

Consumer Checkpoint

Will rising food prices eat into spending?

11 March 2025

Key takeaways

- Credit and debit card spending per household declined 2.3% year-over-year (YoY) in February, compared to a 1.9% YoY rise in January, according to Bank of America aggregated card data, though this decline reflects the impact of the extra leap day in February 2024. On a seasonally adjusted basis, spending rose 0.3% month-over-month (MoM), suggesting some continued momentum to spending after a chilly start to the year.
- Higher-income households continue to show the strongest growth in spending, according to Bank of America internal data. In part, this reflects an acceleration in their post-tax wages and salaries, which grew around 3.5% YoY in February. At the same time, rising equity values have provided an additional tailwind from "wealth effects."
- Food prices have also been rising recently, challenging the weekly grocery trip, particularly for those with lower incomes. If prices keep rising, it seems likely consumers will continue to deploy a range of strategies, including more targeted shopping across different stores, as well as spending more at value grocery stores.

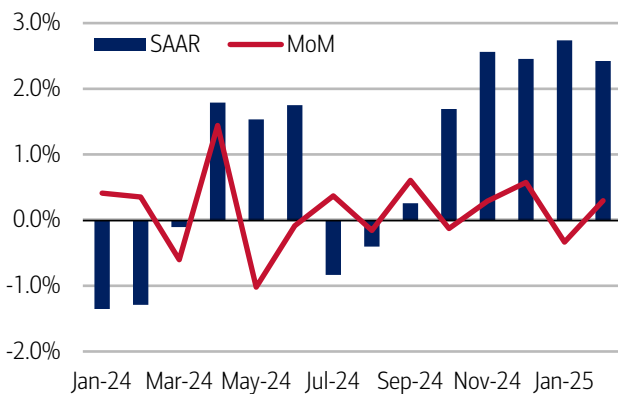
Consumer Checkpoint is a regular publication from Bank of America Institute. It aims to provide a holistic and real-time estimate of US consumers' spending and their financial well-being, leveraging the depth and breadth of Bank of America proprietary data. Such data is not intended to be reflective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

Spending emerges from the freeze

Consumers' credit and debit card spending per household dropped 2.3% year-over-year (YoY) in February, compared to a rise of 1.9% YoY in January, according to Bank of America aggregated card data. However, that decline reflected the extra leap day in February 2024, which boosted spending last year and depressed the YoY growth rate for February 2025. Seasonally adjusted (SA) spending per household rose 0.3% month-over-month (MoM), with the three-month seasonally adjusted annualized growth rate (SAAR) at 2.4% (Exhibit 1).

Exhibit 1: Consumers continued to show forward momentum, with spending up 2.4% on an annualized basis in February 2025

Total credit and debit card spending growth per household, based on Bank of America card data (monthly, MoM%, seasonally adjusted (SA)) and (3-month moving average, SAAR, SA)

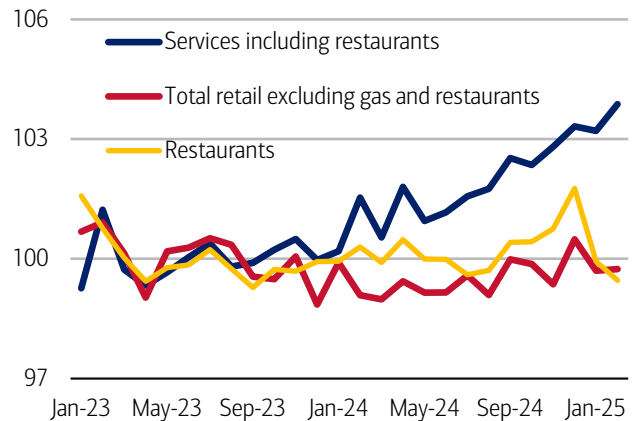


Source: Bank of America internal data

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Exhibit 2: Services spending stayed strong in February, while restaurants saw a decline

Spending by category, based on Bank of America card data (monthly, index 2023 = 100, seasonally adjusted (SA))



