shaped" recovery emerged in the second half of the year, with the gap between higher-income and lower-income households most prominent in spending and wage growth. Plus, the small business job market cooled and the housing market remained tight.
- Meanwhile, from a transformation lens, AI shifted from hype to hard impact in 2025 - driving GDP and reshaping industries. As adoption accelerates, the challenge is clear: scale responsibly while managing risk and equity.
- From the state of the consumer and businesses to the housing market and technological innovations, our 2025 year in review serves as a reflection of key trends.

#1. Economic resilience

Over 2025, the consumer has displayed considerable resilience. The year got off to a somewhat shaky start, with consumers’ per household spending declining in three out of the first six months on a seasonally-adjusted month-over-month (MoM) basis, according to Bank of America aggregated credit and debit card data (Exhibit 1). But this was followed by a strong bounce back in June and July that continued through October. And as we approach the end of the year, while consumer spending dipped In November, it remains up 1.3% year-over year (YoY).

Exhibit 1: Total card spending was flat MoM in November, following a 0.3% MoM increase in October

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



Source: Bank of America internal data

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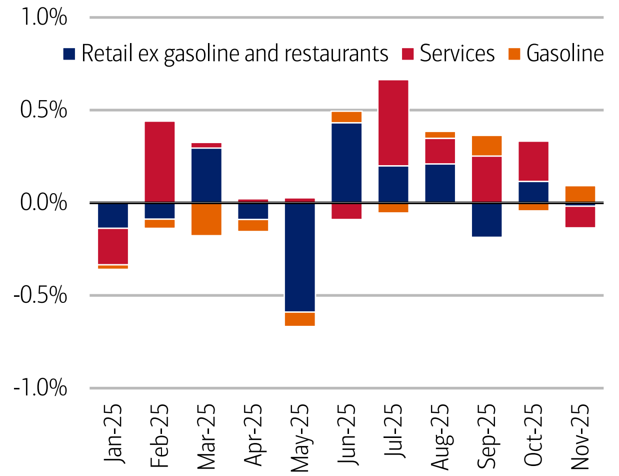
Exhibit 2: In November, gasoline drove MoM total card spending growth, while services dipped

Contribution to MoM total credit and debit card spending growth by category, based on Bank of America card data (monthly, SA, percentage points (monthly, pp))



Source: Bank of America internal data

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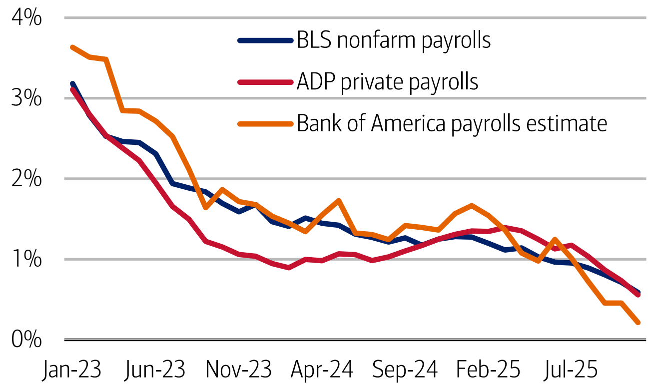
Within the solid spending picture, cost-of-living pressures may have led some consumers to make tradeoffs in services like restaurants, airlines, and lodging in order to boost their holiday shopping (Exhibit 2) (read publication: Consumer Checkpoint: Merry but measured).

And all of this is occurring against the backdrop of a labor market that is cooling – or in a "low-hire, low-fire" mode – as opposed to an outright deterioration. According to BofA Global Research, slowing labor supply is one reason behind cooling jobs growth, rather than it being largely driven by significant decreases in labor demand. This is likely why consumers continue to be resilient.

Consistent with this cooling, Exhibit 3 suggests that the YoY growth in our payrolls measure slowed to 0.2% in November, a deceleration in the growth rate of around 0.5% YoY seen in October and September. And Exhibit 4 shows that in November the growth in unemployment payments into Bank of America customer accounts remained around 10% YoY, a similar rate of growth to the prior two months.

