

Consumer Checkpoint

Some chills, but no shadows

11 February 2025

Key takeaways

- We saw some chills in January's consumer spending, but unlike Punxsutawney Phil this year, we saw no serious shadows. January spending per household was up a solid 1.9% year-over-year (YoY), according to Bank of America aggregated credit and debit card data. While seasonally-adjusted card spending dropped 0.4% month-over-month (MoM), this looks largely weather related.
- The improvement in card spending growth over the last few months has been seen across generations, though especially for Baby Boomers and Gen X, likely due to a relative improvement in their after-tax wage and salary growth, according to Bank of America deposit data.
- Auto sales have risen sharply since fall 2024. With pricing firm and auto loan rates still relatively high, auto loan payments have been rising. A robust labor market means the rise in payments compared to after-tax wages and salaries looks fairly benign for now, but this does raise some risks if the labor market were to deteriorate.
- Overall, the financial position of households remains solid, in our view. The contribution rate to Bank of America 401(k) plans rose last quarter and while savings buffers are coming down, they remain comfortable.

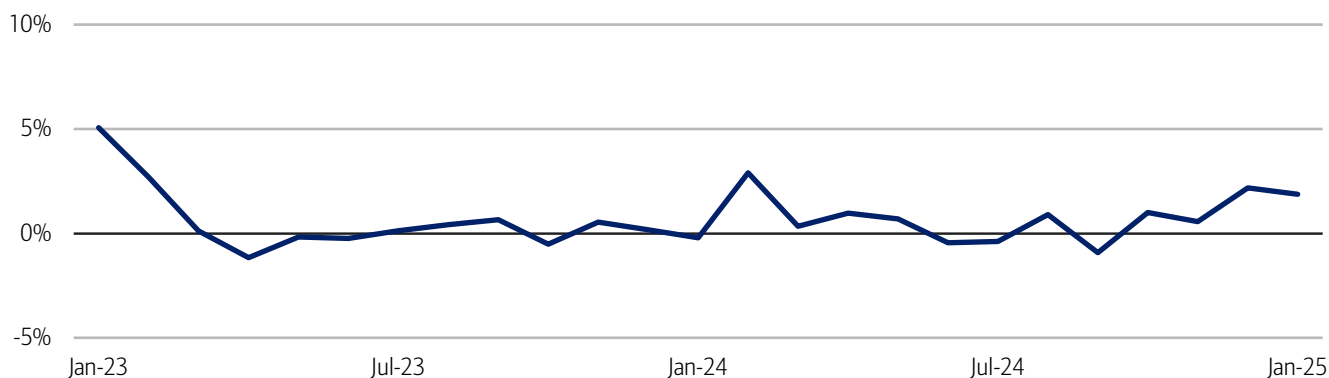
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A solid start to consumer spending in 2025...

Consumer spending started 2025 on solid footing, following a strong end-of-year performance in 2024. Spending per household was up 1.9% year-over-year (YoY) in January, following the 2.2% YoY rise in December (Exhibit 1), according to Bank of America aggregated credit and debit card data. While on a seasonally-adjusted (SA) basis spending per household was down 0.4% month-over-month (MoM) in January, the three-month seasonally-adjusted annualized rate (SAAR) was up a solid 2.8%.

Exhibit 1: Consumers continue to show solid momentum, with spending up 1.9% YoY in January 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

