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Consumer Checkpoint

No turkeys and some fizz

12 December 2024

Key takeaways

- The 2024 theme of consumer resilience showed no sign of waning in November. According to Bank of America aggregated credit and debit card data, spending per household was up 0.6% year-over-year (YoY). Moreover, spending on holiday items in the two weeks around Thanksgiving was 6.1% higher this year compared to 2023's holiday period.
- Travel has been another strong theme this year. Bank of America card data shows gasoline transactions, up 2% YoY, rose over the Thanksgiving period, indicating plenty of road trips. However, the total gas spend amount was down 4% YoY due to falling gas prices, which provided a boost to consumers' wallets. Additionally, buoyant air travel was supported by TSA checkpoint data.
- But do consumers have enough firepower to keep spending as we enter 2025? Robust Bank of America internal deposit data on after-tax wage growth suggests they might. At the same time, while 'dry powder' in the form of savings buffers or spending on credit cards may be diminished, it's not exhausted, in our view.

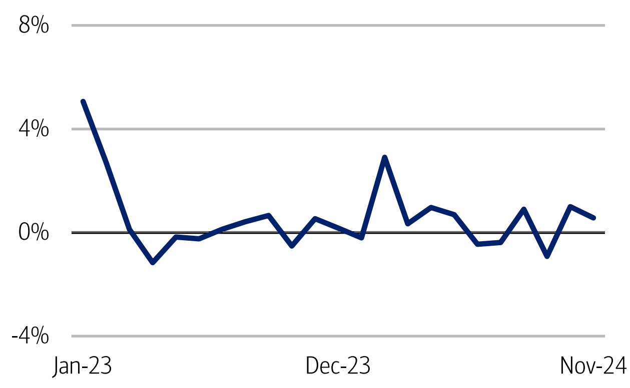
Consumer Checkpoint is a regular publication from Bank of America Institute. It aims to provide a holistic and real-time estimate of US consumers' spending and their financial well-being, leveraging the depth and breadth of Bank of America proprietary data. Such data is not intended to be reflective or indicative of, and should not be relied upon as, the results of operations, financial conditions or performance of Bank of America.

Spending update: Resilient to the end

Consumers continued to demonstrate their resiliency, with no sign of waning in November and over the first few weeks of holiday spending. Bank of America aggregated credit and debit card spending per household was up 0.6% year-over-year (YoY) in November, after a 1.0% YoY increase the month before (Exhibit 1). On a seasonally adjusted (SA) basis, spending rose 0.1% month-over-month (MoM), rebounding from a 0.1% MoM decrease in October; the three-month seasonally adjusted annualized growth rate of spending was 2.3%.

Exhibit 1: Consumers continued to show solid momentum, with spending up 0.6% YoY in November 2024

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



Source: Bank of America internal data

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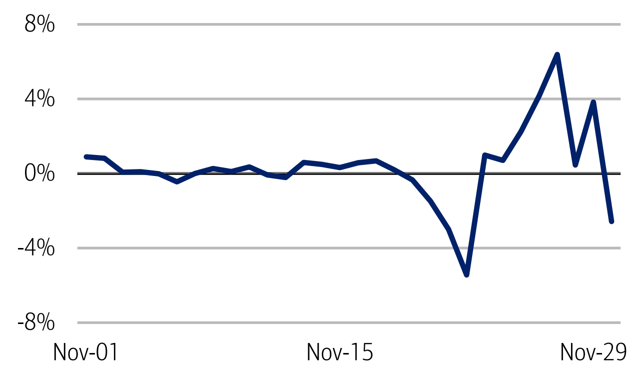
Exhibit 2: Aside from noise due to timing of the Thanksgiving holiday, spending growth was relatively consistent throughout November

Total credit and debit card spending growth per household, based on Bank of America card data (7-day moving average, YoY%, non-seasonally adjusted (NSA))



Source: Bank of America internal data. 7-day moving average for November 2024.

