

Economy

The many costs of childcare

28 October 2025

Key takeaways

- US childcare costs are rising 1.5 times faster than overall inflation, up 5.2% year-over-year (YoY) in September. This could be why the number of households making monthly childcare payments has declined, with the year-over-year percent increase in the number of households paying for child care down 1.6% YoY September, despite the average monthly payment up 3.6% YoY, according to Bank of America payments data.
- Regional disparities in childcare costs are widening. While the national average monthly childcare payment rose, some areas saw sharper increases - New England was up 6.6% and the West North Central division surged 8.2% YoY as of September. In the South, Nashville led major cities with a more than 6% increase from 2024 averages.
- These spiraling costs mean some parents, especially women, are quitting work or cutting their hours to become caregivers. Indeed Bank of America data shows a drop in households receiving multiple paychecks while making childcare payments, especially among lower-income households, which suggests to us an increasing trend of some earners dropping out of the labor force to take on childcare responsibilities.

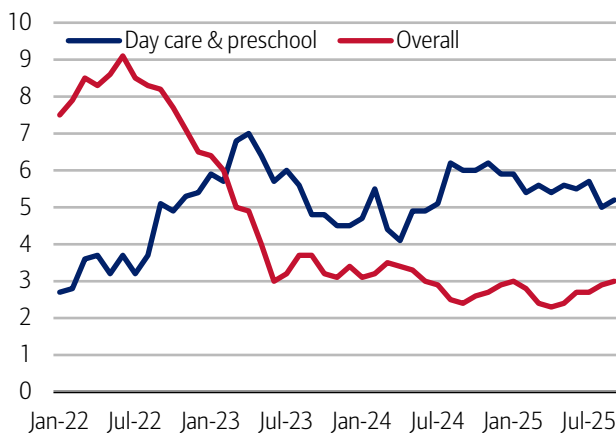
Childcare costs: A sticky issue

US childcare costs remain persistently above their historical average, up 5.2% in September, more than 1.5x higher than the overall inflation rate, according to Bureau of Labor Statistics data (Exhibit 1). This could be why the number of households making monthly childcare payments has declined, with the year-over-year (YoY) percent increase in the number of households paying for child care down 1.6% YoY September, despite the average monthly payment up 3.6% YoY, according to Bank of America payments data (Exhibit 2).

The US Department of Health and Human Services considers childcare 'affordable' if the cost does not exceed 7% of a household's income. But some families appear to be paying far more than that, and this weighs down spending elsewhere.

Exhibit 1: Daycare inflation rate is more than 1.5x higher than overall inflation rate

Inflation by category (YoY%, monthly)

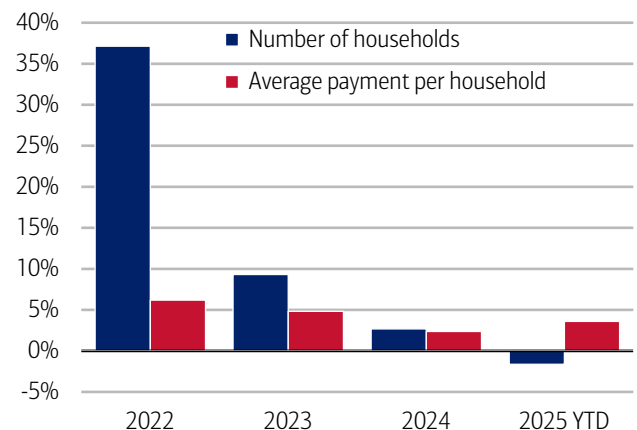


Source: Haver analytics

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Exhibit 2: The number of households paying for childcare was down as of September, despite the average payment up 3.6% YoY

YoY% by category (annual, year-to-date (YTD))



