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Economy

Will younger-gen spending hit a gas-price speed bump?

24 March 2026

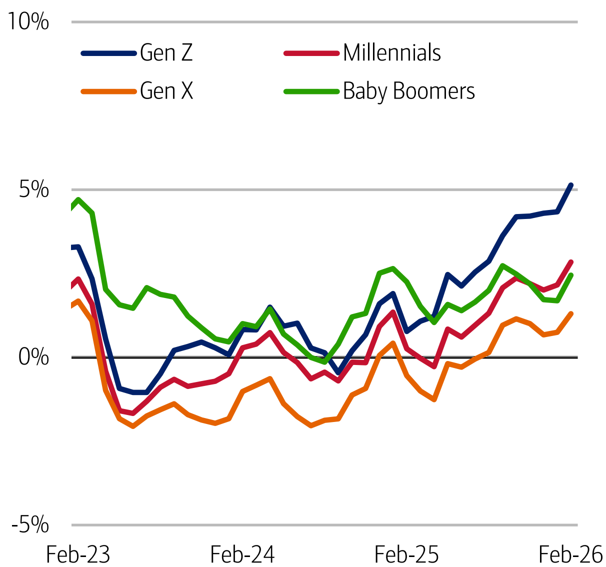
Key takeaways

- Gen Z and Millennials have seen an improvement in their spending growth over the last year: in Bank of America credit and debit card data, younger generations' spending growth was higher than older generations as of February 2026.
- What's driving this? In our view, easing rent pressures are a key factor. Younger consumers are seeing rent payment growth below their wage growth according to our data. As a result their spending on discretionary items such as electronics, clothing and restaurants has improved. Tax refunds are an additional tailwind.
- But the current oil shock poses risks to this picture. Younger generations' gasoline spending is relatively high compared to their discretionary spending, so there is the potential they will need to pullback most aggressively in the face of higher gasoline prices. Further out, while the overall labor market may be "low-hire, low-fire", it poses particular challenges for Gen Z, with potential knock-on headwinds to their spending.

Gen Z and Millennial households' spending have surged in the past year…

Gen Z and Millennial households' spending growth has markedly improved over the past year, especially compared to Gen X and Baby Boomers. In fact, Bank of America aggregated credit and debit card data indicates that Gen Z's year-over-year (YoY) spending growth surpassed that of Baby Boomers in mid-2025, after trailing for nearly two years (Exhibit 1). More recently, Millennials' spending growth surpassed older generations' in December 2025, after lagging for nearly three years.

Exhibit 1: Gen Z and Millennial spending growth has surged…
Total credit and debit card spending per household, according to Bank of America card data, by household generations (3-month moving average, YoY%, non-seasonally adjusted (NSA))



Source: Bank of America internal data

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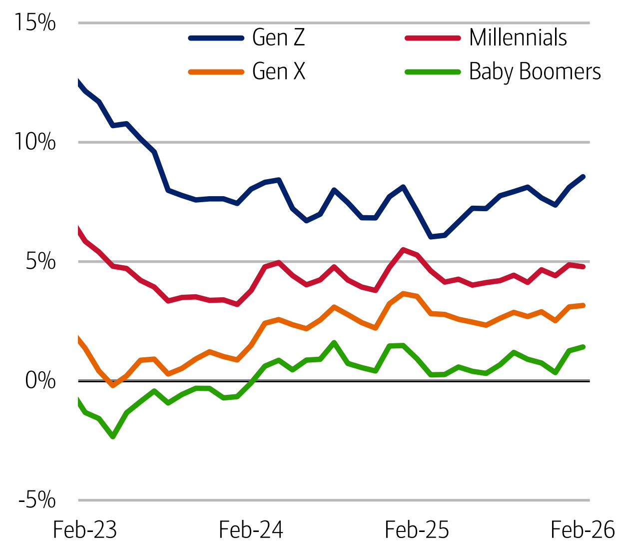
Exhibit 2: …likely supported by solid wage growth for these generations
After-tax wage and salary growth by household generations, based on Bank of America aggregated consumer deposit account data (3-month moving average, YoY%, seasonally adjusted (SA))



Source: Bank of America internal data

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Part of the reason for this recent uptick is likely the continued strength in younger generations' after-tax wage growth. Bank of America data suggests that even though wage growth has cooled from the peaks seen three years ago, it remains fairly strong, up around 9% and 5% YoY for Gen Z and Millennials, respectively (Exhibit 2). However, Millennials do not appear to have experienced the sort of wage growth acceleration that, on its own, would support the recent surge in spending growth.