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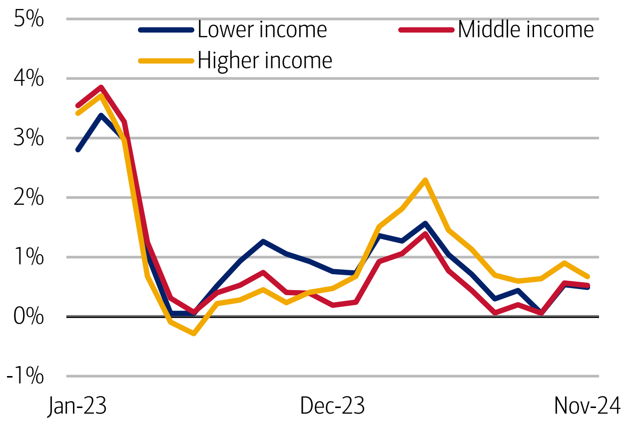
And aside from some noise attributed to the later timing of Thanksgiving this year compared to last, spending growth was relatively consistent throughout the month of November (Exhibit 2). Importantly, this momentum carries across all income cohorts. Higher-income households' spending in November continued to grow at a faster rate than for their middle- and lower-income counterparts, although this gap has narrowed in the past few months (Exhibit 3).

Wage growth is still a tailwind for the consumer. After-tax wage growth, based on Bank of America deposit data, for both lower- and higher-income households has cooled slightly since August, while middle-income wage growth is steadier (Exhibit 4). But, overall, after-tax wage growth remains solid for 2024.

Exhibit 3: The gap between the spending growth of the top third of households by income, up 0.7% YoY in November, and lower- and middle-income households, both up 0.5% YoY, is narrowing

Total credit and debit card spending per household, by household income terciles (3-month moving average, YoY%, SA)



Source: Bank of America internal data

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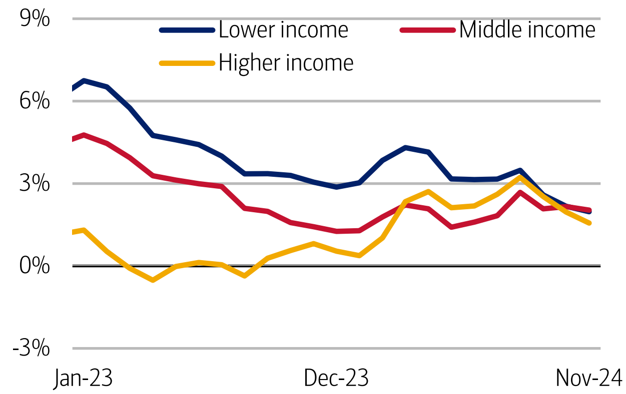
Exhibit 4: Higher-income households' wage growth, up 1.6% YoY, has fallen slightly below middle- and lower-income households', both up 2% YoY, in November

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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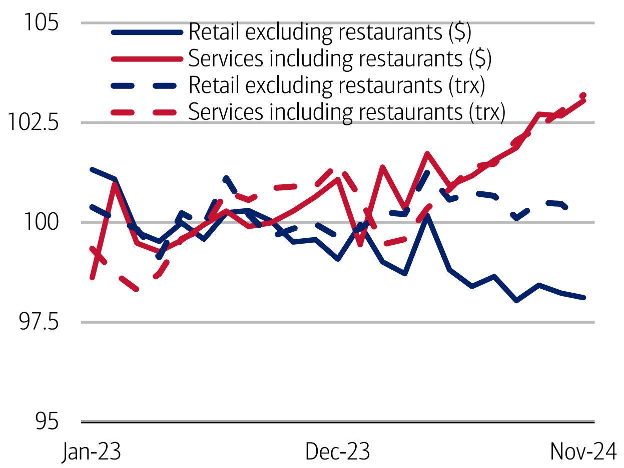
Lower prices provide a spark for consumers in November

Where are consumers allocating their hard-earned dollars? Bank of America card data suggests they are making around the same number of retail transactions relative to 2023 but are spending fewer dollars (Exhibit 5). Most likely, this is partially due to falling gas prices and the impact of consumers' trading down (see: Middle-income, Millennial, and thrifty). In our view, consumers are taking these savings and putting them towards experiences, with spending growth for services including restaurants up nearly 3% YoY in November relative to 2023.

