Economy

Autos: Stuck in a lower gear?

18 February 2026

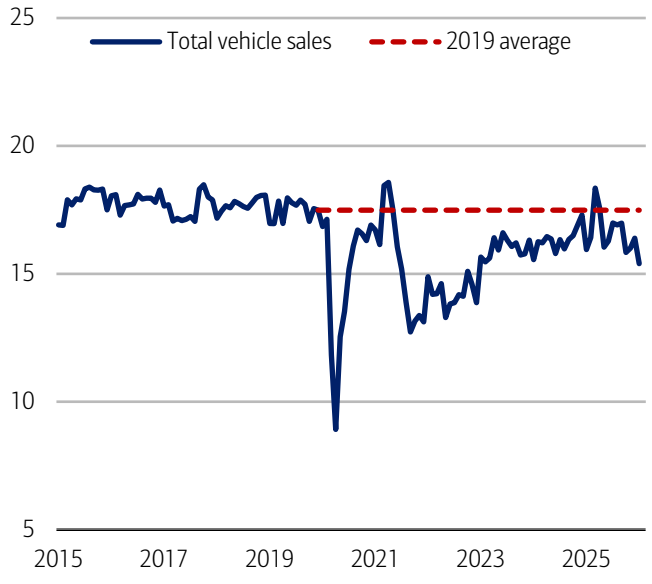
Key takeaways

- New motor vehicle ("auto") sales dropped back in January 2026 and remain well below where they were in 2019. That said, one piece of potentially good news is that Bank of America internal data on consumer vehicle loan (CVL) applications suggests the drop in January was likely exaggerated by bad weather stopping people getting out to the dealers.
- But affordability is also an important underlying issue, with new and used car prices and auto insurance having risen significantly in recent years. In Bank of America data, this issue appears to be weighing most on younger Millennials (30-36 years old), who have seen their monthly car loan payments rise by more than 60% on average compared to 2019 levels.
- Affordability has also weighed on demand for electric vehicles (EVs) with new EV loan originations falling sharply over the last few years. Again, it appears to be Millennials who have been pulling back the most.

New vehicle sales were soft in January 2026

Data suggests that US new motor vehicle ("auto") sales began 2026 on a soft note. On a seasonally-adjusted annualized rate (SAAR), sales fell to 15.4 million in January, from 16.4 million in December 2025, according to data from the Bureau of Economic Analysis (BEA). And, as Exhibit 1 shows, auto sales have struggled to return to their 2019 level over the past six years, apart from an immediate post-pandemic rebound and a brief surge in early 2025, when sales rose in anticipation of higher prices due to tariffs.

Exhibit 1: Auto sales have been fairly soft since the pandemic and started 2026 on a weaker note
US auto sales (SAAR)



Source: BEA

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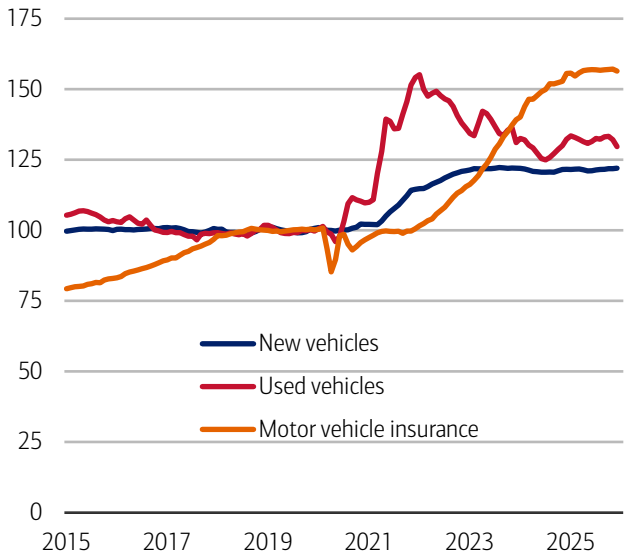
Exhibit 2: Affordability plays a role, with both higher vehicle prices and more expensive auto insurance putting pressure on buyers
Consumer price inflation indexes of new and used vehicles, and motor insurance (index, 2019 = 100)



