

Economy

Consumer Checkpoint: Weathering the storm

11 February 2026

Key takeaways

- Consumer spending showed solid resilience in January, with total card spending rising 2.6% year-over-year (YoY) - the strongest pace in nearly two years - despite weather-related disruptions, according to Bank of America internal data.
- Income-based divergence in spending and wage growth persists, and we are concerned that a "K" shape is opening up between higher-income households and middle-income households, alongside the existing gap with lower-income households.
- Households remain adaptive and financially stable overall in the face of significant affordability challenges, supported by trading-down behaviors, elevated savings and "dry powder" to borrow. Moreover, we think higher tax refunds may provide a significant support for consumers.

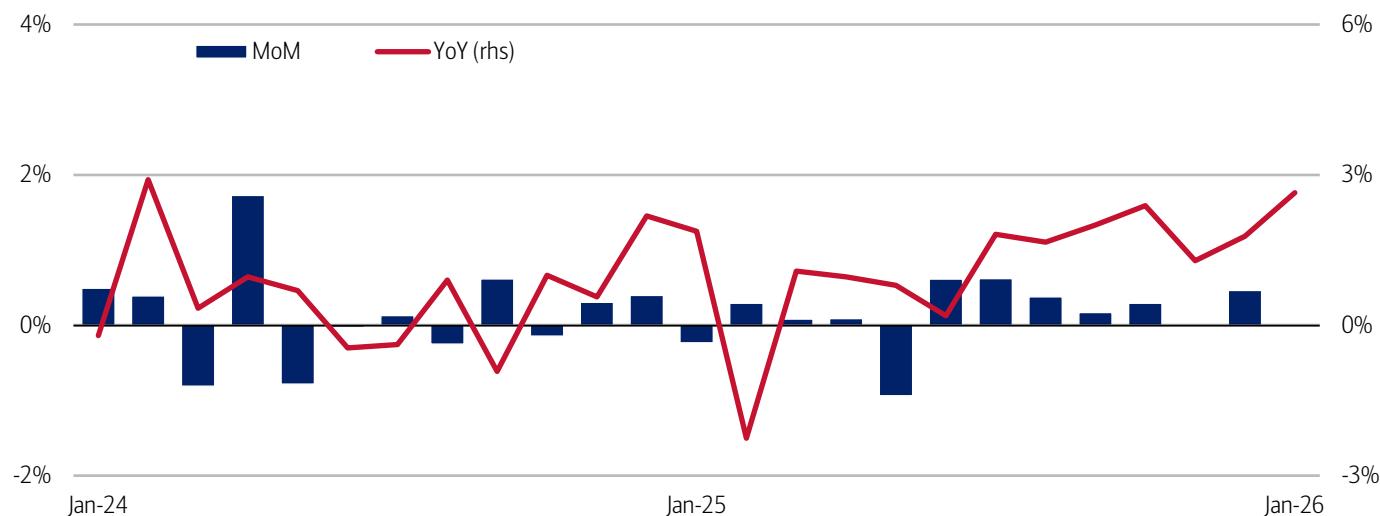
Consumer Checkpoint is a regular publication from Bank of America Institute. It aims to provide a holistic and real-time estimate of US consumers' spending and their financial well-being, leveraging the depth and breadth of Bank of America proprietary data. Such data is not intended to be reflective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

Consumer momentum continued in January despite the freeze

Total credit and debit card spending per household increased 2.6% year-over-year (YoY) in January 2026 – the largest increase since February 2024 – up from 1.8% YoY in December (Exhibit 1). Seasonally-adjusted (SA) spending growth per household was flat month-over-month (MoM), following the 0.5% MoM increase in December, likely reflecting weakness given the winter storms, in our view.

Exhibit 1: January's spending growth reached the strongest YoY level in nearly two years

Total credit and debit card spending growth per household, based on Bank of America internal data (monthly, MoM%, SA) and (monthly, YoY%, non-SA)



Source: Bank of America internal data

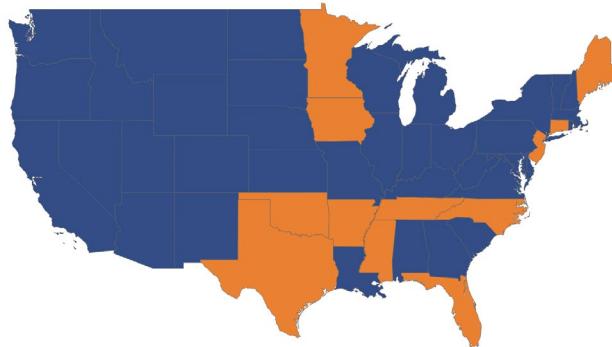
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Winter weather caused notable declines in spending along the East Coast and South toward the end of January

Looking across the US, overall January card spending growth was strongest in regions untouched by bad weather, but more modest in major portions of the South and certain portions of the Midwest and Northeast (Exhibit 2). Yet, while spending was solid throughout the month, winter storms toward the end of January led to significant declines in spending in affected regions, according to Bank of America internal data (Exhibit 3).

