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Economy

Consumer Checkpoint: The great convergence

11 August 2026

Key takeaways

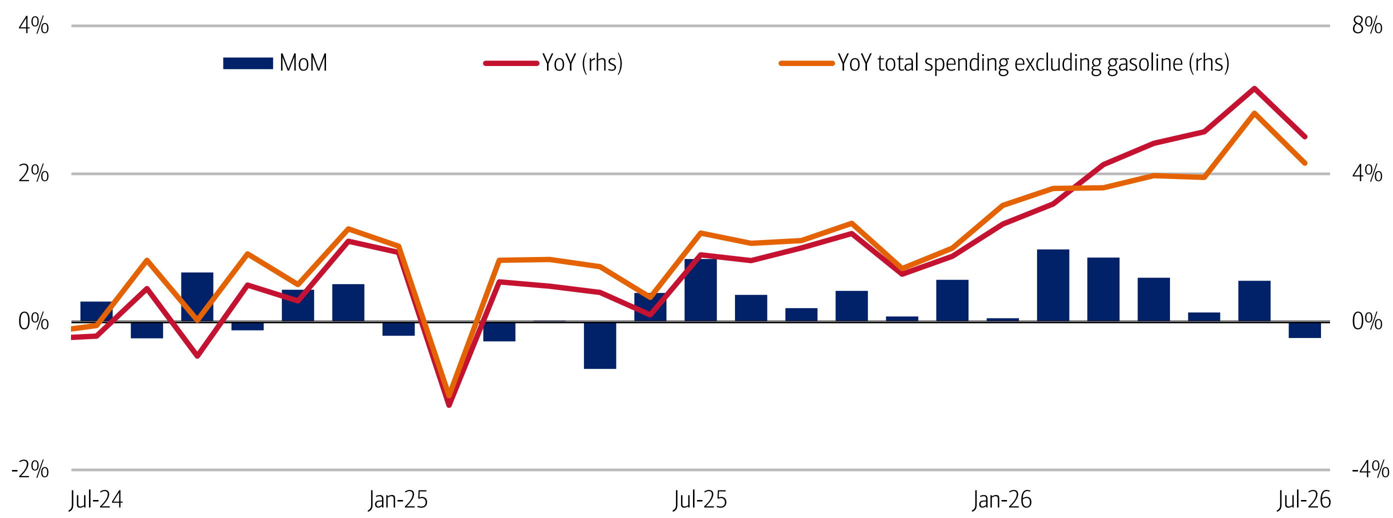
- Total card spending growth eased to 5.0% year-over-year (YoY) in July, from 6.3% in June, according to Bank of America internal data. But much of the moderation appears tied to the fading of temporary boosts (i.e., the timing of major online promotions and World Cup-related spending) rather than a broad deterioration in underlying demand. Spending ex-gas still rose a solid 4.3% YoY.
- What was once a "K"-shaped consumer is increasingly becoming one of convergence, with spending growth converging across income groups. The exception remains the top 5% of earners, where strong balance sheets and rising asset prices continue to support outsized spending growth.
- Against this backdrop, consumer financial health looks solid. Despite cost-of-living pressures from areas such as gasoline, the share of households paying off their credit card bills in full each month has risen. And there is little sign of an acceleration in households drawing upon their savings.

Spending growth eased in July as temporary boosts fell away

Consumer spending growth eased a little in July, but the overall picture remains robust. Bank of America total aggregated credit and debit card spending per household increased 5.0% year-over-year (YoY), cooling from 6.3% YoY in June but still a top three reading in the past three years and over four times the 2025 average (Exhibit 1). Excluding gasoline, total spending rose 4.3% YoY in July, down from 5.6% YoY in June, but still above May levels. And while seasonally-adjusted spending per household fell 0.2% month-over-month (MoM), this only partially erased the 0.6% increase observed in June.