Exhibit 5: Services spending and retail transaction (trx) growth is healthy compared to 2023, up 3%, while retail spending growth lagged

Spending and transaction per household growth by category, Bank of America card data (monthly, index 2023 = 100, SA)



Source: Bank of America internal data

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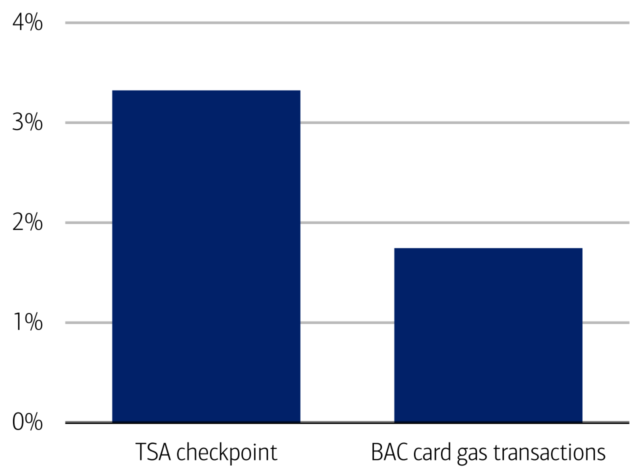
Exhibit 6: More consumers traveled by air and car for the 2024 Thanksgiving holiday compared to last year

TSA checkpoint throughput and Bank of America card total gas transactions (7-day sum, YoY%)



Source: TSA throughput data and Bank of America internal data. 2024 period = 11/25 through 12/1. 2023 period = 11/20 through 11/26

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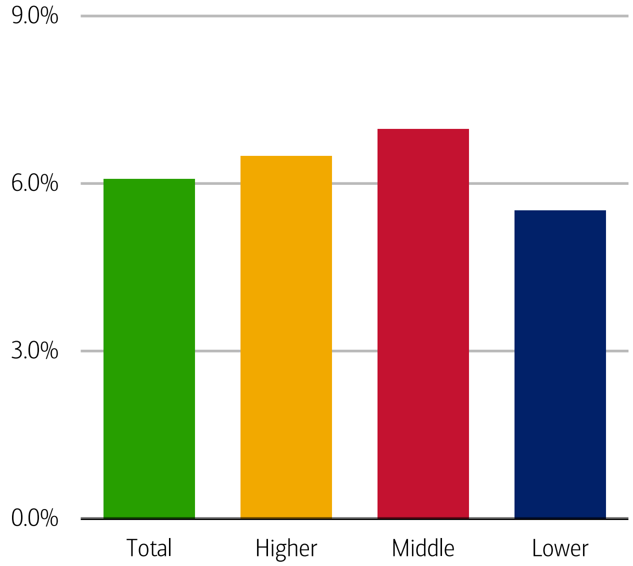
Continued momentum in travel has been a theme of 2024 and this dynamic was on display again with record travel figures for the Thanksgiving holiday week (Monday through Sunday). The number of people passing through TSA checkpoints, a proxy for air travel, during Thanksgiving week was up 3% YoY over an already strong 2023 Thanksgiving week. Meanwhile, Bank of America card data shows that total gas transactions were up nearly 2% YoY, suggesting more consumers were also taking road trips (Exhibit 6). While gas purchases were up, spending was down 4% YoY on falling prices, providing a boost to consumers' wallets.

And it's not just the Thanksgiving holiday week that gave travel a boost. In fact, leading up to the Thanksgiving week, Bank of America customers spent 50% more YoY in Toronto when Taylor Swift's Eras Tour was in town. Remarkably, this beat the spending lift from her summer concerts in Europe by 10 percentage points.

