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Economy

Consumer Checkpoint: Hunkered down, but healthy

09 May 2025

Key takeaways

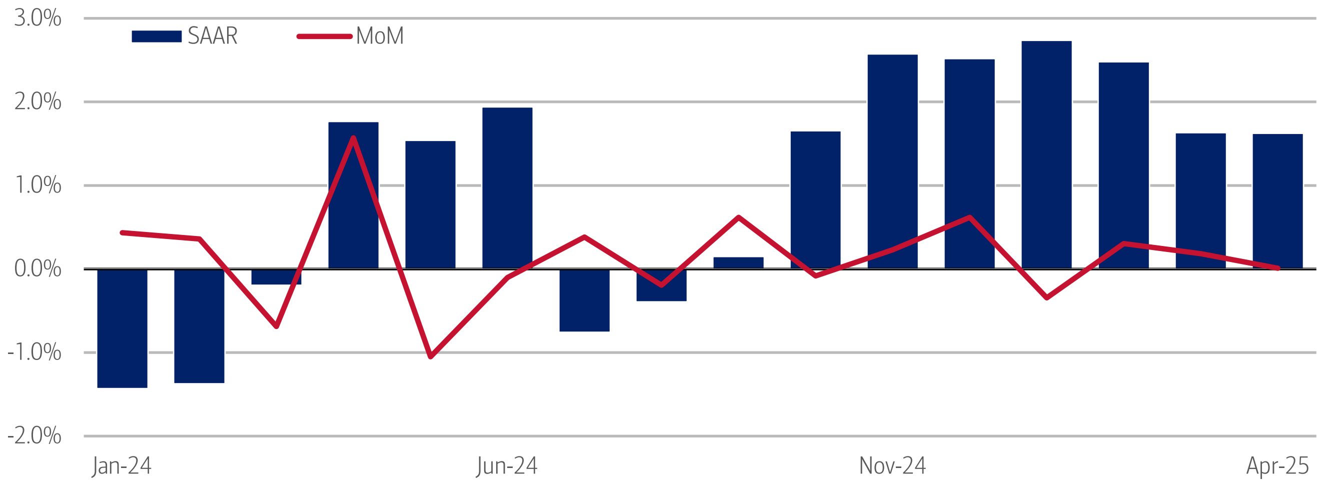
- April card spending per household was up 1% year-over-year, following the 1.1% rise in March, according to Bank of America aggregated credit and debit card data. Seasonally-adjusted spending per household was flat month-over-month.
- The gradual easing in consumer spending momentum is not just due to lower inflation - the growth in the number of transactions has also cooled. Consumers appear to be pulling back particularly on bigger ticket discretionary services like airline tickets and lodging.
- Lower-income households' spending growth is below that of their middle- or higher-income counterparts. In our view, this reflects their relatively weaker after-tax wages and salaries growth. However, lower oil prices may bring some relief.
- The financial position of most consumers appears sound. One sign of that: more consumers are paying off their credit card balances every month, according to Bank of America credit card data. However, we see some increase in the share of households making only the minimum payment on their credit cards, suggesting building pressures for some households.

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.

Consumers' momentum remains

Credit and debit card spending per household increased 1% year-over-year (YoY) in April after a gain of 1.1% YoY in March, according to Bank of America aggregated card data. Seasonally adjusted (SA) spending per household was flat month-over-month (MoM), with the seasonally adjusted annualized growth rate (SAAR) remaining at 1.6% again for April (Exhibit 1).

