

Economy

Inside consumers' wallets

11 December 2025

Key takeaways

- Lower-income households continue to face the highest inflation rates, even as the gap with the higher-income cohort has narrowed since 2024. Price pressures remain concentrated at the lower end, signaling continued strain on household budgets.
- Not every consumer basket looks the same. Lower-income consumers tend to spend more on necessities, like food and shelter. And, as rising housing costs eat into discretionary budgets, Bank of America payments data finds shelter has been the most persistent upward mover in consumer baskets over the past three years.
- Where else has wallet share increased? Entertainment and online retail remain bright spots for lower-income groups, but overall discretionary share growth is increasingly skewed toward those of higher incomes. In fact, these consumers have boosted restaurant and travel spending compared to 2019, while those earning <\$50K have cut back on dining out and clothing.

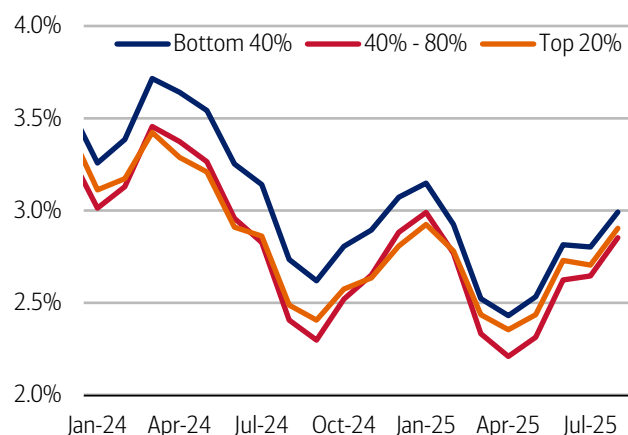
Price pressures shift down the income scale

The consumer has remained resilient for longer than many had expected and as we look to 2026, a key question is: will this continue? Looking at anonymized and aggregated Bank of America data, we conclude that different income groups will likely respond differently if something in the K-shaped economy “cracks” ([read more on this in the December Consumer Checkpoint](#)).

Another concern is that lower-income households continue to feel the biggest price squeeze. Recent analysis from the New York Fed estimated that inflation continues to be highest for lower-income households (Exhibit 1). In August, estimated overall inflation was 3.0% year-over-year (YoY) for the bottom two income quintiles, compared with around 2.9% YoY for the middle- (40%-80% of income distribution) and higher-income (top 20%) groups. Though this gap has improved since last year, BofA Global Research expects inflation to inch even higher next year, likely leading to further pressure on all households (Exhibit 2).

Exhibit 1: Inflation for the bottom four quintile groups remains above the other cohorts, but by a smaller margin compared to 2024

Estimated inflation growth faced by different income groups (monthly, YoY%)

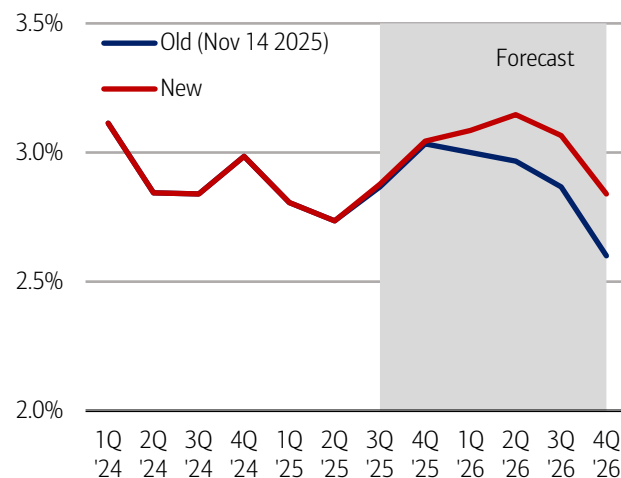


Source: New York Fed

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Exhibit 2: BofA Global Research expects stickier inflation next year

Core personal consumption expenditure inflation (quarterly, YoY%)



Source: Bureau of Economic Analysis, BofA Global Research

Note: Old refers to the forecast as of November 14th. New refers to the revised forecast.