Exhibit 2: Southern states saw noticeably more modest YoY spending growth throughout January...

Spending growth by state (28-day moving average to January 31st, YoY%, (blue: >2%, orange: -2% to 2%, red: <-2%)

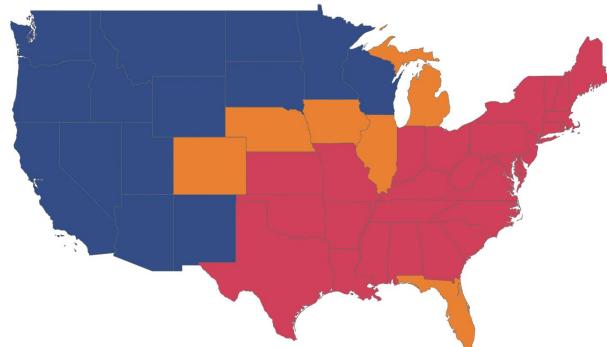


Source: Bank of America internal data

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Exhibit 3: ...with notable YoY declines across major portions of the South and Northeast in the last week of January

Spending growth by state (7-day moving average to January 31st, YoY%, (blue: >2%, orange: -2% to 2%, red: <-2%)



Source: Bank of America internal data

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Is the “K” factor emerging for middle-income families as well?

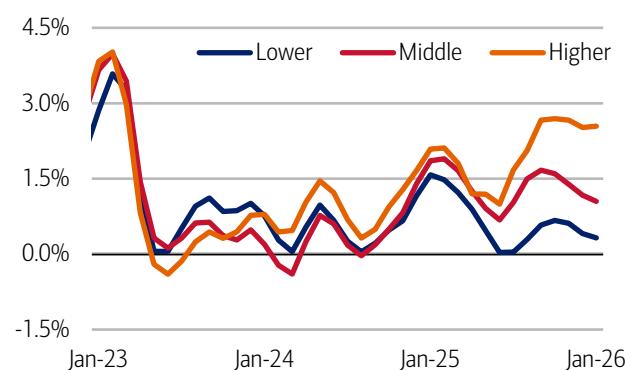
In our view, a “K-shape” (or divergence) in spending growth may be beginning to emerge between higher-income households and middle-income households, as opposed to just with lower-income households. In fact, in January, the gap in spending growth between higher-income households and all others was at its largest since mid-2022, according to Bank of America internal data. Lower- and middle-income households’ spending growth ticked down to 0.3% and 1.0% YoY, respectively, while higher-income households’ spending was more stable at 2.5% YoY (Exhibit 4).

A similar pattern is emerging in after-tax wage growth, with the gap between higher- and middle-income households at its largest in nearly five years, according to Bank of America internal data (Exhibit 5). While higher-income households’ wage growth was 3.7% YoY in January, a solid improvement from the 3.3% YoY in December, middle-income families’ wage growth saw only a marginal improvement, increasing to just under 1.6% YoY in January from over 1.5% in December.

However, one positive is that the difference in wage growth between higher- and lower-income families does not appear to have widened further from the peak last fall; lower-income households saw an average wage increase of 0.9% YoY in January.

Exhibit 4: Lower-income households' spending growth was 0.3% YoY in January, compared to 2.5% for higher-income households

Total credit and debit card spending per household, according to Bank of America card data, by household income terciles (3-month moving average, YoY%, SA)

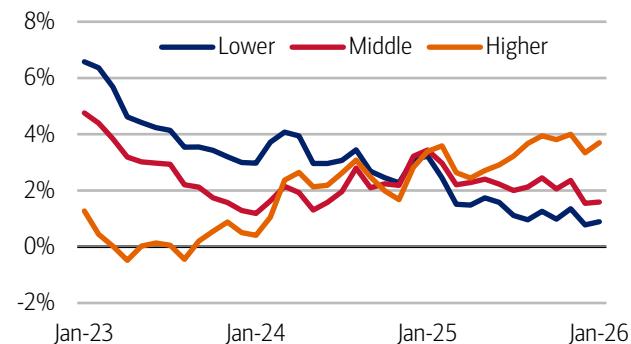


Source: Bank of America internal data

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Exhibit 5: In January, higher-income households' wage growth was 3.7% YoY, while growth for lower- and middle-income households was approximately 0.9% and 1.6% YoY, respectively

