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Economy

# Consumer Checkpoint: Choppy start, solid finish

09 January 2026

## Key takeaways

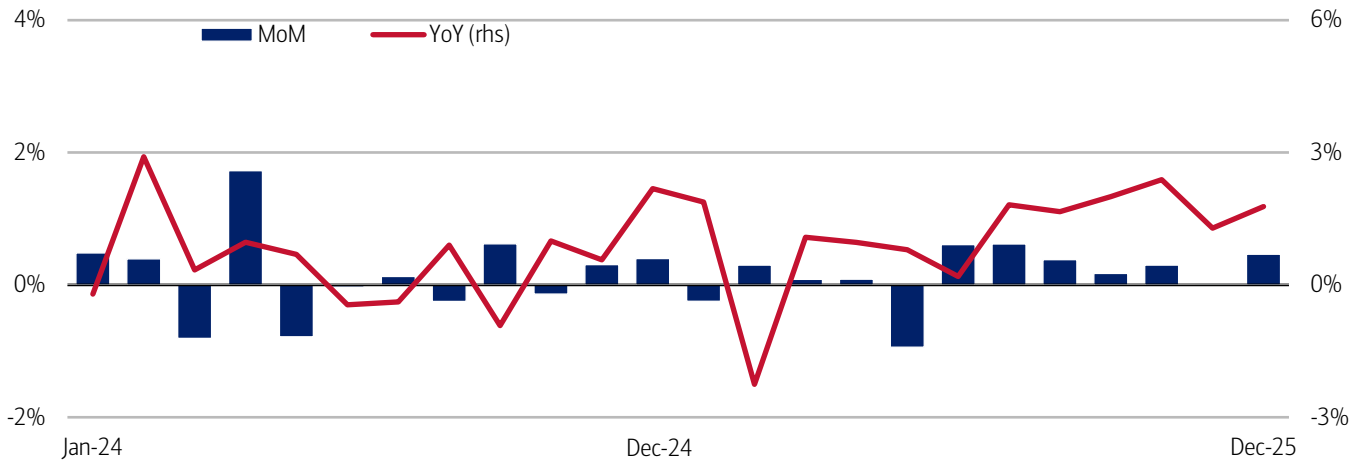
- Total credit and debit card spending per household rose 1.8% year-over-year (YoY) in December, according to Bank of America aggregated card data, up from 1.3% YoY in November. Seasonally-adjusted (SA) spending growth rose 0.5% month-over-month (MoM).
- The "K-shaped" consumer story continues, both in overall spending and on holiday items. Overall card spending rose 2.4% YoY for higher-income households and 0.4% for lower-income households. Lower-income wage growth softened in 2025, though it appears to have stabilized for now.
- Overall, consumers were price conscious last year. In fact, when making discretionary purchases, they favored smaller- ticket items rather than more expensive goods and services. For 2026, all eyes will be on whether an expected increase in tax refunds will impact discretionary spending growth. However this plays out, the labor market will remain key.

*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 December after a chilly November

In December, total credit and debit card spending per household increased 1.8% year-over-year (YoY), up from 1.3% YoY in November, according to Bank of America aggregated card data. Meanwhile, seasonally-adjusted (SA) spending growth per household rose 0.5% month-over-month (MoM), following the flat reading in November (Exhibit 1). Looking across 2025, consumers ended on solid footing despite some slippage in the first half of the year.

**Exhibit 1: Total card spending increased 0.5% MoM in December, following a flat November**
Total credit and debit card spending growth per household, based on Bank of America card data (monthly, MoM%, SA) and (monthly, YoY%, non-SA)




**Source:** Bank of America internal data

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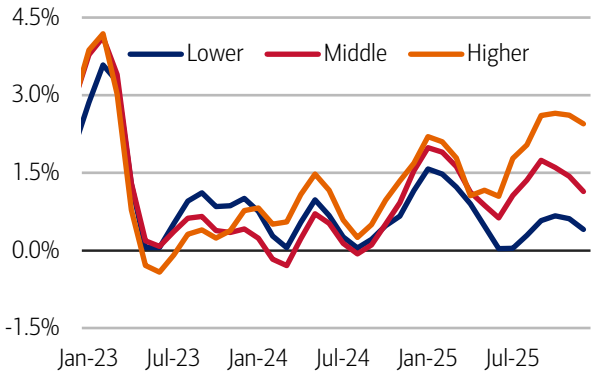
### The "K" factor continues but the gap hasn't widened

Spending behavior showed a distinctly "K-shaped" pattern in the second half of 2025. This continued into December, with lower-income households increasing their three-month average card spending just 0.4% YoY, while those with higher incomes saw a

2.4% gain (Exhibit 2). While the gap remains around 2 percentage points (pp), it has been relatively stable over the past six months (read more in the December employment report).