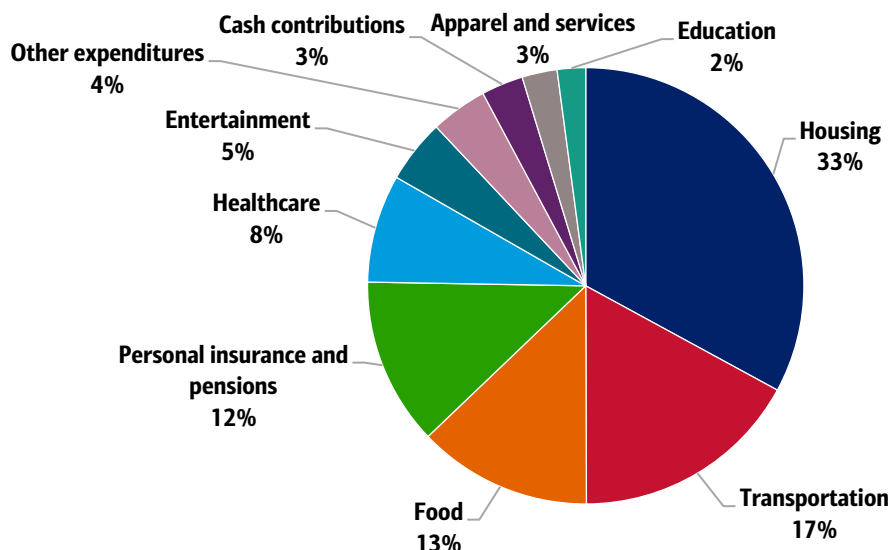
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What's the breakdown by wallet share?

What makes the inflation impact different for each income group? The breakdown in consumers' baskets. In aggregate, according to consumer expenditure data from the Bureau of Labor Statistics (BLS), the two largest components of consumer expenditure are housing (33% of the total) and transportation (17%) (Exhibit 3); in other words, necessities that are hard to avoid or cut back on, and that tend to weigh most heavily on lower-income groups. Similarly, food – both groceries and restaurant spending – accounts for around 13% of the consumer spending basket.

Exhibit 3: Housing, transportation, and food comprise the top three consumer expenditures

Share of consumer expenditures by category in 2023 (%)



Source: BLS

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Bank of America data fills in the two-year gap

However, the BLS data on spending shares is lagged (the latest data is for 2023) and might not reflect more recent shifts in consumer spending preferences. Using Bank of America internal data, we analyze the consumer wallet share (see Methodology) in our customer data to see how things have changed. Unsurprisingly, shelter and transportation remain the largest outlays for consumers.

However, since last year, the share in spending on transportation has dropped by four basis points (bp), partly reflecting moderating gas prices ([read more on this in November Consumer Checkpoint](#)) (Exhibit 4). Also, the share of spending on shelter has increased each year since 2022 due to the continuing increases in rental costs, although they have moderated as of Q3 2025 ([read more on this in On the Move: Renters catch a break](#)).

Exhibit 4: As a share of overall expenditure, shelter continued to increase from 2023 to 2025, albeit at a moderated pace

Change in share of expenditures from previous year (percentage point difference)

		2021	2022	2023	2024	2025
BLS	Food at home	-0.2%	-0.1%	0.0%	n/a	n/a
	Food away from home	0.6%	0.5%	0.1%	n/a	n/a
	Shelter	-0.7%	0.1%	0.2%	n/a	n/a
	Transportation	0.4%	0.4%	0.2%	n/a	n/a
	Entertainment	0.6%	-0.6%	0.0%	n/a	n/a
BAC	Food at home	-1.5%	-0.1%	-0.3%	0.0%	0.0%
	Food away from home	0.1%	-1.2%	1.1%	0.2%	0.0%
	Shelter	-1.6%	0.3%	1.2%	0.8%	0.6%
	Transportation	1.9%	1.3%	0.0%	-0.4%	-0.4%
	Entertainment	0.2%	0.2%	0.1%	0.2%	0.5%

Source: BLS, Bank of America internal data

Note: BAC data excludes expenditures such as investments, cash contributions, medical costs, insurance, retirement payments, and select debt payments. Shelter is calculated as mortgage and rental payments. Transportation is calculated as vehicle payments, gasoline, travel, and related services. 2025 data is through November.

