

Economy

Autos: In gear, but the “K” is still in the headlights

20 August 2026

Key takeaways

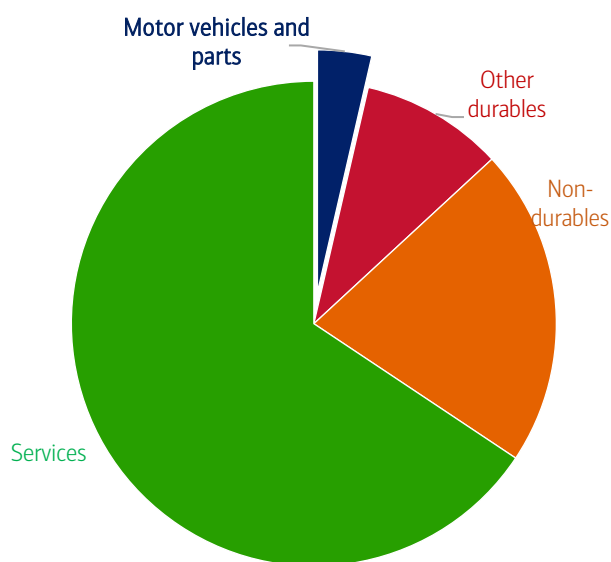
- New vehicle sales have held up well, despite higher gasoline prices. While there was a slight pullback in July, the current level of auto sales remains above the 2025 average. Improved fuel efficiency and the historically loose relationship between gas prices and vehicle purchases likely explain some of this resilience.
- But demand has also been supported by higher-income households, which account for a disproportionate share of new and used vehicle purchases, according to Bank of America internal data on auto loan originations and loan repayments.
- Will the closing of the “K” in credit and debit card spending also be reflected in auto sales? Possibly, but affordability remains a challenge for lower-income households and, in our view, it will take some time for these consumers to regain the confidence to make the large outlays required for a new or used vehicle.

Auto sales are solid, but not firing on all cylinders

Our latest Consumer Checkpoint highlighted a resilient consumer story (read our publication: [Consumer Checkpoint: The great convergence](#)). Although aggregated total credit and debit card spending eased back in July, year-over-year (YoY) growth at 5% was still one of the strongest readings in the last three years. Moreover, it appeared that total card spending growth was converging across household income cohorts, with lower-income households picking up steam.

Exhibit 1: Motor vehicles are an important part of the overall consumer spending story

Share of personal consumption expenditure by category (2025, %)



Source: Haver Analytics

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Exhibit 2: New vehicle sales dipped in July 2026 but remain relatively solid

Motor vehicle sales as a seasonally-adjusted annualized rate (SAAR, millions)



Source: Bloomberg

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One important part of the consumer spending story that is not typically captured on cards is auto sales. Exhibit 1 shows that, in 2025, motor vehicles and parts accounted for around 4% of total personal consumption and just below 30% of consumer durables spending.

Overall, the picture on new vehicle sales is positive. In July, total vehicle sales were 16.3 million, at a seasonally-adjusted annualized rate (SAAR). This was a dip from the June figure of 16.5 million, but it is still higher than average sales in 2025 and well above 2023-24.

However, prior to the pandemic, new vehicle sales were higher than today (around 17 million in 2019) and since then the number of households in the US has continued to grow. These extra households might have implied rising underlying incremental demand for vehicles. So, while solid, in our view, auto sales are not as strong as other parts of consumer spending.

Gas prices have not stalled demand

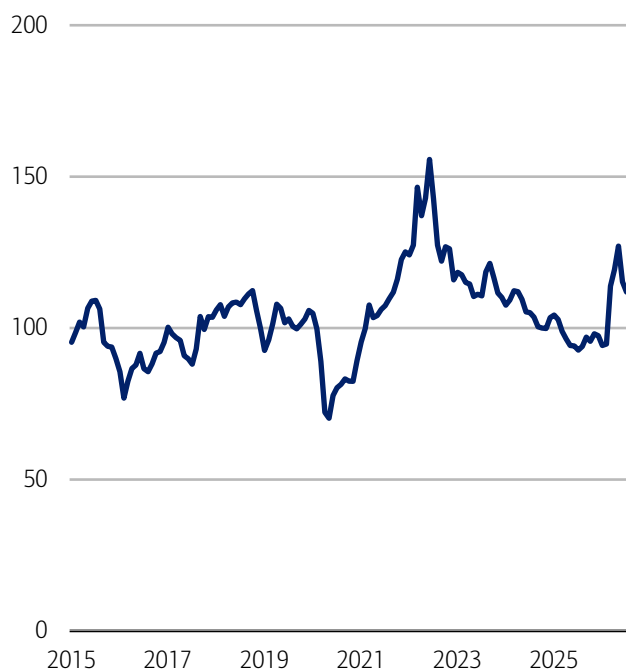
Still, auto sales have weathered one potential headwind this year: higher gasoline prices. In May, the price of unleaded gas reached over \$4.50 per gallon and, despite this, there has not been a significant pullback in vehicle sales.