Exhibit 7: During the two weeks around the 2024 Thanksgiving holiday, consumers spent 6.1% more YoY compared to last year's holiday period, while higher- and middle-income households outpaced, while lower-income households slightly lagged

Spending for holiday items per household overall and by income tercile (14-day moving average, YoY%)



Source: Bank of America internal data. 2024 period = 11/24 through 12/7. 2023 period = 11/19 through 12/2. Holiday items include all MCC codes for which spending in Nov-Dec is at least 20% of total annual spending in the category.

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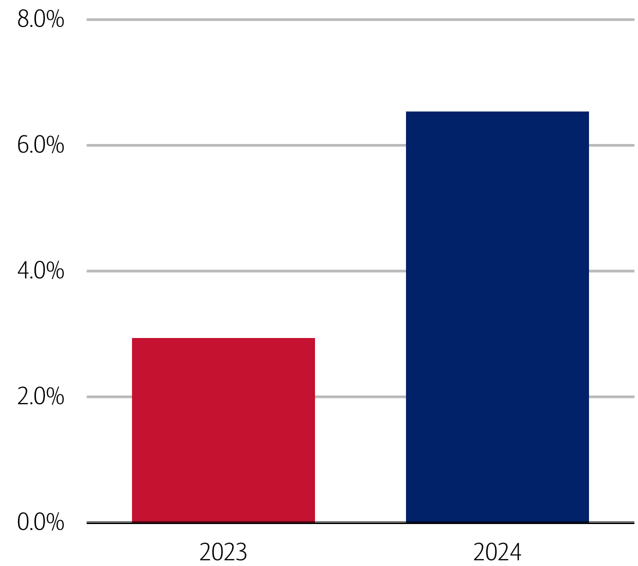
Exhibit 8: Online retail spending excluding food and gas grew 6.5% YoY, more than double the rate seen in 2023 during the two weeks around the Thanksgiving holiday

Online retail spending per household excluding gas, groceries, and restaurant (14-day moving average, YoY%)



Source: Bank of America internal data. 2024 period = 11/24 through 12/7. 2023 period = 11/19 through 12/2. 2022 period = 11/20 through 12/3.

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Holiday spending was also up significantly in the two weeks around Thanksgiving (the Monday before Thanksgiving through the Saturday the week afterward) this year. Spending per household on holiday items rose a healthy 6.1% YoY compared to last year's holiday period (Exhibit 7). While higher- and middle-income households outpaced, lower-income households still increased their spending by a strong 5.5% YoY.

Additionally, it appears consumers are increasingly looking online, either because of the convenience, or in search of bargains and deals (see: Is online spending creating new holiday hotspots?). Bank of America card data shows that online retail spending excluding gas, grocery, and restaurants during the two weeks around the Thanksgiving holiday was up 6.5% YoY, more than double the rate in 2023 (Exhibit 8).

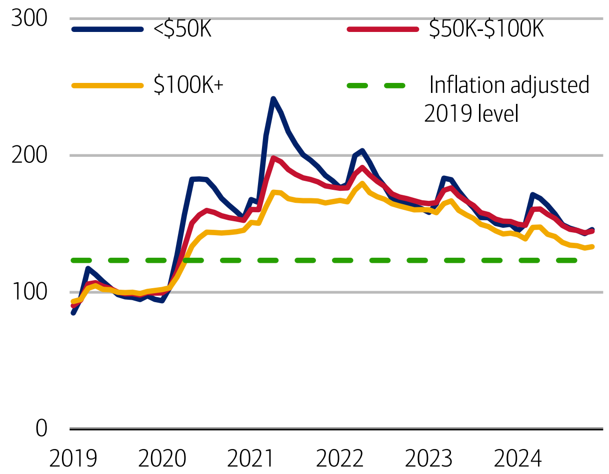
But will this spark meet dry powder?

Will consumers' impressive holiday spending give way to a more frugal New Year? We aren't convinced. Alongside robust after-tax wage growth providing spending firepower, in our view, consumers do still have some capacity to tap 'dry powder' in the form of both savings and borrowing. This means they have resources to spend faster than their wages are growing.