Exhibit 3: An estimate of payrolls from Bank of America internal data suggests November saw some deceleration in YoY jobs growth

Payroll estimates from Bank of America internal data (three-month moving average, % YoY), the Bureau of Labor Statistics (BLS) and Automatic Data Processing (ADP) (monthly, YoY)



Source: Bank of America internal data, Haver Analytics

BLS and ADP data are seasonally adjusted, Bank of America data is not seasonally adjusted.

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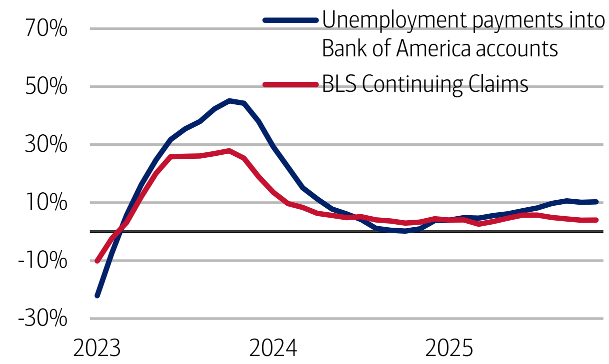
Exhibit 4: Unemployment payments into Bank of America customer accounts rose around 10% YoY in November, similar to September and October

Number of households receiving unemployment payments (three-month moving average, YoY%, NSA) and Continuing claims (three-month moving average, YoY%, SA)



Source: Bank of America internal data, Bloomberg

November continuing claims YoY data is average for weeks through November 21, 2025.

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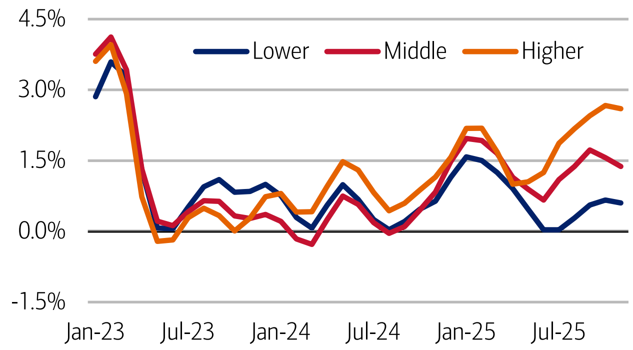
#2. "K-shaped" consumer recovery

How might the cooling labor market be affecting consumers? In our view, it appears to be disproportionately affecting lower-income households. As Exhibit 5 illustrates, starting around the spring of 2025, higher-income households' spending growth accelerated, while lower-income households' spending growth weakened – leading to a pronounced "K" shape.

A key reason behind this "K-shaped" spending pattern is the labor market. In Bank of America deposit data, after-tax wage and salary growth has risen for higher-income households over the year, culminating with a 4.0% YoY growth rate in November – equal to the highest level of growth since 2021. The same is not true for lower-income households (Exhibit 6), though wage growth for this cohort appears to have stabilized since the summer.

Exhibit 5: Around the spring of 2025, the gap between higher- and lower-income households' spending growth got progressively wider

Total credit and debit card spending per household, according to Bank of America card data, by household income terciles (3-month moving average, YoY%, SA)



Source: Bank of America internal data

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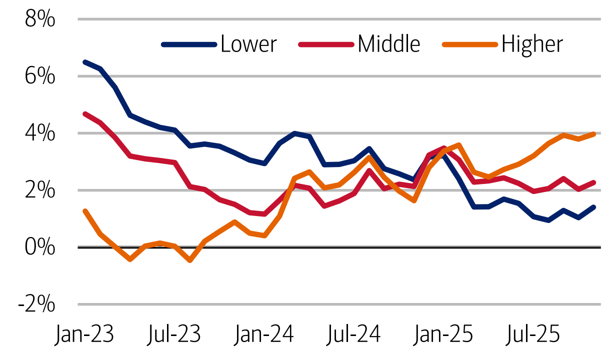
Exhibit 6: A similar story of widening gaps between higher- and lower-income households has played out in wage growth