Exhibit 1: Consumers continued to show moderate forward momentum, with spending up 1.6% on an annualized basis in April 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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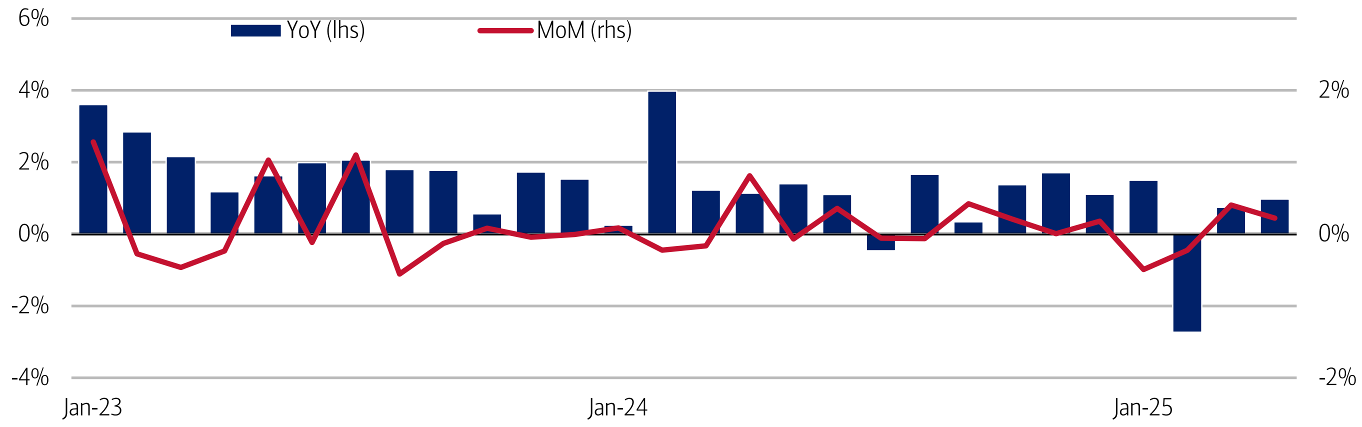
Consumers are holding off on big ticket travel and leisure spending

Does the easing in consumers' spending momentum this year reflect cooling inflation or a slowing rate of growth in the number of their purchases and transactions? Bank of America aggregated card data indicates it may be the latter.

In fact, while YoY transaction growth per household has been largely positive, the growth rate cooled in 2024 relative to 2023, partly as the post-Covid burst in activity cooled. And it may continue to cool further, though the data has been fairly noisy at the start of this year due to calendar effects such as the timing of Easter and the presence of a leap year in 2024 (Exhibit 2). Additionally, on a seasonally adjusted basis, data indicates that consumers do continue to have some forward momentum this year, even if it is at a more measured pace.

Exhibit 2: The YoY growth in transactions has been slowing, suggesting some gradual moderation in forward momentum

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



Source: Bank of America internal data

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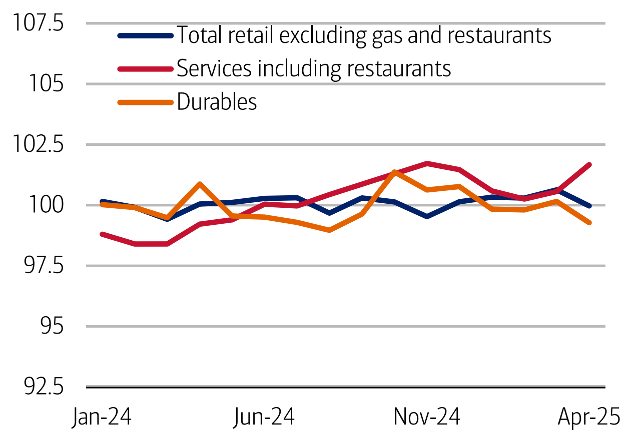
Interestingly, retail purchases (excluding gas) eased back in April after rising earlier this year (Exhibit 3). Why? Consumers may have been front loading purchases of durables to get ahead of potential tariff-related price increases – a trend that increasingly ran its course over April (read more about this topic in our April spending update publication).

While softer over the first quarter of 2025, services purchases showed some recovery in April. But while smaller ticket "nice to have" discretionary service-related spending (e.g., dining out) improved in March and April, bigger ticket discretionary outlays on airfare and lodging continued to decline, possibly due to declining consumer confidence and worries about the economic outlook (Exhibit 4).