One consideration here is the degree to which consumers continue to have elevated deposits. In Bank of America aggregated customer deposit data, savings and checking balances do still appear to be above 2019 levels (Exhibit 9), though have been falling gradually over time. These balances tend to have a seasonal pattern, for example increasing around April each year as tax refunds are received. The YoY decline indicates the drop is easing – likely in part because inflationary pressures have also eased (Exhibit 10).

Exhibit 9: Median checking and savings deposit balances have declined over the past year for all income cohorts, but remain above inflation-adjusted 2019 levels

Monthly median household savings and checking balances by income for a fixed group of households through November 2024 (monthly, indexed 2019 = 100)



Source: Bank of America internal data

Note: Monthly data includes those households that had a consumer deposit account (checking and/or savings account) for all months from January 2019 through November 2024.

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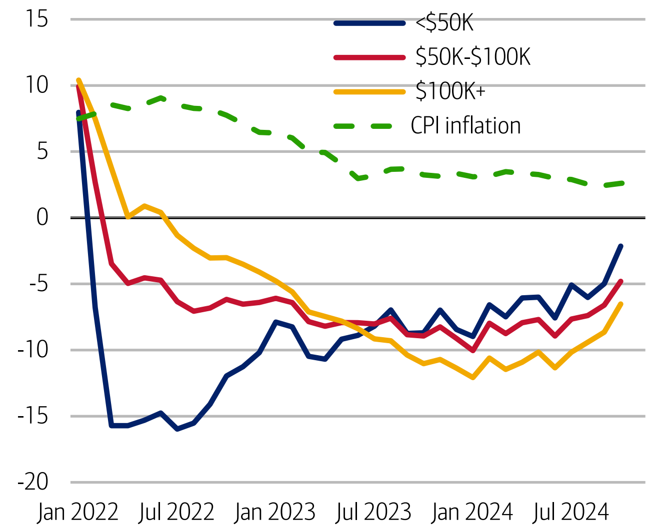
Exhibit 10: Deposit balances are declining, but in 2024 the rate of decline has eased

Monthly median household savings and checking balances by income for a fixed group of households through November 2024 (YoY%, monthly)



Source: Bank of America internal data, Bureau of Labor Statistics

Note: Monthly data includes those households that had a consumer deposit account (checking and/or savings account) for all months from January 2019 through November 2024.

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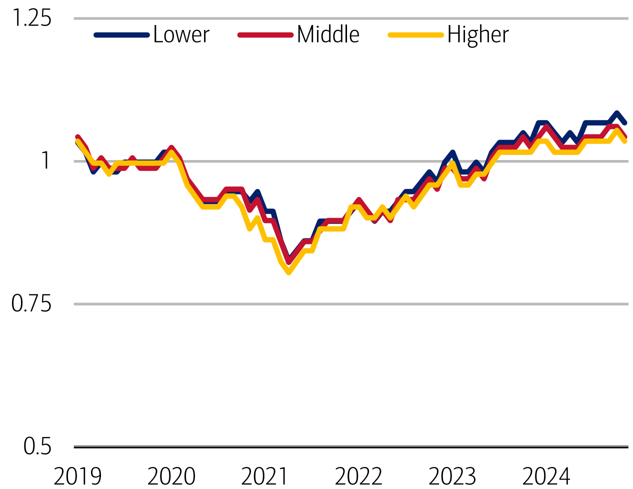
Another aspect to dry powder is whether consumers have the capacity to borrow for spending. Here, the story is a bit mixed. Exhibit 11 shows that credit card utilization rates for 'revolvers' – customers that do not pay off their entire balance each month – are slightly above the levels in 2019 across income cohorts, with a slight tendency for lower-income households to be furthest above.