Source: Bank of America internal data

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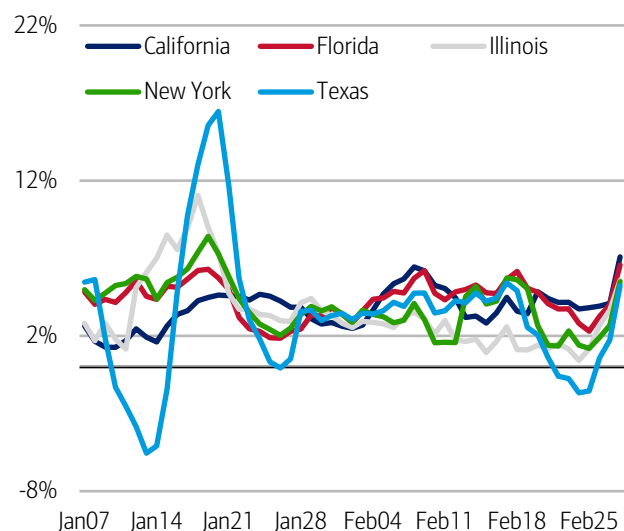
Spending continued to be strong in services in February on a MoM basis (Exhibit 2), though there was a continued decline in restaurant spending. Additionally, retail spending (ex- gas and restaurants) was flat MoM, after declining in January.

In our view, the consumer is still demonstrating some underlying forward momentum in these early months of the year, though at a more measured pace. This is particularly the case as the weather may be responsible for some weakness in the data. January was a cold month, with snow and ice in the South and Northeast. February also brought winter storms to the midwestern and southern US, evident in slowing spending growth in Texas in mid-month, although spending recovered toward the end of February (Exhibit 3).

Card spending growth also weakened in the D.C. area in February, possibly due to the significant snow received during the third week of February. However, other major cities in the eastern portion of the US also received winter snowstorms and they experienced a spending growth recovery (Exhibit 4). So, it could also be that recent announcements and actions to reduce the size of the federal workforce may be weighing on spending throughout the DC area.

Exhibit 3: Card spending growth weakened in Texas in mid-February, as cold weather hit, but recovered to end the month up 5% YoY

Total credit and debit card spending growth per household by select states (7-day moving average, YoY%)

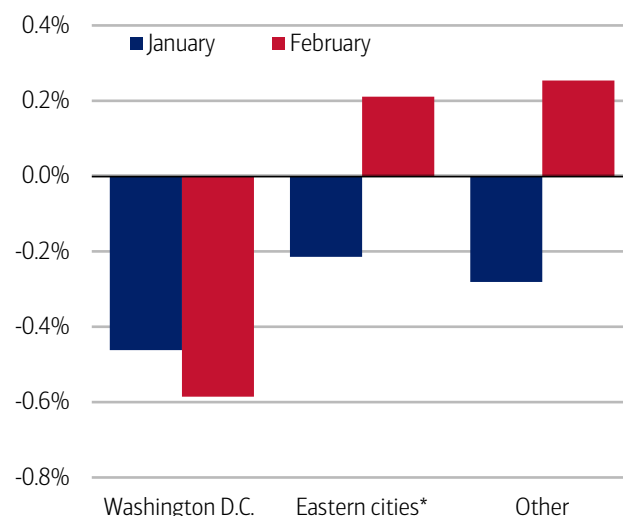


Source: Bank of America internal data

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Exhibit 4: In February, MoM card spending growth remained negative in Washington DC, but recovered in other eastern US cities

Aggregated credit and debit card spending growth per household for Washington DC and select eastern cities (monthly, MoM%)



Source: Bank of America internal data. Note: Eastern cities include Boston, NYC, Philadelphia, Charlotte, Atlanta, Baltimore. Other includes all other US spending.

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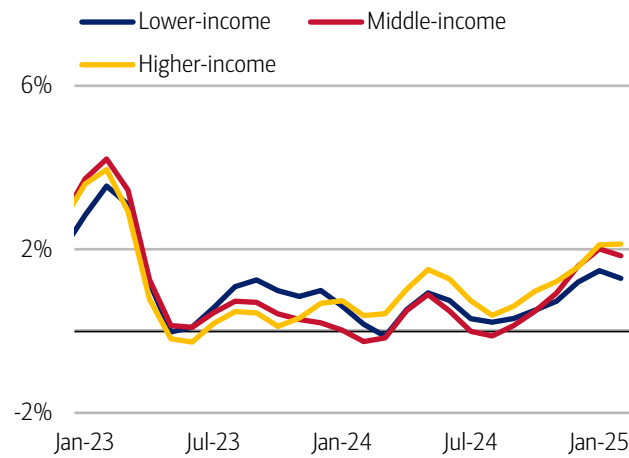
Higher-income spenders continue to lead

Looking at spending across income cohorts, the top-third of households by income category have largely had higher card spending growth than middle- or lower-income peers since February 2024. This contrasts with 2023 when the opposite was true (Exhibit 5).

