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Economy

Consumer Checkpoint: The tale of two wallets

10 October 2025

Key takeaways

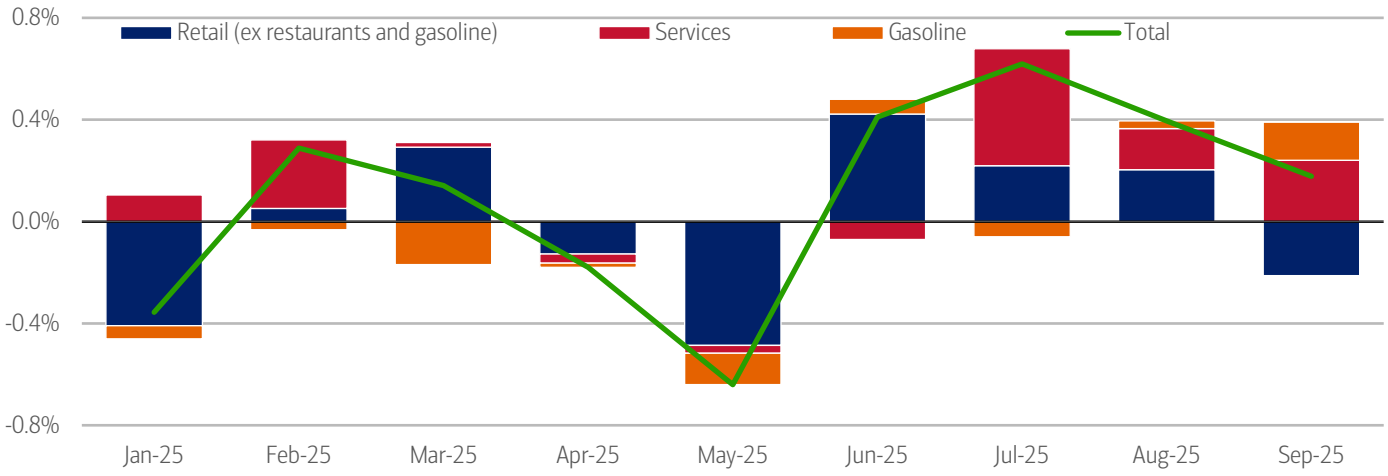
- Total credit and debit card spending per household increased 2.0% year-over-year (YoY) in September, compared to 1.7% YoY in August, according to Bank of America aggregated card data. Seasonally adjusted (SA) spending growth per household rose 0.2% month-over-month (MoM), the fourth straight monthly gain.
- Lower-income households showed some spending recovery, but growth remains muted compared to middle- and higher-income groups, likely due to softer wage gains in this cohort.
- Middle- and higher-income households have stronger wage growth but higher-income spending is likely also benefiting from wealth effects. The discretionary spending of the top 5% of households by income tends to widen compared to the middle-income cohort when the S&P 500 is rising.
- Housing wealth plays a supporting role, and is spread across the income distribution more proportionately. However, the overall impact on consumer spending is likely limited.

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.

The upturn in consumer spending continued into September

Total credit and debit card spending per household increased 2.0% year-over-year (YoY) in September, compared to 1.7% YoY in August, and the highest YoY growth rate since December 2024, according to Bank of America aggregated card data. Seasonally adjusted (SA) spending growth per household rose 0.2% month-over-month (MoM), continuing a solid run of monthly momentum since June 2025 (Exhibit 1).

Exhibit 1: Total card spending rose 0.2% MoM in September, with rises in services and gasoline spending driving the increase
Total credit and debit card spending growth per household, based on Bank of America card data (monthly, MoM%, SA) and contributions to MoM growth from retail, services and gasoline (pp)



Source: Bank of America internal data

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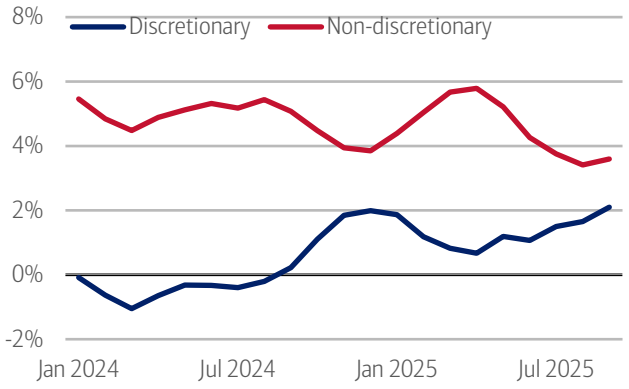
In September, services and gasoline spending rose and contributed to the overall monthly gain. Within services, there was a small decline in restaurant spending (down 0.1% MoM) and a larger drop in airline spending (down 1.0% MoM), with a rise in lodging (up 0.2% MoM). Overall, there has been a steady rebound in YoY discretionary services spending growth after a wobble in the spring (Exhibit 2).