Weaker wage growth for lower- and middle-income households explains part of the disparity. However, it appears the difference in wage growth is not widening further (Exhibit 3). In particular, lower-income wage growth was 1.1% YoY in December, a slight dip from 1.4% YoY in November. But middle-income households' after-tax wage growth dropped back by more – to 1.5% YoY from 2.3% YoY in November – while higher-income households' wage growth dropped to 3.0% YoY from 3.7% YoY in November. Some of this softening may prove temporary, but bears watching as it could impact spending if it persists.

**Exhibit 2: Lower-income households' spending growth was 0.4% YoY in December, compared to 2.4% for higher-income peers**
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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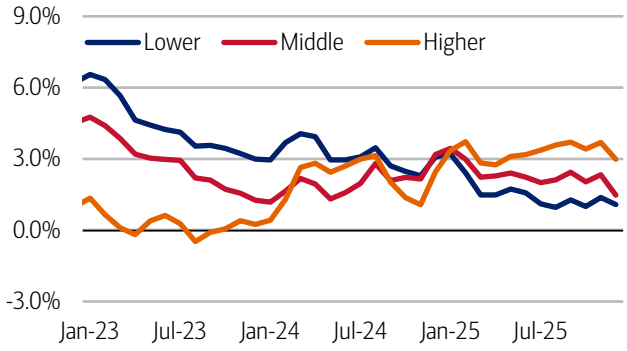
**Exhibit 3: In December, higher- and middle-income household wage growth slowed to 3% YoY and 1.5%, respectively, while for lower-income households it ticked down to 1.1% YoY**
After-tax wage and salary growth by household income terciles, based on Bank of America aggregated consumer deposit data (3-month moving average, YoY%, SA)




**Source:** Bank of America internal data

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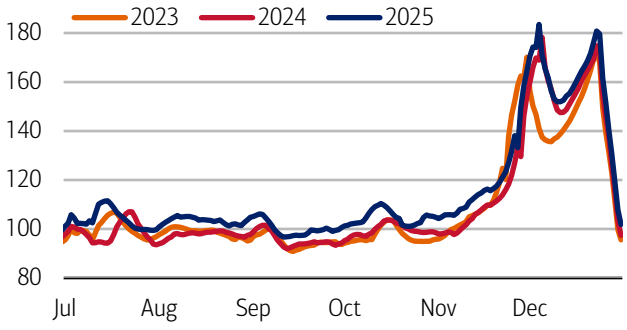
## More than O-K – A bright holiday season

As for the overall holiday season, spending growth was strong. Although, it seemed to lose a little momentum around Thanksgiving and early December, suggesting that consumers shopped early. Even so, during the holiday period – from the beginning of October to January 2 – Bank of America card data shows spending on holiday items (defined below) increased 4.7% YoY (Exhibit 4).

**Exhibit 4: Holiday spending was strong early on, but slowed in late November and early December before strengthening again**
Card spending per household for holiday items, based on Bank of America card data (7-day moving average, index July 2023 average = 100)




**Source:** Bank of America internal data. Holiday items include all merchant category codes (MCC) for which spending in Nov-Dec is at least 20% of total annual spending in the category.

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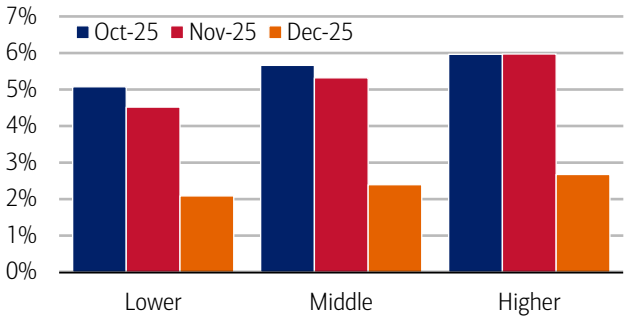
**Exhibit 5: Holiday spending growth was strong in October and November, but cooled slightly in December across all income cohorts**
Card spending per household for holiday items, based on Bank of America card data, by household income tercile (monthly, YoY%)




**Source:** Bank of America internal data. Holiday items include all merchant category codes (MCC) for which spending in Nov-Dec is at least 20% of total annual spending in the category.