Exhibit 3: Services transactions recovered in April…

Transactions per household for select categories, based on Bank of America card data (monthly, index 2024 = 100, SA)



Source: Bank of America internal data

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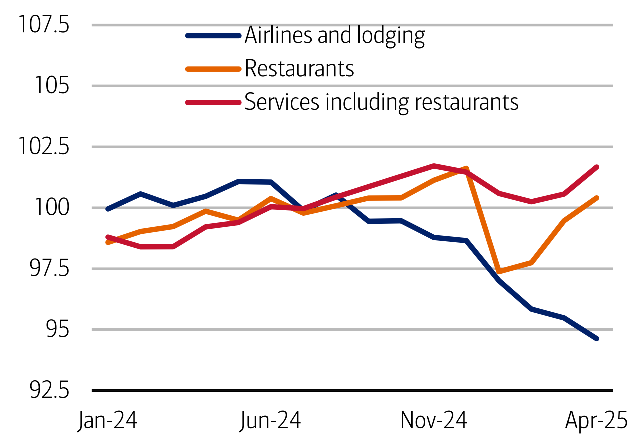
Exhibit 4: … while airline and lodging purchases continued to decline

Transactions per household for select categories, based on Bank of America card data (monthly, index 2024 = 100, SA)



Source: Bank of America internal data

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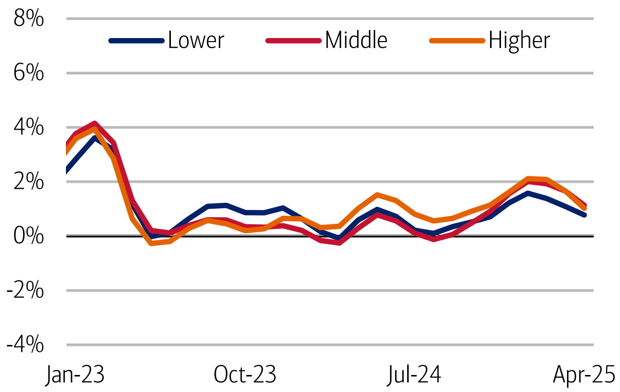
Spending growth is easing across all income cohorts

Some slowdown in spending growth is consistent across income cohorts since the beginning of the year, though the spending growth of lower-income households is weakest (Exhibit 5). In our view, this partly reflects relative softness in their after-tax wage growth. In fact, lower-income households saw an after-tax wage gain of just 1.5% YoY in April, a slight improvement from the previous month, but still a lower rate than the past two years, according to Bank of America deposit data (Exhibit 6).

Exhibit 5: Spending growth among middle- and higher-income households has been stronger than lower-income counterparts

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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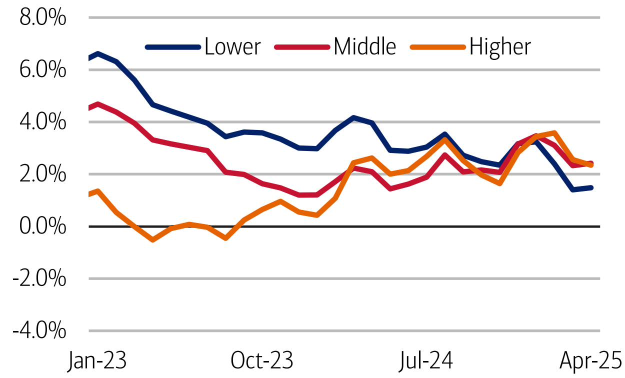
Exhibit 6: Wage growth for higher-income households remained at 2.3% YoY in April, while it was 1.5% YoY for lower-income households

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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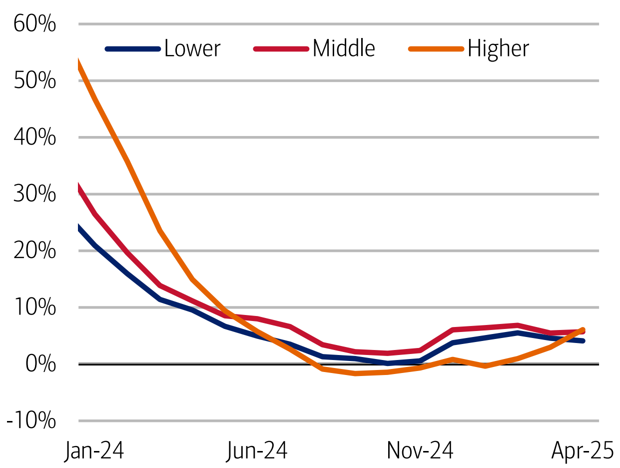
While the overall labor market remains very healthy, we see some signs of a rise in households receiving unemployment payments. Notably, the number of higher-income households receiving such payments in Bank of America deposit accounts accelerated to 6.1% YoY growth in April from 1% YoY in February (Exhibit 7). Meanwhile, it increased 4.1% YoY for lower-income households and 5.7% YoY for middle-income households in April.