Exhibit 11: Lower- and middle-income households have slightly higher credit card utilization relative to 2019

Median credit card utilization rate for households with a revolving balance by household income (monthly, index 2019 average = 1)



Source: Bank of America internal data

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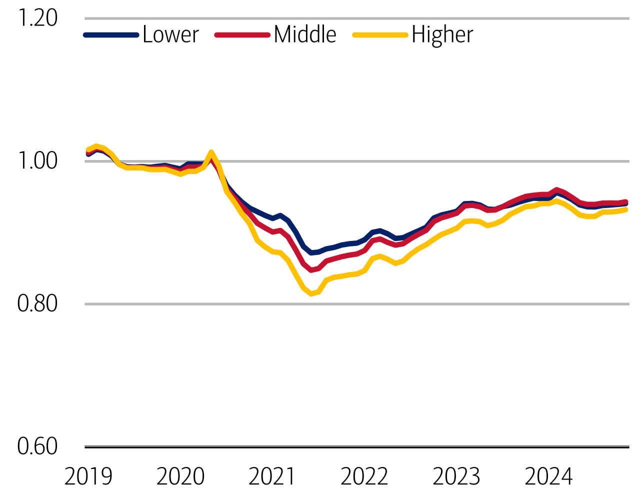
Exhibit 12: The share of households who are revolvers is below 2019 levels across income cohorts

Ratio of households who are revolvers to total households in Bank of America credit card data, by household income terciles (2019=1)



Source: Bank of America internal data

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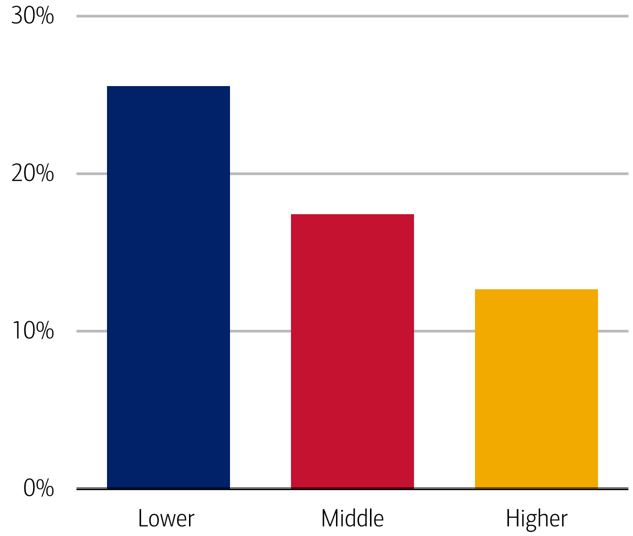
While this might imply limited borrowing capacity for further spending, other arguments suggest the situation isn't quite as tight. For one, Bank of America internal data indicates that the proportion of households who are revolvers as opposed to 'transactors' – consumers who do pay off their balance each month – remains below the average in 2019 (Exhibit 12). This points to some scope for some households who are currently transactors to increase their spending, as they currently have no ongoing credit card balances.

And, perhaps most fundamentally, after-tax wages have risen significantly since 2019, especially for lower-income households (Exhibit 13). This has allowed for a rise in *both* credit card and debit card spending, so that the share of total spending currently via credit card is not considerably higher than similar periods in earlier years (Exhibit 14). And the overall debt position of households as a percentage of income is not showing signs of deterioration (Exhibit 15).

Exhibit 13: After-tax wages have grown significantly (for lower-income households by 26%) since 2019
Average after-tax wage and salary growth by household income terciles, based on Bank of America aggregated consumer deposit data (% change between 2019 and September-November 2024, by income tercile)