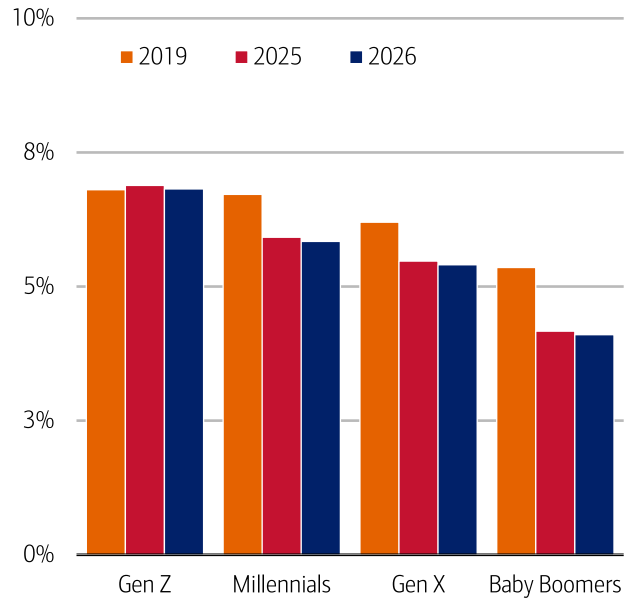
…but will rising oil prices spoil the party?

A hot topic for everyone right now is how rising gas prices, due to the conflict in Iran, might impact both the consumer and the wider economy. The average national gas price is up around 26% YoY, according to daily data from American Automobile Association (AAA) as of March 23rd.

In our view, the discretionary spending of younger generations may be most susceptible to rising gas prices. Before the recent crisis, most generations had seen their gasoline spending, as a share of total card spending, fall compared to pre-pandemic levels. But Gen Z's remained relatively high and steady, while Millennials' share was above that of older generations (Exhibit 3). In our view, Gen Z's elevated share likely reflects them entering the workforce and experiencing the daily (or mostly daily) commute for the first time, while their incomes are still relatively low. Meanwhile, Millennials are, in our view, likely the generation doing the most driving, given their responsibilities with work and families.

Exhibit 3: Gen Z appears most exposed to rising gas prices compared to other generations

Gasoline spending as a share of total card spending per household and by generation (12-month rolling average, %)



Source: Bank of America internal data

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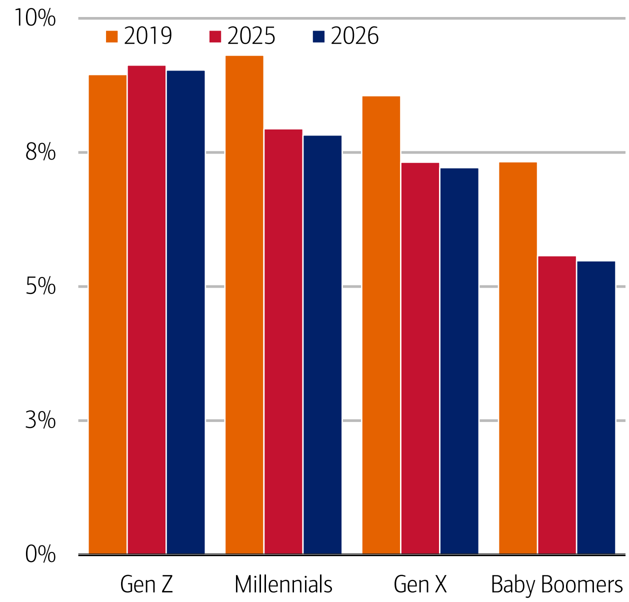
Exhibit 4: Younger generations' discretionary spending is most at risk

Gasoline spending relative to discretionary spending per household and by generation (12-month rolling average, %)



Source: Bank of America internal data.

