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Economy

The rise of value

15 July 2026

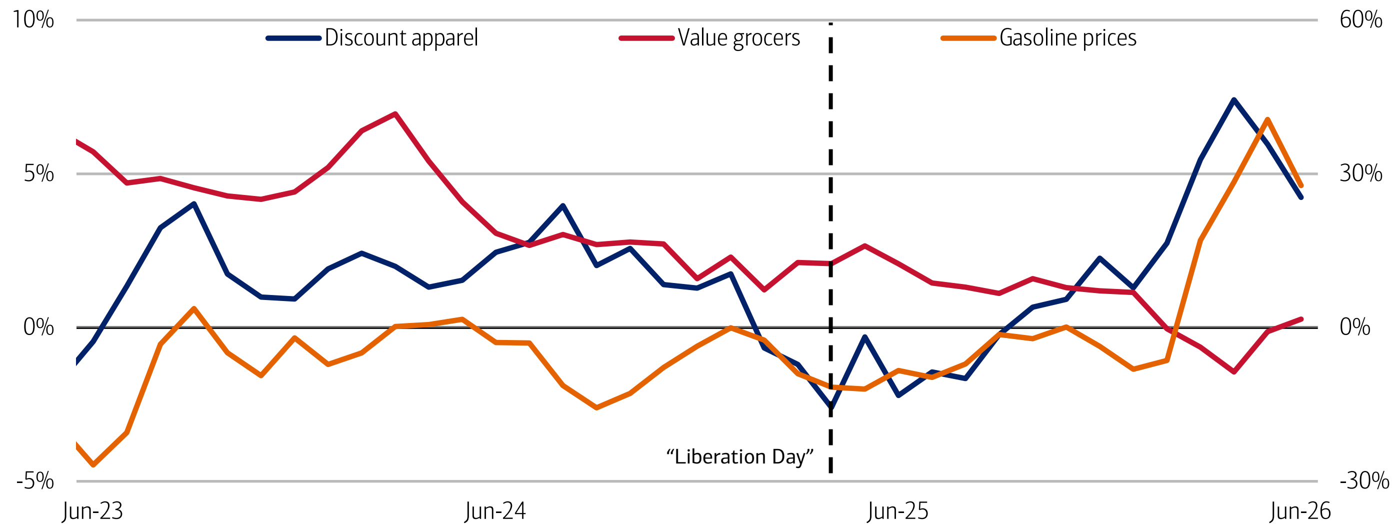
Key takeaways

- Consumers are searching for value again, according to Bank of America internal card data. Spending at discount clothiers and value grocers started to accelerate again early this year. Price-conscious consumers are increasingly looking to general merchandise stores for deals and discounts.
- Looking across the income distribution, higher-income households still punch well above their weight in retail spending but have made up a smaller share of spending at discount clothiers and value grocery stores, according to Bank of America internal data. Conversely, lower-income households account for a larger share of retail spending (excluding gas and autos), while also gaining share in the discount apparel and value grocers markets.
- Additionally, lower-income families have demonstrated an interesting economic pattern, according to Bank of America internal data. Their wages have best kept pace with inflation compared to pre-pandemic levels, but they have also traded down the most - experiencing five times faster spending at discount apparel stores than higher-income households so far in 2026.

Consumers search for value again

US consumers appear to be searching for value again as tariffs and elevated gasoline prices squeeze household budgets. Bank of America credit and debit card data suggests shoppers are returning to value grocers (see Methodology), with spending growth at these stores accelerating after cooling for nearly three years (Exhibit 1 and read more in Consumer Checkpoint: The madness of March).

