

Consumer Morsel

Measuring the middle

01 April 2025

Key takeaways

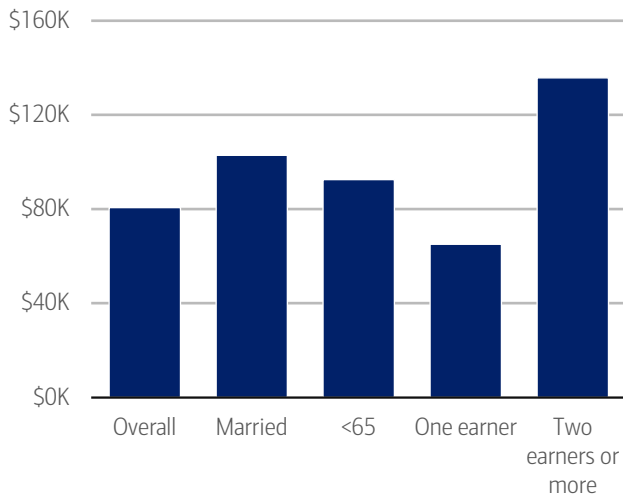
- What defines today's middle-income American? Across the US, a middle-income household appears to earn around \$80,000, but this differs by circumstances, including homeownership and family status. Interestingly, we find middle-income households skew slightly younger than the overall population, with Gen Z and Millennial's comprising a larger share of middle-income households than older ones.
- Middle-income households have been ramping up their spending growth since mid-2024, according to Bank of America aggregated credit and debit card data. In our view, this likely reflects a strengthening in their after-tax wage growth.
- But for younger middle-income households it appears this increase in spending growth is largely being driven by the rising costs of living, such as housing. Older generations, on the other hand, have seen significantly stronger growth in discretionary services spending in February, like dining out and travel.
- What's next? There are some early signs that the middle-income labor market could be softening more than the overall position. If this were so, the relative and recent strength in middle-income spending might start to fade.

Middle-income households skew slightly younger and are more likely to own a home

Middle-income households are often considered a pivotal part of the US economy. But who exactly is “middle income”? Looking at the distribution of incomes across all households, the “middle” or median (at the 50th percentile of the distribution) household income was around \$80K in 2023, according to the US Census Bureau (Exhibit 1). However, this varies depending on circumstances. For example, married middle-income households had a median income of nearly \$103K, while a household with two or more income streams earned a typical income of nearly \$136K.

Exhibit 1: In 2023, the median annual income was \$80,610 for the typical US household

Median incomes, overall and by household formation and characteristics (2023, annual, actual \$ in thousands)

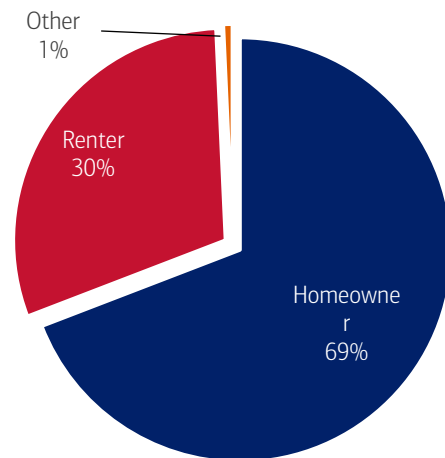


Source: US Census Bureau

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Exhibit 2: About 70% of middle-income households own their home

Middle-income housing characteristics (2023, %)