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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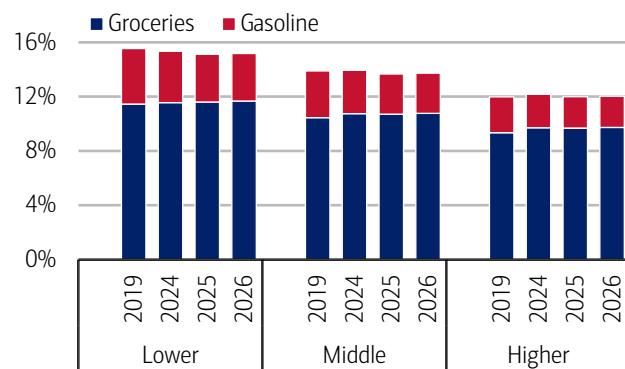
Consumers have adapted to the squeeze on affordability so far

Households have faced significant affordability challenges recently (read more in [Regional Roundup: Mapping out affordability](#)). For example, food at home and gasoline prices, as measured by the Bureau of Labor Statistics (BLS), were up around 30% and 20%, respectively, as of December 2025 compared to 2019.

But despite these price increases, Bank of America internal data shows that most households spent a similar share of their income on groceries and gas over the past few years and compared to pre-pandemic levels (Exhibit 6). One reason could be that many households have also seen solid rises in their after-tax wages and salaries, helping them keep pace with higher prices. Another factor, particularly these past few years, is that falling gasoline prices have helped offset the ongoing pressure from rising food prices.

Exhibit 6: Spending on gasoline and groceries as a share of income has been fairly steady in the last three years

Median spending on gas and groceries, based on Bank of America card data, as a share of median income, based on Bank of America deposit data by household income terciles (yearly, %)



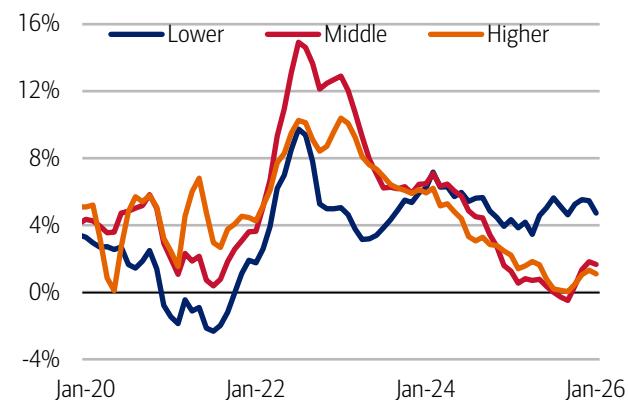
Source: Bank of America data

Note: Groceries includes spending at grocers, warehouse clubs, and discount stores.

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Exhibit 7: Lower-income households' spending growth at value grocers is far outpacing their spending at premium grocery stores

Spending growth at value grocers minus spending growth at premium grocery stores by household income tercile (3-month moving average, percentage point difference)



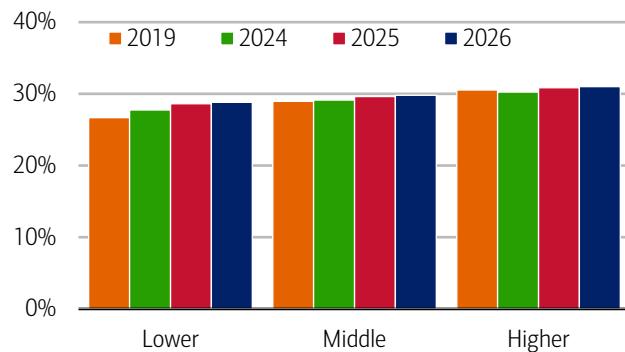
Source: Bank of America internal data

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But the other part of the equation, in our view, is consumers' adaptability to affordability issues – mainly by “trading down” to less expensive goods and services. For example, Bank of America internal data shows that households' spending growth was much higher at value grocers than at premium grocery stores from 2022 until the beginning of 2025. And while middle- and higher-income households' spending growth have converged somewhat over the last year, lower-income households' growth at value grocers has outpaced that at premium grocery stores by around five percentage points for the past three years (Exhibit 7).