Exhibit 1: Spending growth eased in July to levels seen earlier this year – both with and without gasoline factored in

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



Source: Bank of America internal data

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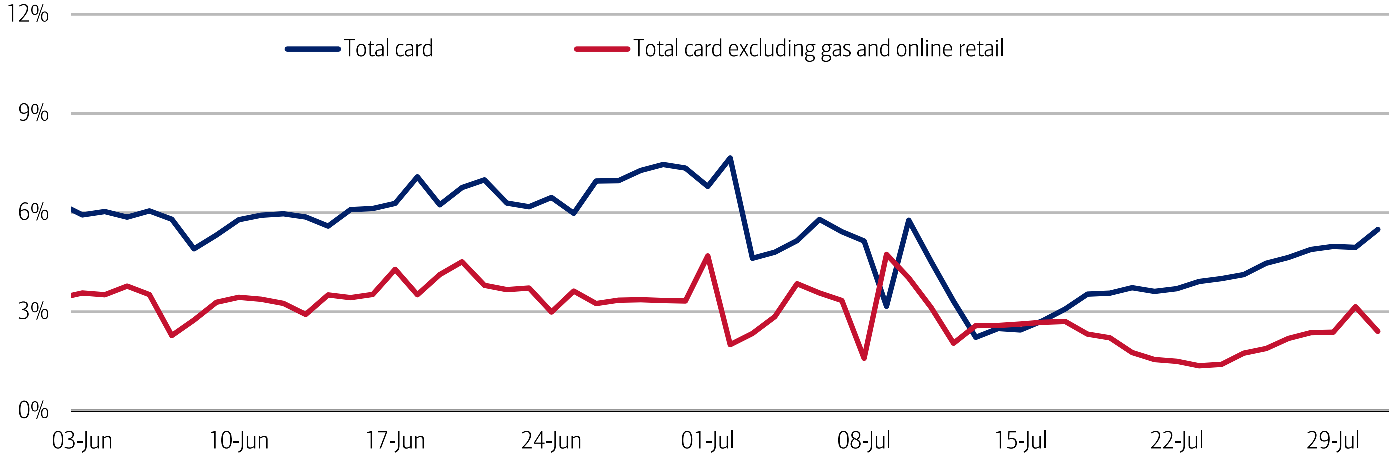
July's moderation in consumer spending growth was not surprising, as June spending was boosted by temporary factors. First, there was a timing mismatch in online promotions between 2026 and 2025, with online purchases pulled forward into June this year, whereas most occurred in July last year. Second, June was likely the peak of World Cup-related spending, so some cooling in categories like restaurants and bars was to be expected. Third, fluctuations in global oil prices, and consequently gasoline prices, continued to affect total card spending, with gasoline spending easing somewhat in July.

However, even when we strip out gasoline and online retail purchases, Bank of America daily card data shows fairly consistent spending growth across the past two months (Exhibit 2). And although growth eased slightly in the middle of July, it recovered toward the end of the month.

Exhibit 2: Total card spending excluding gas and online retail decelerated by less than overall card spending in July

Total card spending compared to total card spending excluding gas and online retail (seven-day moving average, YoY%)



Source: Bank of America internal data

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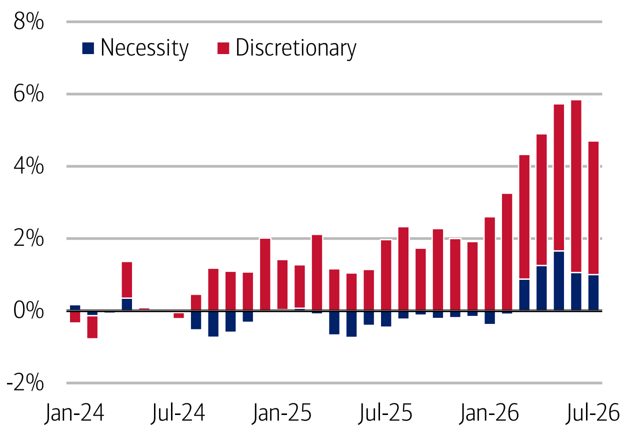
While there was some easing in discretionary spending growth in July (Exhibit 3), in our view, this was largely driven by the online promotion timing mismatch, with services spending growing steadily (Exhibit 4).

Exhibit 3: Spending growth remained a discretionary story in July

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



Source: Bank of America internal data

Note: Necessity spending includes gas, groceries and utilities. Discretionary spending is all other card spending.