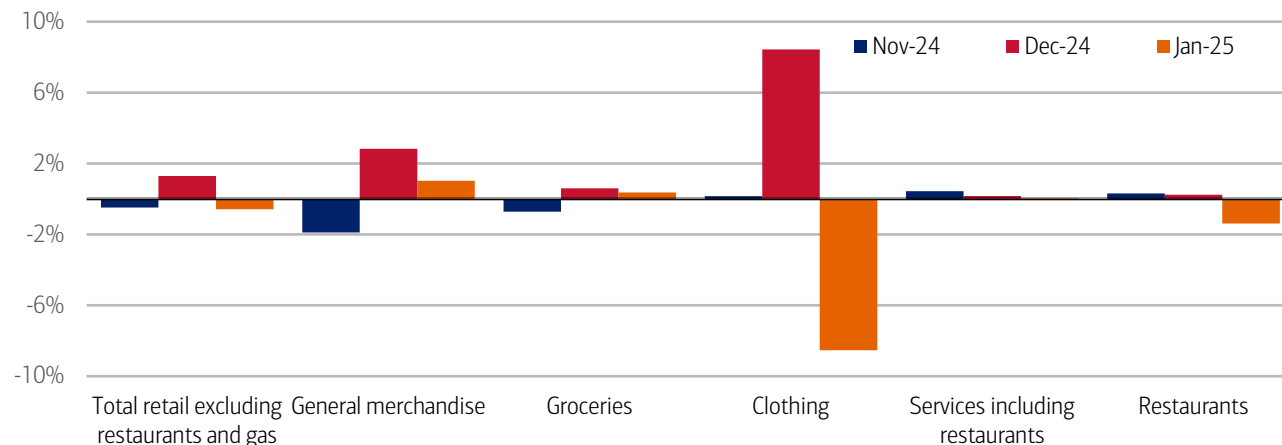
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Across categories, there was also a decline in spending MoM in several categories. Total retail excluding restaurants and gas spending decreased in January, down 0.6% MoM, after a strong recovery in December (Exhibit 2). Within retail, general merchandise maintained momentum, up 1% MoM, while groceries was up 0.4% MoM, possibly reflecting some increasing

inflation in the category. Clothing retreated 8.5% MoM, muting the gains seen in December. Services including restaurants was flat MoM, while restaurants fell 1.4% MoM.

Exhibit 2: Total retail excluding restaurants and gas spending was down 0.6% MoM in January, after increasing 1.3% in December

Spending per household by category, based on Bank of America card data (monthly, MoM%, SA)



Source: Bank of America internal data

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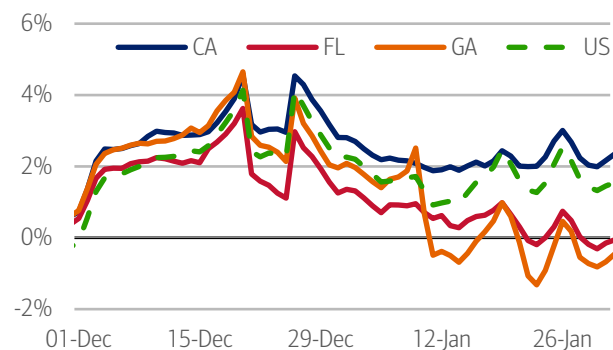
...but southern states experienced chilly in-person spending

A large part of the drop in MoM spending in January was likely weather-related, with weakness in southern states that received snow and ice in January, especially in Georgia and Florida (Exhibit 3 and Exhibit 4). Spending in California rose faster than the US average, likely driven by initial rebuilding efforts following the devastating wildfires in Los Angeles (LA) last month.

According to Bank of America aggregated card data, the wintery weather in the South had the greatest impact on in-person retail spending throughout the region. While in-person retail spending growth in southern states was a full percentage point lower than the overall US, it appears many Southerners stayed at home and shopped online instead.

Exhibit 3: Spending in Georgia was down 1% YoY toward the end of January due to winter storms. California spending growth remained solid, up 2% YoY despite the wildfires in LA.