Exhibit 8: Mortgage payments have risen as a share of income, but at a modest rate across all income groups

Median mortgage payments as a share of median income, both based on Bank of America deposit data by household income terciles (yearly, %)



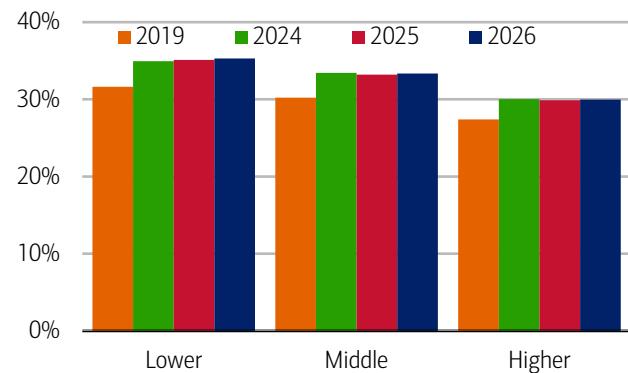
Source: Bank of America internal data

Note: Includes all mortgage payments, internal (Bank of America) and external.

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Exhibit 9: Rent, as a share of income, continued to increase into 2026 for lower-income households

Median rent payments as a share of median income, both based on Bank of America deposit data by household income terciles (yearly, %)



Source: Bank of America internal data

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Another area where households have generally been able to keep pace with rising costs is housing. Exhibit 8 shows that mortgage payments as a share of income have been relatively stable in recent years, partly reflecting the high share of households with fixed-rate mortgages tied to low rates. And while rents shot up after the pandemic, they haven't risen much as a

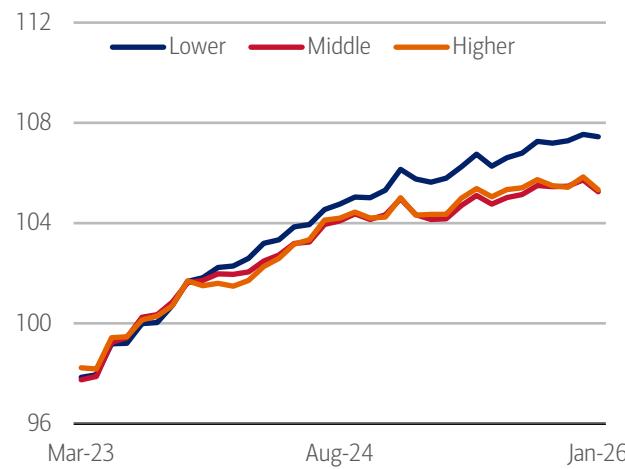
share of income in the last three years (Exhibit 9). In fact, rents have even declined YoY in several major metros across the US (read more in [On the move: Renters catch a break](#)).

Again, in our view, part of the story here is consumers' ability to trade down. Within the rental market, some have moved to smaller units with fewer amenities or to less expensive cities or towns (read more in [On the move: US migration patterns](#)).

However, Bank of America payments data suggests middle- and higher-income families may have found it easier to trade down than lower-income households, with the latter's rental growth as of January 2026 above that of other cohorts (Exhibit 10). Although, for around a quarter of lower- and middle-income households – a notable jump from the 20% share in 2019 – rent swallows up more than half their yearly income (Exhibit 11). In our view, this is more evidence that a "K-shape" is emerging between higher-income households and everyone else.

Exhibit 10: Rent payments have grown faster for lower-income households since 2024

Median rent payments by household income tercile (3-month moving average, index 2023 average = 100)

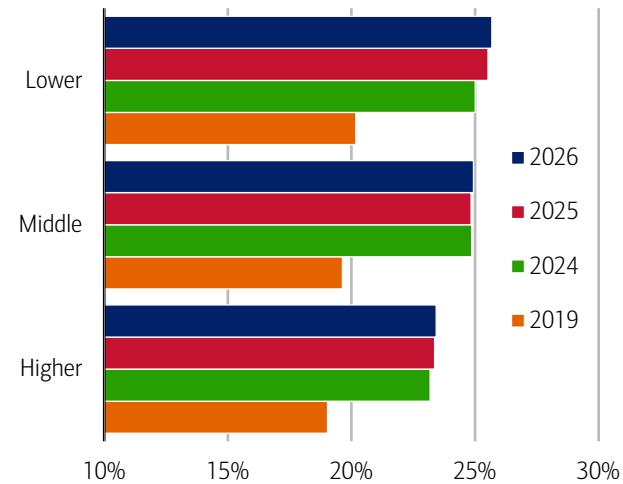


Source: Bank of America internal data

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Exhibit 11: For a quarter of lower- and middle-income households, rent swallows up almost half their yearly income