Exhibit 1: Spending growth at value grocers eased as gasoline prices declined, but has started to tick back up in the past few months
Per household spending growth, based on Bank of America card data, by select categories (three-month moving average, year-over-year (YoY)%) compared to gasoline prices all grades all formulations (monthly, YoY%)



Source: Bank of America internal data, Energy Information Administration (EIA)

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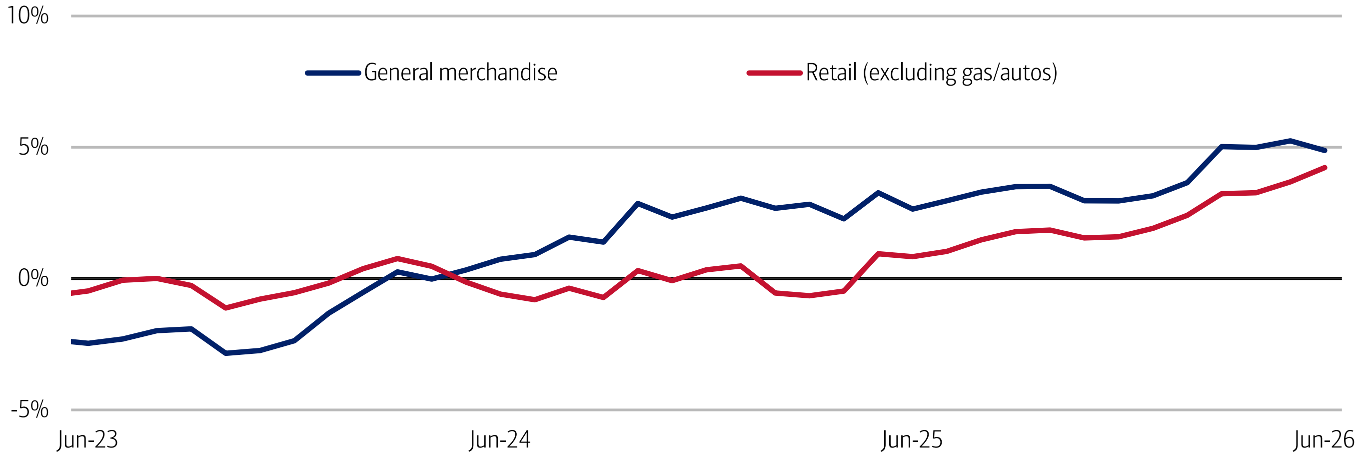
It's not just groceries where US consumers appear to be searching for value – discount apparel (see Methodology) has also seen a sharp increase in spending growth since April 2025. It's possible that more consumers started heading to the discount tier to seek less expensive clothing as “Liberation Day”-related tariffs drove prices up. Additionally, spending growth in discount apparel has eased since April 2026, likely because lower pre-tariff prices are no longer part of the YoY comparison.

Another area attracting budget-conscious consumers may be general merchandise retailers (including big box stores and wholesalers). According to Bank of America credit and debit card data, spending growth at such stores hovered around 3% YoY from the beginning of 2024 before accelerating to just under 5% in June 2026 (Exhibit 2). Notably, spending has grown faster at general merchandise stores than overall retail (excluding gas and autos) over the same period.

Exhibit 2: General merchandise has seen solid growth over the past two years

Per household spending growth, based on Bank of America card data, by select categories (three-month moving average, YoY%)



Source: Bank of America internal data

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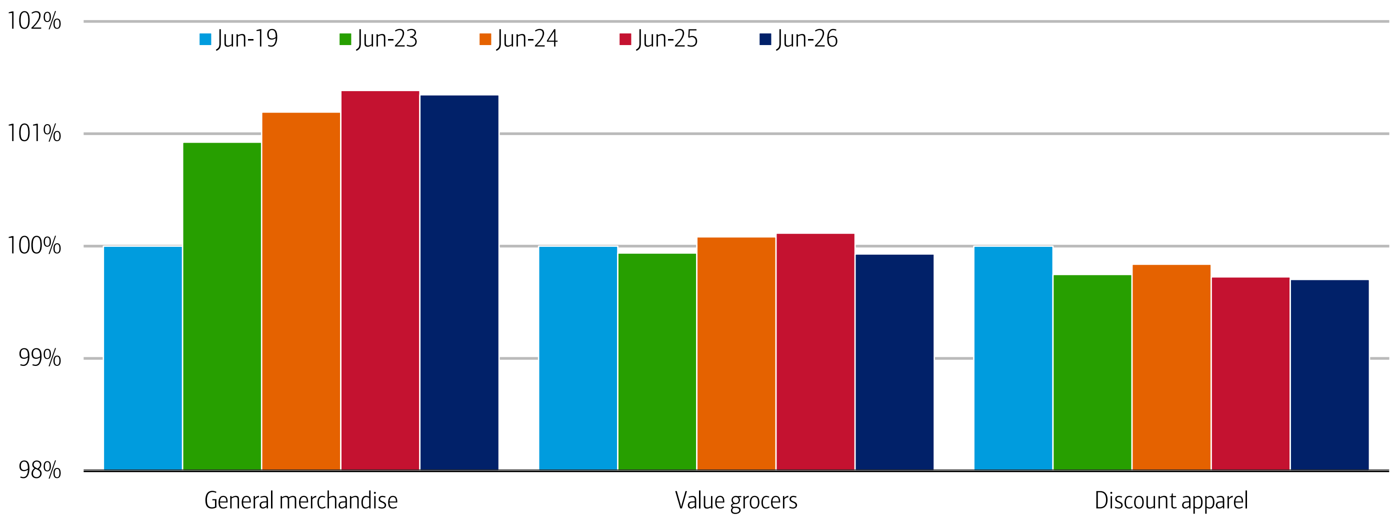
Have general merchandise stores taken market share from other discount retailers?