One positive for all consumers is the continued drop in oil prices (Exhibit 8). This may offer some temporary relief at the gas pump, which would be particularly beneficial for those with lower incomes given that necessities account for a higher proportion of their overall spending.

Exhibit 7: Higher-income households receiving unemployment payments accelerated in March and April 2025

Number of households receiving unemployment payments by income tercile (3-month moving average, YoY%, NSA)



Source: Bank of America internal data

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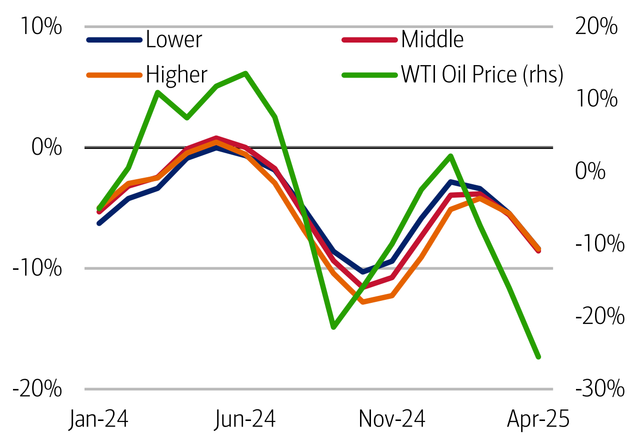
Exhibit 8: Consumer spending on gas continued to decline, but a drop in the price of oil could be another temporary tailwind

Gas spending per household, according to Bank of America card data, by household income terciles (3-month moving average, YoY%, SA) with crude oil spot prices (monthly, YoY%)



Source: Bank of America internal data. Crude oil prices based on West Texas Intermediate prices from the Energy Information Administration.

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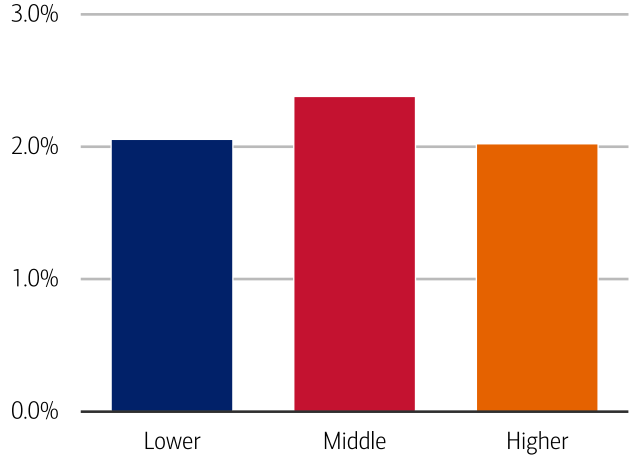
Tax returns provide temporary boost to deposits and bolster credit health

Tax returns may provide another source of temporary support for lower- and middle-income households. Over the 2025 tax filing season, average federal and state refund payments into Bank of America deposit accounts for households at the lower- and higher-end of the income distribution were up around 2% YoY as of April 30, with increases of about 2.4% YoY for those earning middle incomes (Exhibit 9).

According to a survey from CivicScience it appears relatively few consumers plan to spend their refunds. In fact, a much higher percentage of households say they plan to use the money to pay off debt or build up their savings rather than travel or shop (Exhibit 10).