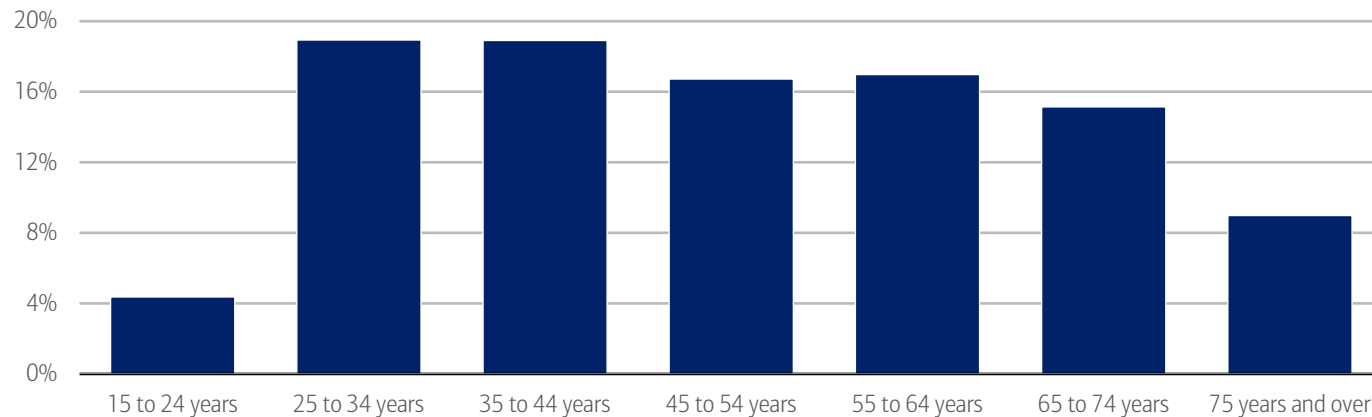
Source: US Census Bureau. Note: Middle income is defined here as earning between \$70K - \$130K annually.

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When we dive deeper and use roughly this range of incomes, we find that about 70% of middle-income households are homeowners, while 30% rent (Exhibit 2). Additionally, middle-income households tend to skew slightly younger – nearly 40% are between 25 and 44 years old (Exhibit 3). But looking in 10-year increments, we can see that people aged 25 to 34 years old only make up a slightly larger share of middle-income households than most other age groups.

Exhibit 3: Those aged 25 to 44 years old made up nearly 40% of middle-income households, while those aged 45 to 74 contributed nearly 50%

Share of middle-income households by age (2023, %)



Source: Bureau of Labor Statistics. Note: Middle income is defined here as earning between \$70K - \$130K annually.

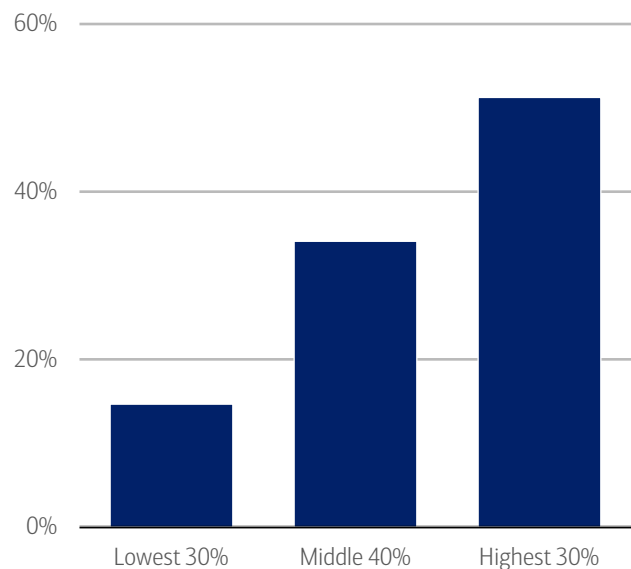
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Middle-income households continued their forward spending momentum in February

According to data from the Bureau of Labor Statistics (BLS), the middle 40% of households by income contributed about 34% of total annual spending in 2023 (Exhibit 4). Using Bank of America aggregated credit and debit card data, we find that the middle-income tercile’s spending growth per household is not as high as it was two years ago but has accelerated the most of any income cohort since mid-2024, and was up nearly 2% year-over-year (YoY) this February (Exhibit 5).