Source: Haver Analytics

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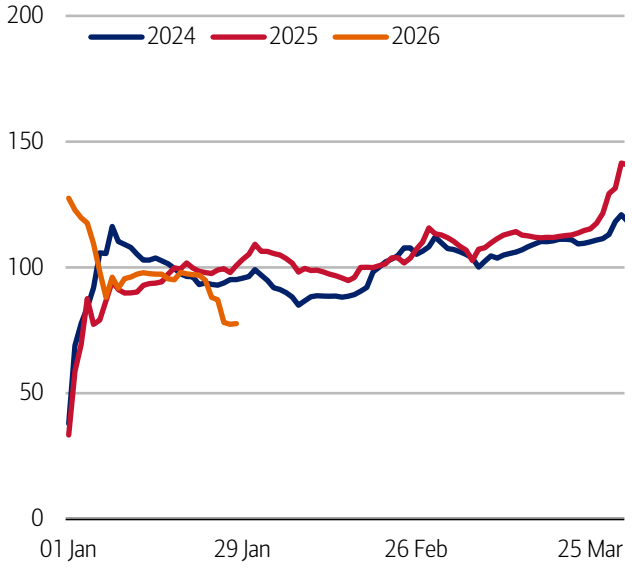
We think affordability is a key factor likely driving weaker auto sales. Car prices have risen significantly over the past six years (Exhibit 2), though that rise appears to have largely stopped for now. New car prices are up around 22% on 2019 levels, while used car prices have jumped around 30%, according to data from the Bureau of Labor Statistics (BLS). At the same time, the cost of insuring a vehicle has risen significantly. When combined, these hikes may have curbed vehicle demand, especially compared with other areas of consumer discretionary spending.

Drop-off in car sales in January may largely have been a weather story…

What does Bank of America internal data tell us about the car market currently? Well, one piece of potentially good news from our data on consumer vehicle loan (CVL) applications is that the drop-off in car sales in January may largely have been a weather story. Exhibit 3 shows that CVL applications fell sharply in the final week of January, when some prospective buyers perhaps couldn't get to their dealership due to winter weather. Aside from this period, CVL applications actually look ahead of January 2025 levels.

Exhibit 3: Loan applications data suggests the soft start in 2026 may have partially been a weather story

Average daily Bank of America CVL applications for 2024, 2025 and 2026 (7-day moving average, index, January 2024=100)



Source: Bank of America internal data

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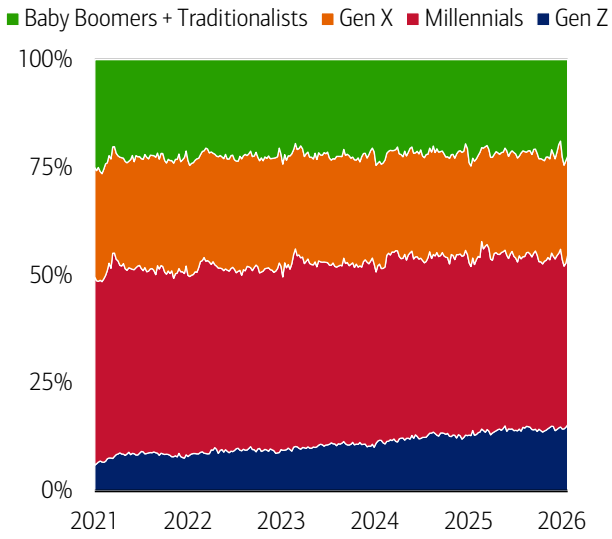
Exhibit 4: Demand appears to have been weakest among Millennials over the past few years

The share of large* auto loan payments by generation (%)



Source: Bank of America internal data

Note: *Large payments are those over $2,000 and where no payment greater than $600 was observed in the previous two months. Data is across payment channels (credit and debit, automated clearing house (ACH), and wire).

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We can also get a perspective on market dynamics by looking at weekly data on the number of Bank of America customers making large payments (above $2,000) to auto firms and vehicle finance providers. This data serves as a proxy for both new and used sales. Exhibit 4 shows how the share of these payments has been changing across generations.

Over the past five years, we have seen a rise in the share of Gen Z making these payments. This is not surprising, as many Gen Z consumers are starting their careers and are at a life stage where they are likely purchasing a car.