Total credit and debit card spending per household by select states and US (28-day moving average, YoY%)

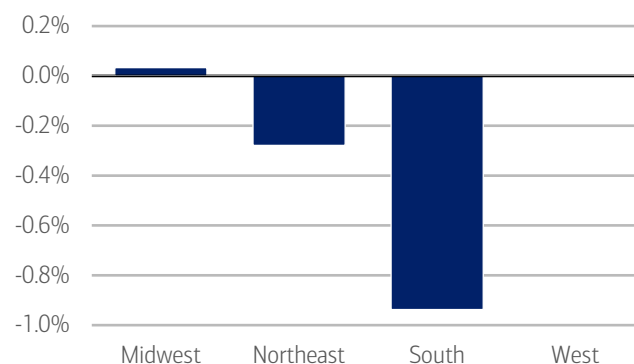


Source: Bank of America internal data

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Exhibit 4: There was a 0.9% MoM drop in total card spending in the South

Total credit and debit card spending per household by census region (January 2025, seasonally-adjusted, % MoM)



Source: Bank of America internal data

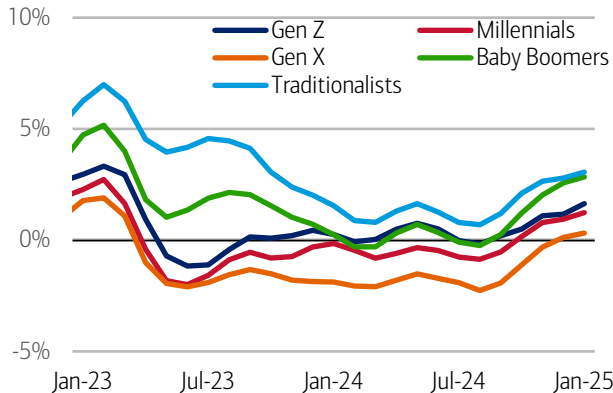
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Baby Boomer and Gen X spending increased in January on accelerating wage growth

Looking across generations, spending growth has improved since the fall for all cohorts, but especially for Baby Boomers, up nearly 3% YoY, more than a percentage point higher than Gen Z and Millennial's spending growth (Exhibit 5). Overall, Gen X spending trails other age groups, up only 0.3% YoY, but their spending growth in January was positive for the first time in nearly two years.

Exhibit 5: Spending growth for older generations diverged from younger generations in January, up nearly 3% YoY

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

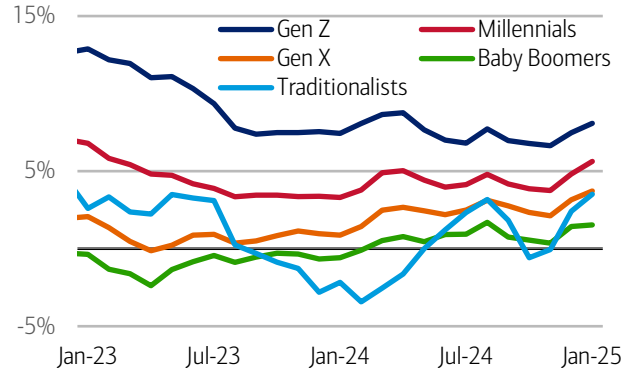


Source: Bank of America internal data

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Exhibit 6: Wage growth continued to be stronger for Gen Z, up 8% YoY, and Millennials, up 6% YoY

After-tax wage and salary growth by generation, 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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In our view, these improvements likely reflect a still robust labor market. After-tax wage growth has been solid across the cohorts, based on Bank of America deposit data and even accelerated for Gen X and Baby Boomers over the last year (Exhibit 6). Meanwhile, wage growth has been more consistent but still strong for Millennials, up 6% YoY, and Gen Z, up 8% YoY. Older generations' spending may also have been supported by the 2.5% cost-of-living increase in social security incomes effective in January.