Exhibit 2: The rebound in discretionary services spending remains intact
Discretionary and non-discretionary services growth (3-month moving average, % YoY)



Source: Bank of America internal data
Note: Non-discretionary includes categories such as insurance, rent, utilities and housing. Discretionary includes those such as restaurants, leisure, and travel.
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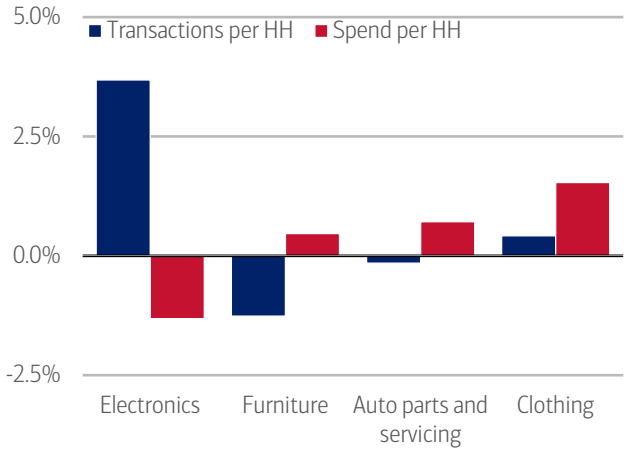
Exhibit 3: There is some modest sign of upward price pressures in tariff sensitive categories
Card transactions per household (HH) and spending per household in select retail categories (% change July-September compared April-June)



Source: Bank of America internal data
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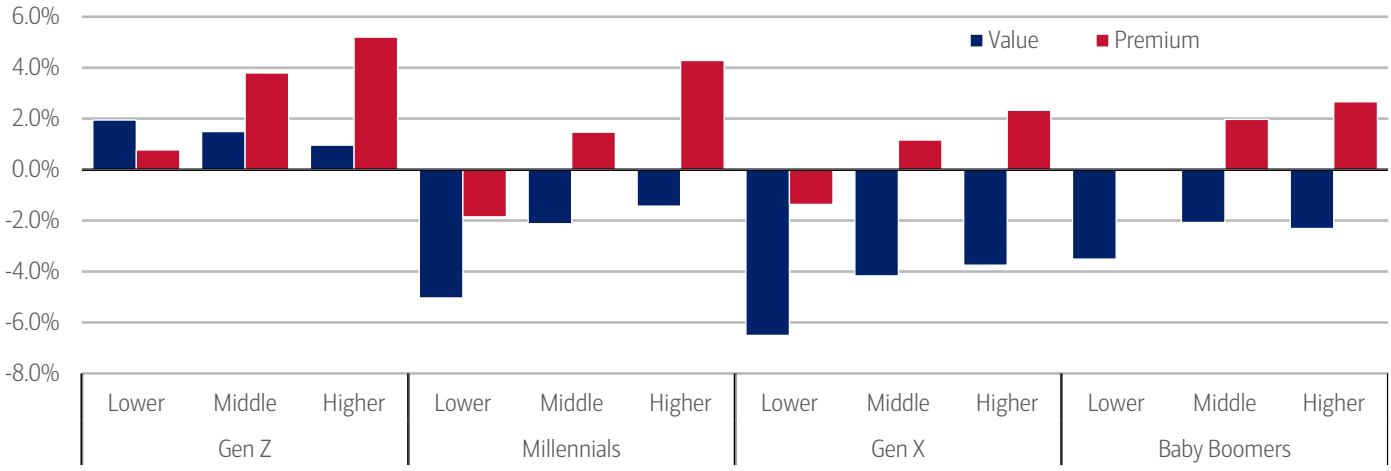
Retail reversal

Retail spending (ex-gasoline and restaurants), on the other hand, declined 0.5% MoM in September. This might seem surprising given some areas of goods spending are more exposed to price rises from tariffs – potentially pushing up the amount spent on them even if the volume of goods didn't change. Exhibit 3 shows that over the July-September period, the change in the number of transactions in some categories of spending on certain tariff-exposed goods such as furniture was weaker than the change in the amount spent on them, suggesting some upward price pressures beneath the surface. Still, this remains fairly modest so far.