One reason for the recovery in spending growth in the higher-income cohort appears to be stronger after-tax wage and salary growth, which accelerated over 2024 after a period of weakness in 2023. In February 2025, after-tax wage and salary growth for this cohort accelerated further, up 3.5% YoY, compared to a slowdown in growth for lower-income households, up 2.4% YoY, according to Bank of America deposit data (Exhibit 6).

Exhibit 5: Spending growth for middle- and higher-income households has been stronger, up around 2% YoY, while it has lagged slightly for lower-income households, up nearly 1.3% YoY

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

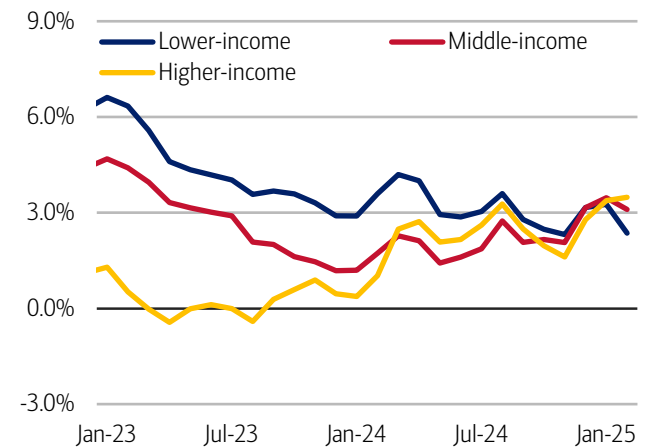


Source: Bank of America internal data

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Exhibit 6: Wage growth for higher-income households was up nearly 3.5% YoY in February, while it has slowed for lower-income households to around 2.4% 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

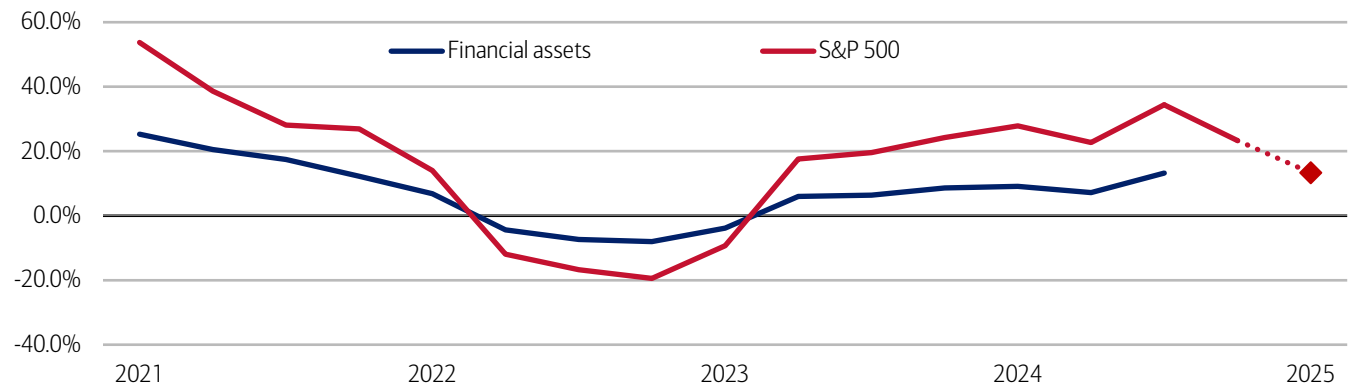
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Wealth effects also a support for the higher-income consumer

Higher-income households tend to hold more of their overall financial assets in equities. Data from the Federal Reserve suggests that the top 20% of households by income held around 43% of their non-real estate assets in directly held corporate equities and mutual fund shares in Q3 2024, compared to around 20% for the other 80% of households. The size of overall financial wealth will generally be higher for these higher-income households, too.