Since 2023, general merchandise stores have captured a much larger share of retail (excluding gas and auto) spending compared to pre-pandemic levels, according to Bank of America internal data (Exhibit 3). By contrast, the share of spending at value grocers has remained relatively flat, while discount apparel has seen a modest decline.

In our view, this suggests that some retail spending may have shifted to general merchandise stores, potentially reflecting their broad offerings. Another factor may be the expansion of private-label (store-brand) products at big-box retailers and wholesalers across both grocery and apparel categories, according to BofA Global Research. Typically, these products are less expensive and designed to attract consumers looking to save.

Exhibit 3: The share of retail (excluding gas and autos) spending at general merchandise stores has increased over the past four years and compared to pre-pandemic levels

Share of retail spending excluding gas and autos by select categories (monthly, index 2019 = 100%)



Source: Bank of America internal data

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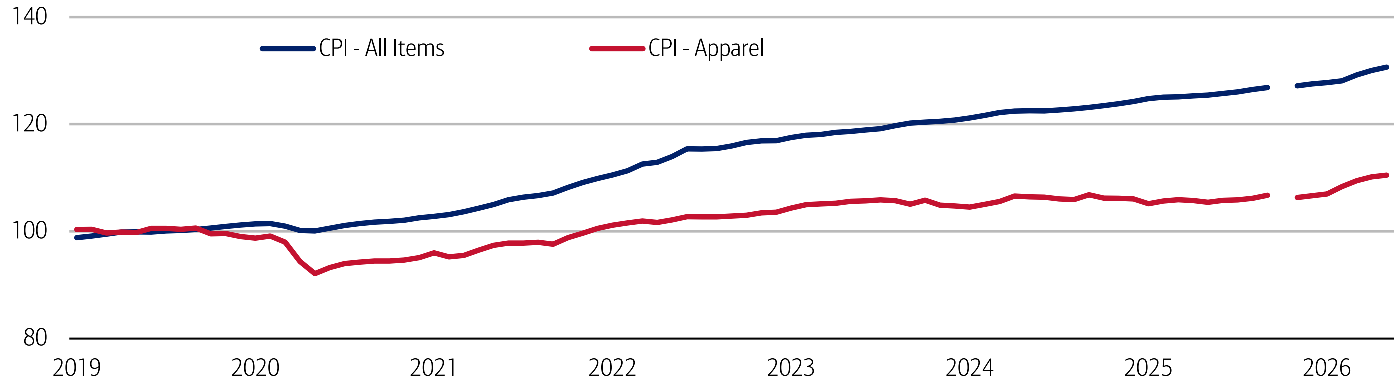
However, Consumer Price Index (CPI) inflation data from the Bureau of Labor Statistics (BLS) gives us another side to the story. Despite recent price increases, apparel inflation is still well below overall inflation rates, explaining part of the lower discount apparel spending share (Exhibit 4). Additionally, according to BofA Global Research, as long as prices remain elevated elsewhere, people are likely to seek out discount apparel to free up room in their budgets for other pricey items.