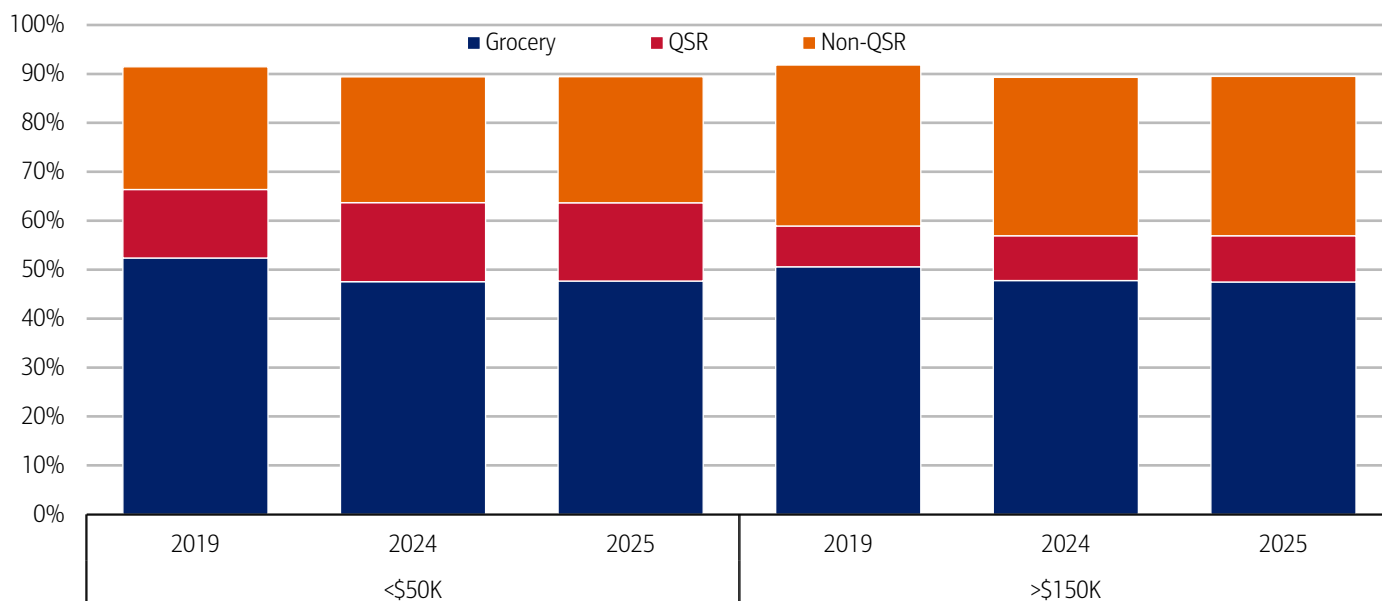
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Not all baskets look alike

Food is where the pressure across income cohorts appears most obvious. While the overall expenditure on food has not changed much since 2023, we find that in 2025, lower-income households have been allocating more of their budget to food at home (groceries) versus food away (restaurants). Conversely, in 2025, the highest income cohort (>\$150K) has increased its share in restaurant spending as part of its overall food budget (Exhibit 5).

Exhibit 5: Compared to last year, lower-income households have cut their share of spending at quick service restaurants (QSRs) and increased their share of spending on groceries. Higher-income households have increased their share slightly at restaurants overall in 2025 year-to-date, compared to 2019.

Share of spending within food by category by income (annual, %)



Source: Bank of America internal data

Note: Non-QSRs include both fast casual and full-service restaurants. 2025 data is through November.

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Higher-income households are allocating more towards travel and experiences

What about “nice-to-have” discretionary spending? Bank of America internal data shows that, compared to 2019, fewer lower-income households (<\$50K and \$50K-\$75K) are contributing to overall discretionary spending, while more households earning >\$150K are. Notably, the lower-income cohort has pulled back on clothing, as well as airlines and hotels in 2025 year-to-date (Exhibit 6).

For households with incomes above \$150K, the share of discretionary spending in 2025 year-to-date has increased from 2019 notably in overall travel, with airlines driving most of this rise (Exhibit 7). Meanwhile, those households with incomes of \$125K-\$150K increased their spending on entertainment the most, and the \$100K-\$125K group increased its wallet share in online retail.

Everyone is stressed, but recent price rises hit lower-income households harder

The latest Household Pulse Survey from the Census Bureau from 2024 shows that households earning >\$50K and those \$50K-\$150K are relatively comparable in terms of the number reporting life feeling “very stressful” due to prices increasing over the last two months. Still, this skews towards lower-income households, which report remaining much more pained by rising prices.