Exhibit 4: The middle 40% of US households by income decile contributed 34% to annual spending in 2023

Contribution share to annual consumer expenditures by income decile (2023, %)

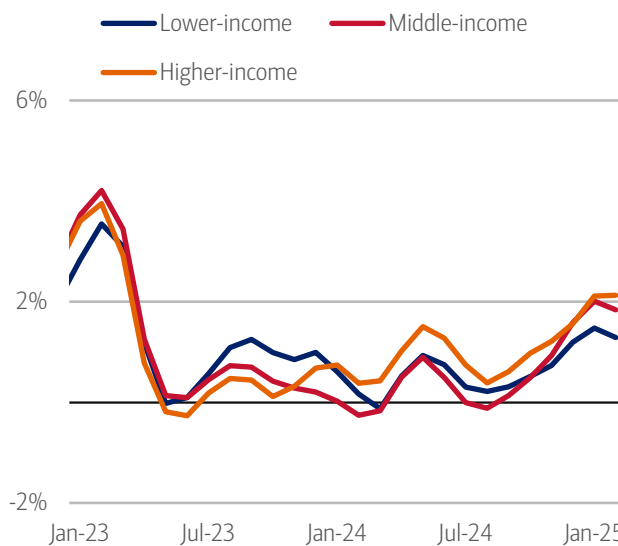


Source: Bureau of Labor Statistics

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Exhibit 5: Spending growth for middle- and higher-income households was stronger in February, 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%, seasonally adjusted (SA))



Source: Bank of America internal data

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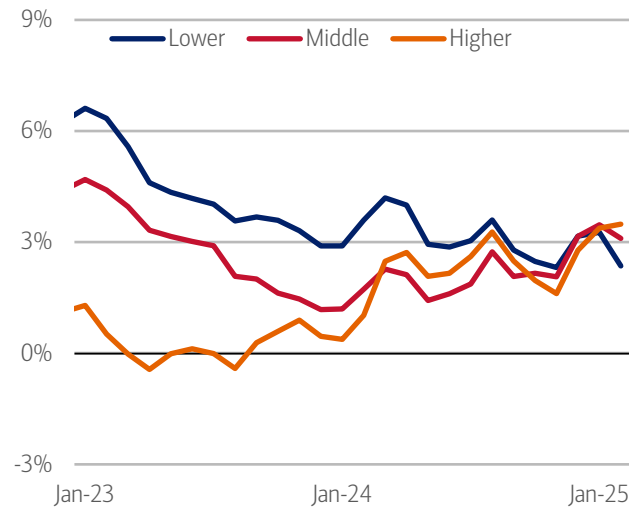
The labor market supports middle-income households' spending gains

In our view, the acceleration in middle-income spending growth seen since the middle of 2024 is likely due to an improvement in their wage growth. Bank of America internal data on after-tax average wage growth shows that it was up a little over 3% YoY in February – an important trend over the past year for the middle-income cohort. Meanwhile, after-tax wage growth has continued to ease for those with lower incomes (Exhibit 6).

However, while there has been a recovery in middle-income household wage growth since the middle of 2024, the cumulative increase in middle-income wage levels since the pandemic has not kept up with rising prices (Exhibit 7). This is in contrast with lower-income households, whose average wage growth has kept up with, and even surpassed, the rate of inflation.

Exhibit 6: Average wage growth was up 3.1% YoY for middle-income households

After-tax wage and salary growth by household income terciles, based on Bank of America aggregated consumer deposit data (February 2025, 3-month moving average, YoY%, SA)