Note: discretionary spending includes all card spending except gas, groceries and utilities.

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A similar but more pronounced pattern exists across the generations for discretionary spending (i.e., travel, electronics, restaurants) (Exhibit 4). Even though Gen Z households spend less on both gasoline and discretionary items in dollar terms compared to other generations, their outlay on gasoline is highest relative to their discretionary spending. And Millennials spend more on gasoline compared to discretionary spending than Gen X or Baby Boomers. So, both Gen Z and Millennials may be even more prone to cutting back on this "nice-to-have" spending amid higher gasoline prices.

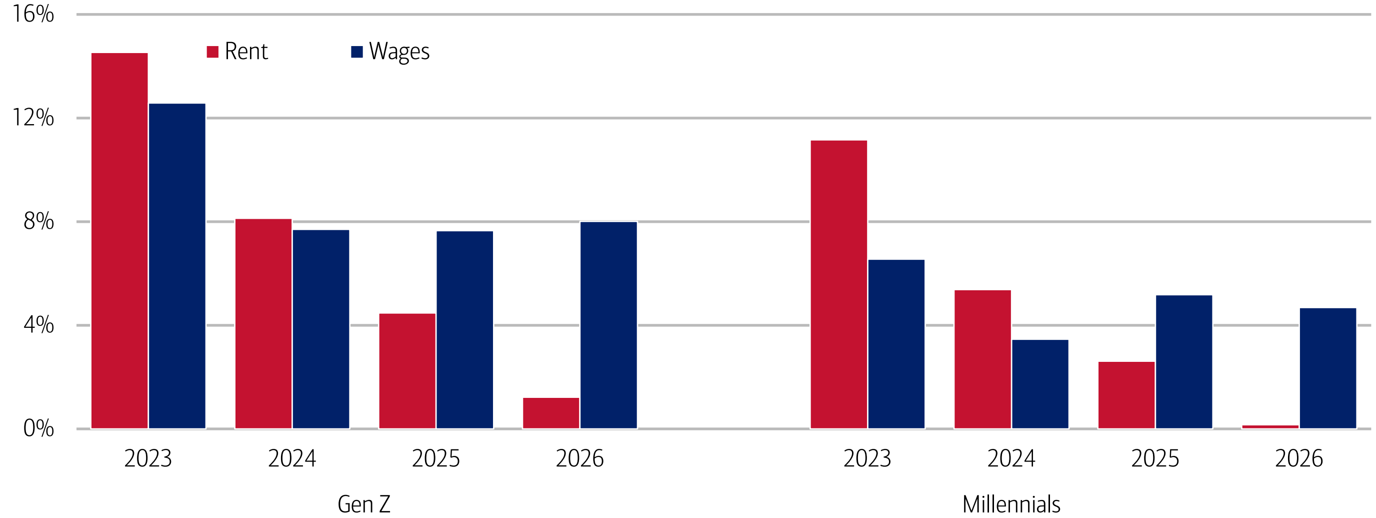
Note that the spending data is focused here on Gen Z *households*, who are less likely to be living at home with their parents/other relatives. Reflecting this, the Gen Z consumers we analyze are likely to be older than the overall cohort, while Gen Zers still living with parents may well experience less pressure on their budgets from gasoline.

Accelerating spending growth has been aided by decelerating rent growth

However, there is some "good news" that may help younger generations ride out the impact of higher gas prices – rent growth is cooling. In Bank of America data, median rent growth for Gen Z and Millennials slowed significantly in the 12 months to February 2026 compared to 2024 and 2023. And, notably, wage growth for these generations is currently outpacing rent payment growth (Exhibit 5).