Exhibit 7: Household financial assets rose 13% YoY in Q3 2024

Total financial assets of the household sector and the S&P 500 index (quarterly, % YoY)



Source: Board of Governors of the Federal Reserve System. Red diamond represents YoY between end February 2024 and 2025.

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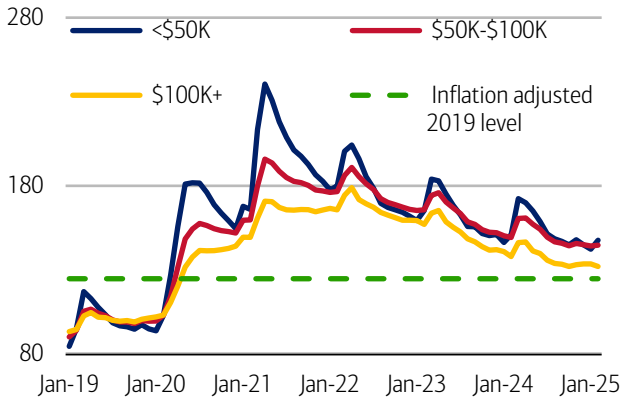
Rising financial asset values over 2023 and 2024 (Exhibit 7) have likely provided an additional boost to spending growth for higher-income households over the past year or so through so-called “wealth effects” – the tendency for consumers to spend more as their wealth rises. But how this relative boost to higher-income spending develops over the course of 2025 will depend, in part, upon how equities perform: current levels of the S&P may suggest some of these wealth effects could dissipate this year.

Savings deposits and tax refunds help bolster the lower- and middle-income consumer

For lower- and middle-income households, elevated deposits are likely to have been consequential in providing a tailwind or support to their spending, given they represent a larger share of their wealth. Exhibit 8 shows that, while diminishing, household savings balances are still above 2019 inflation-adjusted levels.

Exhibit 8: Median checking and savings deposit balances have declined over the past year for all income cohorts, but largely remain above inflation-adjusted 2019 levels

Monthly median household savings and checking balances by income for a fixed group of households through February 2025 (monthly, indexed 2019 = 100)

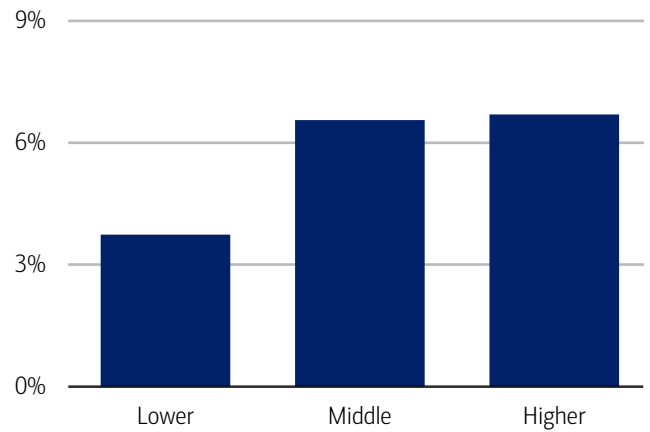


Source: Bank of America internal data. Note: Monthly data includes those households that had a consumer deposit account (checking and/or savings account) for all months from January 2019 through February 2025.

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Exhibit 9: As of February 28, 2025, the average refund size over the tax filing season was up nearly 4% YoY for lower-income households and up around 7% YoY for middle- and higher-income households

Average tax refund per customer through February 28, 2025 (refunds include both federal and state refunds, %YoY)



Source: Bank of America internal data

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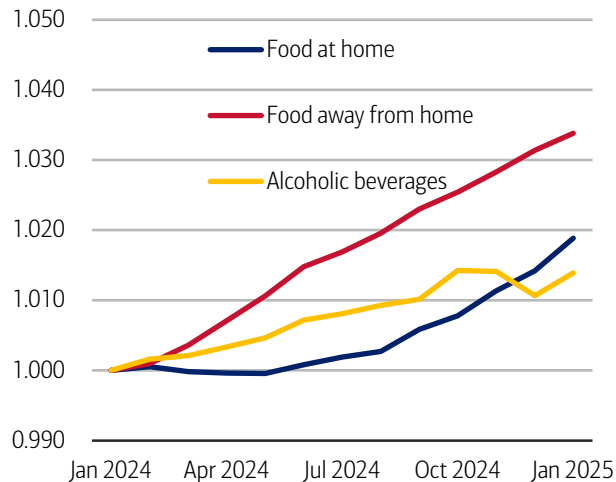
At this time of year, tax refunds can be a seasonal boost to household deposits and potentially provide another tailwind, albeit temporary, to their spending. Looking at average tax refund payments into Bank of America deposit accounts over the 2025 tax filing season as of February 28, for households at the lower-end of the income distribution, the average refund was up around 4% YoY, with increases around 7% YoY for middle- and higher-income households (Exhibit 9). However, it's still very early in the tax season to draw conclusions – according to IRS data, only around a quarter of the total tax filings had been made as of February 21st as the majority are likely to come throughout March and April.