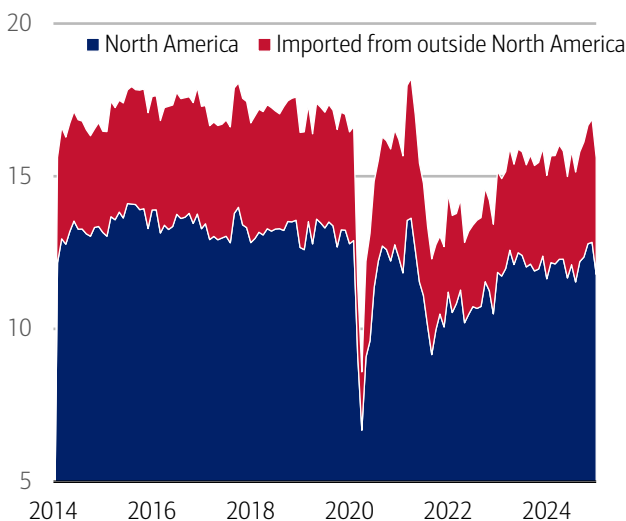
Autos spending – shifting gears?

Car sales have risen recently, while vehicle prices have also firmed up

Another area of consumer spending that has shown a notable increase since the fall of 2024 is auto sales. Exhibit 7 shows that lightweight vehicle sales (for example, autos, SUVs (sport utility vehicles), pickups and minivans) have risen since August 2024 – an increase seen in vehicles assembled both in North America and elsewhere. While auto sales in January 2025 saw a drop back from strong November and December levels, they were still up 3.8% YoY. And BofA Global Research forecasts a healthy 16.5 million auto sales in 2025 as a whole.

Exhibit 7: Auto sales surged by about 10% from August to December 2024

Lightweight vehicle sales (SAAR, millions)

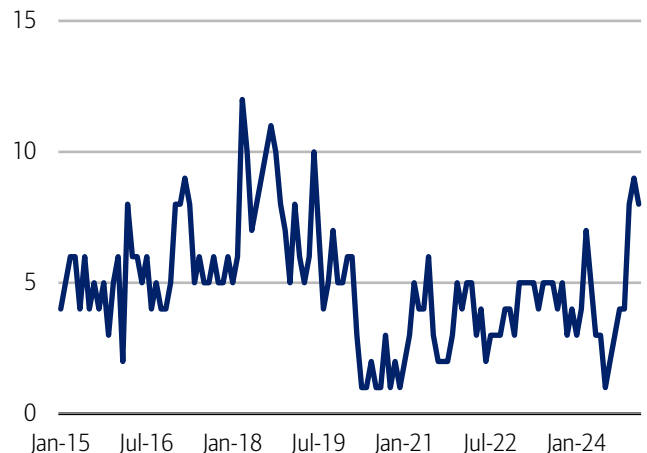


Source: Haver Analytics

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Exhibit 8: There has been a rise in the Michigan sentiment survey in respondents expecting higher vehicle prices since November 2024

University of Michigan Survey of Consumers: % of respondents saying it is a 'good' time to buy household goods/cars as 'prices are going higher' (%)



Source: Haver Analytics

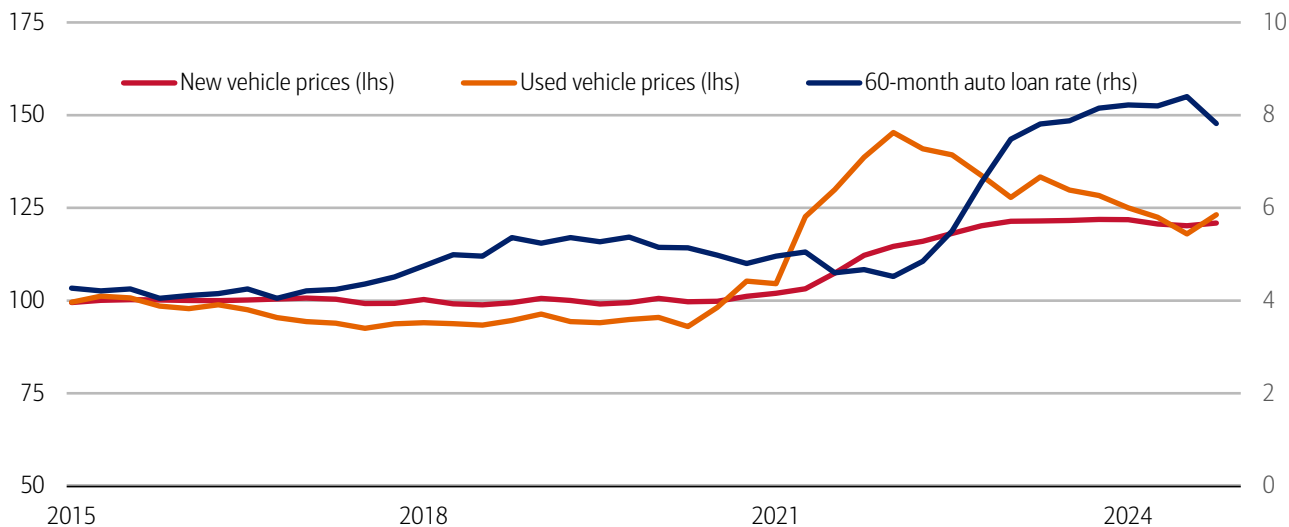
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Similarly to household goods (a topic covered in our [January Consumer Checkpoint](#)), in the University of Michigan consumer sentiment survey there has been a rise in the proportion of respondents saying now was a ‘good time to buy’ vehicles as prices may stay high or go higher (Exhibit 8).