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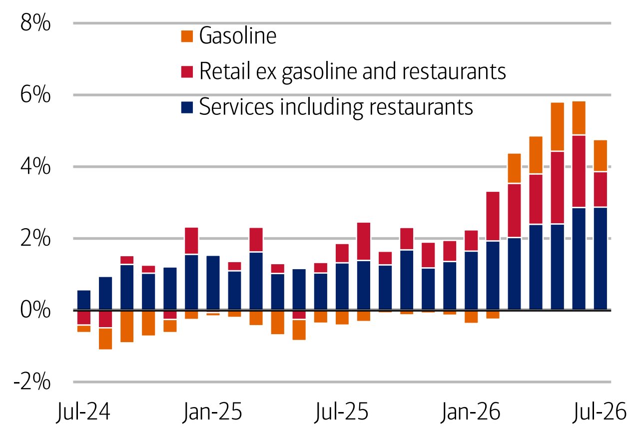
Exhibit 4: Services drove most of the overall YoY growth, while retail eased on timing mismatches

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



Source: Bank of America internal data

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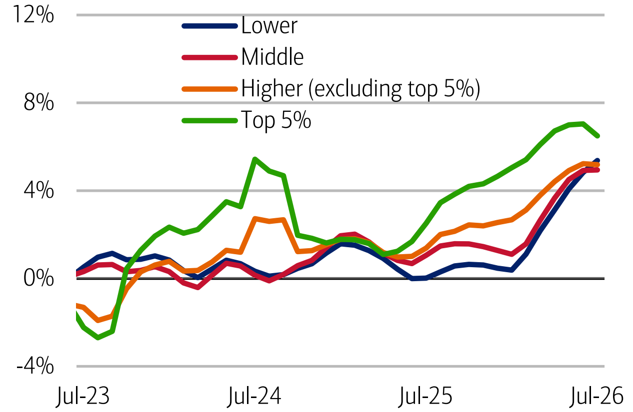
The Great Convergence

Over the past year, we have discussed at length the “K-shaped” divide between higher- and lower-income households’ spending and wage growth. But since May, our data has shown a significant narrowing in this gap. In fact, as of July, spending and wage growth have largely converged across income cohorts, with the exception of the top 5% of earners, who continue to outpace the rest.

Looking across income groups, lower-income households' spending growth rose 5.4% YoY in July, while middle-income households slightly lagged, with an increase of 4.9% YoY (Exhibit 5). A similar dynamic was evident in discretionary spending (Exhibit 6).

Exhibit 5: Total card spending converged further across income groups in July

Total card spending per household by income terciles and the top 5% (three-month moving average, YoY%, SA)



Source: Bank of America internal data

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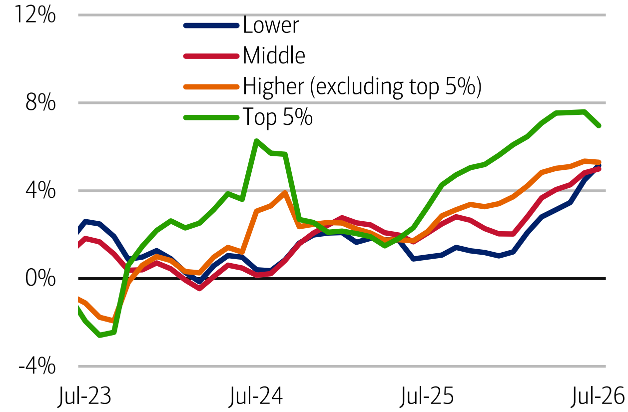
Exhibit 6: Discretionary spending also converged across income groups

Discretionary card spending per household by income tercile and the top 5% (three-month moving average, YoY%, SA)



Source: Bank of America internal data

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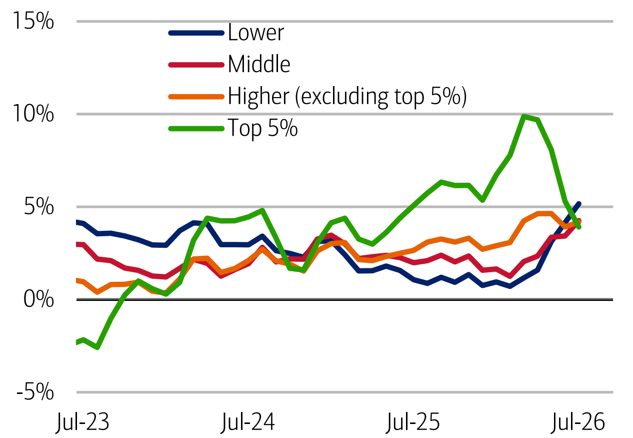
In our view, one factor behind the narrowing spending growth gap is stronger after-tax wage growth. For lower- and middle-income households, after-tax wage growth rose to 5.2% YoY and 4.2% YoY, respectively, in July (read more in [The Institute Employment Report: July 2026]) (Exhibit 7). These gains in wage growth have left lower- and middle-income households looking more "balanced," with a narrower gap between spending and wage growth. In fact, that gap has effectively disappeared for lower-income households (Exhibit 8).