Exhibit 9: Lower- and middle-income households saw larger gains in their tax refunds than their higher-income counterparts

Average tax refund per household through April 30, 2025 (refunds include both federal and state refunds, %YoY)



Source: Bank of America internal data

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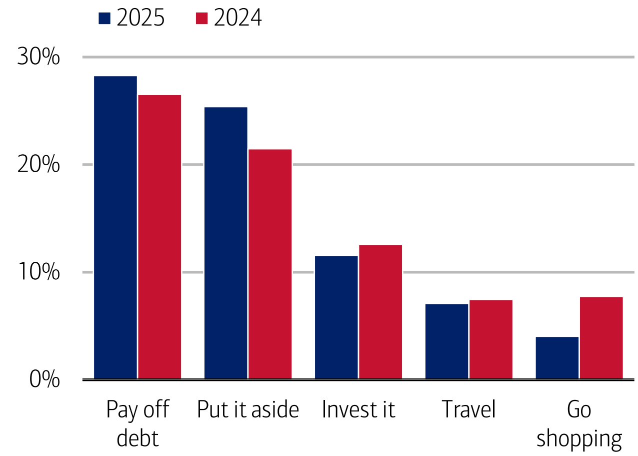
Exhibit 10: Over half of survey respondents plan to pay off debt or boost savings with their tax refunds this year

Survey results: How do you plan to spend your tax refund this year? (yearly, %)



Source: CivicScience

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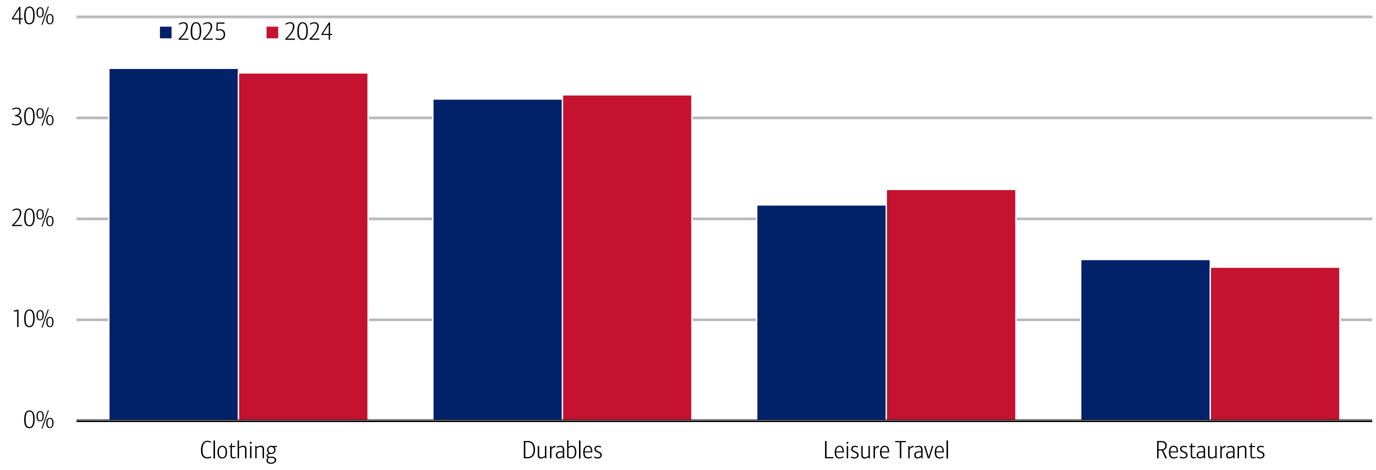
However, Bank of America card data suggests that consumers who received tax refunds have so far increased their spending on clothing, durables, and restaurants in a broadly similar way this year compared to the last, although their outlays for leisure travel (airlines, lodging, travel agencies, etc.) were lower (Exhibit 11).

Exhibit 11: Consumers shopped at retailers post-tax refund at a similar rate this year compared to last year, but appear to have pulled back somewhat on leisure travel

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, %)



Source: Bank of America internal data. Note: Durables includes electronics, building materials, and auto-related spending. Leisure travel includes airlines, car rentals, cruises, lodging, and travel agencies.