Why? One reason is that while consumers certainly felt pain at the pump, in inflation-adjusted terms, the rise in gas prices was not quite so large (Exhibit 3): much less than the peak in 2022, for example (Exhibit 3).

And, more broadly, while there has typically been some negative relationship between inflation-adjusted gas prices and auto sales since the 1980s, it is not very tight (Exhibit 4).

Exhibit 3: In inflation-adjusted terms, the hike in gasoline prices was less significant than that around 2022

Price of gasoline relative to CPI (monthly, index 2015 = 100)

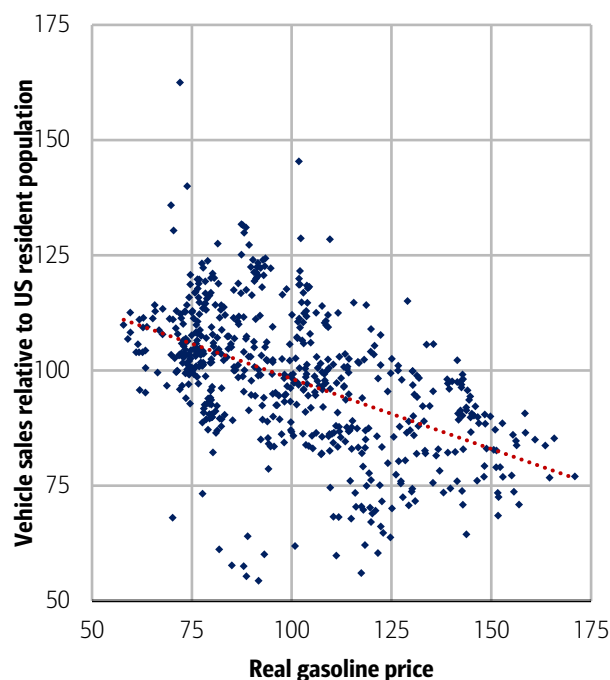


Source: Haver Analytics

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Exhibit 4: There is a negative relationship between gas prices and vehicle sales, but it is not very tight

Real price of gasoline (monthly, index 2015 = 100) versus vehicle sales per resident population (monthly, index 2015 = 100)



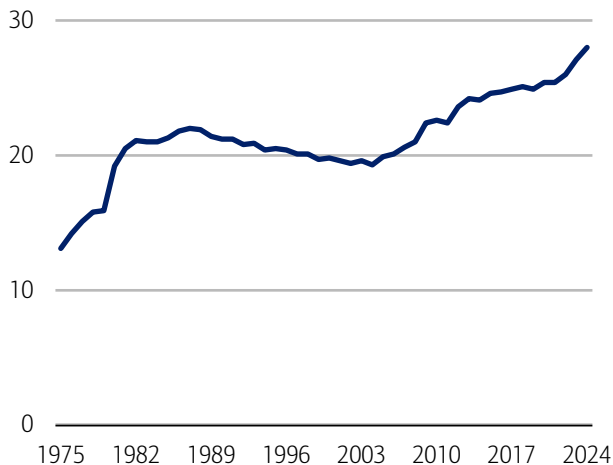
Source: Haver Analytics

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In fact, in recent times, it is possible that the relationship between gasoline prices and vehicle sales has become looser. One reason for this is increasing vehicle fuel efficiency. Exhibit 5 shows that the miles per gallon (mpg) from a new vehicle today will be somewhere close to 30mpg, while back in the 80s it was nearer 20mpg. Part of this is due to vehicle mix, with more hybrids and electric vehicles (EVs) being sold. But even traditional internal combustion engines (ICE) have been getting more efficient.

Exhibit 5: New vehicles have been getting more fuel efficient

Average fuel economy (miles per gallon) of new light duty vehicles

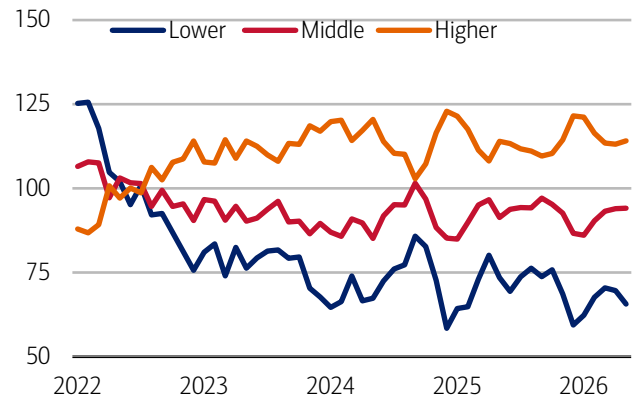


Source: US Environmental Protection Agency

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Exhibit 6: Growth in the number of new auto loans has skewed towards higher incomes...