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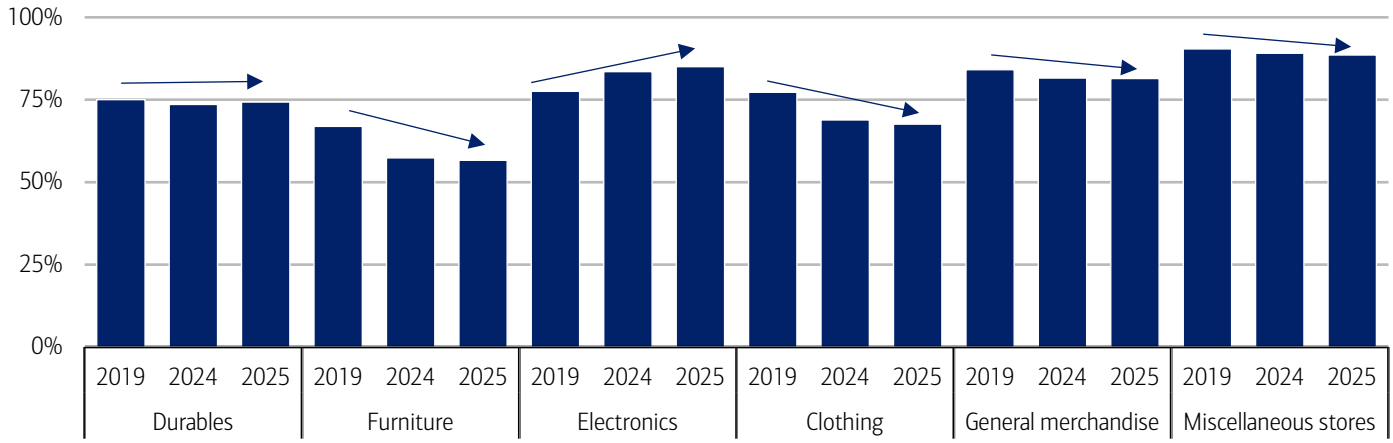
While the "K-shape" also persisted in holiday shopping, the gap was considerably smaller than the divergence in total card spending, according to Bank of America card data (Exhibit 5). With cost-of-living issues still looming, in our view, it's likely that consumers were able to stretch their dollars and shop smart by looking for deals. Lower-income households, in particular, made more frequent and smaller purchases in order to make the holiday season bright.

The impact of consumers' price sensitivity can be seen in overall Bank of America card data, with the average household seeing a 4.1% YoY increase in transactions for holiday items over October to December, implying that most of the increase in holiday spending wasn't due to higher prices, but to consumers increasing the quantity of goods they bought.

We also see some signs of selectivity when we look at the size of transactions. For example, despite some upward pressure on prices from tariffs, the share of transactions for electronics below $100 actually rose versus the same period in 2024 and 2019 (Exhibit 6). In clothing and general merchandise, the share was fairly static between 2024 and 2025.

**Exhibit 6: Consumers generally made less sizable purchases in electronics, general merchandise, and miscellaneous stores in 2025**
Share of transactions totaling less than $100 for select discretionary retail categories (October-December of each year, %)




**Source:** Bank of America internal data

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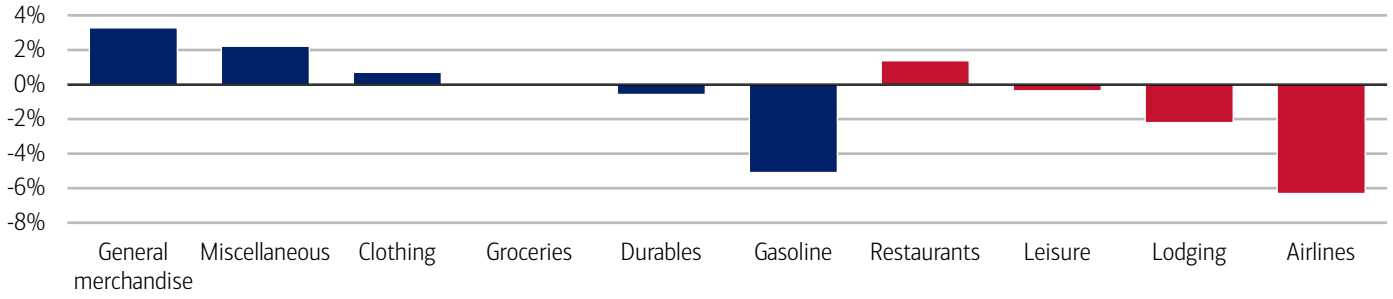
## Looking back on 2025: Spending size mattered