One reason for this modest impact is likely that retailers have not passed the full impact of tariffs through onto consumers. Another could be that consumers are being more selective in their purchases when they see price rises or more selective in how they choose to spend their money. For example, when we look at spending on "durables" (e.g., electronics, autos, furniture, and building materials) we find that over the last year, consumers across generations actually tended to favor premium goods rather than value ones (Exhibit 4). So, they may have some scope to throttle back on these premium purchases and thereby offset some tariff impacts.

Exhibit 4: Across all generations and income groups, except lower-income Gen Z, value-tier durables spending growth lagged overall
Durables credit and debit card spending per household by income and generation in Q3 (YoY%)



Source: Bank of America internal data
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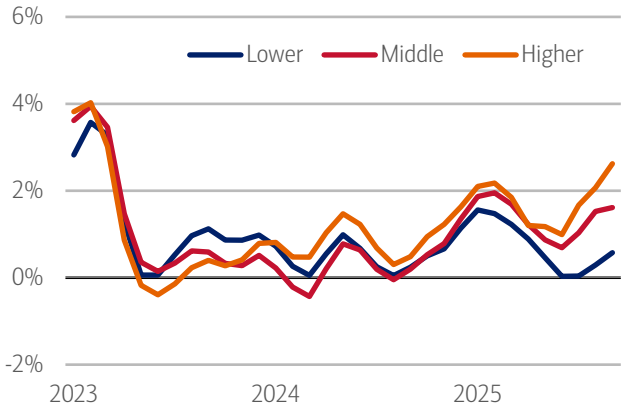
Divergences continue across income distribution

Lower-income weakness

The story of a wide divergence in spending growth between lower-income households and other cohorts remains, though the gap did not widen further. In September, the YoY spending growth of the lowest-income households was 0.6%, while that of middle- and higher-income households was 1.6% and 2.6%, respectively (Exhibit 5).

Looking at lower-income households in more detail, we find that all generations, aside from Gen Z, have seen a softening in their spending growth over 2025 (Exhibit 6), however the rate of growth is weakest for Millennial and Gen X households.

Exhibit 5: Lower-income households' spending growth was 0.6% YoY in September, compared to 2.6% YoY 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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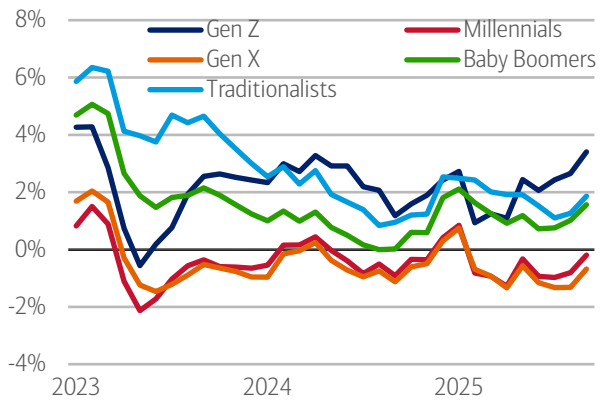
Exhibit 6: Among lower-income households, all generations, aside from Gen Z, have seen a softening in spending growth, but it is weakest for Gen X and Millennials
Lower-income household total credit and debit card spending, by generation (3-month moving average, YoY%, NSA)