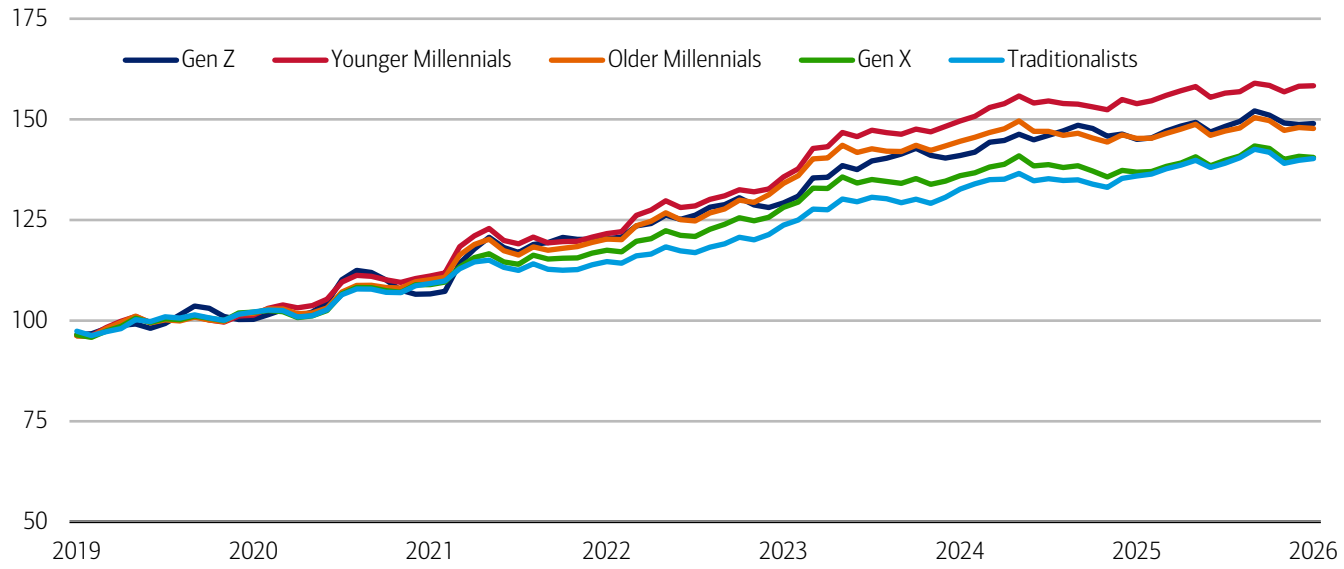
…but the broader story is affordability weighing on younger consumers

More interestingly, however, is that the share of Millennials making these large payments has been falling, rather than older (Gen X, Baby Boomers and Traditionalists) buyers**.** Why? In our view, affordability could be a big part of the story.

Exhibit 5 shows that the average auto loan payment from Bank of America customer accounts has risen most for younger Millennials (ages 30-36), with the average auto loan payment from this cohort up nearly 60% from 2019. Older Millennials and Gen Z have also experienced sizeable increases, each exceeding 40%.

In some respects, it makes sense that younger Millennials have seen the largest rises in average loan payments. In the early 2020s, many were likely engaged in household formation and potentially having children, all of which can precipitate the need for a new or used – often larger – car. And they were doing this at a time when car prices were elevated and auto loan financing rates had risen as a result of Federal Reserve rate hikes.

Exhibit 5: Younger Millennials have seen the largest rises in their monthly auto loan payments
Average household auto loan payment by generation (monthly, index, 2019 = 100)



Source: Bank of America internal data
Note: Data reflects auto loan payments from customer accounts to all lenders.