Slower wage growth among lower-income households and a desire from many consumers to stretch their dollars may be two reasons why we saw a split between spending on larger and smaller ticket discretionary categories in 2025. Lower-priced discretionary retail and service categories like general merchandise (at big box stores), miscellaneous (including secondhand and novelty stores), clothing, and restaurants, saw spending growth in 2025 (Exhibit 7).

Conversely, consumers pumped the brakes on some more expensive spending categories: durables (electronics, furniture) saw a slight decline, down around half a percent YoY, while consumers pulled back much more sharply on bigger ticket discretionary services like airlines and lodging. Some positives: consumers dished out a similar amount on groceries, while the cost to fill up their tanks was a lot less. Additionally, rental payment growth flattened toward the end of the year (read more in On the move: Renters catch a break).

**Exhibit 7: Smaller ticket discretionary retail categories generally saw growth in 2025, while customers pulled back on bigger ticket services**
Credit and debit card spending growth per household, based on Bank of America card data, by select discretionary spending categories (2025 annual growth, YoY%, non-SA, Blue bars are retail categories and red bars are services categories)




**Source:** Bank of America internal data

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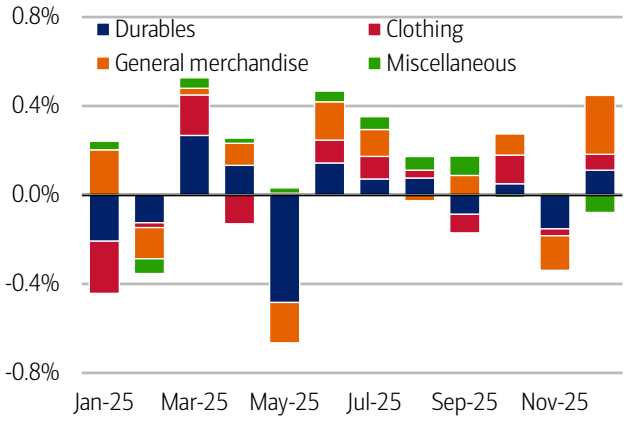
Throughout 2025, momentum remained steady for some discretionary retail categories (Exhibit 8). And while it weakened for discretionary services in the second half of 2025, December showed signs of a rebound (Exhibit 9).

**Exhibit 8: Momentum remained steady throughout most of 2025 for discretionary retail categories…**
Contribution to MoM retail (excluding gasoline and restaurants) spending growth by select discretionary retail category (monthly, pp)




**Source:** Bank of America internal data

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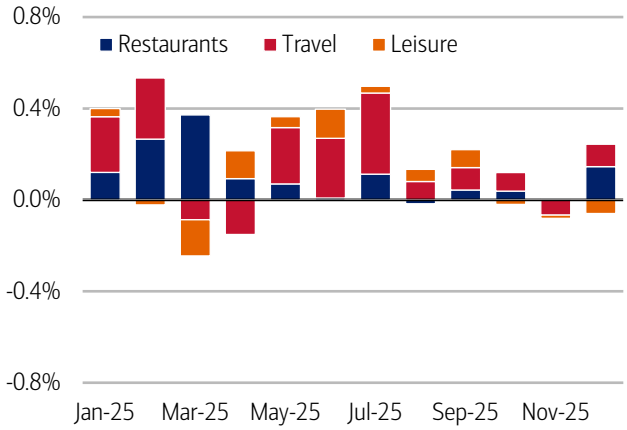
**Exhibit 9: …and it recovered in December for discretionary services after a brief slowdown in the third quarter**
Contribution to MoM services spending growth by select discretionary service category (monthly, pp)