Share of rent-paying households where rent is over 50% of household income (yearly, %)



Source: Bank of America internal data

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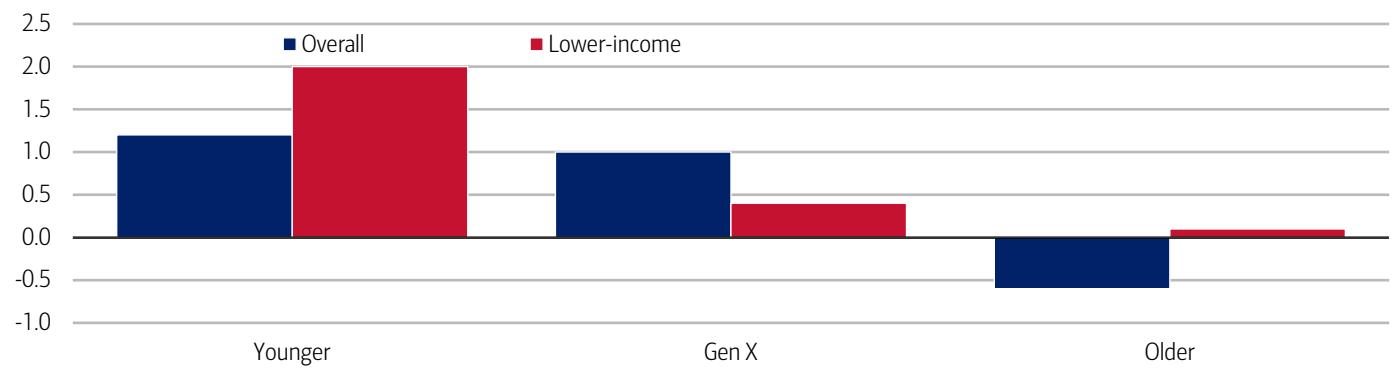
Higher tax refunds to prop up consumers

So, while in our view, consumers have in part managed to navigate affordability challenges by adapting and making choices including trading down across spending categories and housing, many of these choices may not have been "comfortable". This partly explains why some measures of consumer sentiment have not kept pace with faster spending growth.

But how will consumers navigate ongoing affordability challenges over 2026, particularly if wage growth slows?

Exhibit 12: Younger, lower-income households may find most use for larger tax refunds in 2026

Average card spending growth per household from January 2025 for households receiving at least a \$200 refund over February-April relative to those receiving less than a \$200 refund over February-April (2025, percentage points difference)