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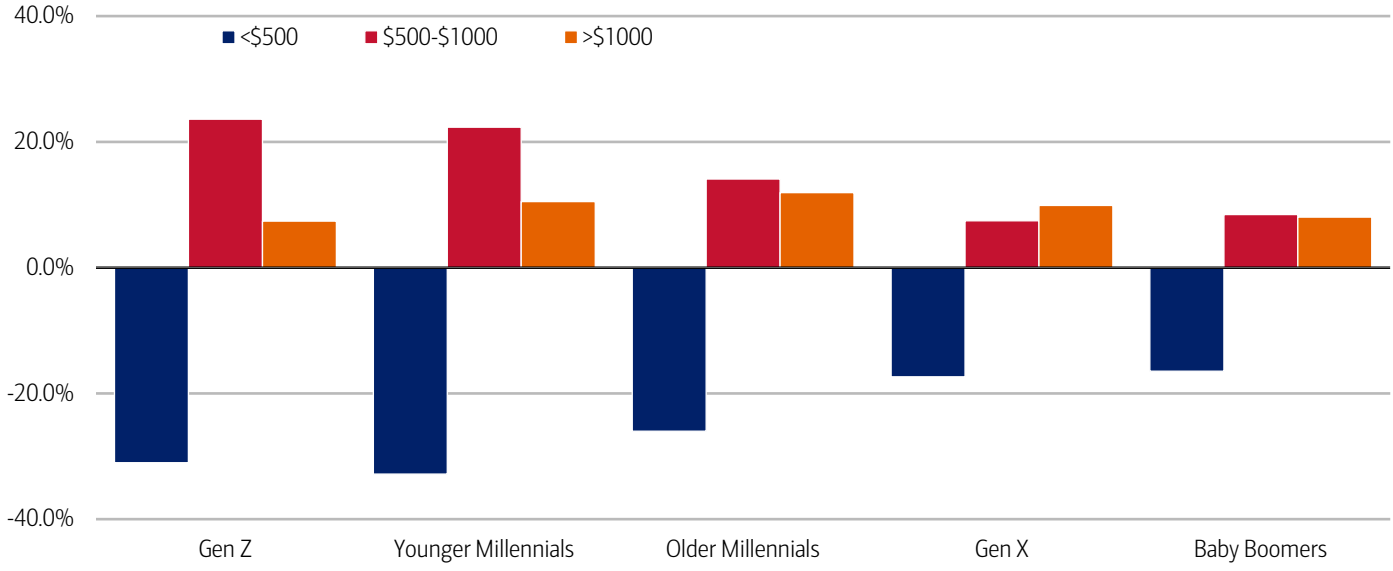
When we look at the distribution of auto loan payments, we see a rise in the share of larger monthly loan payments across generations reflecting higher car prices and financing rates (Exhibit 6). But the share of younger Millennial households making an auto loan payment above $500 a month has risen the most – by a third from 2019. For Gen Z, the figure is slightly lower at 31%, and for older Millennials it is 27%. For Baby Boomers that figure is just 16%.

Exhibit 6: Younger generations have seen the largest rise in their share of auto loan payments above $500 a month
Change in the share of households by generation with average monthly auto payments between given ranges, 2019-2025 (percentage points)



Source: Bank of America internal data.
Note: Data reflects auto loan payments from customer accounts to all lenders.

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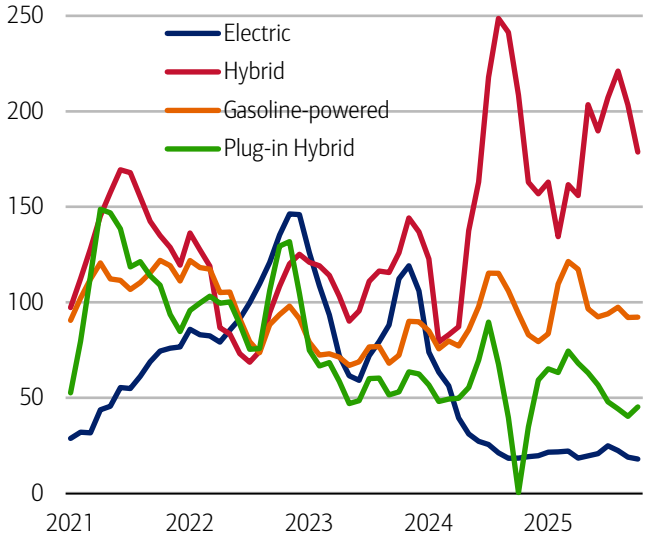
EVs no longer on the charge

Affordability concerns have also likely weighed on the demand for electric vehicles (EVs). Earlier this decade, the uptake for EVs was significant, helped by high gasoline prices and regulatory subsidies for EVs. But over the last few years, demand has declined.

Looking at Bank of America auto loan origination data, in the new car market EV demand appears to have been replaced partly by a rise in demand for hybrids (Exhibit 7). Meanwhile, in the used car market, EV demand has not fallen in the same way. In our view, this could reflect the significant price discounts for used EVs, as the price differential between used EVs and gasoline-powered vehicles is often less than it is when buying new (Exhibit 8).

