

Economy

Energy bills: Short-term relief, longer-term challenges

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Key takeaways

- Energy bill inflation was around 4% year-over-year (YoY) in August 2026. However, Bank of America internal deposit data shows average utility bill payments rose faster, increasing 5% YoY from June through August. This was likely due, in part, to higher cooling demand during a warm summer.
- But bill pressures remain highly uneven across the country. Average utility payments have risen by more than 10% YoY in cities such as Detroit, Baltimore and Washington DC, while consumers in Orlando, San Jose and Tampa have seen declines. Some of these regional differences appear to reflect policy and infrastructure factors as much as energy usage itself.
- The long-term outlook still points to upward pressure on electricity bills as demand from data center construction, electrification and broader economic activity drive the need for additional generation and grid investment. However, a forecasted strong El Niño event this winter could provide some near-term relief, if warmer-than-normal temperatures reduce household heating demand, partially offsetting structural cost pressures.

Energy bill inflation has moderated

Energy is an essential household expense. According to Bureau of Labor Statistics data, energy bills accounted for roughly 3% of total household spending as of 2024. US utility prices have been far less affected by higher global oil prices stemming from the conflict in the Middle East than gasoline prices, largely because the US is a net exporter of natural gas. Nonetheless, the cost of energy has been rising for a prolonged period: since January 2024 the price of electricity has risen 10% and the price of piped gas is up 18%.

Energy costs vary widely by region

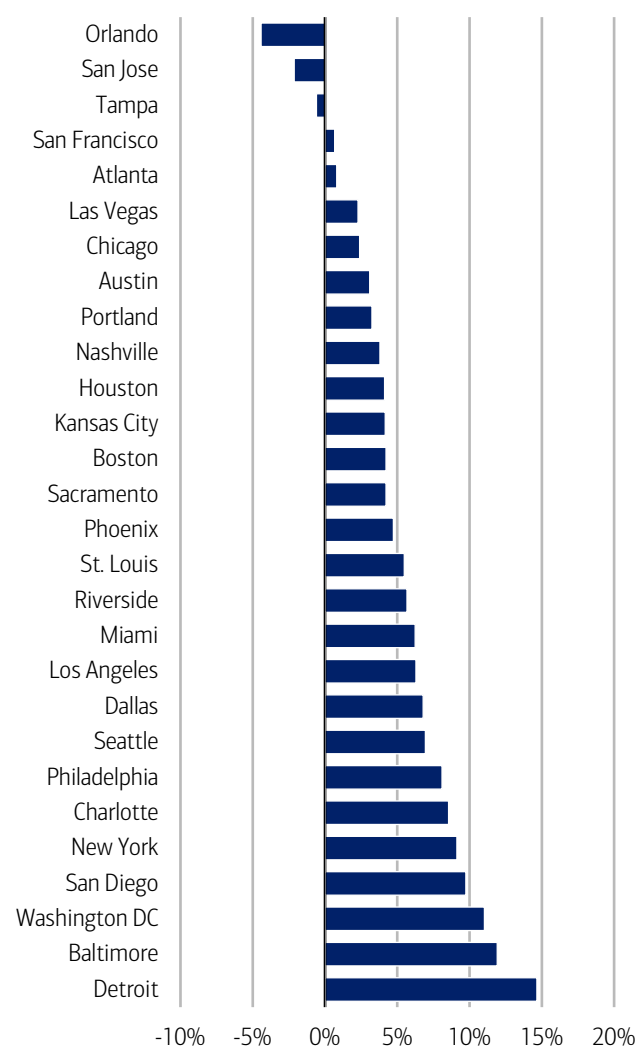
While energy bills account for a relatively modest share of household spending nationally, experiences vary across the country. Looking at large cities (by Core Based Statistical Areas), our data shows that utility bills rose by more than 10% YoY in Detroit, Baltimore and Washington DC from June through August 2026. At the other end of the spectrum, bills fell YoY in Orlando, San Jose and Tampa (Exhibit 2).

Customers' bills are being pressured by reshoring, reindustrialization, the general pass-through costs in the economy, and a significant need for infrastructure replacement in many markets. Regulatory changes and one-off charges have also influenced costs in several areas. In Florida, for example, the removal of hurricane recovery surcharges reduced utility bills in 2026, while in the Northeast, investments in grid infrastructure and capacity have contributed to higher costs.

There also remains some disparities in where average bills sit relative to the overall US (Exhibit 3). In Washington DC, Boston, Phoenix and Dallas, the average utility bill payment in June through August 2026 was well above the US average. Conversely, Chicago, Nashville and Las Vegas paid some of the lowest energy bills relative to the US.

Exhibit 2: There is a fairly wide dispersion of utility bill growth across the country

Average monthly overall utility payments per customer by Core Based Statistical Area (June-August 2026 average, % YoY)



Rising demand for electricity will continue to pressure bills

Looking longer-term, rising energy demand (particularly for electricity), driven by factors such as data center expansion and residential electrification, is likely to keep upward pressure on consumers' energy bills for a number of years (read [Is the AI revolution raising consumers' utility bills?](#) and [Can the AI buildout keep building?](#) for more).

Exhibit 4 shows forecasts from the US Energy Information Administration's August 2026 Short-term Energy Outlook, estimating a 4% YoY rise in commercial and industrial electricity consumption. Accommodating this growth will likely require ongoing investment in grid capacity and power generation, and some of these costs may be passed on to consumers through higher energy bills.