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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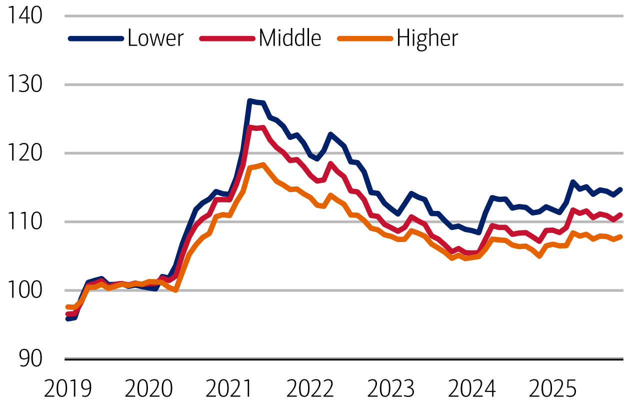
Another part of the story is "wealth effects." The top 20% of households by income held around 87% of the total value of directly held equities in 2025 Q2, according to Federal Reserve data, which means that rises in stock markets tend to disproportionately benefit the higher-income cohort.

How concerning is the "K" shape in the economy? From a macroeconomic perspective, higher- and middle-income households' consumer spending accounts for the bulk of overall US consumption, so the economy can continue to grow as a "K" for some time. And from a financial resiliency perspective, we have noted that data such as the share of households who do not pay off their credit card balance in full every month is not higher across income cohorts (Exhibit 7). All income cohorts also continue to have higher savings and checking balances than they did in 2019, even on an inflation-adjusted basis (Exhibit 8).

But there are, of course, broader socioeconomic concerns around lower-income households struggling with cost-of-living issues. And in our work we have noted that almost 30% of lower-income households appear to be living "paycheck to paycheck" (read publication: Paycheck to paycheck: Slowing but growing). So, while the "K shape" continues, it will likely, in our view, gather additional focus in 2026.

Exhibit 7: The share of households paying their full credit card balance off each month has been higher in 2025 than 2019

Ratio of households with a non-revolving balance to total households in Bank of America credit card data, by household income terciles (monthly, index 2019 average = 100)



Source: Bank of America internal data

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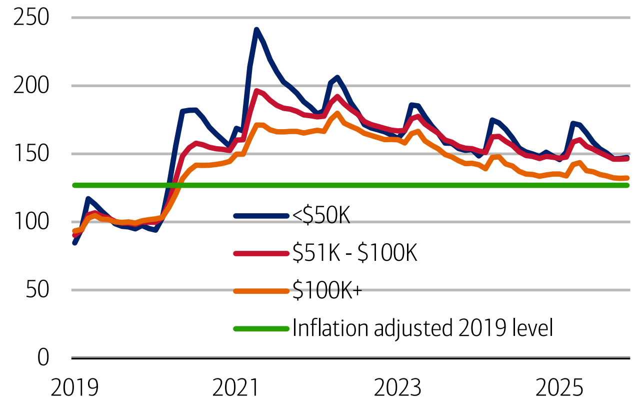
Exhibit 8: All income cohorts have more money in their deposit accounts than in 2019

Monthly median household savings and checking balances by income for a fixed group of households through November 2025 (monthly, indexed 2019 = 100)



Source: Bank of America internal data.

Note: the inflation-adjusted level is the percentage change of September 2025 inflation levels for all items in US city average compared to the 2019 levels.

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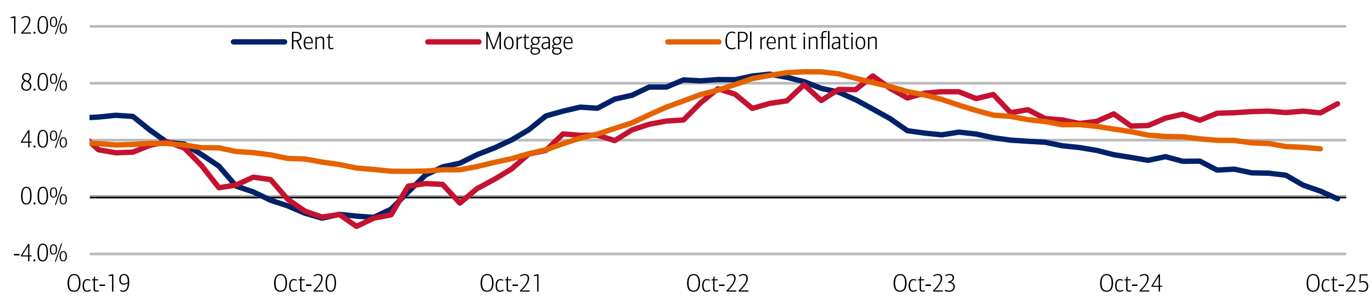
#3. Housing affordability