Exhibit 7: The demand for new EVs has dwindled...
New vehicle originations by type (monthly, indexed, 2022 average = 100, 3-month moving average)



Source: Bank of America internal data

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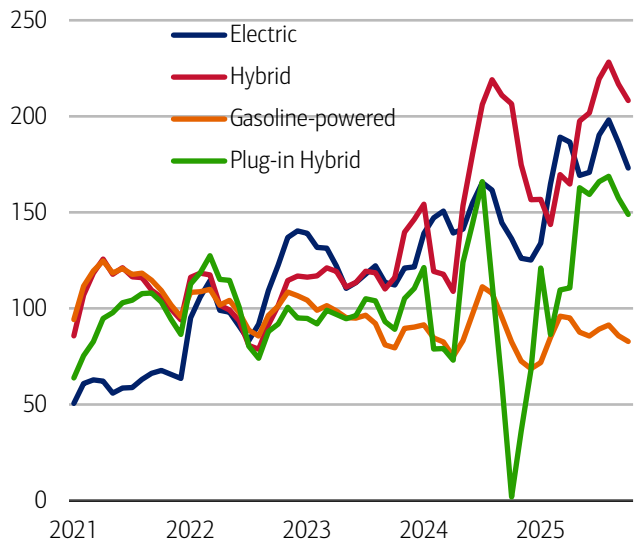
Exhibit 8: ...though the used EV market has fared better
Used vehicle originations by type (monthly, indexed, 2022 average = 100, 3-month moving average)



Source: Bank of America internal data

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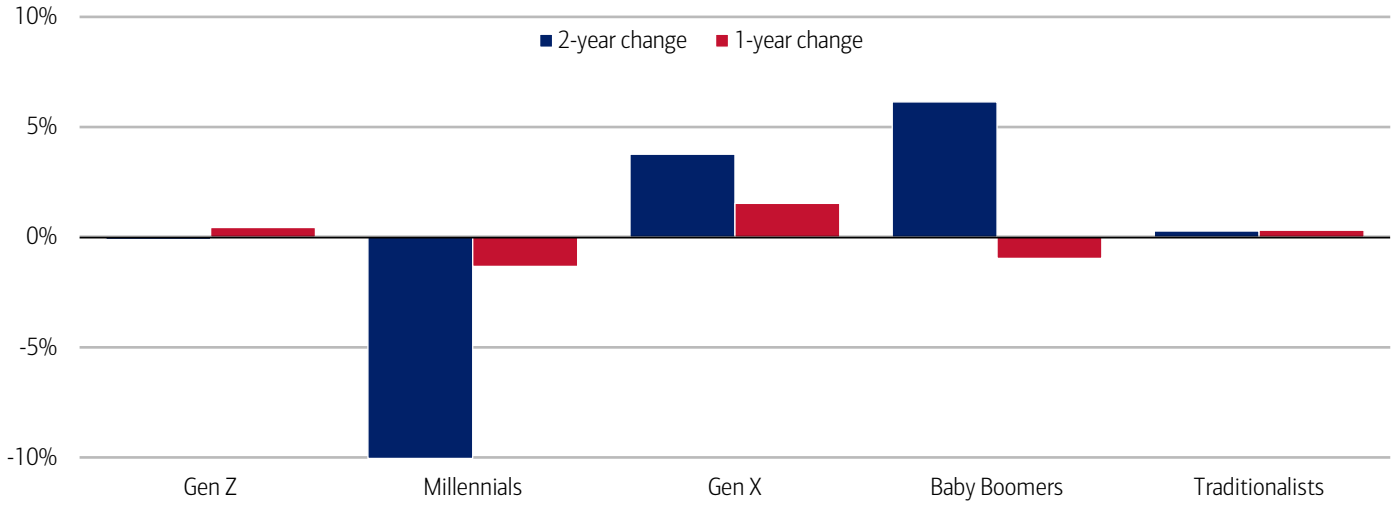
One reason for this drop in demand for EVs has likely been the fallback in the price of gasoline. The price of regular unleaded peaked close to $5 a gallon in 2022, making EVs seem a desirable alternative to gasoline-powered vehicles. However, the price of a gallon is now back below $3, which has likely encouraged cost-conscious consumers to once again consider conventional vehicles, or at least hybrids.