Exhibit 4: The demand for electricity is rising particularly from commercial and industrial sectors

US electrical demand (in billion kilowatt hours) 2020-2027E (estimates/forecast from 2026)

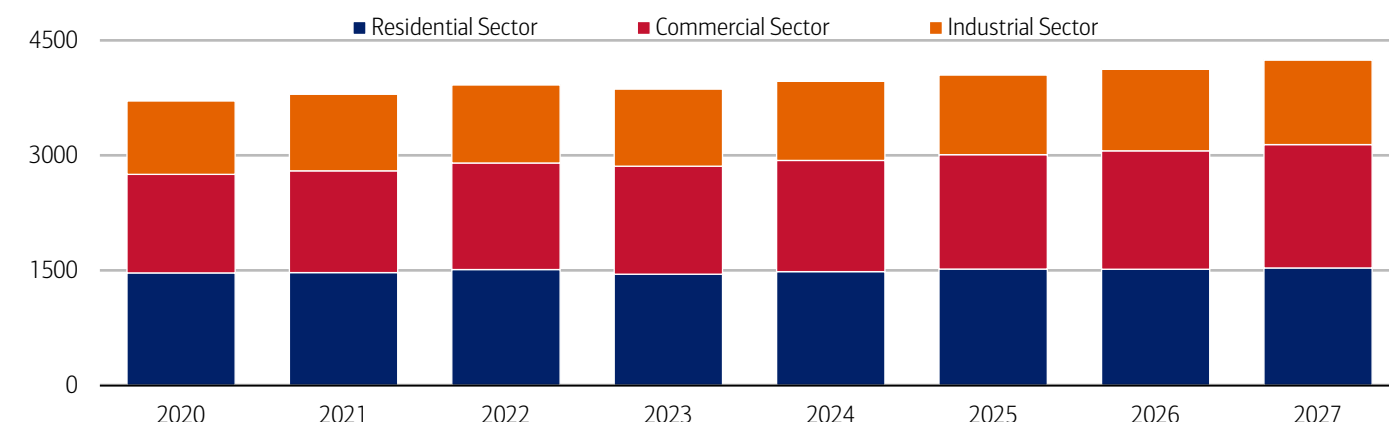
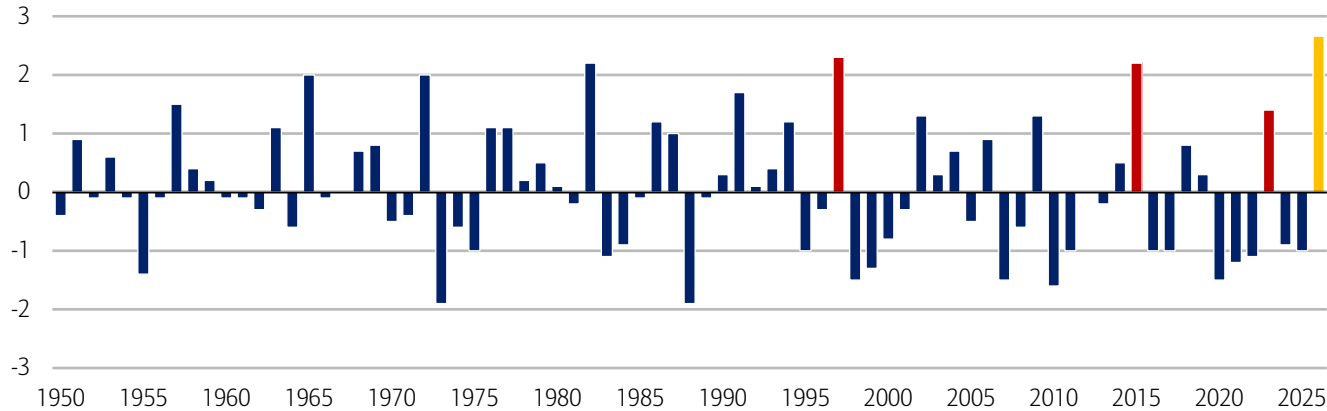


Exhibit 6 shows that the current forecast for RONI from October to December 2026 is one of the largest on record. In recent history, similar-sized El Niño events have only occurred in 1997-98, 2015-16 and to a lesser extent in 2022-23.

Exhibit 6: The El Niño event in 2026 is forecasted to be the largest on record

Relative Oceanic Niño Index (RONI) for October-December by year (2026: NOAA 50% probability forecast for October-December 2026)



What does this mean for consumers and their energy bills? The most predictable impact from a severe El Niño appears to be unseasonably warm temperatures, implying reduced heating needs during the fall and winter. Consumers could therefore receive some relief in their utility bills and potentially have additional income to spend on discretionary goods and services over the coming months.

There is a large caveat, however. If El Niño manifests in stormy and rainy conditions – likely impacting the southern parts of the US – then some households may end up having to spend on repairs and maintenance following weather damage (read more on consumer spending in the aftermath of natural disasters in October’s [What’s the impact of natural disasters on local economies?](#)). This might boost consumer discretionary spending, but not in a way that implies improved well-being. And longer term, the broader impact of both climate change and energy demands from the AI revolution are likely to keep upward pressure on bills.

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:

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Disclosures

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