In 2025, buying a home continued to be a costly endeavor, with stubbornly high prices and interest rates continuing to weigh on affordability. Indeed, median mortgage payment growth has remained elevated, up 6% YoY in October, according to Bank of America payments data. One positive, though, is that housing supply has steadily increased throughout 2025, possibly easing some of the pressure that occurred over the last several years (read more in On the move: Still waiting for the thaw).

Exhibit 9: Rent payments saw no growth in October, despite rental prices continuing to increase

Monthly median mortgage payment and rent growth, based on Bank of America data (3-month moving average, YoY%) and rent Consumer Price Index (CPI) inflation, based on BLS data (monthly, YoY%)



Source: Bank of America internal data, BLS

BLS data is based on "like for like" rents (e.g., the same rental unit in the same city).

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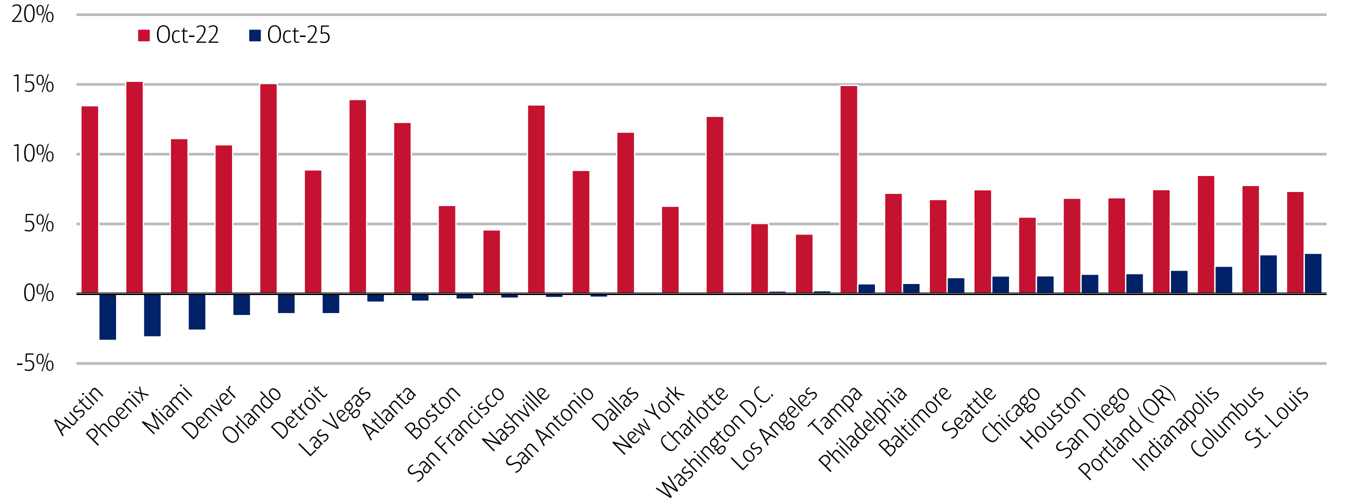
On the rental side, the picture looks marginally brighter. Rental growth has been cooling over the past few years, with consumers seeing no rental payment growth in October 2025 for the first time in nearly three and a half years, according to Bank of America payments data (Exhibit 9). This trend is likely due to renters "trading down" to smaller or more affordable units with fewer amenities. In fact, "like-for-like" rents (e.g., the same rental unit in the same city) rose 3.4% YoY in September, according to CPI inflation data from the BLS.

An additional factor may be at play: renters having greater bargaining power this year, whether moving to another unit when their leases are up or negotiating during lease renewals. Rising vacancy rates in the South and West suggest more rental options are on the market (read more in [On the move: Renters catch a break](#)).