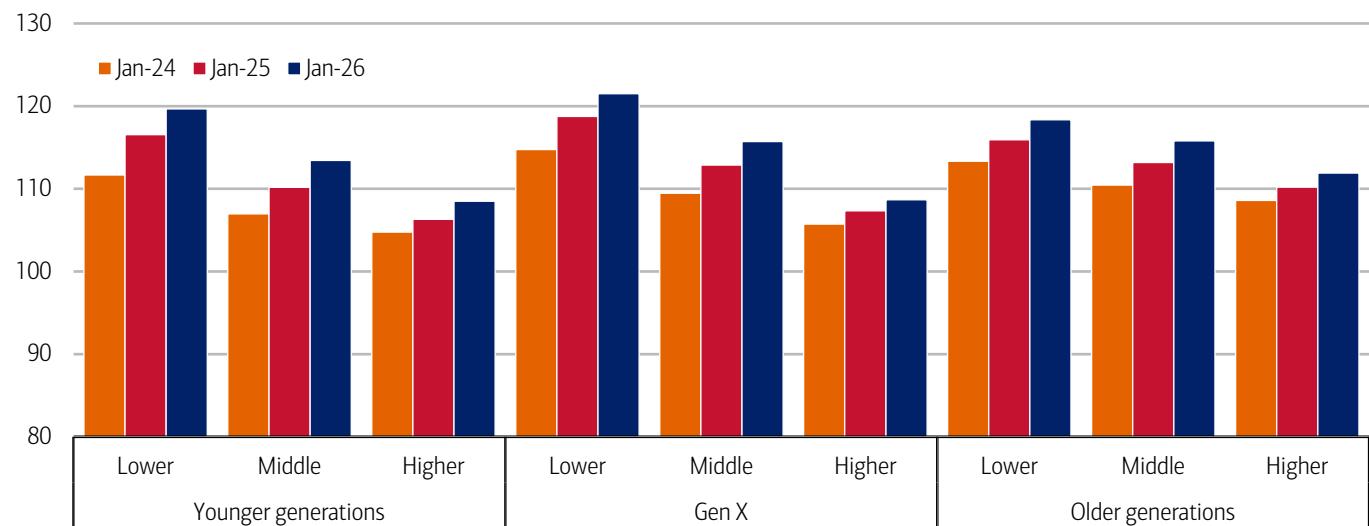
Source: Bank of America internal data

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In the short term, higher tax refunds are likely to help. BofA Global Research estimates that tax refunds in 2026 will increase by around \$100 billion or 25% higher than in 2025. Exhibit 12 shows that in 2025, younger (Gen Z and Millennials) and lower-income households appeared to see the largest increases in their card spending as a result of refunds. Given these cohorts are likely to be the most challenged by affordability issues, larger refunds in 2026 could also help support their spending this year.

Exhibit 13: The share of those paying off their entire credit card balance every month has increased across all income and age groups

The share of credit card “transactors” by age and income groups (3-month moving average, index 2019 average = 100, over 100 means there’s been an increase relative to 2019 levels)



Source: Bank of America internal data

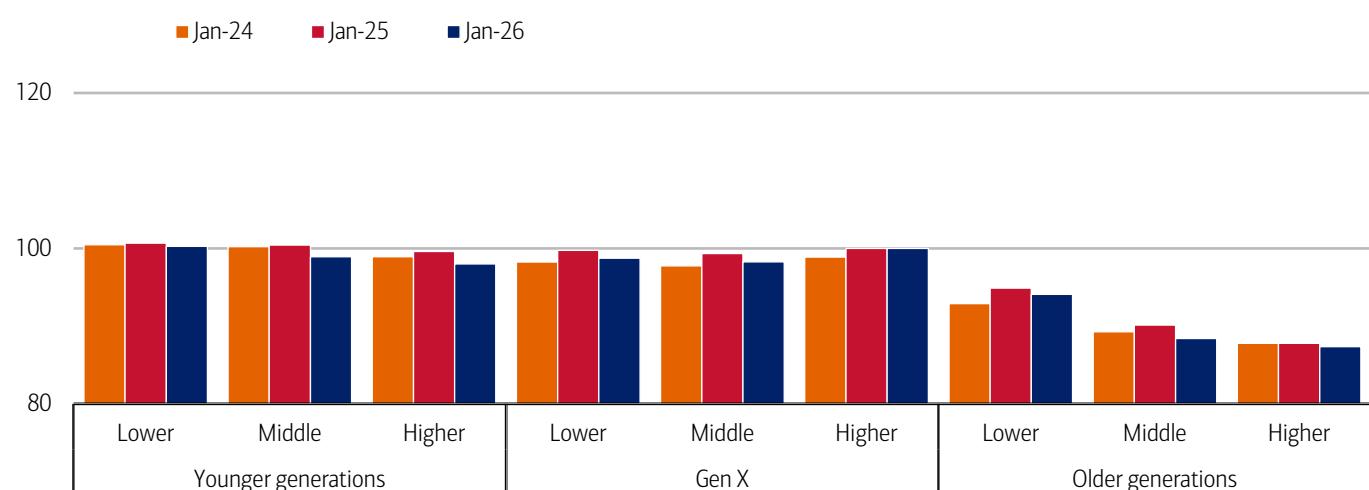
Note: “Younger generations” consist of Gen Z and Millennials, while “older generations” consist of Baby Boomers and Traditionalists.

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Additionally, consumer finances still appear to be in relatively good health. For example, in Bank of America internal data, the share of households paying off their full credit card balance each month has risen across all incomes and generations compared to 2019 (Exhibit 13). And of those households who are not paying off their full balance each month, Exhibit 14 shows that across most incomes and generations, they generally aren’t using more of their available credit than they were in 2019. So, overall, many consumers have room to finance their spending via credit.

Exhibit 14: Credit card utilization suggests most cohorts have room to borrow

Median credit card utilization for credit card “revolvers” by age and income group (3-month moving average, index 2019 average = 100, below 100 means there’s been a decrease relative to 2019 levels)



Source: Bank of America internal data.