Source: Bank of America internal data

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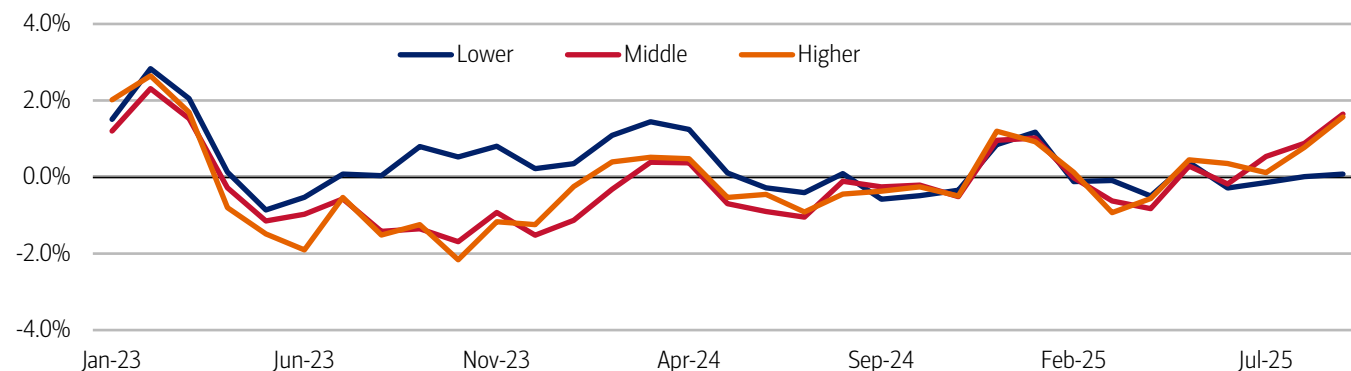
Childcare costs weigh on overall spending growth

The average monthly childcare payments per household have increased steadily over the past four years. In fact, the Department of Labor estimates that the cost of daycare for one child is higher than one month's rent for many families.¹ Moreover, prices could rise further as the government shutdown drags on, as some early childhood Head Start programs for lower-income families could be at risk of disruptions.

Exhibit 3 shows that average Bank of America credit and debit card spending per household for lower-income families with childcare payments has considerably lagged that of higher- and middle-income households. This could have a meaningful impact on these households given their spending and wage growth has moderated significantly over the past few months (read more on this in the [October Consumer Checkpoint](#)), meaning the cost of child care is rising as a percentage of their wallet.

Exhibit 3: Spending per household for lower-income families with childcare payments has considerably lagged that of higher- and middle-income households

Aggregated average credit and debit card spending per households making childcare payments by income (monthly, 3-month moving average, YoY%)



Source: Bank of America internal data

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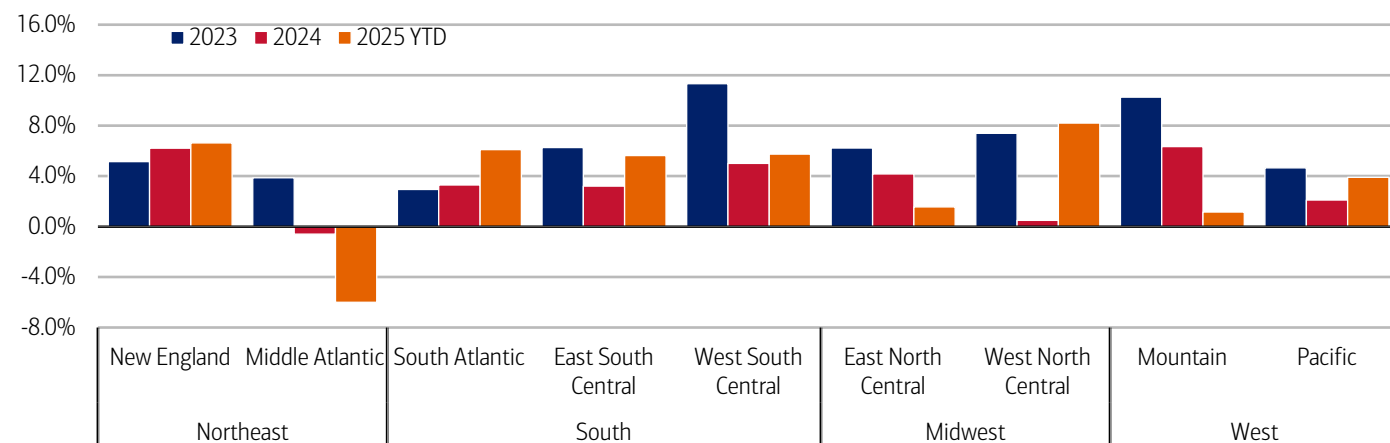
The cost of child care varies across the country

Our data also shows a clear regional divide. In the US overall, average childcare payments YoY% growth was up from 2024 in September, but below that of 2023. Yet, across different US Census Divisions (see Methodology), that story varies (Exhibit 4).