Bank of America's rent payment data across major metropolitan statistical areas (MSAs) backs this up. Some Sunbelt markets have seen no, or only modest, YoY increases in median rent payments, while a few – such as Austin, Phoenix, Miami and Orlando – have seen notable YoY declines (Exhibit 10). And compared to 2022, several cities – including Phoenix, Miami and Nashville – have experienced double-digit percentage point drops in rental payment growth.

Exhibit 10: MSAs throughout the Sunbelt have seen significant decreases in rent payment growth over the past three years, with Austin, Phoenix, Miami and Orlando even seeing YoY declines in October 2025

Median rent payment growth, based on Bank of America data, by MSA (3-month moving average, YoY%)



Source: Bank of America internal data

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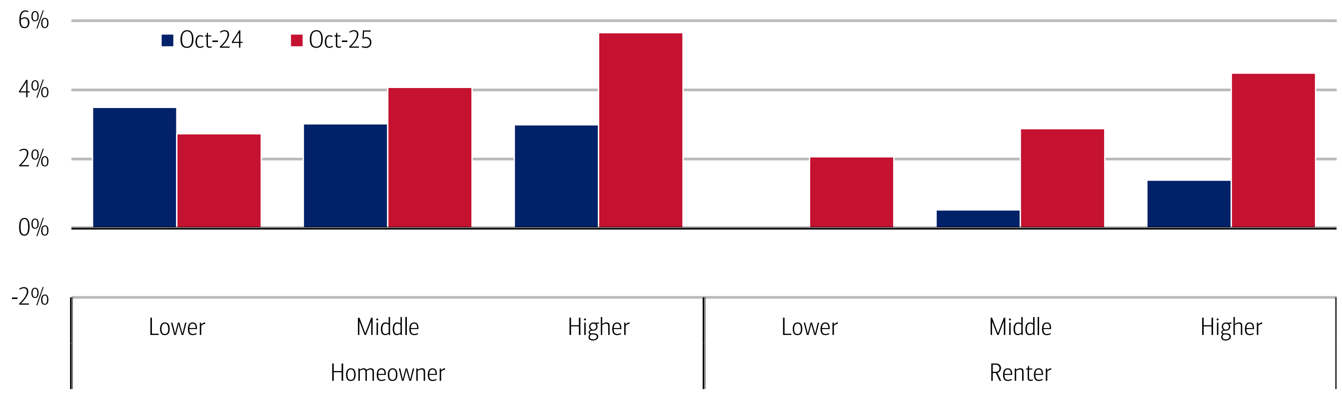
This extra breathing room in renters' budgets is likely fueling stronger discretionary spending growth – especially compared to homeowners' budgets. The effect is more pronounced at the lower end of the income spectrum, where renters managed to boost spending growth despite cooling wage gains. By contrast, homeowners in the same income group actually saw their October spending growth soften versus last year (Exhibit 11).

Exhibit 11: Spending growth from renters has strengthened across the income spectrum

Card spending (excluding rent, gasoline, groceries, and utilities), based on Bank of America data, by housing type and income (3-month moving average to October 2025, YoY%)



Source: Bank of America internal data

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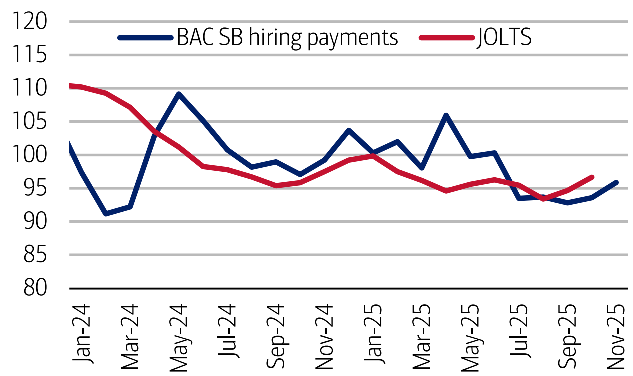
#4. Small business hiring cools

With nearly half of the US workforce employed by small businesses, their foundational role in the economy is clear – making it critical to identify and address any emerging cracks. Bank of America data suggests small business hiring has cooled, but not collapsed (Exhibit 12). Our alternative hiring indicator provides a one-month lead on Job Opening and Labor Turnover Survey (JOLTS) data, with the added benefit of capturing small business nuances. In November, we find that small business payments to hiring firms were down more than 4% from the 2024 average – down from the start of the year, but a small improvement from the past few months (read more in our [November Small Business Checkpoint]()).