Could consumers’ expectations over possible tariffs be driving some of this rise in auto price expectations? It appears possible, especially as the dollar increase in vehicle prices from some tariffs could be significant. But this is not the only thing impacting vehicle prices. BofA Global Research notes there are other factors driving current, firmer, pricing trends including a shift towards larger, more powerful vehicles including pickups, SUVs and CUVs (crossover utility vehicles) and the move to alternative power such as hybrids. Indeed, the prices of both new and used vehicles rose in the final quarter of 2024, according to the Consumer Price Index (CPI) (Exhibit 9) – likely well before any tariff impact.

Exhibit 9: New vehicle and used prices rose in the final quarter of 2024, by 0.6% and 4.4%, respectively

Consumer price index for new and used vehicles (quarterly, seasonally adjusted, index 2015=100) and the average finance rate on new 60-month auto installment loans at US commercial banks (rhs) (quarterly, %)



Source: Haver Analytics, Federal Reserve Bank of St Louis.

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But with loan repayments and other vehicle costs increasing, is it time for consumers to put on the hazards?

More car sales, firmer prices and still elevated auto loan borrowing rates (see Exhibit 9) means that consumers are facing rising auto loan repayments.

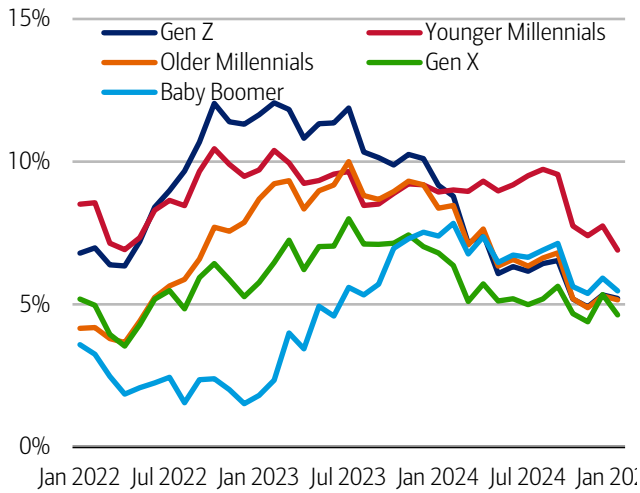
Bank of America US deposit account data shows that, while cooling, the YoY growth in households’ median auto loan payment was between 4% and 7% in January. The highest growth was among younger Millennials, up 7% YoY, potentially as they acquired bigger or more expensive models (Exhibit 10). This Bank of America internal data includes payments to many different loan providers.