Source: Bank of America internal data

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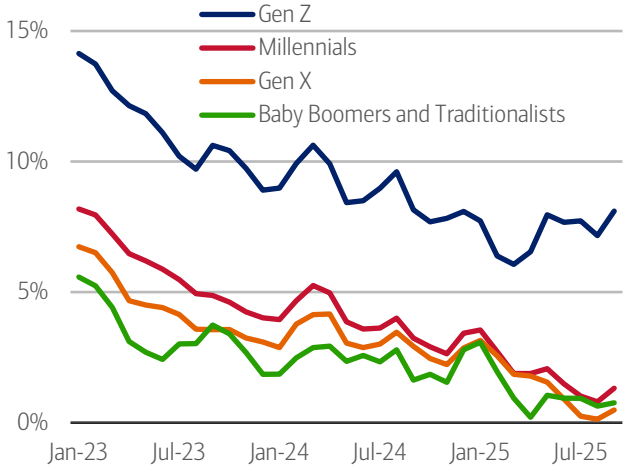
It is likely, in our view, that younger generations' spending will be particularly sensitive to changes in their wages as they have relatively lower assets to ride out fluctuations in income. Exhibit 7 shows that, while in September lower-income households across all generations saw an uptick in their after-tax wage and salary growth, it is small relative to the overall decline that has occurred over 2025.

Exhibit 7: Over 2025, many lower-income households across most generations have seen some cooling in wage growth
Lower-income households' after-tax wage and salary growth by generation, based on Bank of America aggregated consumer deposit data (3-month moving average, YoY%, SA)



Source: Bank of America internal data

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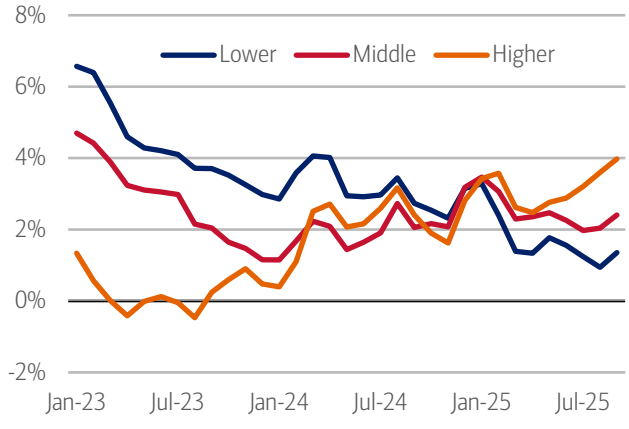
Exhibit 8: In September, higher-income household wage growth rose to 4% YoY, while for lower-income households it ticked up to 1.4% YoY
After-tax wage and salary growth by household income terciles, based on Bank of America aggregated consumer deposit data (3-month moving average, YoY%, SA)



Source: Bank of America internal data

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Will higher-income spending fade?

Wages provide support

One clear reason for optimism here is wage and salary growth, where Bank of America data shows little sign of a slowdown for either middle- or higher-income households. In September, the after-tax wage growth for middle-income households was 2.4% YoY, 0.2pp (percentage points) above its average since January 2024 (Exhibit 8). For higher-income cohorts, the situation is even more favorable: in September, after-tax wage growth was 4.0% YoY, higher than the 2.5% YoY average since January 2024, and the highest rate of growth since October 2021.

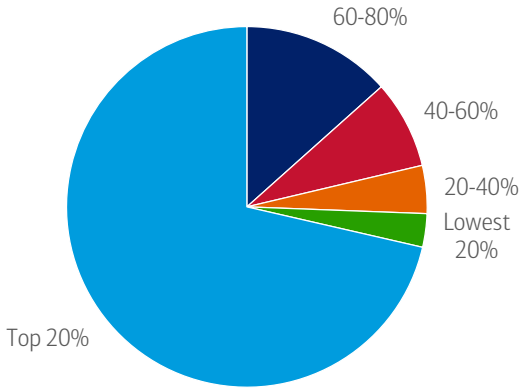
Rising financial assets are also helping

But wages aside, middle- and higher-income spending growth likely also benefits from "wealth" effects. This is particularly relevant for higher-income households to whom the distribution of wealth is heavily skewed: in Q2 2025, the top 20% of earners accounted for over two-thirds of net wealth (financial and nonfinancial assets less debt) (Exhibit 9).

This skewed distribution is especially true for equities. In Q2 2025, the Distributional Financial Accounts from the Federal Reserve indicated the average household in the top 20% income bracket directly held (outside of pensions) around $1.6 million in corporate equities and mutual fund shares, more than 10x the $130,000 for the next 20% (Exhibit 10). Even within the top 20% of earners these holdings are skewed – the top 1% held an average of $24.6 million, while the remaining 19% held an average of $960,000.