**Source:** Bank of America internal data

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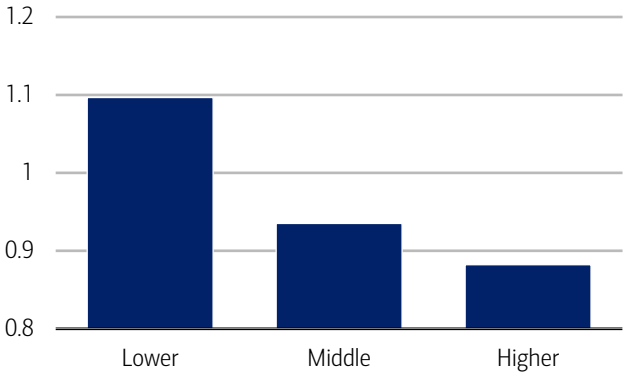
## Looking forward to 2026: Will tax refunds spark a spending surge?

Higher tax refunds in 2026 are likely to provide an important boost, temporarily bolstering discretionary spending growth, in our view. The One Big Beautiful Bill Act (OBBBA) included several tax benefits that should drive larger refunds this year (as will the fact that the Internal Revenue Service (IRS) did not adjust withholdings last year). These changes included an increase in the standard deduction, new deductions for tip and overtime income, and a rise in the state and local tax (SALT) deduction cap.

BofA Global Research estimates that refunds in 2026 could be about $65bn higher than 2025, a rise of 18%. The majority of these payments will be made between February and April.

**Exhibit 10: Lower-income households were the only group in which the average tax refund was larger than their average monthly spending**
Ratio of average federal and state tax refund, based on Bank of America deposit data, compared to average monthly total card spending, based on Bank of America card data, by household income tercile (2025, ratio)




**Source:** Bank of America internal data

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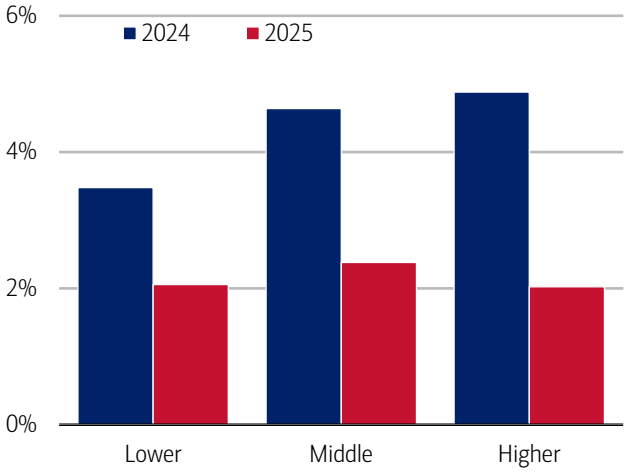
**Exhibit 11: YoY increases in tax refunds favored higher-income households in 2024, but growth was more equal in 2025**
National and state tax refunds by household income tercile (yearly, YoY%)




**Source:** Bank of America internal data

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Which households will benefit most from these refunds? While higher earners may possibly get the biggest boost, lower-income households won't be left out entirely.

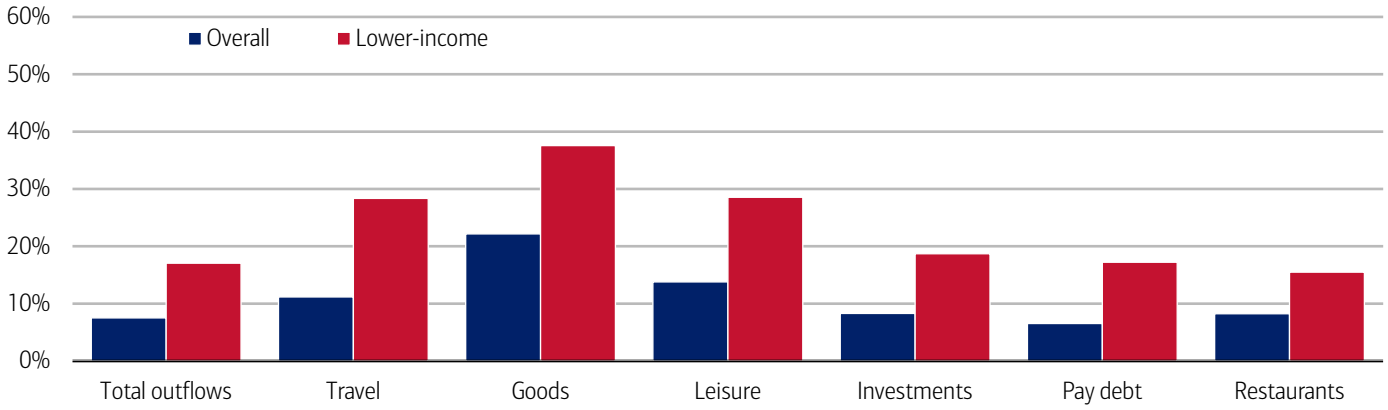
Some lower- and middle-income households should gain, given they are more likely to work in sectors such as leisure and hospitality, in which tips and overtime can drive earnings. But, at the same time, the changes to SALT, which increased the cap on state and local tax deductions, will likely benefit higher-income households. In fact, the non-partisan Tax Policy Center has estimated that the largest impact on cash income in 2026 from the OBBBA will likely benefit people with the highest incomes.