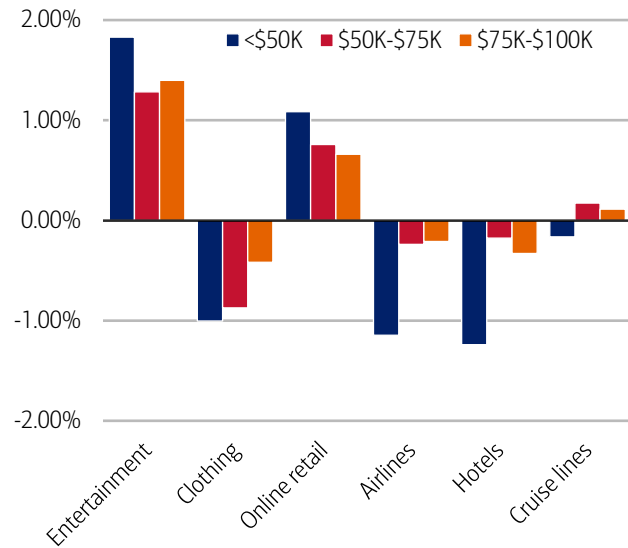
What does all this mean for 2026? In our view, rising inflation and already slowing income growth for lower-income households means they are most vulnerable to economic shocks if they transpire. We already know that a larger share of lower-income households live “paycheck to paycheck,” meaning their budgets have little flex in them ([read more in our November Paycheck-to-Paycheck-analysis](#)). So, in the short run, it seems likely that the share of discretionary spending for lower-income households will remain under most pressure.

The pullback in discretionary spending among lower-income households in 2025 reflects their limited ability to substitute purchases amid elevated inflation. Even modest changes in purchasing power can compound over time when combined with simultaneous changes in income.¹

¹ Horwich, J. (2024, October 7). *Lower income, higher inflation? New data bring answers at last*. Federal Reserve Bank of Minneapolis.

Exhibit 6: Entertainment and online retail increased for lower-income groups' wallet share

Credit and debit card share of expenditures relative to 2019 by income (percentage point difference)



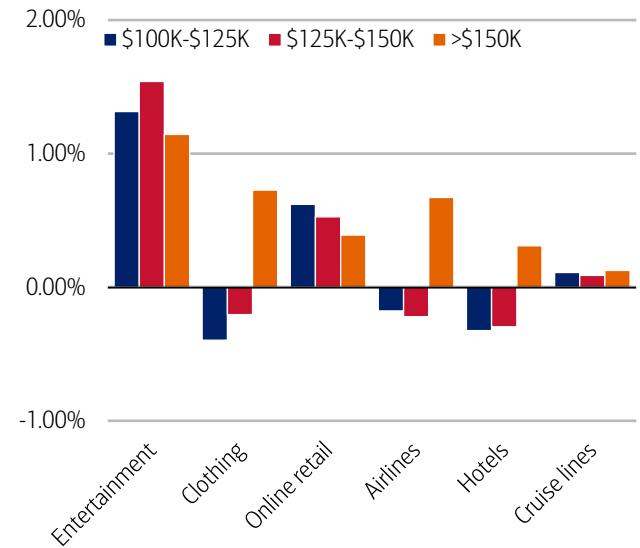
Source: Bank of America internal data

Note: BAC data excludes expenditures such as investments, cash contributions, medical costs, insurance, retirement payments, and select debt payments. 2025 data is through November.

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Exhibit 7: The highest income group continues to increase their wallet share across most discretionary categories like airlines

Credit and debit card share of expenditures relative to 2019 by income (percentage point difference)



Source: Bank of America internal data

Note: BAC data excludes expenditures such as investments, cash contributions, medical costs, insurance, retirement payments, and select debt payments. 2025 data is through November.

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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. 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.

Wallet share is comprised of Bank of America payments across ACH, wire, and card channels, excluding cash and external transfers. These after-tax outflows are reflective of spending share after contributions such as investments, medical costs, insurance, retirement payments, and select debt payments.

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.

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.

Contributors

Taylor Bowley

Economist, Bank of America Institute

Sources

Jon Kaplan

Senior Vice President, Analytics, Modeling and Insights

Stephen Stancil

Senior Vice President, Consumer and Small Business

Aditya Bhawe

US Economist, BofA Global Research

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