The whole distribution of auto loan payments per month has also tended to shift higher (Exhibit 11). Around 43% of households in Bank of America data from November 2024-January 2025 had a monthly auto payment of \$500 to \$1,000 per month, up sharply from 32% in November 2019-January 2020 and up from 40% in November 2023-January 2024. Moreover, nearly a fifth of households had a payment of more than \$1000 a month, up 11% and 18% over the same periods in 2020 and 2024.

Should we be concerned about these rising auto loan repayments? For now, we think the situation is relatively benign due to the strength in the labor market over the last few years, particularly for the younger generations.

Exhibit 10: The rise in auto loan payment growth is cooling but remains close to 5% for most generations, and around 7% for younger Millennials

YoY change in median auto loan payment by generation in Bank of America deposit account data (3-month moving average, %)

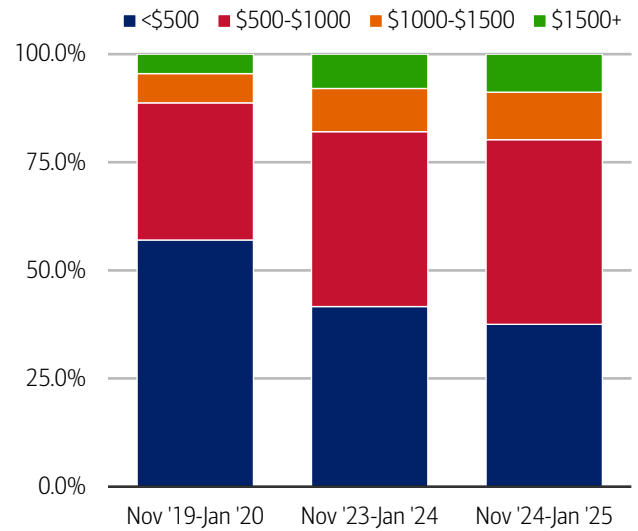


Source: Bank of America internal data

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Exhibit 11: Nearly 45% of households now have a monthly auto loan payment between \$500-\$1000 per month

Distribution of households by average monthly auto payments in Bank of America deposit account data (%)



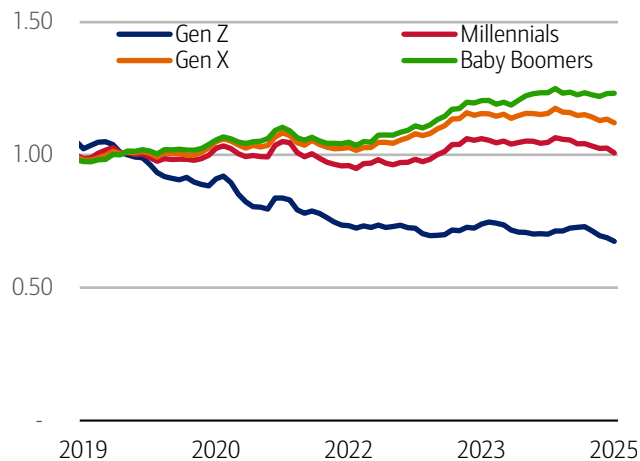
Source: Bank of America internal data

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In particular, for younger generations – Millennials and Gen Z – auto loan repayments in January 2025 are not higher as a percentage of after-tax wages and salaries than they were in 2019 (Exhibit 12). And with their strong wage growth over the last two years, the share even looks to have declined a little in 2024 for these generations. But for Gen X and Baby Boomers the situation looks a little more stretched, with the share of their after-tax wages and salaries taken up by auto payments up on 2019, although it has not obviously risen further over the past year.