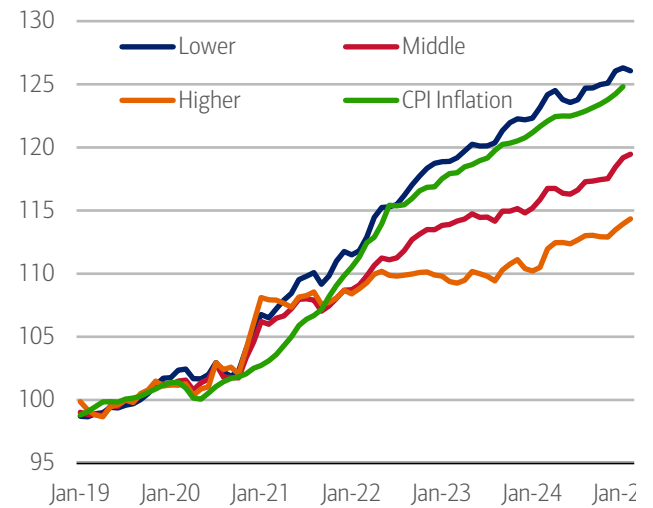


Source: Bank of America internal data

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Exhibit 7: Unlike lower-income households, middle-income wage growth has not kept up with inflation, despite having increased 19.5% compared to 2019

After-tax wage and salary growth by household income terciles, based on Bank of America aggregated consumer deposit data (3-month moving average, index 2019 = 100, SA) and CPI inflation, based on BLS data (monthly, index 2019 = 100)



Source: Bank of America internal data and Bureau of Labor Statistics

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Middle earners are faring well overall, but there are discrepancies by age

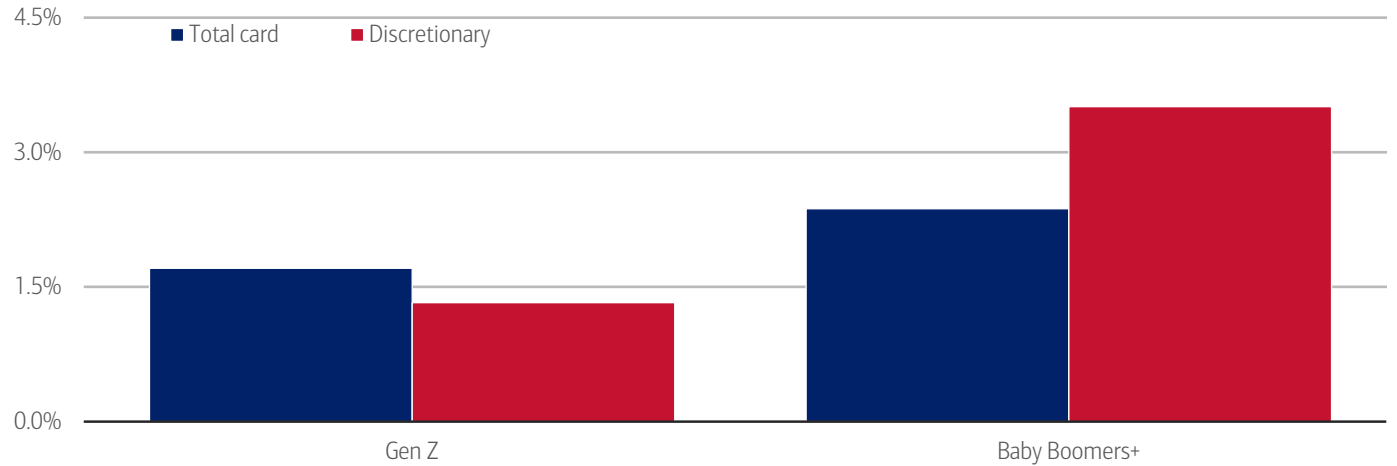
Interestingly, we find spending trends for middle-income households differ significantly by their age. According to Bank of America internal data, in February, younger middle-income households (Gen Z) saw higher growth in total spending compared to their spending on discretionary items (Exhibit 8). But for older generations (Baby Boomers and Traditionalists), the reverse is true: in February, their discretionary spending growth outstripped growth in overall spending.