For example, New England has exhibited stronger YoY% growth consecutively since 2023, up 6.6% YoY as of September. This is second only to the West North Central division, which was up 8.2% YoY – more than twice the rate of the overall US. And the pressure on childcare supply will likely be greatest where population growth is highest – the South and Midwest (read publication [September On the Move](#)). Interestingly, the Middle Atlantic division saw a decrease in average childcare payments, possibly as subsidies in this region help ease some of the cost burden.²

Exhibit 4: Different divisions in the South have seen relatively similar year-over-year (YoY)% growth rates in childcare payments in 2025 as of September, while the Northeast is more varied

Average childcare payment by US Census Division (annual, YoY%)



Source: Bank of America internal data

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¹ Women's Bureau. (2024, November 19). *Cost of child care for one child can be more than rent in some US counties*. US Department of Labor

² Feiereisel, Amy. (2025, June 4). *Families are losing child care assistance as NYS runs out of program funds*. North Country Public Radio.

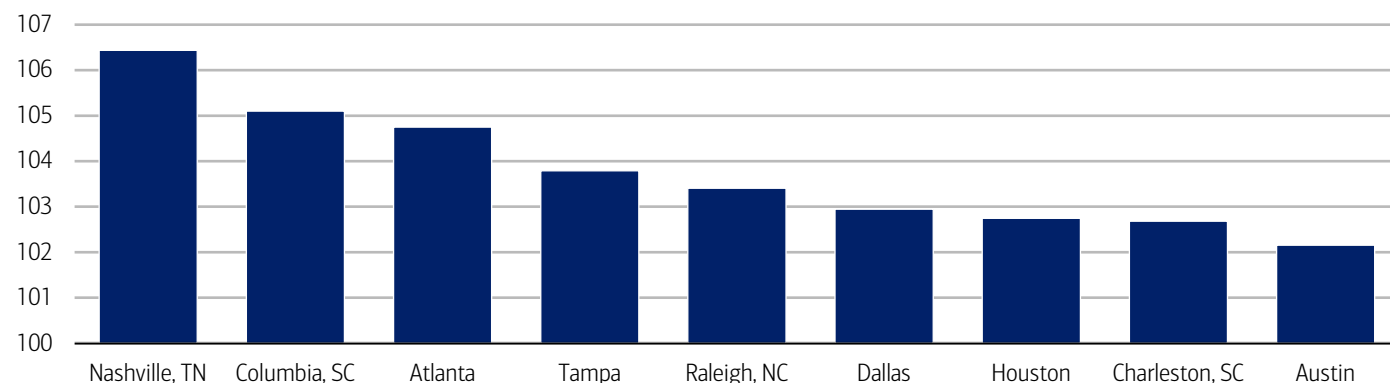
Nashville leads cities in the South with strongest increase from 2024 average costs

On average, the South as an overall US Census Region had the strongest YTD growth in average monthly childcare payments. Diving deeper into Bank of America internal data, we identified nine cities in the region whose average childcare payment growth had risen above the 2024 average (Exhibit 5).

Notably, Nashville had the strongest increase in childcare payments growth, up more than 6% from last year in September on a 3-month moving average. Columbia, SC was up more than 5% from the 2024 average, followed by Atlanta and Tampa, up more than 4% and 3%, respectively.

Exhibit 5: Nashville had the strongest increase, up more than 6% from last year in September

Average childcare payments by Census Bureau Statistical Area (% increase from 2024 average, indexed, 2024 average = 100)



Source: Bank of America internal data

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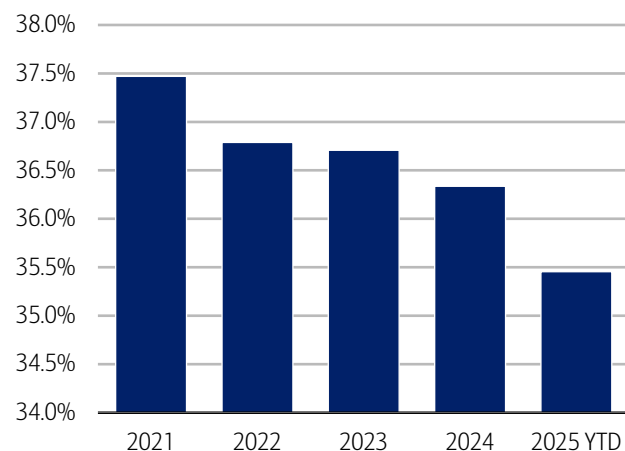
More evidence people are leaving the workforce to provide care

This corresponds with US Department of Labor data which reported that families spent between 8.9% and 16.0% of their median income on full-day care for just one child in 2022. Even part-day care for school-aged children (e.g., before and after school care) comprises 8.1% to 9.4% of median family income.³ And according to a recent survey by Care.com, parents that pay for child care on average reported that their savings were depleted by almost a third for this cost alone.