Exhibit 5: Rental payment growth has slowed relative to wage growth for Millennials and Gen Z

Median rent payments and average after-tax wages, based on Bank of America internal data, for Gen Z and Millennials (yearly 3-month moving average to February, YoY%)



Source: Bank of America internal data

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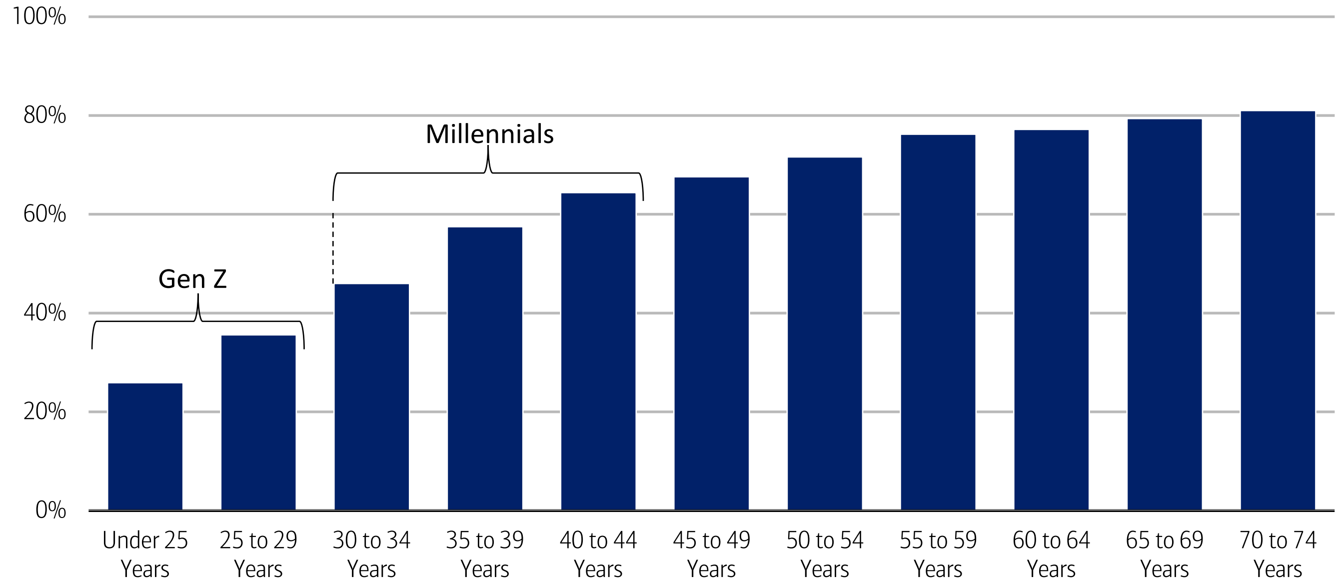
Cooling rent growth disproportionately benefits the young

Given that housing often makes up the largest share of a household's expenses, cooling rent growth could give some younger consumers a cushion to offset part of the increase in gasoline prices. Additionally, slowing increases in rent are especially important for younger generations, considering many are renters, whereas older generations are more likely to be homeowners (Exhibit 6).

Exhibit 6: Younger generations have lower homeownership rates

US homeownership rates by age range (fourth quarter 2025, %)



Source: US Census Bureau

Note: Age generations are approximate and may not perfectly match age ranges.