Exhibit 4: Overall inflation has grown much faster than apparel inflation
Overall CPI inflation compared to CPI inflation for apparel (monthly, YoY%)



Source: Haver Analytics
Note: Data not available for October 2025 due to federal government shutdown.

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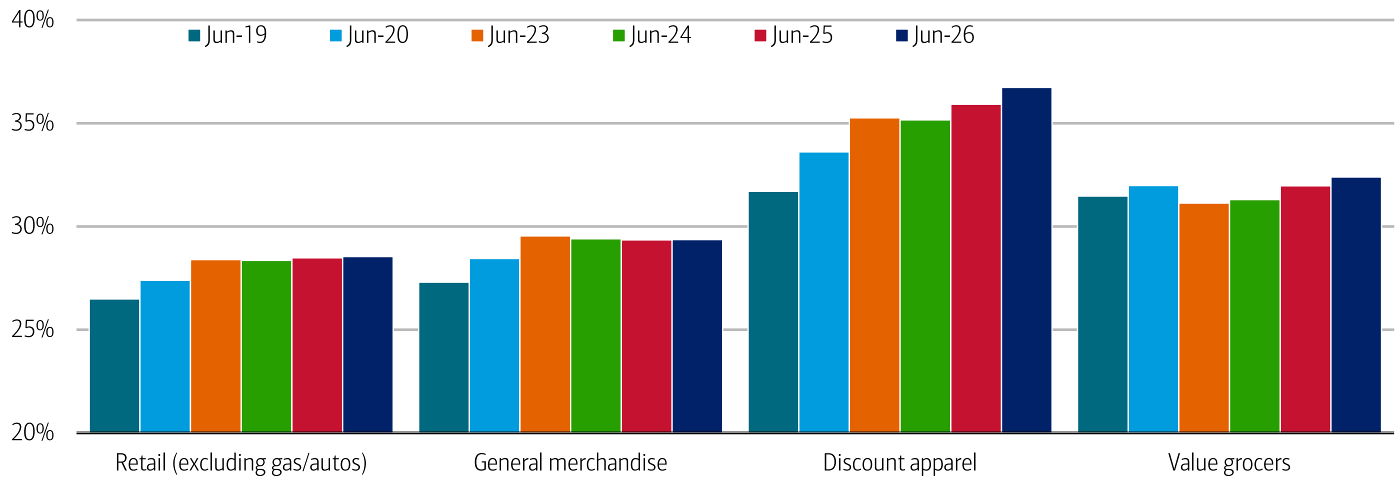
Lower-income households gained share in overall retail and discount categories

Lower-income households – defined here as the lowest third of households by income – have maintained a higher share of retail (excluding gasoline and autos) spending over the past four years compared to pre-pandemic levels but still punch below their weight in this category (Exhibit 5). In fact, lower-income households have accounted for around 29% of spending but make up 33% of households so far in 2026, according to Bank of America internal data.

Additionally, lower-income households have accounted for a growing share of discount apparel spending, representing 37% of the category's spending so far in 2026. Their share has steadily increased over the past three years and is up from 32% before the pandemic.

Exhibit 5: Lower-income households have accounted for a larger share of discount apparel spending compared to pre-pandemic levels and over the past year
Lower-income households' share of spending for select categories (Twelve-month moving average, %)



Source: Bank of America internal data
Note: Retail spending here excludes gasoline, autos and major purchases (like homes, boats, etc.).