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Lower income customers more likely than others to pay off debt with tax returns, but not more than previous years

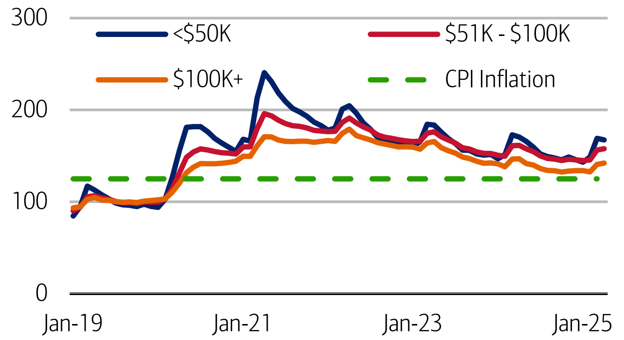
Alongside some increase in spending, Bank of America deposit data does suggest households also save and pay down debt with their refunds, consistent with the CivicScience survey.

Looking at deposits, households, especially lower-income ones, increase their savings every March and April (Exhibit 12). In fact, median deposits were up at least 42% in April compared to 2019 levels and 17% on an inflation-adjusted basis. Notably the YoY decrease in deposits is falling at a much lower rate this year compared to the last. And while savings do also typically drop back in subsequent months, it is fairly gradual, further suggesting some households don't rush to spend their refund.

Moreover, we see a similar sized rise in 2025 debt payments, to both Bank of America and other lenders, following tax refunds as we saw in 2024 (Exhibit 13).

Exhibit 12: Median checking and savings deposit balances have increased significantly in the past two months

Monthly median household savings and checking balances by income for a fixed group of households January 2019 through April 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 April 2025.

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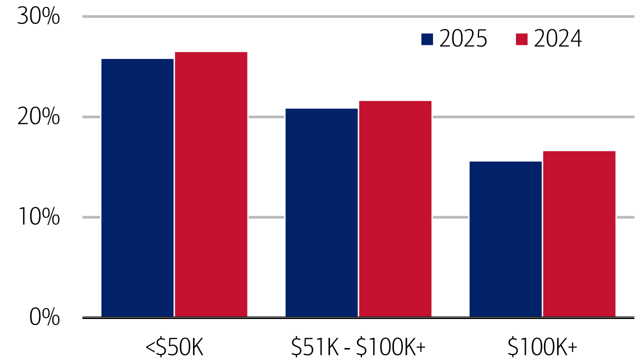
Exhibit 13: Consumers across all income levels have not greatly decreased their tax refund-fueled debt payments this year

Aggregate consumer debt payments for the three-week period after receipt of a tax refund compared with the three-week period before by customer income (weekly average, %)



Source: Bank of America internal data. Note: includes population of consumers who have received tax returns through April 4, 2025.

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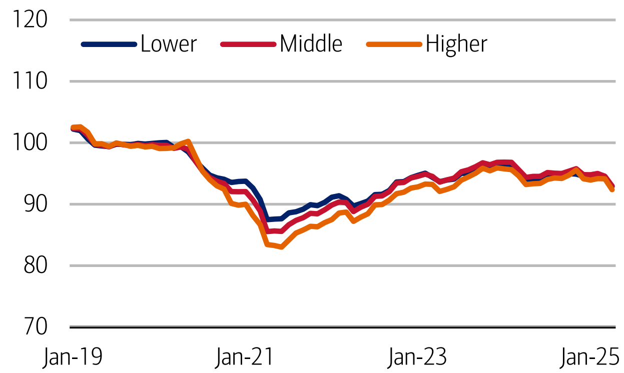
Most households can weather financial storms, but some are already in the rain

Evidence that some households are prioritizing cutting debt (and saving more) is also reflected in Bank of America credit card data, which indicates more consumers are paying off their entire balance every month both YoY and compared to 2019 (Exhibit 14).