Exhibit 7: In July, after-tax wage growth for lower-income households surpassed that of higher-income for the first time since December 2024

After-tax wage and salary growth by household income terciles (three-month moving average, YoY%, SA)



Source: Bank of America internal data

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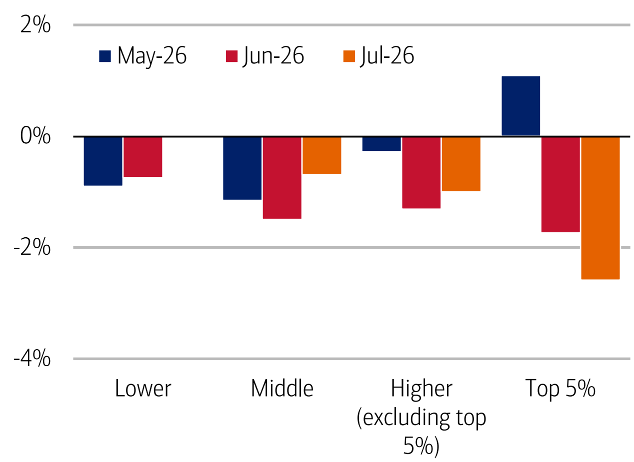
Exhibit 8: Spending growth for the top 5% of earners outpaced after-tax wage growth for the second month in a row

After-tax wage growth minus spending growth (three-month moving average, percent difference)



Source: Bank of America internal data

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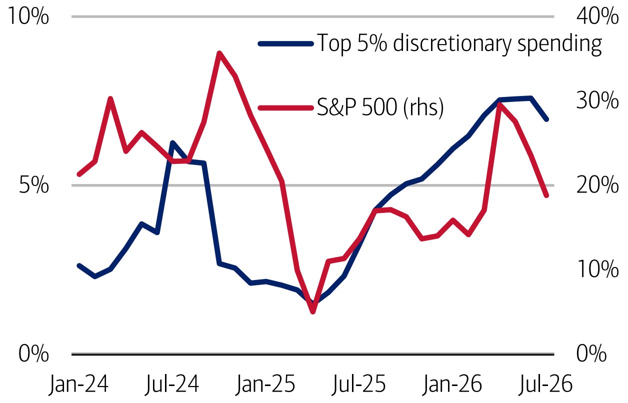
The equity market is likely still supporting higher-income households' spending growth for now

Looking specifically at the top 5% of households by income, we see something starkly different from the convergence seen elsewhere: a widening gap between their still-strong spending growth and easing wage growth (Exhibit 8).

In our view, the decline in after-tax wage growth in this top 5% cohort is likely to be largely due to the fading impact of strong bonus payments earlier in the year. At the same time, their continued strong card spending is likely being driven by the wealth effect from higher equity prices. This is especially true given the ongoing market strength, as equity ownership is skewed towards those with higher incomes: the S&P 500 was up nearly 20% YoY in July (Exhibit 9).

Some of this wealth effect likely also supports spending among a broader cohort of households through the impact of rising equity values on retirement accounts. Internal data on Bank of America 401(K) plan participants shows that average balances were significantly higher in the second quarter of 2026 than over the past few years (Exhibit 10 and read more in [Bank of America's 2026 Q2 Participant Pulse]). However, the wealth effect from retirement accounts may not be as significant as the effect from increases in investments made in more liquid forms of assets, such as directly held equities.