Exhibit 9: The top 20 percent of households by income make up over two-thirds of net wealth

Share of overall net household net wealth by income percentiles (Q2 2025, %)



Source: Haver Analytics

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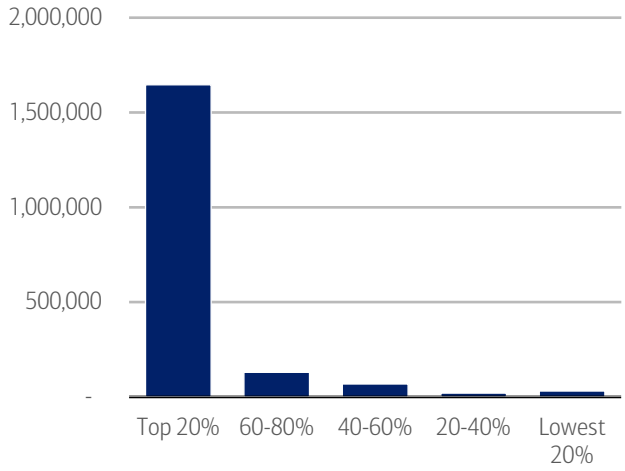
Exhibit 10: The top 20% of income distribution held on average $1.6 million in equities and mutual fund shares

Dollars held in corporate equities and mutual fund shares per household (Q2 2025, $)



Source: Board of Governors of the Federal Reserve System

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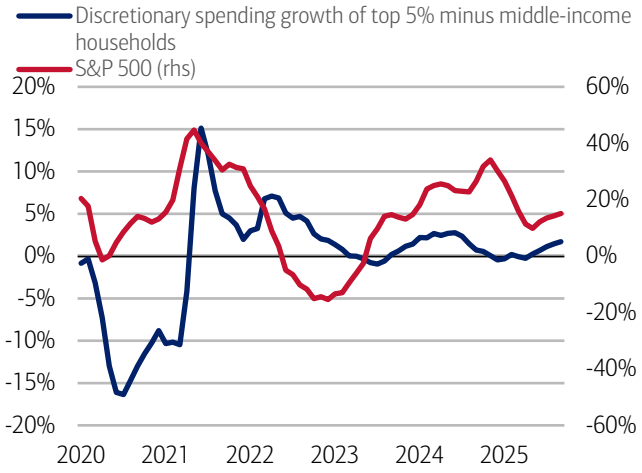
Given the S&P 500 index was up around 15% YoY in Q3 2025, many of the top earners are seeing large gains in their equity holdings. These gains are likely bigger in cash terms than the pay raises for these households and have probably played an important role in supporting their spending.

One way to illustrate the impact of these wealth effects in Bank of America data is to look at the difference in discretionary spending growth between the top 5% of households and middle-income peers. The idea here is that the top 5% will likely have considerably more financial assets than the middle-income cohort and should be more sensitive to fluctuations in wealth.

Indeed, Exhibit 11 shows that this difference has been fairly closely related to the growth in the S&P 500 since 2020. This suggests that spending for the high-income cohort should remain supported by wealth, absent a correction in equity markets.

Exhibit 11: There has been a fairly close link between rising equities and stronger top 5% spending
Discretionary card spending growth of the top 5% of households by income minus middle-income households (three-month moving average, pp) and the S&P500 (three-month moving average, % YoY)



Source: Bank of America internal data, Bloomberg

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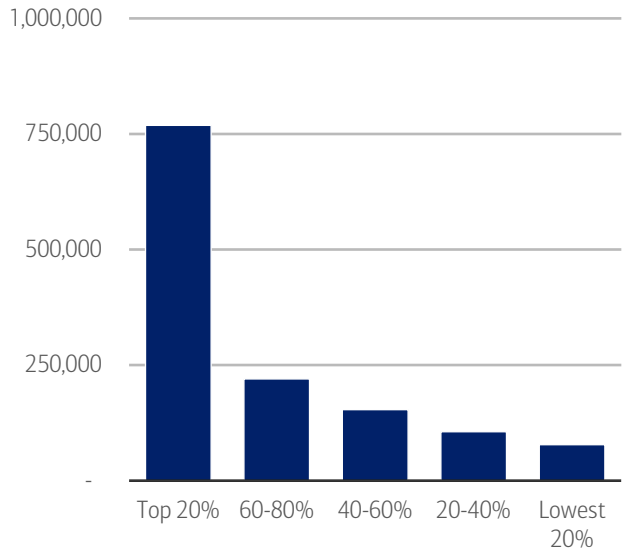
Exhibit 12: Home equity is also skewed to the top percentile of earners
Households' real estate assets less mortgage debt (2025 Q2, $)