Food, not so glorious food?

Over the past year, prices for ‘food away from home’ (e.g., restaurants) have risen by more than prices for ‘food at home’ (e.g., groceries) (Exhibit 10). But recently, prices for food at home have been increasing notably: up 0.5% MoM, following a 0.3% rise in December, and well above the average 0.14% MoM increase in 2024.

Exhibit 10: Food-away-from-home prices have risen by more than food-at-home prices since January 2024

Consumer price indices for food at home, food away from home and alcoholic beverages (SA, January 2024=1)

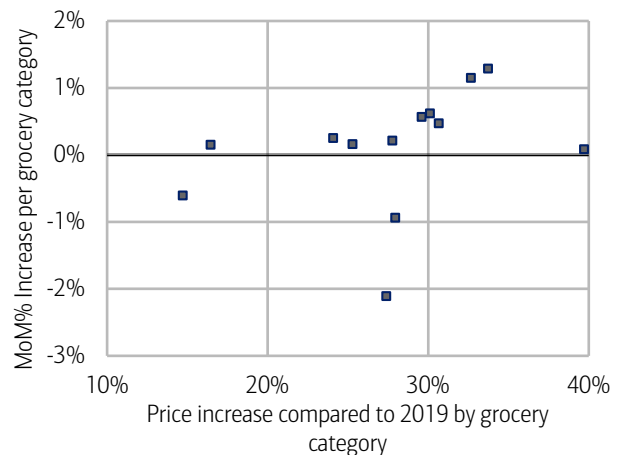


Source: Haver Analytics

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Exhibit 11: Grocery prices are rising fastest MoM for items that already saw large increases compared to 2019

Grocery price increases compared to 2019 average (December 2024, %) compared to grocery inflation (January 2025, MoM%). The dots represent different major grocery categories (see Methodology).



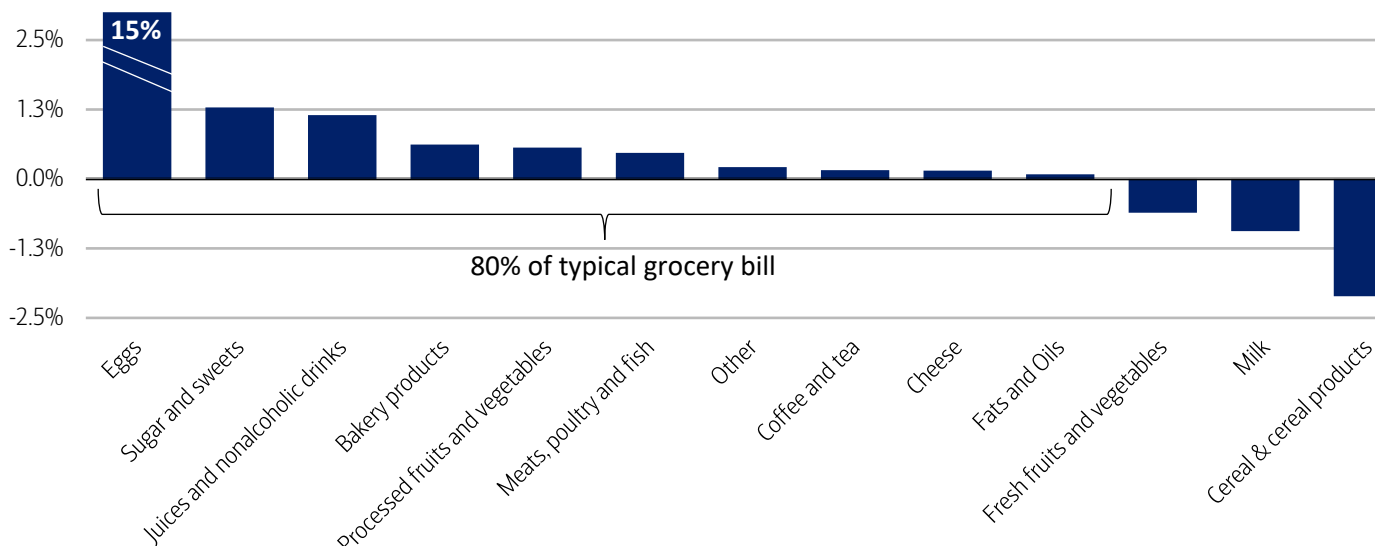
Source: Haver Analytics. Eggs not shown given the size of increase will distort the chart; December 2024 prices for eggs have increased 81% compared to 2019.