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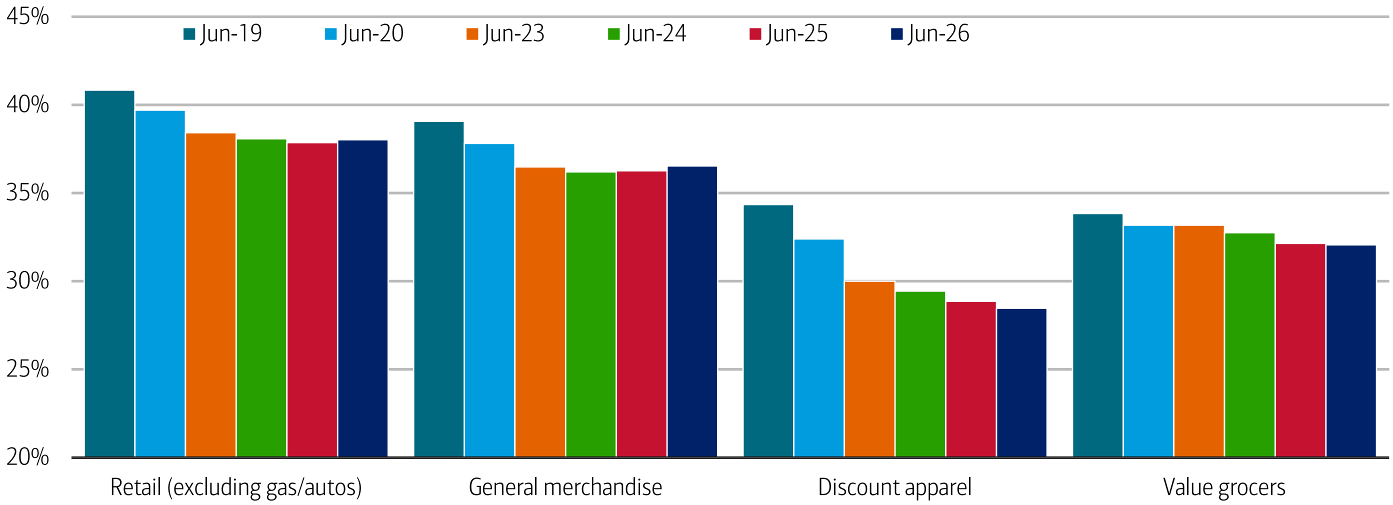
It appears that this share has been taken from higher-income households, who accounted for 34% of the discount apparel market in 2019, but today only 28% (Exhibit 6). Notably, higher earners punch above their weight in retail and general merchandise.

Exhibit 6: Higher-income households have accounted for a significantly smaller share of spending at discount apparel stores
Higher-income households' share of spending for select categories (Twelve-month moving average, %)



Source: Bank of America internal data
Note: Retail spending here excludes gasoline, autos and major purchases (like homes, boats, etc.).

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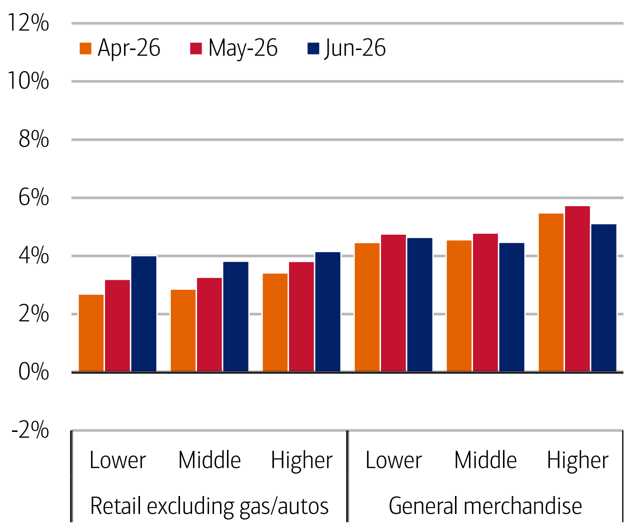
Lower-income households trade down the most despite the fastest wage growth

But are lower-income households "trading down" more despite recent gains in overall retail spending share? In our view, yes.

Notably, retail (excluding gas and autos) spending growth was solid across all income groups from April to June this year (Exhibit 7), but accelerated most for lower-income households, with their growth rates now comparable to those of higher-income households. General merchandise spending growth was also fairly even across income cohorts.

Exhibit 7: Spending growth improved for retail and general merchandise over the past year for all income cohorts
Spending growth for select categories by household income cohort (three-month moving average, YoY%)