Source: Bank of America internal data

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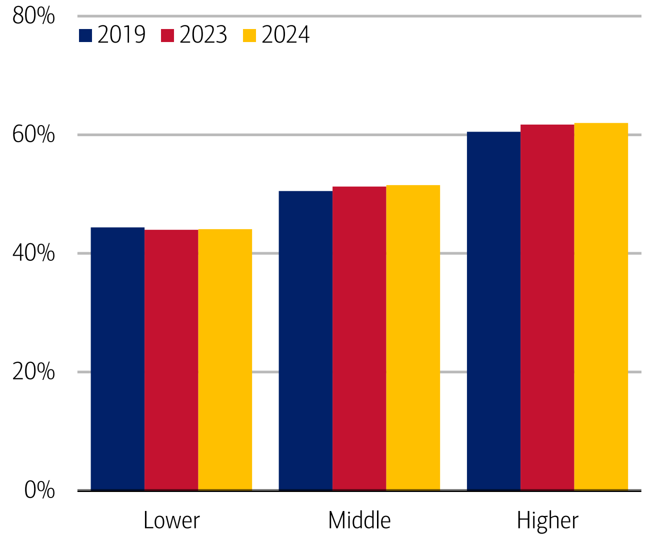
Exhibit 14: Credit card spending is not higher than in 2023 as a share of total card spend
Share of credit card spending for those with both credit and debit cards, four weeks to December 6th, compared to equivalent period in previous years (%, by income tercile)



Source: Bank of America internal data

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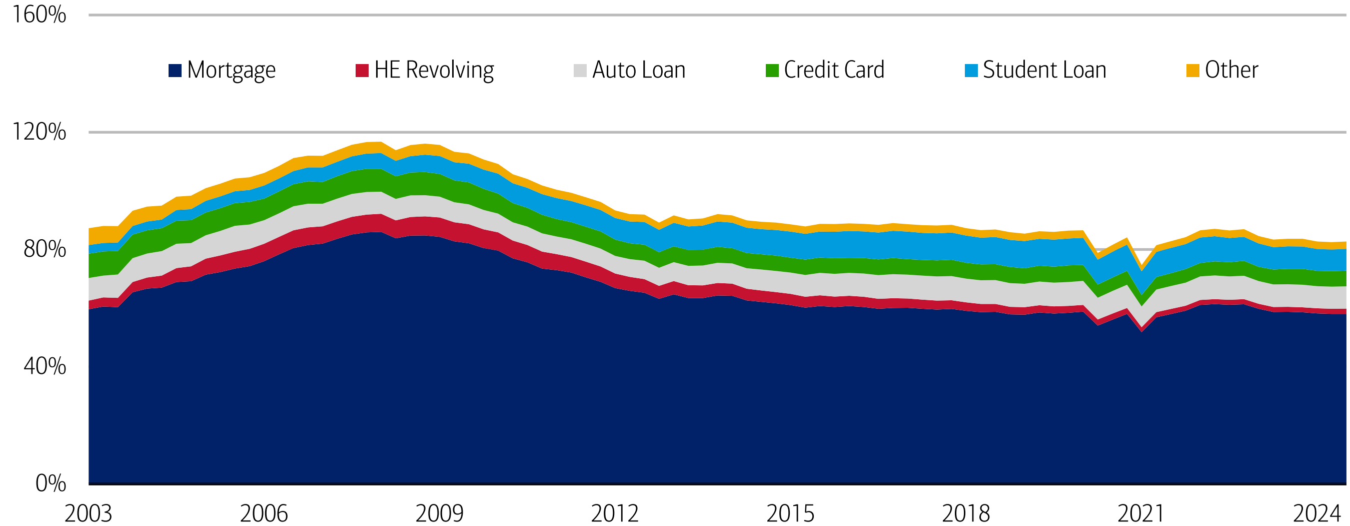
Exhibit 15: Strong income growth has meant household debt as a percentage of income has remained flat over the past two years
Household debt as a share of personal disposable income (SAAR, %)



Source: Haver Analytics, New York Federal Reserve

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Overall, diminished but not exhausted, dry powder could continue to give consumer spending some 'fizz' at the start of the New Year; however, how the labor market develops and the implications for wage growth will be pivotal aspects as we move forward.

Monthly data update

Total payment growth across all channels (ACH, Bill Pay, Credit and Debit Card, Wires, Person-to-Person, Cash and Check) rose 3.7% in November. Bank of America total credit and debit card spend, which comprises over 20% of total payments, increased 3.6% YoY in November.

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.

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

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