

Consumer Morsel

Luxury is back in fashion?

28 January 2025

Key takeaways

- Bank of America aggregated credit and debit card data shows luxury spending has been declining in the US for 10 quarters year-over-year (YoY). However, it appears luxury spending has finally started to improve and there are signs of early green shoots heading into 2025.
- To date, when US consumers do spend on luxury, they appear to have been doing so increasingly abroad. Bank of America brick-and-mortar card data shows 13% of luxury spending was outside of the US in 2024 - up compared to both 2023 and 2019. Perhaps unsurprisingly, this trend was particularly notable among the top 5% of households by income, with 10.5% growth YoY.
- Consumers have also been foregoing luxury goods spending in favor of luxury services. Spending on high-end hotels has outpaced luxury retail spending across all generations, though with older generations outperforming younger cohorts.

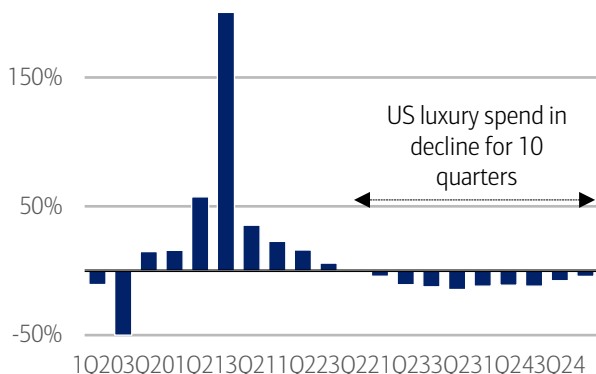
Is luxury spending back in style?

Throughout 2024, there were signs of consumers increasingly searching for value and “trading down” in the face of high inflation (see our recent analysis [Middle-income, Millennial, and thrifty](#)). Certain goods, like luxury items, are typically sheltered from this effect. Despite high price tags, or perhaps because of them, luxury items have the potential to be inflation-proof. Luxury goods providers typically have more pricing power and greater ability to push through increases.

However, according to BofA Global Research, luxury companies lost €50 billion of market value in 2024. The US consumer, which makes up around 21% of global luxury sector revenues, has played a part in this: for the past 10 quarters, luxury spending growth per household has declined year-over-year (YoY), according to Bank of America aggregated credit and debit card data (Exhibit 1). But the good news is that it appears the decline in luxury spending began easing in the second half of 2024.

Exhibit 1: The rate of decline in luxury spend has (finally) started to improve but remained negative as of 4Q24

Luxury fashion credit and debit card spending growth per household, based on Bank of America card data (YoY%)

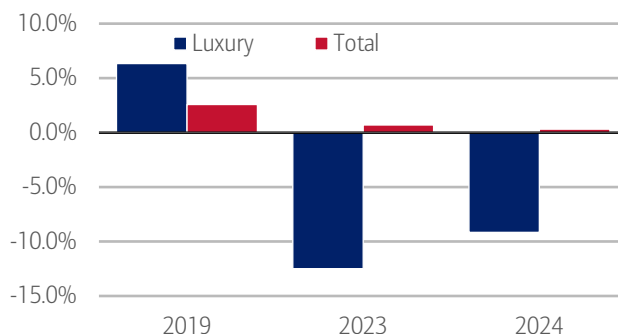


Source: Bank of America internal data
BofA Global Research

BANK OF AMERICA INSTITUTE

Exhibit 2: Luxury spending growth remained well below total spending growth in 2024 and has yet to return to the 2019 growth levels

Credit and debit card spending growth per household by category, based on Bank of America card data (annual average, YoY%)