Exhibit 9: The S&P 500 was up over 20% YoY in July, possibly supporting spending growth of the top 5% of earners
Discretionary card spending growth of the top 5% of households by income (three-month moving average, YoY%) and the S&P 500 (monthly, YoY%)



Source: Bank of America internal data

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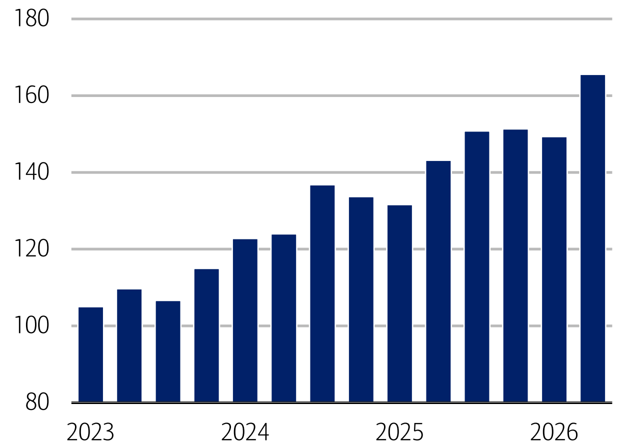
Exhibit 10: Average 401K balances increased significantly in the second quarter of 2026
Average account balances for Bank of America 401(k) plan participants (quarterly, index Q4 2022 = 100)



Source: Bank of America internal data

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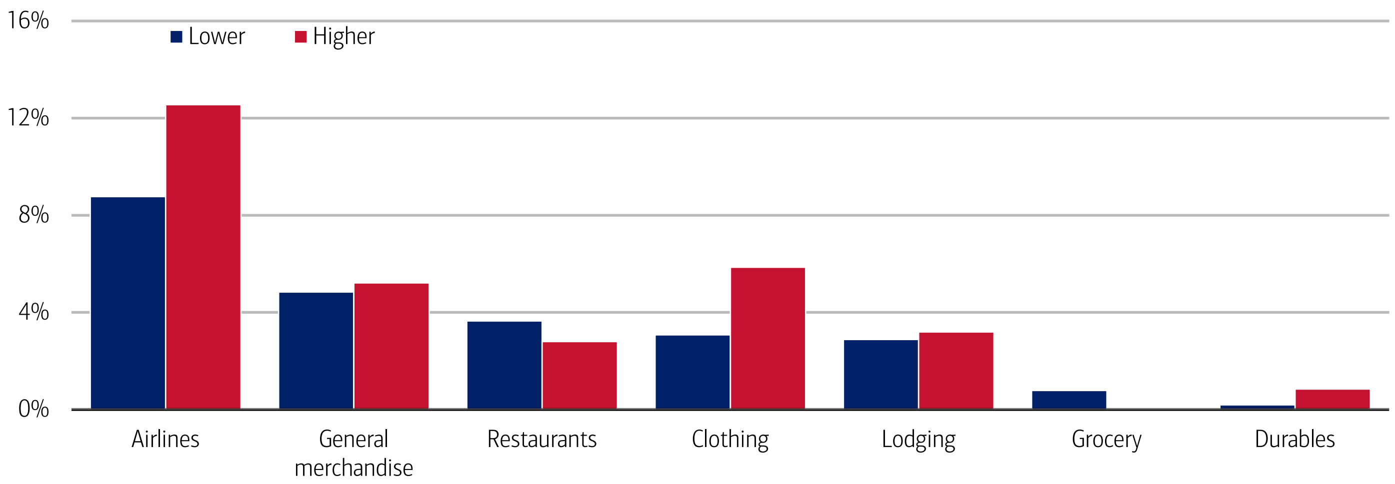
Airlines, lodging and clothing see the largest convergences

Despite the broader convergence in spending and wage growth across income cohorts, some categories remain exceptions. While Bank of America card data suggests higher-income households' spending growth is still slightly outpacing lower-income cohorts in general merchandise, lodging and durables (excluding electronics), the gap is most prominent in airlines and clothing (Exhibit 11).

Exhibit 11: Higher-income households' spending growth is still significantly outpacing lower-income households in airlines and clothing
Spending across select categories by lower- and higher-income households (three-month moving average through July 2026, YoY%)



Source: Bank of America internal data
Note: Durables includes building materials, furniture and auto shops, but excludes electronics.