Why? In our view, Gen Z are likely to be most impacted by some rising costs, for example, housing, as they rent or establish their own households – and start paying bills – for the first time. Some may even be gearing up to purchase houses or cars at a time when prices and interest rates remain sticky and high, making their monthly payments more expensive. Read more on the rising costs of autos in [our February Consumer Checkpoint](#). Older generations, meanwhile, are comparatively more insulated from some of these rising costs, as they likely purchased a car or home some time ago when interest rates – and prices – were lower.

Another factor benefitting older generations may be “wealth effects,” as they have had more time to invest and accumulate financial assets (read more in our [March Consumer Checkpoint](#)). It could be that they are helping to sustain spending levels for Baby Boomers and Traditionalists.

Exhibit 8: Gen Z middle-income households total card spending growth was up 1.7% YoY, while their discretionary spending growth was up only 1.3% YoY

Credit and debit card spending per middle-income household by category (February 2025, 3-month moving average, YoY%, non-seasonally adjusted (NSA))



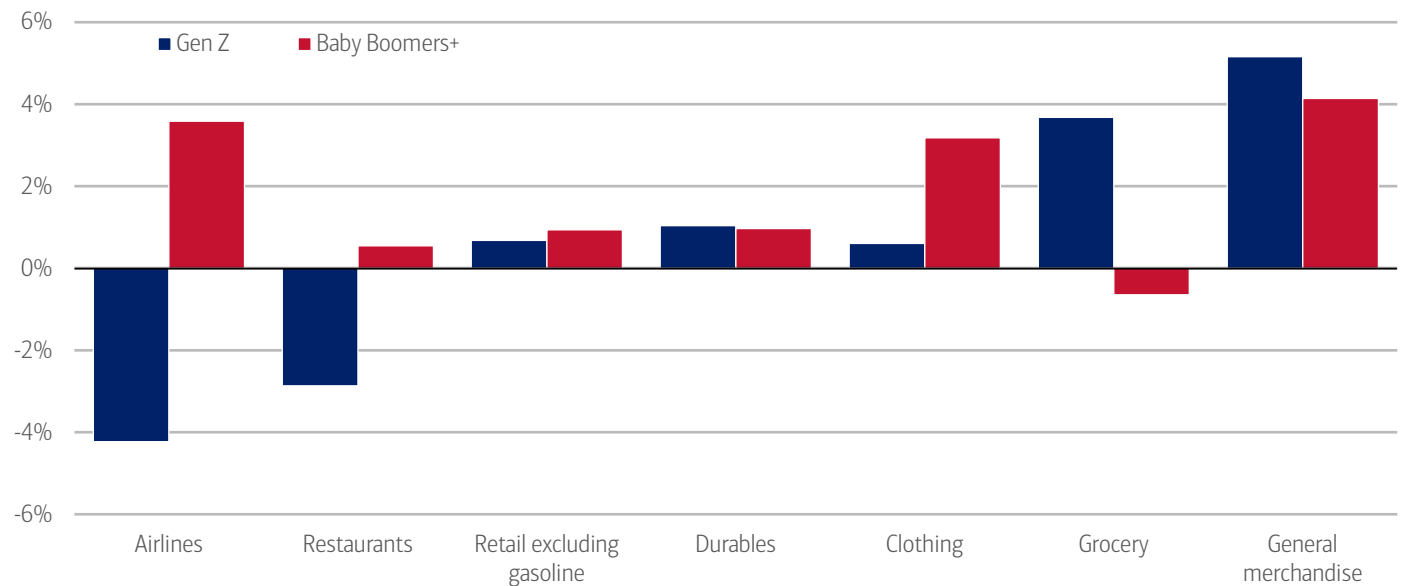
Source: Bank of America internal data

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For example, the relatively strong discretionary spending growth by middle-income Baby Boomers and Traditionalists is reflected in their airline, restaurants and clothing spending. In fact, for these older generations, airline spending in February was up nearly 4% YoY, compared to the over 4% YoY decline in spending by Gen Z (Exhibit 9).