Bank of America auto loan originations for new vehicles by customer income (monthly, index 2022 = 100)



Source: Bank of America internal data

Note: See methodology for income definitions.

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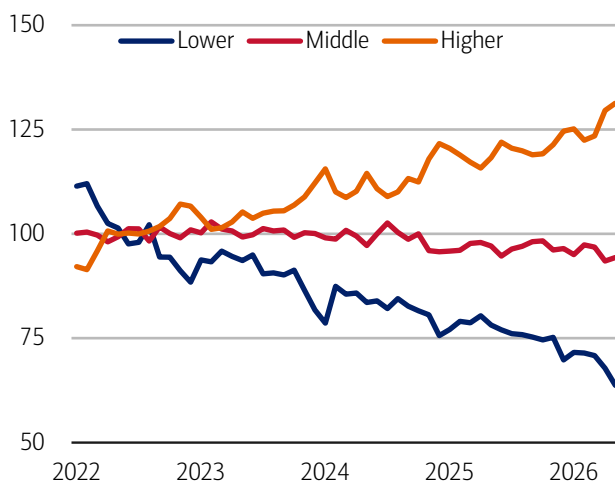
Higher-income households are still in the driver's seat

In our view, another important part of the solidity in auto sales has been down to a “K” shape in consumer demand. Looking at Bank of America internal auto loan origination data, we find that in both the new and used car markets, the share of originations to higher-income consumers has risen relative to just after the pandemic (Exhibit 6 and Exhibit 7).

We can also get a perspective on car market dynamics by looking at data on the number of Bank of America customers making large payments (above \$2,000) to auto firms and vehicle finance providers, which we take as indicative of initial down payments. This data serves as a proxy for both new and used sales and captures not just Bank of America originations but car loans more broadly. Exhibit 8 shows that, on this basis, higher-income households accounted for more than 40% of all transactions in the period May-July 2026, while lower-income households made up less than 20%.

Exhibit 7: ...as they have also for used car loans

Bank of America auto loan originations for used vehicles by customer income (monthly, index 2022 = 100)



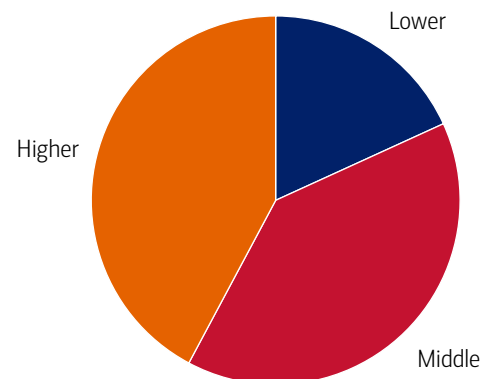
Source: Bank of America internal data.

Note: See methodology for income definitions.

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Exhibit 8: Higher-income customers make up around 40% of our proxy of payments for new and used sales

The share of large* auto loan payments by income (May-July 2026, %)



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). See methodology for income definitions.

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Could consumer convergence lift lower-income auto demand?

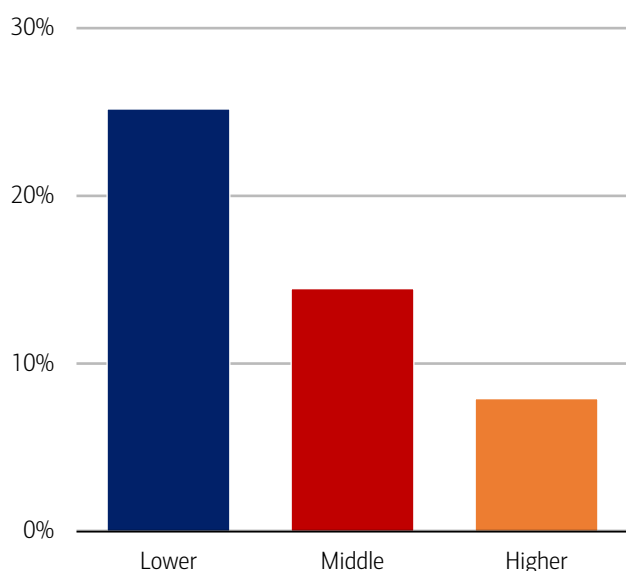
So the overall “K” shape to consumer spending has likely been reflected to a large extent in the auto market, both for new and used car sales, with higher-income households driving an outsized share of sales. Higher-income households have also been less impacted by recent higher gas prices, as gas spending takes up a smaller share of their wallet, so their demand for cars has likely been more resilient.