Exhibit 14: The share of those who carry credit card balances is below 2019 levels for all income groups

Ratio of households who are revolvers to total households in Bank of America credit card data, by household income terciles (monthly, index 2019 average = 100)



Source: Bank of America internal data

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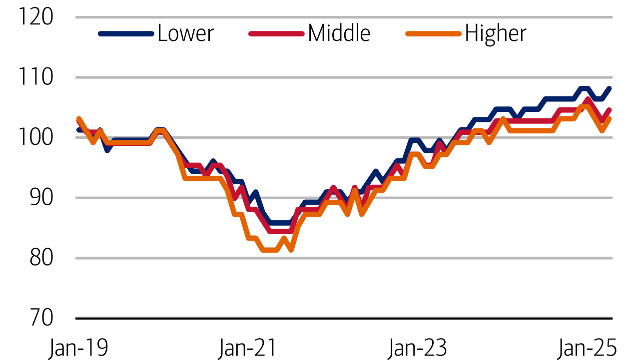
Exhibit 15: Lower-income households saw a larger increase in credit card usage rates both YoY and compared to 2019 levels

Median credit card utilization rate for households with a revolving balance by household income (monthly, index 2019 average = 100)



Source: Bank of America internal data

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But looking at the population of consumers that do carry a credit card balance over every month (aka "revolvers"), while middle- and higher-income households are using more of their credit limits both YoY and compared to 2019, lower-income households have experienced a larger increase (Exhibit 15).

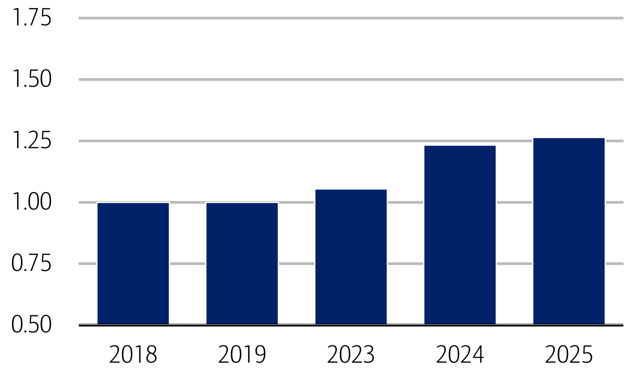
Some of this rise may be due to an increase in the share of households making minimum credit card payments, as those that only make the minimum payment will carry more of a credit card balance over each month. The rate of increase in the share of minimum payers has slowed so far this year compared to last, but it is still higher than 2019 (Exhibit 16).

The good news is that financial pressures do not appear to be making more people tap into their retirement savings. Bank of America's [2025 Q1 Participant Pulse] finds that the share of 401(K) participants taking a hardship distribution declined in the first quarter of this year after nearly two years of increases (Exhibit 17). And average contribution rates into such accounts remained elevated at 6.6%, up from 6.5% a year ago.

Overall, while consumers are generally in a better financial situation than they were both last year and compared to 2019, for some, financial pressures are building.

Exhibit 16: The share of households making minimum credit card payments has increased at a slower rate this year

Percentage share of overall households making credit card minimum card payments (yearly, index 2018 average = 100)



Source: Bank of America internal data. Note: 2025 is through April.

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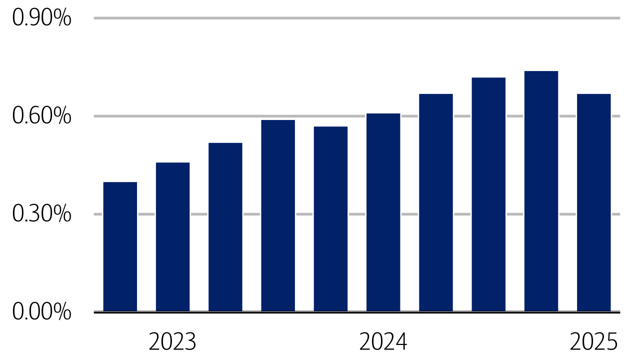
Exhibit 17: The share of 401(K) participants taking a hardship distribution dropped in 1Q 2025

% of total 401(k) participants taking a hardship distribution (quarterly, %)



Source: Bank of America internal data. Note: Chart starts in the fourth quarter of 2022.

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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.

CivicScience survey includes 4679 responses from February 6, 2025 to April 14, 2025.

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

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Disclosures