Exhibit 12: Auto loan repayments as a share of after-tax wages and salaries are at or below 2019 levels for Millennials and Gen Z

Average auto loan payment as a percentage of after-tax wages and salaries by generation (three-month average, index 2019=1)

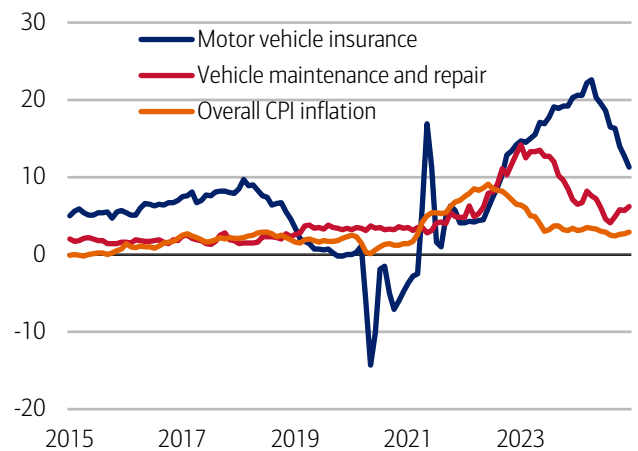


Source: Bank of America internal data

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Exhibit 13: Car insurance and repair costs have also seen rates of inflation well above overall CPI inflation since late 2022

CPI for motor vehicle insurance and vehicle maintenance and repair (% YoY)



Source: Haver Analytics

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Of course, there's more to car ownership than just the loan repayment. And insurance and maintenance costs have also been rising at rates well above headline consumer price inflation (Exhibit 13), which may add further pressure to consumers' wallets, particularly if the economy slows.

So, while the situation appears benign for now, if household income growth was to slow faster than auto loan payments, or car prices were to rise more significantly (potentially reflecting trade tensions and their impact on supply chains), consumers could

start to look more stretched, in our view. If households needed to retrench, this could even lead to a slowdown in car sales, or in other areas of consumer discretionary spending.

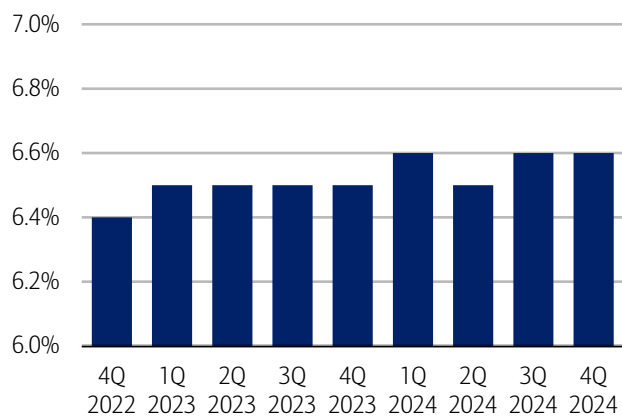
Financial health: A mostly positive picture

Overall, households' financial position looks sound in our view. One sign of their financial confidence is more savings in longer term retirement plans. According to Bank of America's [2024 Q4 Participant Pulse](#), the average contribution rate to Bank of America 401(k) plans was 6.6% in the fourth quarter of 2024, up from 6.5% seen through most of 2024 and 6.4% in Q4 2022 (Exhibit 14).

This increased retirement savings is consistent with the [2025 Bank of America Consumer Spending and Saving Behaviors survey](#), which shows almost half made a resolution this year to increase their savings, including for retirement. At the same time, survey respondents said they are still making plans to travel and go on vacation (Exhibit 15).

Exhibit 14: The average contribution rate to Bank of America 401(k) plans was 6.6% in Q4 2024, up slightly from last year and the year before

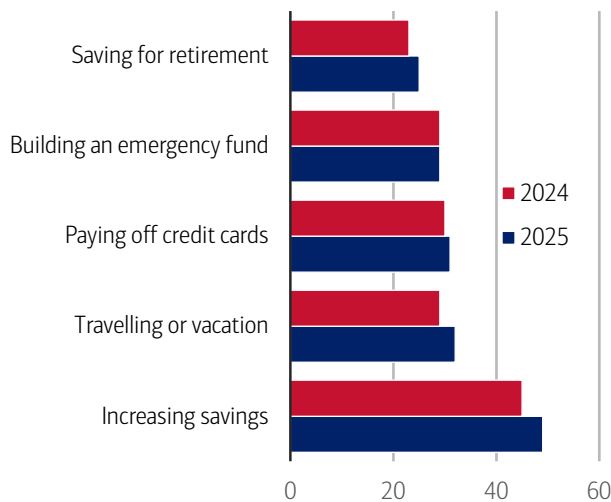
Average contribution rates to Bank of America 401(k) plans (% quarterly)