Source: Bank of America internal data

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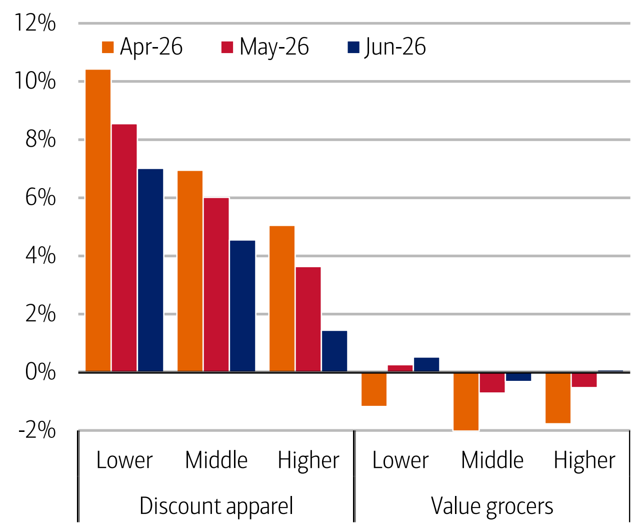
Exhibit 8: Discount apparel spending growth has eased significantly across the income distribution
Spending growth for select categories by household income cohort (three-month moving average, YoY%)



Source: Bank of America internal data

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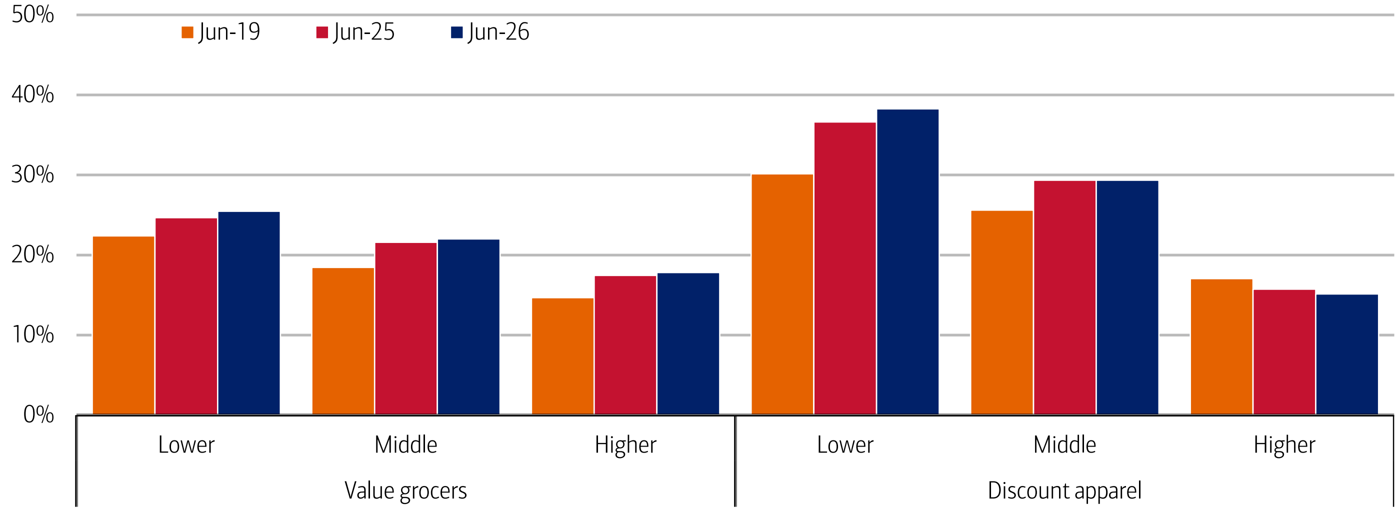
Spending growth on discount apparel YoY, however, was much stronger for lower-income households – at five times the rate of higher-income households' spending on this category in June (Exhibit 8). It has eased significantly over the past three months but remains the most robust discount category for lower-income households. Lower-income families have also traded down the most – moving more of their grocery and clothing spending to the value/discount tier (Exhibit 9).

Exhibit 9: Lower-income households have traded down the most in groceries and clothing than other income cohorts
Grocery spending share at value grocers and clothing spending share at discount apparel retailers by household income tercile (twelve-month rolling average to June every year, %)