Still, small business profits – measured by the Bank of America small business account inflow-to-outflow ratio – remained positive in November, up from the start of the year (Exhibit 13). This measure has largely moderated from March's peak, and higher real sales volume expectations from small businesses largely shaped their sentiment (this component contributed the most to the rise in the National Federation of Independent Business (NFIB) Optimism Index in November).

Profitability growth has also steadily moderated, and in fact turned negative for the first time in 18 months in November, to us, likely signaling challenges in the year ahead.

Exhibit 12: Though there was a slight upswing in the data in the last couple of months, small business hiring remained below 2024 levels
Small business payments to hiring firms per client and JOLTS job openings (monthly, indexed, 2024 average = 100, three-month moving average)



Source: Bank of America internal data, Haver Analytics

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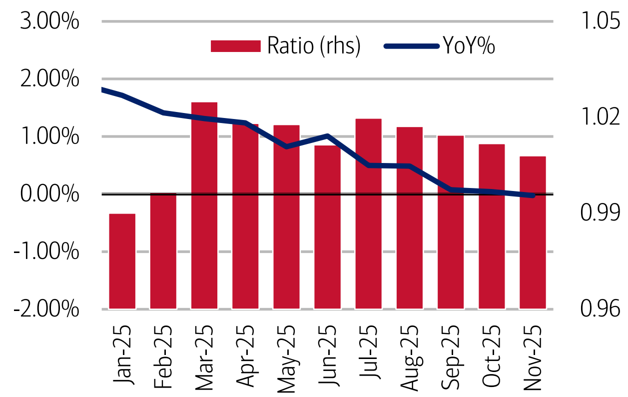
Exhibit 13: Profits remain positive for small firms, but YoY% profitability growth turned negative for the first time in 18 months
Small business account inflow-to-outflow ratio (YoY % change, monthly, three-month moving average) (three-month moving average ratio, right hand side (rhs))



Source: Bank of America internal data

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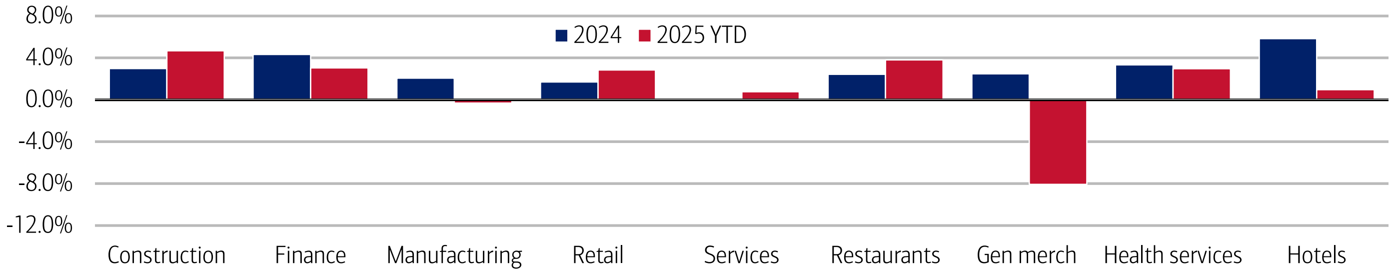
Stronger payroll growth in sectors with staff shortages

Still, not all small businesses are experiencing the same job market. Many, like small manufacturing firms, continue to find it difficult to fill job openings, and payroll growth per small business client within Bank of America data remained positive in November. Inflation was cited as the single most important problem in operating businesses, according to the NFIB, but that's not particularly evident in wages.