Source: Bank of America internal data

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Exhibit 15: 49% of survey respondents favor building savings
% of respondents with a 2024/25 financial resolution by priority



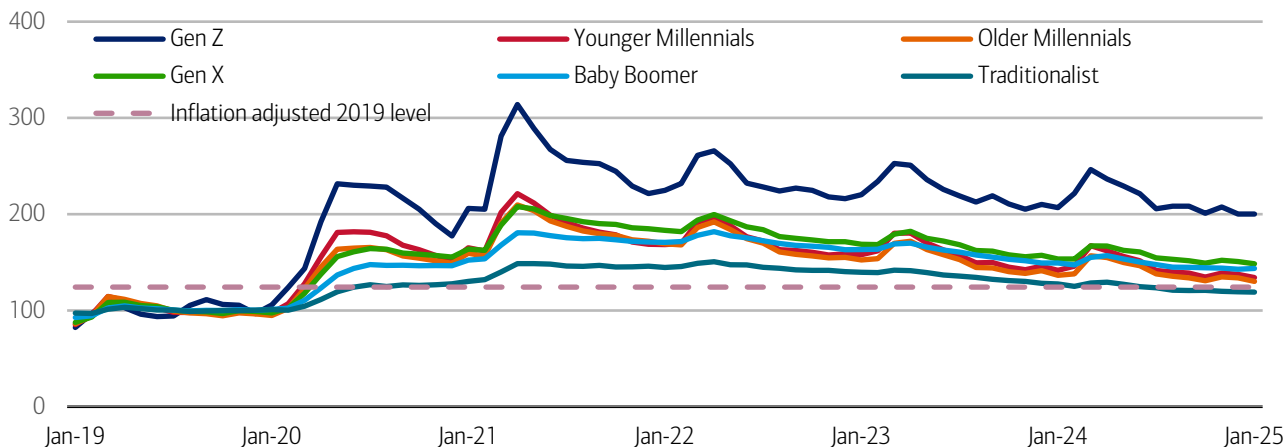
Source: 2024/25 Bank of America Consumer Spending and Saving Behaviors survey

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Perhaps, some households may be giving a somewhat greater priority to their savings due to the gradual decline in savings 'buffers,' as evidenced in Bank of America aggregated consumer deposit data (Exhibit 16).

Exhibit 16: Median checking and savings deposit balances have declined over the past year for all age cohorts, but largely remain above inflation-adjusted 2019 levels

Monthly median household savings and checking balances by age generation for a fixed group of households through January 2025 (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 January 2025.

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This may be especially true for Gen Z and Traditionalists. Gen Z is the only generation that has seen an accelerating decline in median deposits over the last year, down 10% YoY in January 2025, compared to a 6% decline the previous year, possibly as they take on more life-stage related expenses (see our recent analysis, [When we were young](#), for more). But while Gen Z's median deposits are still well above 2019 inflation adjusted levels, Traditionalists have seen their median deposits drop below inflation adjusted 2019 levels, as their spending growth has outpaced their income growth for much of the past two years.

An important caveat here is that Gen Z's initial deposit levels were lower than any other generation, while Traditionalists were much higher. So, it's possible that some Traditionalists, the youngest of whom are 80, may be opting to spend their deposits down.

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.

For analysis looking at higher value transactions (including durables), we consider a value per transaction threshold estimated with reference to the top 30% of transactions by value in 2024. The share of higher value transactions is then the number of transactions above this threshold as a percentage of total transactions over time.

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.

Any reference to southern states includes data from Texas, North Carolina, Georgia, and Florida only.

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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