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While these MoM price increases are still relatively small, they are occurring after grocery prices have already risen nearly 30% since 2019. In fact, the largest MoM price increases appear to be for the grocery items that are already up the most (Exhibit 11).

Exhibit 12: Grocery prices increased for items that make up both large and small portions of a typical grocery bill

Grocery inflation by category (January 2025, MoM%)



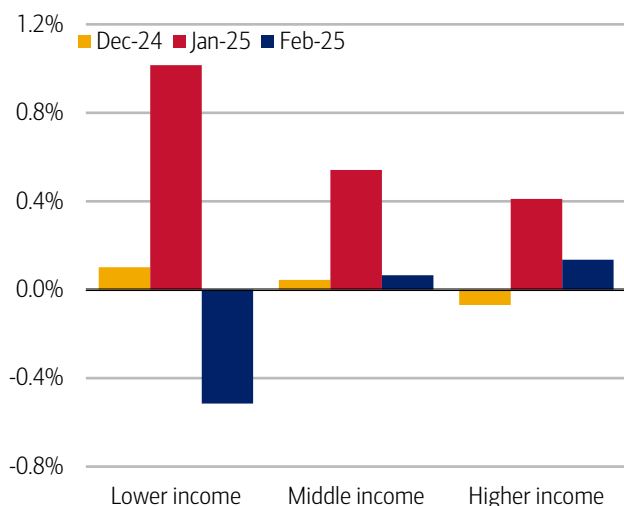
Source: Haver Analytics

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This has been more obvious in some high-profile items; for example, the price of eggs rose 15% MoM in January, according to data from the Bureau of Labor Statistics (BLS). Eggs account for 2.5% of a typical grocery bill, so this increase alone may not be enough to ‘eat’ into the rest of consumer budgets. However, looking across all grocery categories, we can see that prices increased MoM for nearly 80% of typical spending in January (Exhibit 12). Additionally, meat, poultry, and fish – accounting for nearly 20% of an average grocery basket – experienced a 0.5% MoM increase.

Exhibit 13: Grocery spending is continuing to rise for middle- and higher-income households

Card spending per household on groceries by income (SA, % MoM)

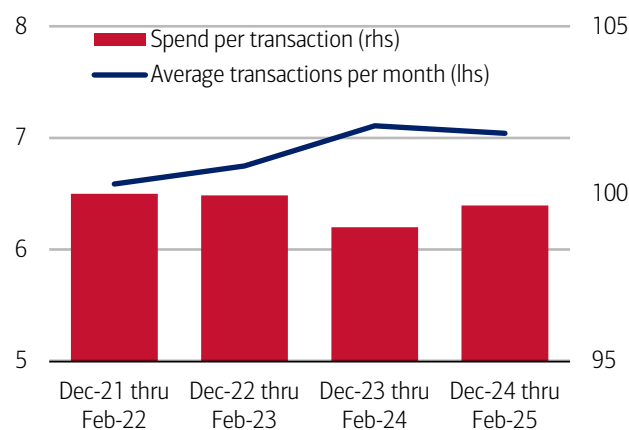


Source: Bank of America internal data

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Exhibit 14: Households increased their average number of grocery transactions, compared to 2022, while spend per transaction has almost returned to 2022 levels

Average card transactions per month (left hand side) and card spending per transaction for groceries (right hand side), based on Bank of America credit and debit card data (December to February average, index 2022 = 100)



Source: Bank of America internal data

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Conversely, fruit and vegetables, accounting for over 13% of a typical basket declined 0.6% MoM. However, given that imports have made up an increasing share of US food consumption, especially for nonmanufactured goods like fruits and vegetables, potential tariffs may put price pressures on even more items in consumers’ grocery carts in future.