Source: Bank of America internal data

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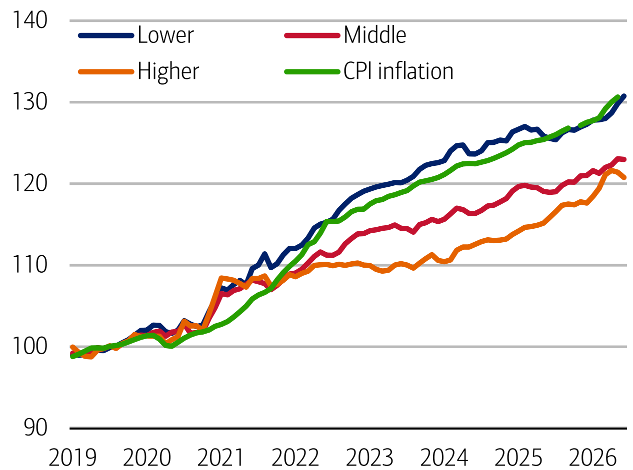
Lower-income households have seen fastest after-tax wage growth compared to pre- but not post-pandemic levels

Bank of America after-tax wage data provides additional insight. Lower-income households' after-tax wage growth has kept pace with inflation better than that of any other income cohort, compared to pre-pandemic levels, due mostly to significant wage growth during the pandemic (Exhibit 10). Why, then, have lower-income households seen the largest increase in discount spending and the highest levels of trading down?

One explanation is that wage growth for lower-income households softened at the start of 2025 before rebounding in recent months (Exhibit 11 and read more in [Consumer Checkpoint: Consumers hit the back of the net](#)). Additionally, inflation tends to have a greater impact on lower-income households because they spend a larger share of their income on necessities and are less insulated from rising housing costs. (read more in [Inside consumers' wallets](#)).

Exhibit 10: Lower-income households' wages have kept pace with inflation since 2019, while wage growth for middle- and higher-income households has lagged
After-tax wages, based on Bank of America deposit data (three-month moving average, index 2019 = 100) compared to CPI inflation, based on BLS data (monthly, index 2019 = 100)



Source: Bank of America internal data and BLS
Note: Data not available for October 2025 due to federal government shutdown.

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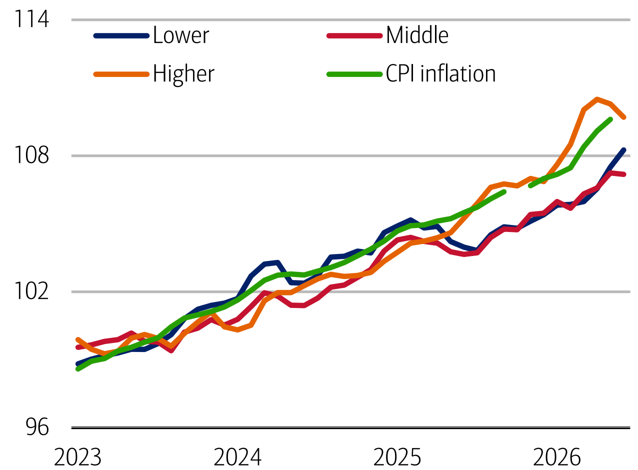
Exhibit 11: Lower-income households' wages have lagged higher-income households' since the start of 2025
After-tax wages, based on Bank of America deposit data (three-month moving average, index 2023 = 100) compared to CPI inflation, based on BLS data (monthly, index 2023 = 100)



Source: Bank of America internal data and BLS
Note: Data not available for October 2025 due to federal government shutdown.

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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. This applies to discount apparel and value grocers as well.

We consider a measure of services necessity spending that includes but is not limited to groceries, utilities, and gasoline. Discretionary services includes but is not limited to charitable donations, leisure travel, entertainment, and professional/consumer services. Discretionary retail includes but is not limited to general merchandise, miscellaneous, clothing, electronics and furniture. It excludes categories like groceries and gasoline.

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.

Generations, if discussed, are defined as follows: Gen Z, born after 1995; Younger Millennials: born between 1989-1995; Older Millennials: born between 1978-1988; Gen Xers: born between 1965-1977; Baby Boomer: 1946-1964; 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.

Contributors

Joe Wadford

Economist, Bank of America Institute

Sources

Li Wei

Director, Global Risk Analytics

Yan Pang

Vice President, Global Risk Analytics

Akshita Jain

Assistant Vice President, Global Risk Analytics

Lorraine Hutchinson

Managing Director, BofA Global Research

Peter Galbo

Managing Director, BofA Global Research

Chris Nardone

Director, BofA Global Research

Disclosures