Bank of America internal account data also found that the share of households with more than one source of income making a monthly childcare payment has fallen each year, and most sharply this YTD (Exhibit 6). This decline is most prominent amongst lower-income households (Exhibit 7). What's driving that? It may be that paying for child care has become so expensive – and finding good providers so difficult – that parents feel that have little choice but to leave their jobs.

Exhibit 6: Fewer paychecks for those making childcare payments

Number of households with childcare payments with more than 1 payroll (% share, annual)

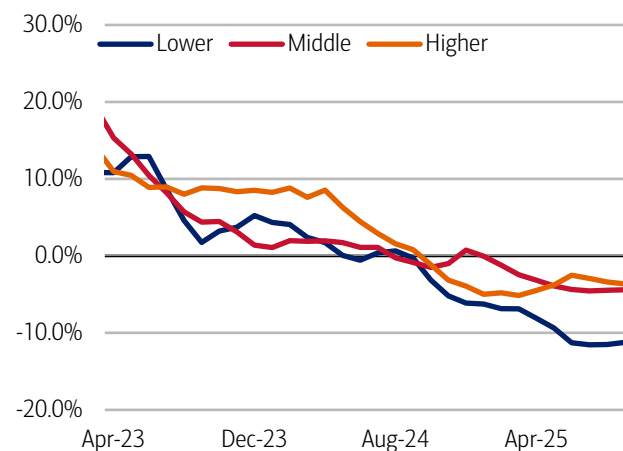


Source: Bank of America internal data

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Exhibit 7: Lower-income has decreased the most

Number of households with childcare payments with more than 1 payroll (YoY%, monthly, three-month moving average)



Source: Bank of America internal data

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³ Poyatzis, Georgia. Livingston, Gretchen. (2024, November 19). *NEW DATA: Childcare costs remain an almost prohibitive expense*. US Department of Labor.

Women pay the caregiving toll

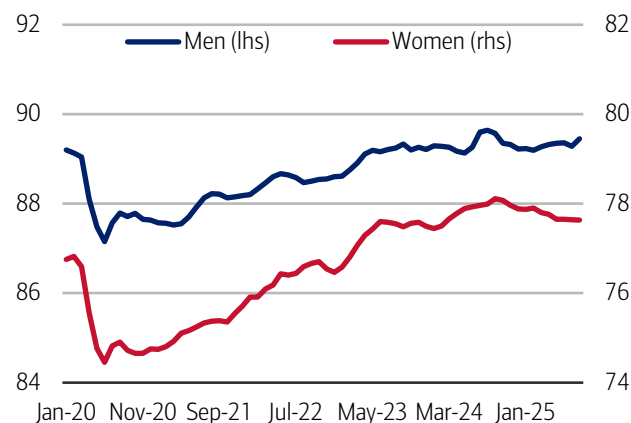
Faced with these escalating costs, many families are torn between spending a large portion of their paychecks on such care, finding lower-quality options, reducing their working hours, or leaving the workforce altogether to become full-time caregivers. And over the past few months, women's labor force participation rate (LFPR) has started to drop, whereas men's has trended slightly upwards (Exhibit 8).

Who is often facing the consequences of the career costs of child care? According to [Bank of America's 2025 Workplace Benefits Report](#), almost 60% of employees are caregivers, with women and younger employees more likely to face caregiving demands compared to men and older employees. And data from the BLS shows that there has been an increase in growth among women who maintain families as a reason for not being in the labor force for the first time since 2021 (Exhibit 9).

Even for those employed, on an average day among adults living in households with children under age 6, women spent an hour more than men providing primary child care to household children, according to the BLS. This has notable implications for those households in which moms are an equal, primary, or sole earner (Exhibit 10).