Exhibit 9: Millennials have particularly pulled back from EVs
Change in the share of EV loan originations by generation



Source: Bank of America internal data

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Another issue relating to EV demand has been regulatory change. Prior to September 2025, the federal EV tax credit allowed up to $7,500 to be reclaimed on qualifying vehicles, which improved their cost effectiveness greatly. But, following its expiration, the affordability of EVs likely deteriorated.

Bank of America CVL origination data suggests, again, that Millennials have been at the center of these affordability shifts. In particular, they have pulled back the most on EV demand over the last two years compared to other generations (Exhibit 9). Older generations appear to have been much less impacted.

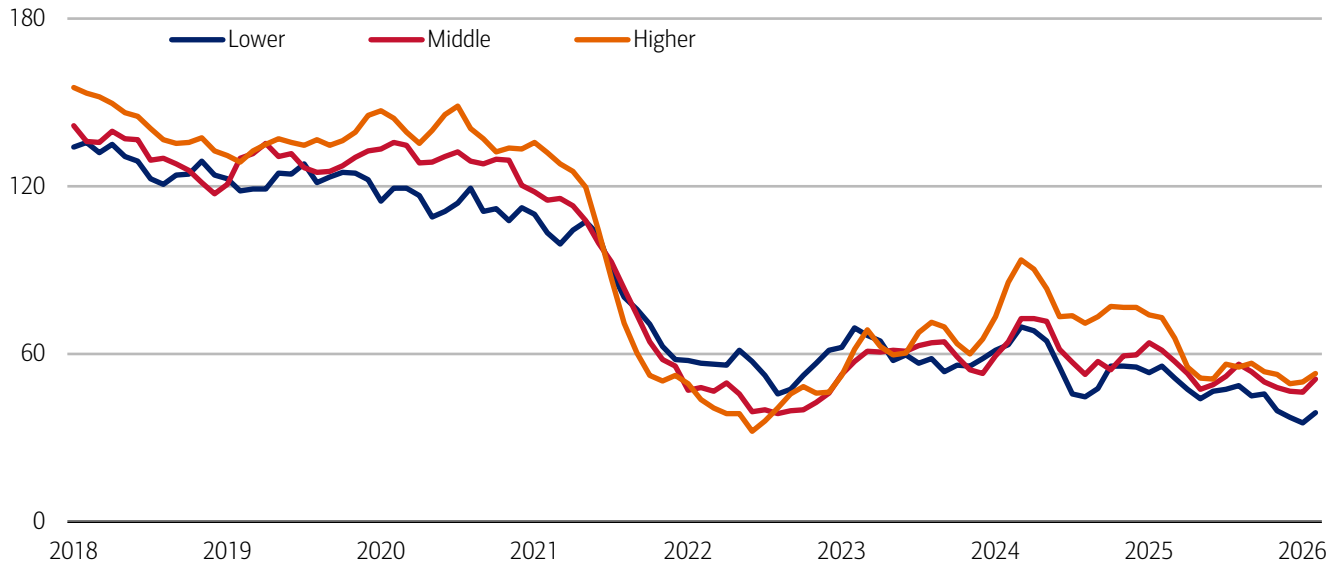
Take care ahead

So, what's on the road ahead for auto sales? As we discussed in our February Consumer Checkpoint, overall consumer spending remains robust. At the same time, Federal Reserve cuts in interest rates mean that financing rates for vehicle loans have somewhat dropped. And larger tax refunds expected to be paid in 2026 should help support consumer spending.

All of these factors could provide tailwinds for auto sales, in our view, but there may still be hazards on the road ahead. For one, the "K-shape" pattern in consumer spending, which emerged in 2025, means that lower- and (increasingly) middle-income households are more stretched than higher-income households. This is reflected in the recent University of Michigan consumer sentiment survey, where generally respondents said it's not a good time to buy a new vehicle, a sentiment clearest in the lowest-income tercile (Exhibit 10).

And in our view, some way further down the road, the rise of autonomous driving and carsharing services may also lead households to question the number of vehicles they might need. US automakers have also been adapting to a higher price/lower volume model, and consequently, we think a return to the level of auto sales seen in previous decades may be challenging.