Looking by sector reveals evidence of labor shortages driving some wage gains, particularly within construction and restaurants (Exhibit 14). They were two of four sectors that increased payroll growth overall compared to 2024, whereas all other sectors moderated, or in some cases, like small general merchandisers and manufacturers, pulled back.

Exhibit 14: Small retail firms increased payroll growth compared to last year, along with small construction firms and restaurants
Payroll growth per small business client by sector (annual average, YoY%)



Source: Bank of America internal data.
Note: 2025 year-to-date (YTD) YoY is calculated through November of 2025 and 2024.

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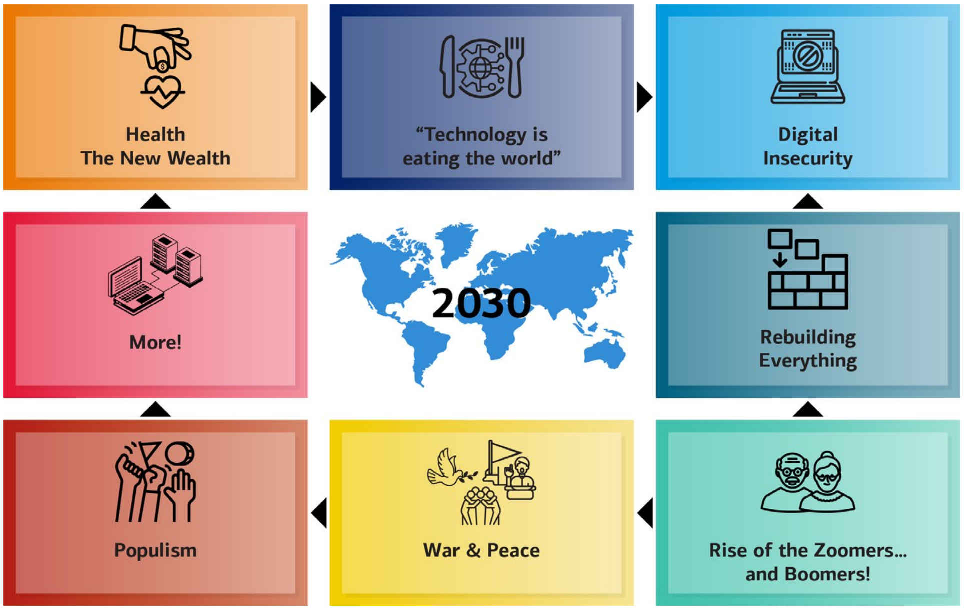
#5. "AI" as a buzz word

When it comes to transformation, this is the year that AI ripped up the old rulebook and rewrote the future. We kicked off talking about The World in 2030, BofA Global Research's five-year outlook that positions AI (alongside geopolitics, demographics, and resources) as one of the eight themes set to redefine our world – underscoring its potential to move from market chatter to business (and societal) impact (Exhibit 15).

Exhibit 15: From AI to geopolitics and generational shifts to resource bottlenecks, BofA Global Research identified eight themes that will shape our world leading up to 2030

Illustration of eight themes for the next five years



Source: BofA Global Research

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If 2025 had a soundtrack, "AI" ended up being the chorus – everywhere, all at once – yet the year also forced a reality check on what AI actually is and does. To cut through the noise, our AI Dictionary series offered a pragmatic foundation, explaining need-to-know terms, such as machine learning and natural language processing. It also offered a lens into the future, where next-gen technology will continue to reshape life as we know it. But with great power, comes great responsibility, and AI doesn't come without risk. Things like hallucination and deepfakes could foster public skepticism and erode trust in information sources.

The buzz becomes business impact

Conversations in 2025 also centered around whether AI can actually move the economic needle (read: Economic shifts in the age of AI). The early data points to yes, with nuances. For example, in the first half of 2025, AI-related investment contributed up to 1.3 percentage points to overall US GDP growth. And from an investment perspective, our data showed that small business payments to technology services were up 8% YoY in October – indicating adoption is spreading beyond the largest firms.

Our publication On the clock: Agentic AI in the workplace discussed the new wave of AI agent technology – capable of working toward goals with minimum human input – signaling a shift in interest beyond generative AI chatbots. By the end of 2025, BofA Global Research predicts that roughly half of all businesses could be using task-specific AI agents. However, per the 2025 Workplace Benefits Report, implementation remains uneven, with smaller companies still catching up.