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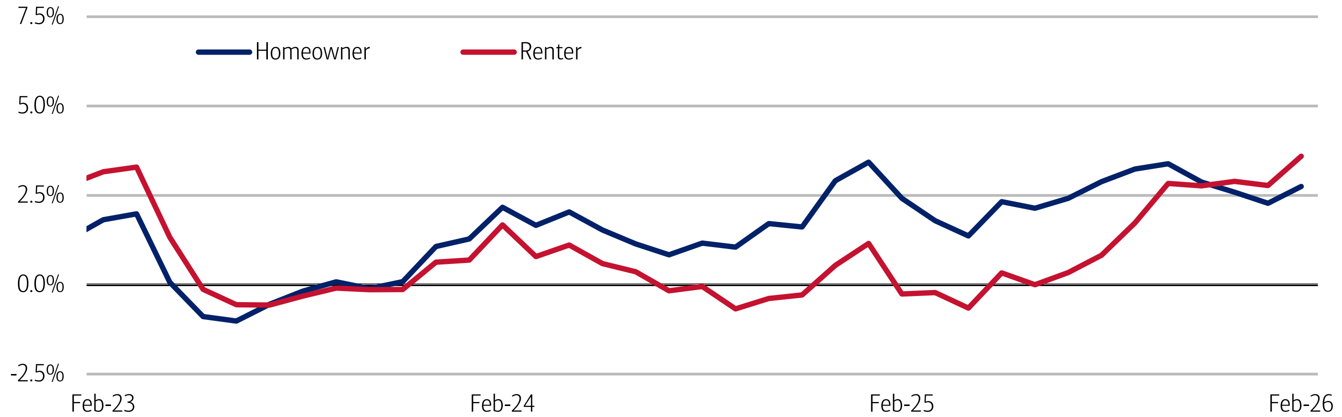
In fact, Bank of America card data shows that while Gen Z and Millennial homeowners' spending growth has been solid for the past two years, it is renters in these generations whose spending growth that has accelerated considerably over the past seven months (Exhibit 7).

Exhibit 7: Renters have accelerated their spending considerably over nearly the past year
Total card spending per household for Gen Z and Millennials, based on Bank of America data, split by homeowners and renters (3-month moving average, YoY%)



Source: Bank of America internal data
Note: "Homeowners" include households who both own and rent concurrently.

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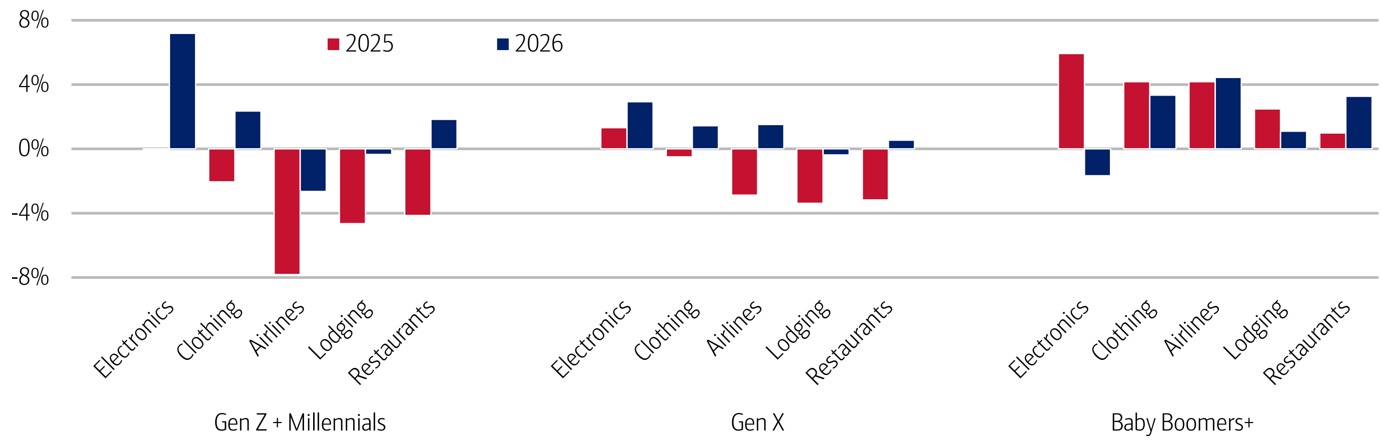
Easing rental pressures gives discretionary spending a boost

So, for Gen Z and Millennials in particular, easing rental payments and slowing inflation pressures on other necessity spending (including previously in gas prices), has allowed them to ramp up their discretionary spending over the past year.

Within Bank of America card data, it appears the younger generations have been increasing their spending, especially on clothing, travel and restaurants, though their electronics spending has been especially strong (Exhibit 8). Some of these boosts may be temporarily driven by tax refunds (read more in Consumer Checkpoint: February bounces back), but some of the growth is likely due to previously easing constraints on consumer wallets, in our view.