But what are the implications of the recent convergence we have seen in overall credit and debit card spending across household incomes for the car market? In our view, on balance, they are likely positive. For one, the overall consumer convergence story is being driven largely by lower-income households’ spending growth rising to meet that of higher-income households, so any similar strengthening in lower-income households’ demand for autos could be additive to an already resilient market.

For another, the strengthening in lower-income households’ spending growth is being reflected in stronger after-tax wage growth, which may over time give this cohort more confidence to make the large spending commitment buying a vehicle involves. For many lower-income households this will likely be their biggest financial commitment outside of housing costs.

Exhibit 9: Median monthly auto loan repayments are equivalent to around a quarter of lower-income households savings deposits

Median household auto loan payments relative to median household deposits, according to Bank of America customer deposit data (May-July 2026, %)

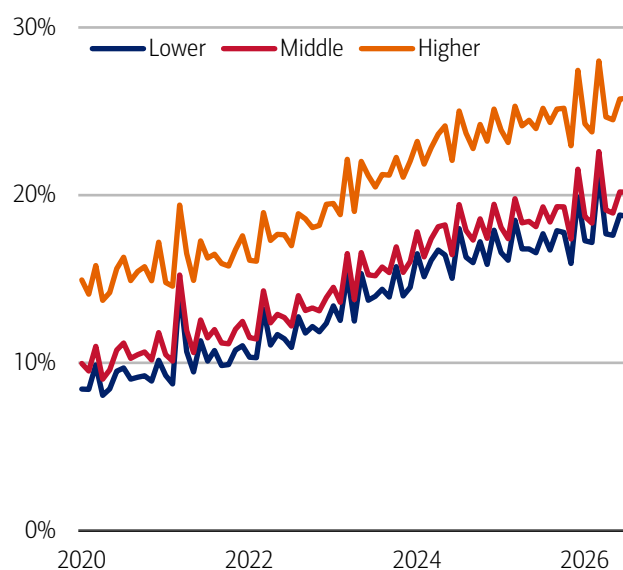


Source: Bank of America internal data

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Exhibit 10: All income cohorts have seen a rising share of monthly auto loans above \$1,000 a month

The share of households with a monthly auto payment over \$1,000 by income (monthly, %)



Source: Bank of America internal data

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Affordability may keep convergence in the slow lane

However, there may also be limits to how far and fast we can expect stronger demand from lower-income consumers for autos. The main issue here comes down to cost. While inflation in new car prices is currently fairly low (1.1% YoY in July), there was significant inflation following the pandemic. And there have been similar hikes in the cost of insuring and maintaining vehicles.

Interest rates on car loans also remain much higher than before the pandemic, reflecting higher Federal Reserve policy rates. For lower-income households, this makes the loan repayments in buying a new or used vehicle a big commitment. Exhibit 9 shows that in Bank of America customer deposit data, the median monthly auto loan repayment relative to deposits was around 25% in May-July 2026 for lower-income households, while it was much less for higher-income households.

Underlining this, we also find a rising share of all households, including lower-income ones, have auto loan repayments above \$1,000 a month (Exhibit 10). For some lower-income households worried about their finances, taking on new loan repayments that are relatively large might be a concern.

Overall, in our view the “K” in auto demand is likely to close more slowly than in other areas of consumer spending.

Methodology

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

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

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

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

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

1. Overall total card spending growth is partially boosted by the growth in the number of active cardholders in our sample. This could be due to an increasing customer base or inactive customers using their cards more frequently.
1. 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.
2. Overall total card spending includes small business card spending while per household card spending does not.
3. Differences due to using processing dates (total card spending) versus transaction date (per household card spending).
4. 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 groceries, utilities, and gasoline. Discretionary services includes but is not limited to charitable donations, leisure travel, entertainment, and professional/consumer services. Discretionary retail includes but is not limited to general merchandise, miscellaneous, clothing, electronics and furniture. It excludes categories like groceries and gasoline. 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. Value and premium grocers are determined judgmentally on a proprietary analysis of merchants by equity analysts.

Durables spending is defined as spending on electronics, building materials, auto-related spending 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.

Unless otherwise noted, 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.

Bank of America car loan origination data cut by income (exhibits 6 and 7) is assessed using customers' monthly income. Lower-income customers are classified as those with income below \$5,000 a month, middle-income customers with income \$5,000 to \$10,000 a month and higher-income customers with income above \$10,000 a month. Bank of America customers making large payments (above \$2,000) to auto firms and vehicle finance providers (exhibit 8) uses annual income cuts as follows: lower-income: below \$50,000 per year, middle-income: between \$50,000 to \$125,000, higher-income: above \$125,000. Other data uses the tercile approach above.

Generations, if discussed, are defined as follows: Gen Z, born after 1995; Younger Millennials: born between 1989-1995; Older Millennials: born between 1978-1988; Gen Xers: born between 1965-1977; Baby Boomer: 1946-1964; 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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