This rise in grocery prices appears to be partially reflected in household spending, according to Bank of America internal data. Exhibit 13 shows that those with lower incomes spent around 1% MoM more on groceries in January, with smaller rises for middle- and higher-income households. While lower-income households saw a decline in February, middle- and higher-income households saw another rise. It may be that some of the recent decline in grocery spending at the lower end of the spectrum may be due to a spreading out or trading down effect, as some lower-income households head to general merchandise or discount stores to save money.

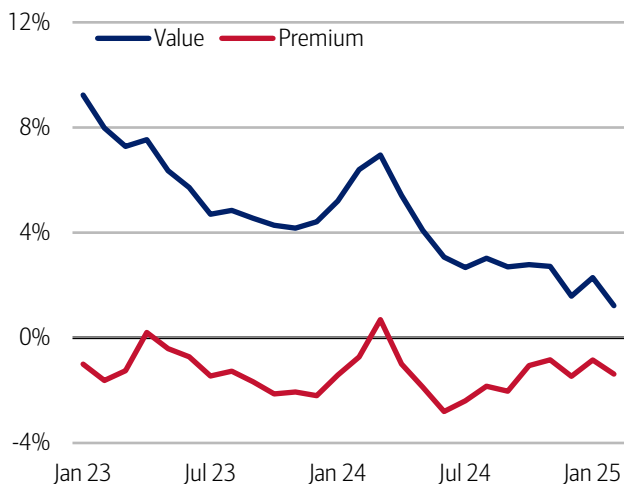
How might consumers respond to higher food prices if they continue to take a ‘bite’ out of their spending power? Exhibit 14 shows that one response to earlier food inflation was that consumers shopped for groceries more often but spent less each time. More recently though, the amount spent per transaction has increased while the number of times consumers shop has eased only slightly.

This approach of ‘more but smaller’ shops may allow consumers to focus on buying things they feel represent good value at particular stores. And a natural counterpart is households also shopping increasingly at ‘value’ grocery stores (see [our piece on value groceries for more](#)). Exhibit 15 shows that this trend is ongoing, and in February 2025, grocery spending per household at value stores rose 1.2% YoY, while it dropped 1.4% YoY for premium grocers.

Overall, if food prices continue to rise, consumers could continue to employ some of these strategies to try and limit the pass-through of higher prices onto their grocery bills, which, in turn, may reduce the risk of them needing to pull back their spending elsewhere. This is particularly relevant for lower-income households, where groceries swallow up a significant share of income (Exhibit 16).

Exhibit 15: Value grocery spending was up 1.2% YoY in February, compared to a drop of 1.4% for premium stores

Card spending per household at Value and Premium grocery stores (three-month moving average, % YoY)

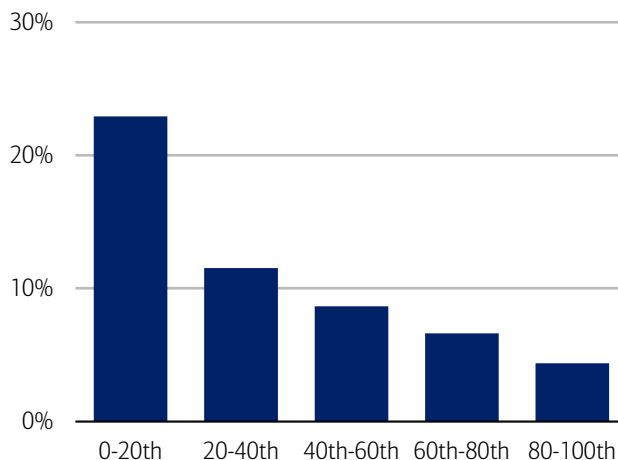


Source: Bank of America internal data

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Exhibit 16: For lower-income households, spending on food represents a significant share of after-tax income - the lowest 20% of households spend around 23% of their income on groceries

Expenditure on food at home as a percentage of post-tax income by percentiles of household income (2023, %)



Source: Bureau of Labor Statistics

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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. 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.

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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