Going forward, if the rise in gasoline prices seen in March persists or even intensifies, it is plausible that some of these same areas where younger generations have improved their spending could come under pressure. A key determinant, in our view, will be whether rental growth continues to cool and provides some offset.

Exhibit 8: Gen Z and Millennials have seen the most improvement in discretionary spending, especially on electronics and restaurants
Total card spending per household for select discretionary categories by household generation in February 2026 compared to February 2025 (3-month moving average, YoY%)



Source: Bank of America internal data

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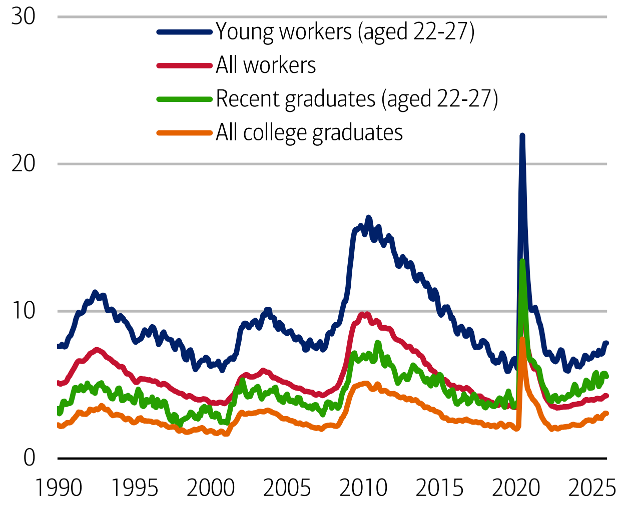
The labor market poses further challenges

Aside from gas and rent, further down the road, the labor market will likely be the most important determinant of younger generations' continued spending growth. Here there are some anxieties, especially for Gen Z.

While the overall labor market remains in a stable "low-hire, low-fire" mode, people aged 22-27 and graduating from college are currently experiencing markedly higher unemployment rates than the average worker (Exhibit 9). At the same time, sectors like retail and leisure are possibly the most exposed to a cooling in discretionary spending from a prolonged energy shock. And these sectors also tend to employ a higher share of young people (Exhibit 10). So, any slowdown due to rising fuel prices could also potentially exacerbate an already challenging labor market for the young.

Exhibit 9: The new graduate labor market is also a concern for the young

Unemployment rates by different population characteristics (monthly, %)



Source: Federal Reserve Bank of New York

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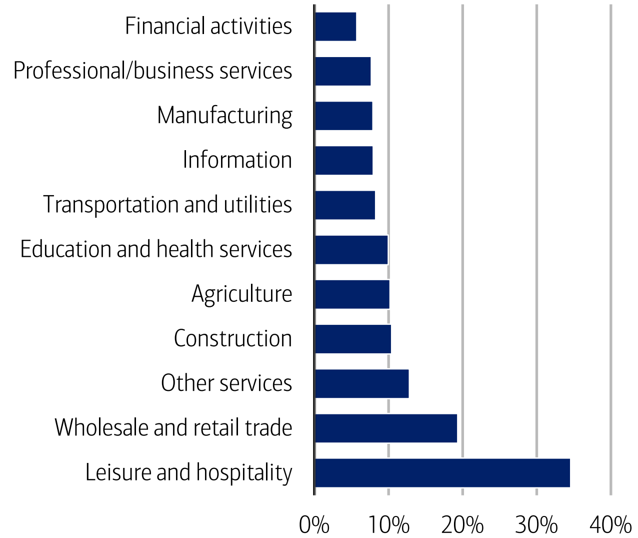
Exhibit 10: The young are a big share of consumer-facing employment

Share of employment of 16- to 24-year-olds by industry (2025, %)



Source: Bureau of Labor Statistics

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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. Discretionary retail includes but is not limited to general merchandise, miscellaneous, clothing, electronics, furniture. It excludes categories like groceries and gasoline. 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. Value and premium grocers are determined judgmentally on a proprietary analysis of merchants by equity analysts.

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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Disclosures