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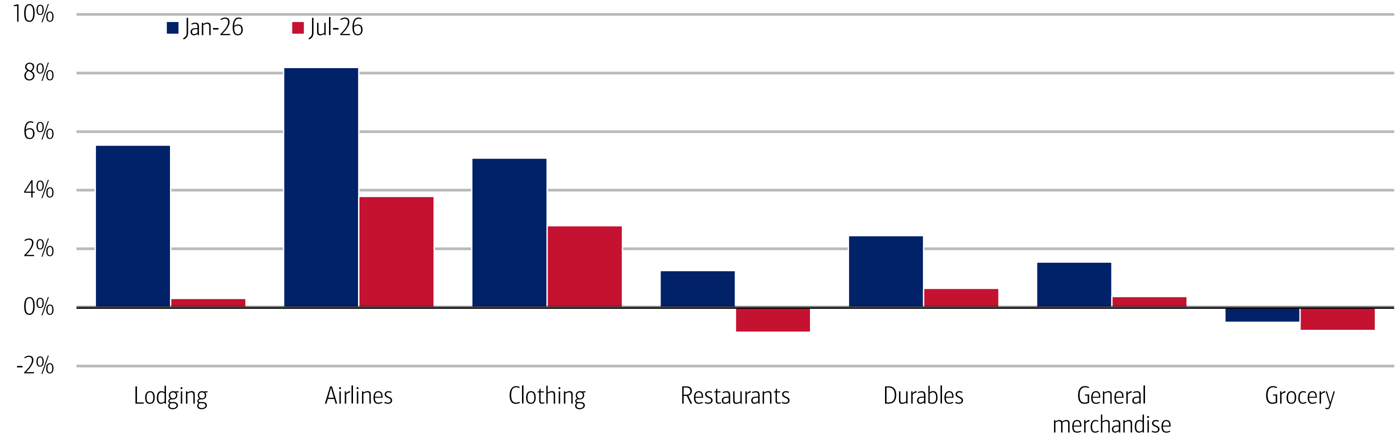
Still, even while these large spending gaps persist in clothing and airlines, lower-income households have made significant progress in narrowing them over the past six months (Exhibit 12). And the gap has also narrowed meaningfully in lodging, durables and general merchandise stores.

Conversely, lower earners now outpace higher earners in restaurant spending growth. Also, some of the narrowing – especially in clothing and lodging – is due to easing spending growth from higher-income households over the past two months.

Exhibit 12: The spending gap between lower- and higher-income households has narrowed the most in lodging, airlines, and clothing
Spending growth gaps between higher- and lower-income households (three-month moving average to January and July 2026, percentage point difference)



Source: Bank of America internal data
Note: Durables includes building materials, furniture and auto shops, but excludes electronics.

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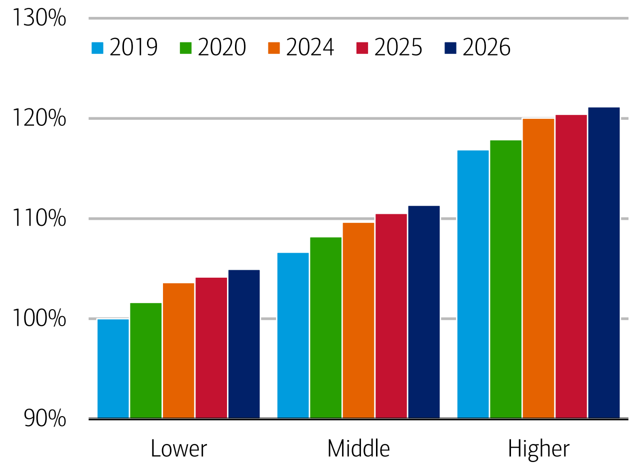
Consumers generally remain in good credit and deposit health

The current closing of the "K" is, in our view, likely a positive for overall consumer spending. This is particularly the case as the convergence in spending growth appears to be largely upwards, with lower- and middle-income households narrowing the gap towards higher-income peers.

More broadly, the overall financial position of households continues to look strong. For example, Bank of America credit card data suggests that a higher share of households are paying off their full credit card balances each month across all income cohorts (Exhibit 13). While the share making only minimum payments has also increased, the rise is relatively small (Exhibit 14).

Exhibit 13: The share of households paying off their full credit card balance each month has increased for all income groups
Share of households who pay off their full credit card balance each month by household income tercile (May through July yearly, index lower-income households' 2019 average = 100%)