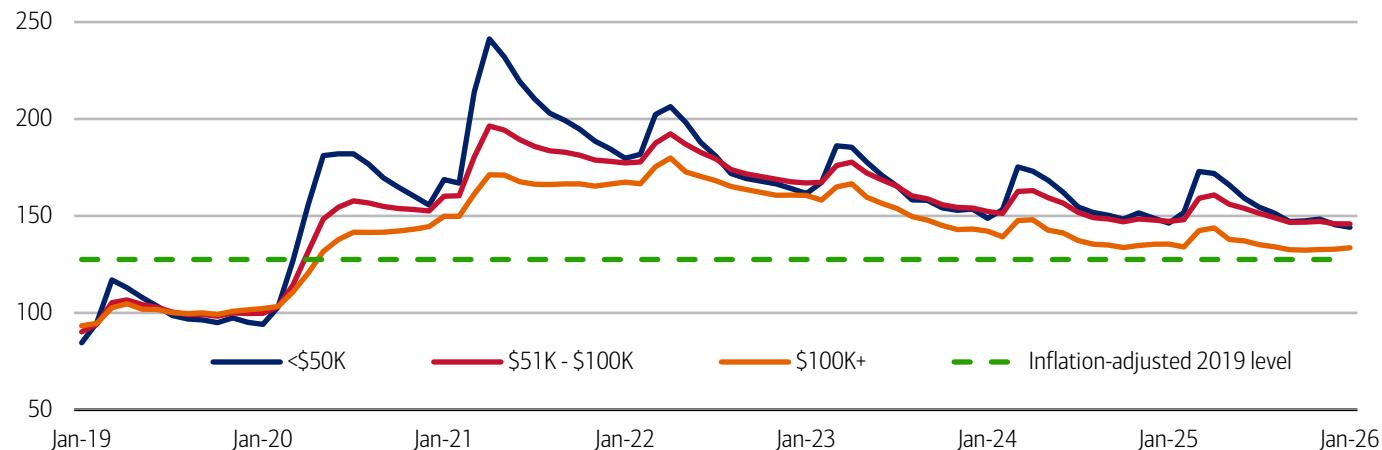
Note: “Younger generations” consist of Gen Z and Millennials, while “older generations” consists of Baby Boomers and Traditionalists.

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Looking at the support consumers get from their savings, we continue to see relatively raised savings and checking balances in Bank of America deposit data. On an inflation-adjusted basis, savings balances as of January 2026 were higher than in 2019 across almost all income and generation cohorts (Exhibit 15) (Exhibit 16).

Exhibit 15: Median checking and savings deposit balances remain above inflation-adjusted 2019 levels

Monthly median household savings and checking balances by income for a fixed group of households through January 2026 (monthly, index 2019 = 100)



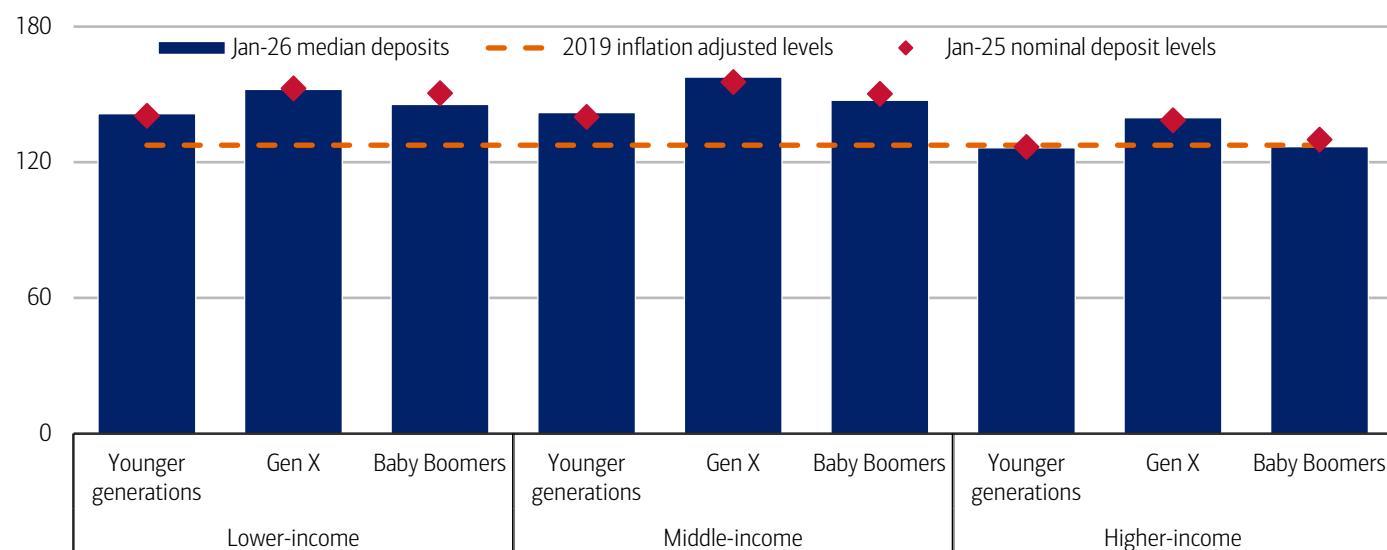
Source: Bank of America internal data.