Exhibit 10: Lower-income households are the least inclined to think it's a good time to buy a vehicle
University of Michigan vehicle buying conditions by income tercile (index)



Source: Haver Analytics

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Methodology

Selected Bank of America transaction data is used to inform the macroeconomic views expressed in this report and should be considered in the context of other economic indicators and publicly available information. In certain instances, the data may provide directional and/or predictive value. The data used is not comprehensive; it is based on **aggregated and anonymized** selections of Bank of America data and may reflect a degree of selection bias and limitations on the data available.

Any payments data represents aggregated spend from US Retail, Preferred, Small Business and Wealth Management clients with a deposit account or credit card. Aggregated spend include total credit card, debit card, ACH, wires, bill pay, business/peer-to-peer, cash, and checks.

Any **Small Business** payments data represents aggregate spend from Small Business clients with a deposit account or a Small Business credit card. Payroll payments data include channels such as ACH (automated clearing house), bill pay, checks and wire. Bank of America per Small Business client data represents activity spending from active Small Business clients with a deposit account or a Small Business credit card and at least one transaction in each month. Small businesses in this report include business clients within Bank of America and generally defined as under $5mm in annual sales revenue.

Unless otherwise stated, data is not adjusted for seasonality, processing days or portfolio changes, and may be subject to periodic revisions.

The differences between the total and per household card spending growth rate (if discussed) can be explained by the following reasons:

1. Overall total card spending growth is partially boosted by the growth in the number of active cardholders in our sample. This could be due to an increasing customer base or inactive customers using their cards more frequently.

2. Per household card spending growth only looks at households that complete at least five transactions with Bank of America cards in the month. Per household spending growth isolates impacts from a changing sample size, which could be unrelated to underlying economic momentum, and potential spending volatility from less active users.

3. Overall total card spending includes small business card spending while per household card spending does not.

4. Differences due to using processing dates (total card spending) versus transaction date (per household card spending).

5. Other differences including household formations due to young adults moving in and out of their parent's houses during COVID.

Any household consumer deposit data based on Bank of America internal data is derived by anonymizing and aggregating data from Bank of America consumer deposit accounts in the US and analyzing that data at a highly aggregated level. Whenever median household savings and checking balances are quoted, the data is based on a fixed cohort of households that had a consumer deposit account (checking and/or savings account) for all months from January 2019 through the most current month of data shown.

Bank of America aggregated credit/debit card spending per household includes spending from active US households only. Only consumer card holders making a minimum of five transactions a month are included in the dataset. Spending from corporate cards are excluded. Data regarding merchants who receive payments are identified and classified by the Merchant Categorization Code (MCC) defined by financial services companies. The data are mapped using proprietary methods from the MCCs to the North American Industry Classification System (NAICS), which is also used by the Census Bureau, in order to classify spending data by subsector. Spending data may also be classified by other proprietary methods not using MCCs.

We consider a measure of services necessity spending that includes but is not limited to childcare, rent, insurance, insurance, public transportation, and tax payments. Discretionary services includes but is not limited to charitable donations, leisure travel, entertainment, and professional/consumer services. Holiday spending is defined as items in which spending in the November-December period is usually at least 20% of total annual spending on the category.

Durables spending is defined as spending on electronics, building materials, auto and furniture. Premium durables spending is based on a selection of retailers who are judged to sell relatively higher value products. Conversely, value durables spending is based on a selection of retailers who are judged to sell relatively lower value products.

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.

Major grocery categories include sugar and sweets, juices and other non-alcoholic beverages, bakery products, processed fruits and vegetables, fresh fruit and vegetables, coffee and tea, fats and oils, milk, cereal and cereal products, other, cheese, and meats, poultry and fish, Other includes soups, snacks, frozen and freeze-dried prepared foods, and spices, seasonings, and condiments.

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.

In-person debit transactions utilized to analyze time-of-day spending considers debit card transactions where a personal identification number is input to complete the transaction.

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

Contributors

David Michael Tinsley

Senior Economist, Bank of America Institute

Sources

Jon Kaplan

Senior Vice President, Digital and Data

Moses Sulukyan

Vice President, Consumer Product Strategy

Disclosures

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