Source: Bank of America internal data

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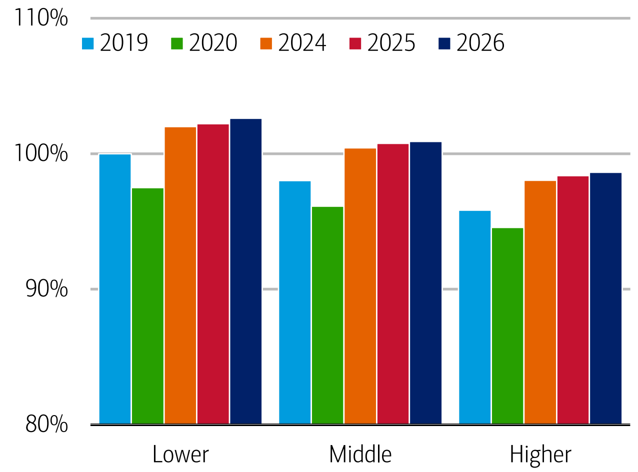
Exhibit 14: The share of minimum credit card payers has increased in 2026, though at a slower pace than last year
The share of households making minimum credit card debt payments by household income tercile (May through July yearly, index lower-income households' 2019 average = 100%)



Source: Bank of America internal data

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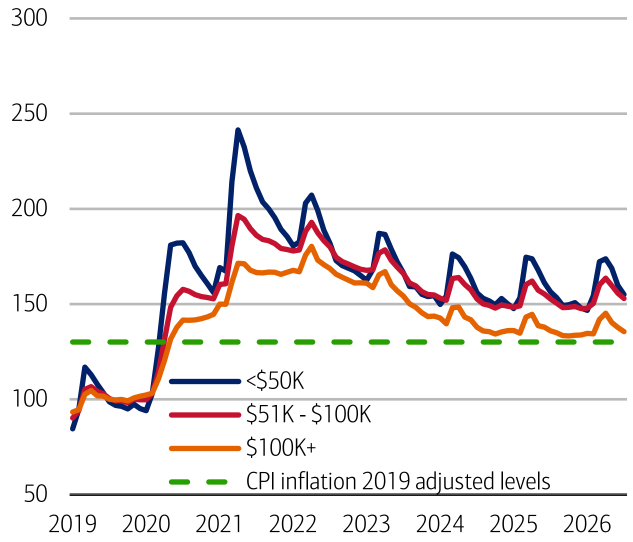
Following larger tax refunds in 2026, savings and deposits remain elevated across income cohorts, with no signs of a significant acceleration in their drawdown (Exhibit 15 and Exhibit 16).

Exhibit 15: Household savings remain elevated compared to inflation-adjusted 2019 levels…

Monthly median household savings and checking balances by income for a fixed group of households through July 2026 (monthly, index 2019 = 100) compared to the 2019 inflation adjusted level (June 2026, index 2019 = 100)



Source: Bank of America data, Bureau of Labor Statistics (BLS)

Note: Consumer Price Index (CPI) inflation data is from the CPI All Items Series produced by the BLS. October and July values were unavailable at the time of publication.

Note: Monthly data includes those households that had a consumer deposit account (checking and/or savings account) for all months from January 2019 through July 2026.

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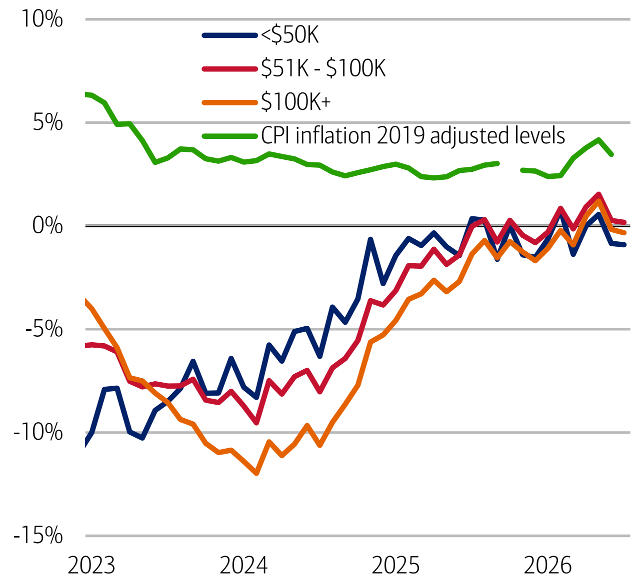
Exhibit 16: …and are only seeing marginal declines YoY

Monthly median household savings and checking balances by income for a fixed group of households through July 2026 (monthly, YoY%) compared to CPI inflation (monthly, YoY%)



Source: Bank of America data, BLS

Note: CPI inflation data is from the CPI All items series produced by the BLS. October and July 2026 values were unavailable at the time of publication.

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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 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.

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: 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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