Source: Board of Governors of the Federal Reserve System

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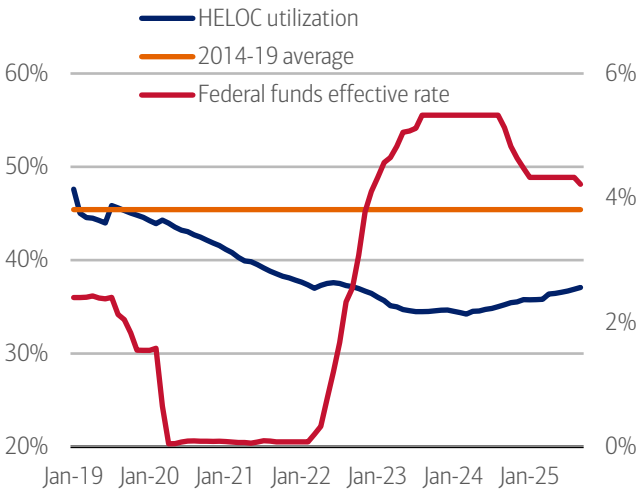
Housing equity is likely less of a driver, but HELOCs may come more into play

On top of financial assets, housing wealth is also relatively skewed (Exhibit 12), but not quite as much as for equities. In Q2 2025, the top 20% of households by income held around $770,000 in home equity, about 3.5x the $220,000 held for the next 20%.

Any wealth effects from housing could potentially reach further down the income distribution. However, house prices have been growing only modestly over the past several months, so the current impact on consumer spending from rises in housing wealth is likely limited.

Exhibit 13: There is some rise in HELOC utilization, but it remains lower than the 2014-2019 average
HELOC utilization rates compared to the 2014-2019 average (monthly data, %, left-hand side) and the federal funds effective rate (monthly, %, right-hand side)



Source: Bank of America internal data, Haver Analytics

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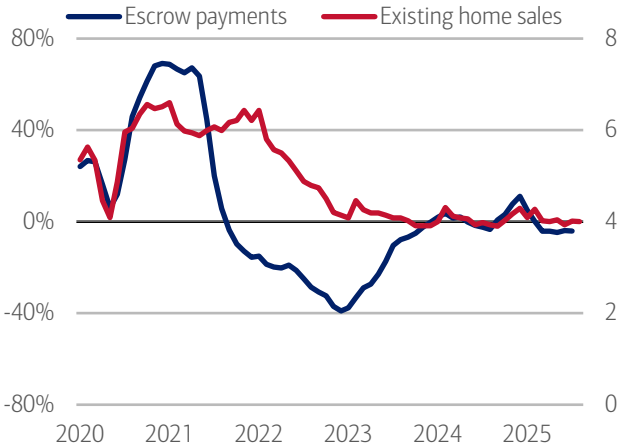
Exhibit 14: Housing market activity remains flat
Existing home sales (millions, right-hand side) and escrow payments from Bank of America customer accounts (three-month moving average, % YoY, left-hand side)



Source: Bank of America internal data, Haver Analytics. Note Escrow payments from Bank of America accounts are related to house sales financed both by Bank of America mortgages and by mortgages from other lenders.

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Still, reductions in the Federal Reserve's policy rate may make it easier for consumers to access some of the equity that has built up in their home. For many owners with fixed rate mortgages taken out at historically low rates taken out before 2021, accessing

this equity through a cash out refinancing of their main mortgage would not be attractive. But a more attractive option could be through a revolving home equity line of credit (HELOC). Bank of America internal data shows some rise in the utilization of HELOCs, but it remains below the 2014-19 average (Exhibit 13).

This HELOC channel is, in our view, probably the main housing-related channel whereby lower Fed rates can support consumption currently. However, its impact should not be overstated: in 2025 Q2 overall HELOC balances across all lenders as a percentage of total US consumer spending was just 2.0% – so even a big rise in HELOC balances may not move the needle much on overall spending.

A more direct boost to consumer spending would likely come via a sustained recovery in the housing market. But this appears some way off. Bank of America customer payments into escrow accounts, which are closely related to housing market transactions (Exhibit 14), show no obvious recovery in sales.

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.

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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