Exhibit 9: Baby Boomers and Traditionalists increased their spending on leisure services by nearly 4% YoY in February, while Gen Z cut back

Credit and debit card spending per middle-income household by category (February 2025, 3-month moving average, YoY%, non-seasonally adjusted (NSA))



Source: Bank of America internal data

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What’s in store for middle-income households?

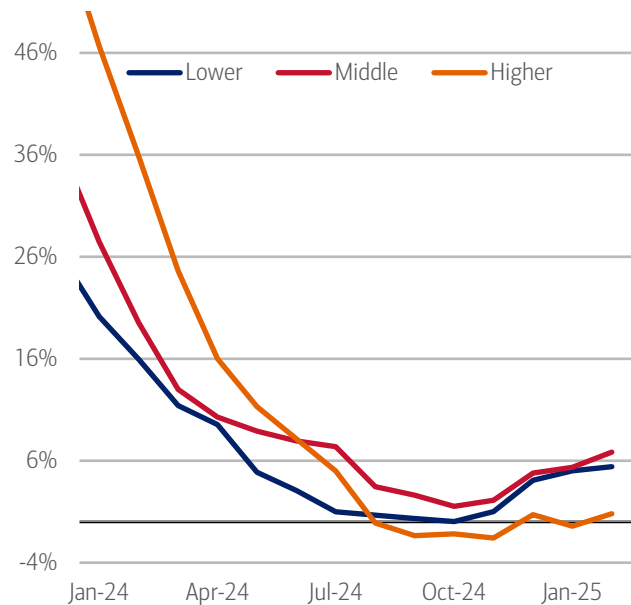
Those earning middle incomes appear to be in relatively good shape, but in our view, the labor market for this cohort is worth keeping an eye on. For one, the number of middle-income households receiving unemployment payments increased 7% YoY in February, higher than increases for lower- and higher-income households (Exhibit 10).

Additionally, it appears that near-term labor demand has decreased for industries that are more likely to employ middle-income earners, according to data from the BLS. While there has been some increase in demand for professional and business services, it has declined for private educational and health services, construction, and manufacturing – industries that likely support many

middle-income households (Exhibit 11). Were there to be a relative deterioration in the labor market for middle-income jobs, this may call into question whether the acceleration in middle-income spending could continue.

Exhibit 10: Middle-income households receiving unemployment payments increased 7% YoY in February 2025, higher than October 2024, but much lower than the rate at the beginning of last year

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

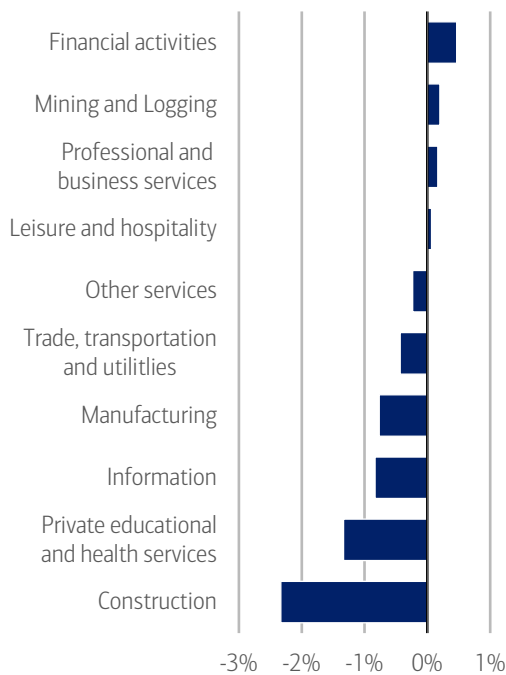


Source: Bank of America internal data

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Exhibit 11: Many industries that support middle-income households have seen a YoY decline in their job openings rate

Change in job openings rate (percentage points difference, YoY)



Source: Bureau of Labor Statistics. Note: Data from the Job Openings and Labor Turnover Survey (JOLTS)

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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 incomeified 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 incomeify spending data by subsector. Spending data may also be incomeified 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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