Embodied AI and devices: The buzz gets physical

This year, we also discussed AI's intersection with both machines and wearables. Humanoid Robots 101 argued that given advances in AI and falling component costs, humanoid platforms could move from proof-of-concept to multi-industry adoption by decade's end. And in healthcare, surgical robots are beginning to move from niche to mainstream, with BofA Global Research projecting the global market will more than double – from $23 billion in 2025 to $52 billion by 2030 (read: Paging Dr. Robot).

Mobility saw parallel shifts: The road ahead notes that autonomous vehicle technology is driving a new era of transformation as it advances toward safer, scalable systems (even as liability models grow more complex), and the "low-altitude economy" took shape with civil adoption of quieter, greener eVTOLs (electric vertical take-off and landing) expected to grow 62% in 2025–30E, per BofA Global Research. On the consumer front, Eyes on the future notes that shipments of AI-glasses will likely exceed 10 million in 2025, with more interactive augmented reality (AR) glasses maturing by 2027 and potentially surpassing AI glasses in volume by 2030, per BofA Global Research.

Infrastructure, sustainability, and the bill for "AI everywhere"

In Watt's going on with the grid?, we discussed the rising demand for electricity – driven by data centers, building electrification, industrial demand, and electric vehicle (EV) adoption – pushing utility companies to invest to meet required reserve margins as well as increase spending on power generation. Consumers are also feeling the pressure this year: average electricity and gas payments rose 3.6% YoY in Q3 2025, thanks to the pass through of capacity costs and the weight of regional disparities mostly felt by lower-income households (read: Is the AI revolution raising consumers' utility bills?).

That backdrop sharpened the sustainability debate. Addressing the "AI" in sustainability framed AI's duality: the potential to reduce emissions up to five times what it generates and unlock gains in education, health, and food—alongside risks if poorly governed, from environmental impacts to amplified inequalities. The takeaway: the year shifted "AI" from a buzzword to a system-wide consideration spanning energy, equity, and ethics.

The next era: quantum, agents, and practical guardrails

Lastly, the frontier moved. Quantum leaps and bounds highlighted that true quantum advantage is still ahead, but hybrid quantum-classical approaches could cut energy use by ~12.5%, and AI can accelerate quantum model training – hinting at a reinforcing cycle across computation. Meanwhile, the agentic thread continues in The new wave: Agentic AI: fully autonomous AI fleets may reshape labor-intensive sectors over the next decade, even if adoption timing remains uncertain.

Put together, 2025 was the year AI stopped being just a headline and started acting like infrastructure – touching devices, vehicles, workforces, hospitals, grids, and GDP—while forcing institutions to build the guardrails that make innovation durable.

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.

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

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.

For our paycheck-to-paycheck analysis we use a sample of households that appears to have their primary banking relationship with Bank of America. We look at households who reside in the United States and have had a checking account for at least the past 12 months. We consider a measure of necessity spending that includes but is not limited to childcare, external credit card payments, gasoline, general retail, grocery, housing (mortgage/rent), insurance, cable TV/broadband, public transportation, tax payments, vehicle costs and payments. We consider spending across payment channels (ACH, credit and debit card, bill pay). Income is defined as regularly recurring payments into accounts, such as payroll, social security, unemployment insurance pensions, and annuity income. Households are defined as living paycheck to paycheck if in the quarter their necessity spending exceeds 95% of their income. Note where individuals in a household bank with different banks it is possible not all of their spending and income could be captured, increasing the uncertainty around paycheck to paycheck estimates.

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 are 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.

Revenue tiers are determined by the combination of following factors: 1) stated revenue on small businesses credit or Paycheck Protection Program applications, 2) actual account inflow into Bank of America Deposit Accounts, and 3) third party revenue estimation.

The alternative hiring indicator consists of payments from Bank of America small business clients to small business-focused hiring firms which include both direct deposits through Automated Clearing House (ACH) and payments via credit and debit cards.

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.

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 2020 and 3Q 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.

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

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Disclosures