Exhibit 8: Over the past few months, women's labor force participation rate has started to drop whereas men's has trended slightly upwards

LFPR by gender (monthly, %, men on left-hand side (lhs), and women on right-hand side (rhs))

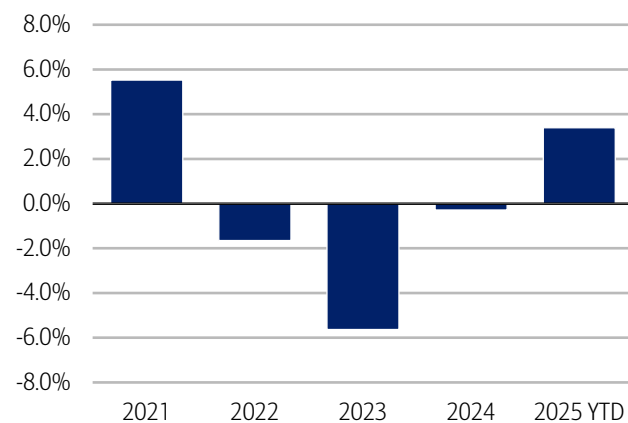


Source: Haver analytics

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Exhibit 9: For the first time since 2021, there was positive growth amongst women who maintain families as a reason for not being in the labor force

Not in labor force: women who maintain families (non seasonally-adjusted, YoY%, annual)

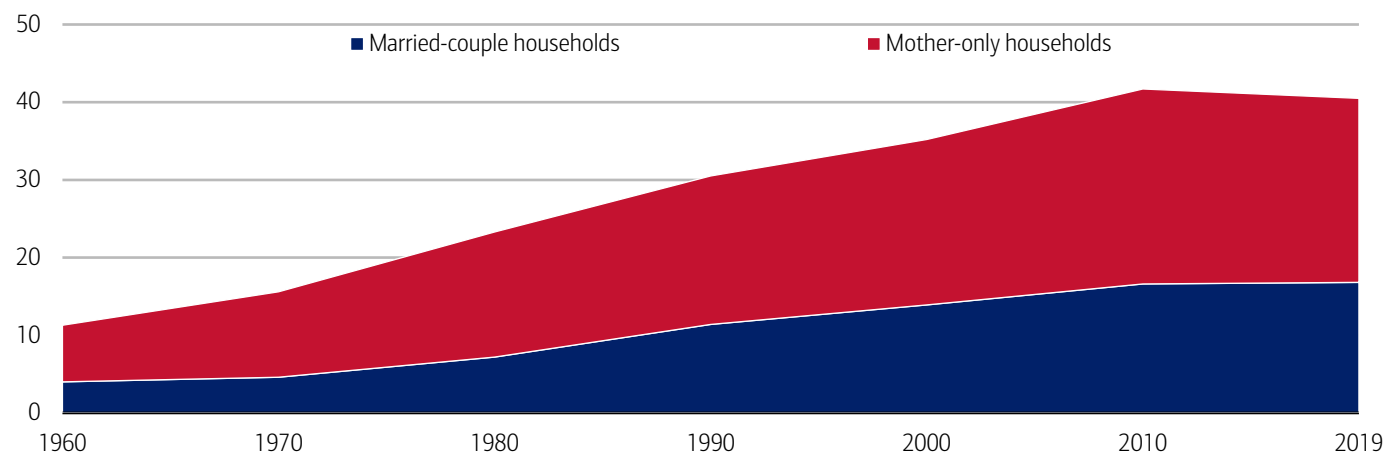


Source: Haver analytics

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Exhibit 10: Four in ten US households with children under 18 have a mother as equal, primary, or sole earners

Households with children under 18 in which mothers are equal, primary, or sole earners (annual, %)



Source: Department of Labor

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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.

Bank of America 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 is 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.

If applicable, the 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.

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

Census Bureau Regions are defined as follows:

New England: Connecticut, Maine, Massachusetts, Vermont, Rhode Island, New Hampshire

Middle Atlantic: New Jersey, New York, Pennsylvania

East North Central: Illinois, Indiana, Michigan, Ohio, Wisconsin

West North Central: Iowa, Kansas, Missouri, Minnesota, Nebraska, North Dakota, South Dakota

South Atlantic: Delaware, District of Columbia, West Virginia, Virginia, Florida, Georgia, Maryland, North Carolina, South Carolina

East South Central: Alabama, Kentucky, Mississippi, Tennessee

West South Central: Arkansas, Louisiana, Oklahoma, Texas

Mountain: Colorado, Wyoming, Montana, Utah, New Mexico, Nevada, Idaho, Arizona

Pacific: Alaska, California, Hawaii, Oregon, Washington

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

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

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Sources

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Disclosures

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