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 2026.

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Exhibit 16: Inflation-adjusted deposit levels remain higher than 2019 across incomes and generations

Monthly median household savings and checking balances, based on Bank of America deposit data, by income and age generations for a fixed group of households through January 2026 (monthly, index 2019 = 100) and Consumer Price Index inflation, based on BLS data (monthly, index 2019 = 100)



Source: Bank of America internal data

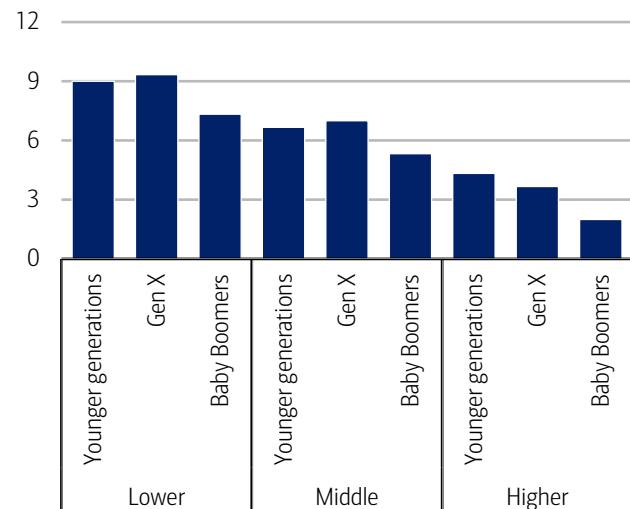
Note: Monthly data includes those households that had a consumer deposit account (checking and/or savings account) for all months from January 2019 through January 2026. "Younger generations" consist of Gen Z and Millennials.

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Higher expected tax refunds will also likely provide a boost to deposit balances in coming months, as not all refunds are spent right away. In fact, over the period 2023 to 2025, the seasonal rise in deposits due to refunds and bonuses persisted for at least six months for most cohorts outside those with higher incomes (Exhibit 17). This suggests tax refunds can play a role supporting consumer spending for a good portion of the year.

Finally, Bank of America data shows that 401(k) plan participants' average account balance has been steady over the past two quarters and is up significantly compared to the past two years (Exhibit 18) (read more in [Bank of America's 2025 Q4 Participant Pulse](#)).

Exhibit 17: Lower- and middle-income households saw meaningful increases in savings buffers from tax refund (and bonus) season
Duration of elevated deposits compared to January levels (yearly average 2023 through 2025, months)



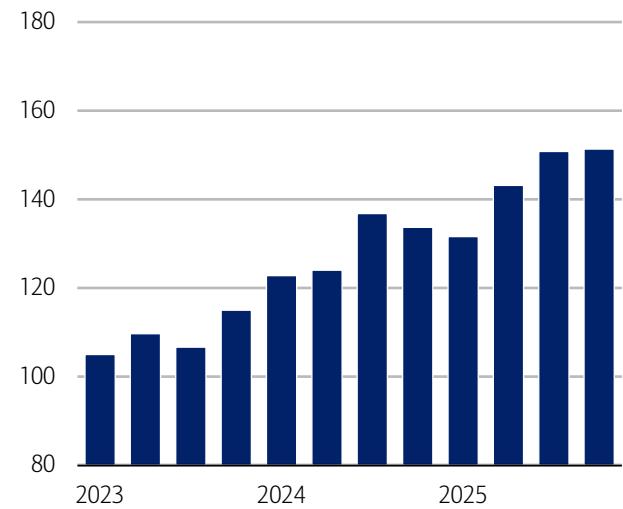
Source: Bank of America internal data

Note: "Younger generations" consist of Gen Z and Millennials.

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Exhibit 18: The average account balance for 401(k) plan participants in Q4 2025 is up over the past two years

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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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. Discretionary retail includes but is not limited to general merchandise, miscellaneous, clothing, electronics, 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 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.

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.

Major grocery categories include sugar and sweets, juices and other non-alcoholic beverages, bakery products, processed fruits and vegetables, fresh fruit and vegetables, coffee and tea, fats and oils, milk, cereal and cereal products, other, cheese, and meats, poultry and fish, Other includes soups, snacks, frozen and freeze-dried prepared foods, and spices, seasonings, and condiments.

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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