However, importantly, while the largest absolute benefits from OBBBA in 2026 are expected to accrue to higher-income households, the proportional impact on spending may still be greater for lower-income households. In Bank of America internal deposit data, we find that refunds as a share of average monthly spending are significantly larger for lower-income households than for middle- or higher-income households (Exhibit 10). So even if the growth in refunds was fairly uniform across the income distribution, as it was in 2025 (Exhibit 11), it could still boost lower- income household spending – and take some pressure off their discretionary "nice-to-have" spending budgets.

What might people spend their larger refunds on? Exhibit 12 shows consumer spending trends from 2025 over the three-week period after receipt of a tax refund compared to the prior three weeks. The data shows that largest rise in spending was on goods, but there were also large increases in travel and leisure spending. As expected, given the higher ratio of tax refunds to average monthly spending, the boost was larger for lower-income households.

**Exhibit 12: Lower-income households saw a larger spending boost from tax returns compared to the typical US household, especially when it comes to discretionary categories like travel, goods, and leisure**

Aggregate consumer card spending for select categories for the three-week period after receipt of a tax refund compared with the three-week period before by customer income (weekly average 2025, % change)




**Source:** Bank of America internal data

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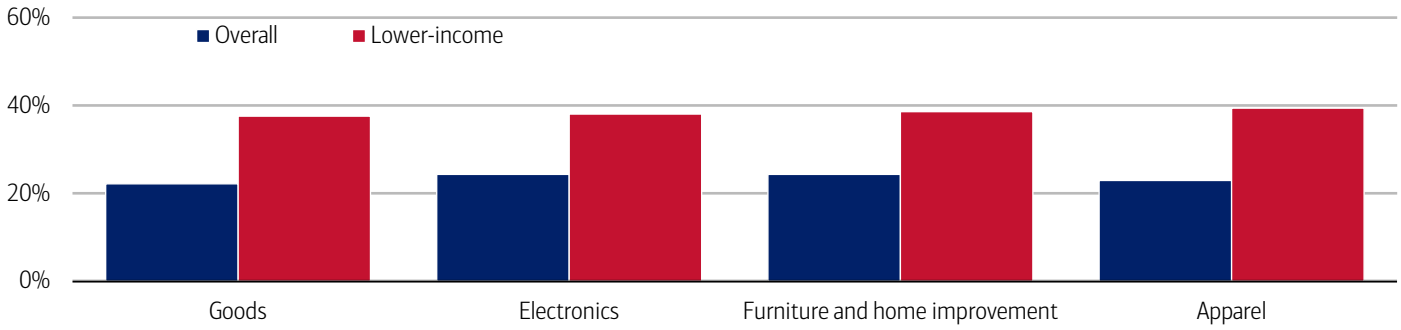
Digging deeper into goods spending, we see a fairly consistent story across discretionary categories (Exhibit 13). Electronics, furniture/home improvement and apparel all saw overall rises of around 25%, while the increases were closer to 40% for lower-income households.

**Exhibit 13: Looking across different categories of goods each category saw similar-sized bumps after receipt of tax refunds**

Aggregate consumer card spending for select categories for the three-week period after receipt of a tax refund compared with the three-week period before by customer income (weekly average 2025, % change)




**Source:** Bank of America internal data

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While refund effects will take months to play out and become clear, it will take careful parsing. We could see these payments temporarily narrow the "K-shape" and lift discretionary spending. Yet longer-term momentum still hinges, as ever, on the labor market.

## 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.

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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