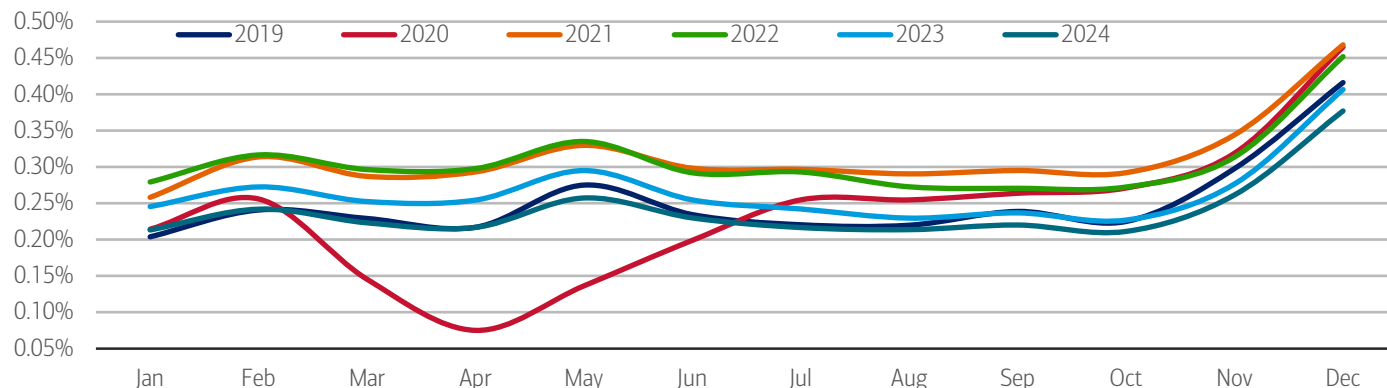
Source: Bank of America internal data

BANK OF AMERICA INSTITUTE

Before the pandemic, luxury spending was outpacing overall spending growth, but it has really lagged the past two years (Exhibit 2). Luxury fashion spending per household was -12% YoY in 2023 and -9% YoY in 2024, much weaker than overall spending. This may suggest some significant scope for a rebound in luxury spending going forward.

Exhibit 3 shows the peak periods for luxury shopping are in November and December, post-Thanksgiving and Christmas. There is also usually a small uplift in February, likely driven by Valentine’s Day, as well as May, most likely driven by Mother’s Day, according to BofA Global Research. Luxury spending as a percentage of total consumer discretionary spending in 2024 was 0.24%, down from 0.27% in 2023 and 0.31% in 2022 and 2021 (Exhibit 3).

Exhibit 3: Luxury fashion spend has historically been 0.2-0.3% of total consumer discretionary spend. The 2024 split is 0.24% on average
 Luxury fashion credit and debit card spending as a percentage of total consumer discretionary spending, 2019-2024 (%)



Source: Bank of America internal data
 BofA Global Research

BANK OF AMERICA INSTITUTE

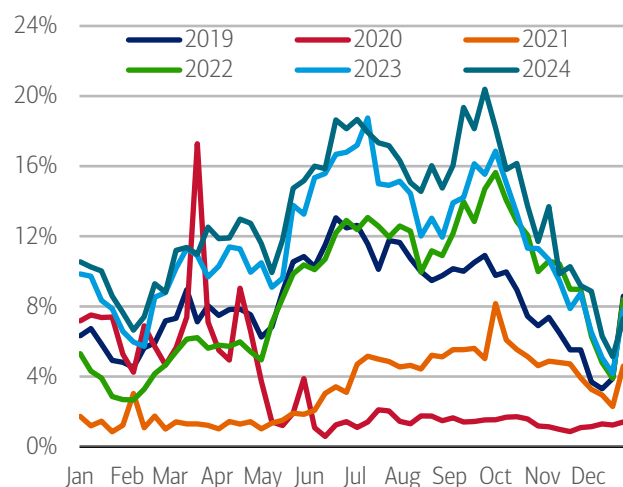
Will travel for a lavish lifestyle

Are consumers looking to avoid high price tags by taking advantage of a strong US dollar (USD) to purchase luxury items abroad (see our piece on [Travel trends](#) for more)? It seems so: Bank of America brick-and-mortar card data shows that, in 2024, 13% of luxury spending was outside the US (Exhibit 4), up from both 2023 and 2019 average levels.

When we look by income, higher-income households are driving luxury spending both at home and abroad, though domestic luxury spending is down YoY across all income cohorts (Exhibit 5).

Exhibit 4: Average luxury spending abroad was 13% in 2024, vs 11% in 2023 and 8% in 2019

Brick-and-mortar luxury fashion card spending abroad per household (% of total, monthly)

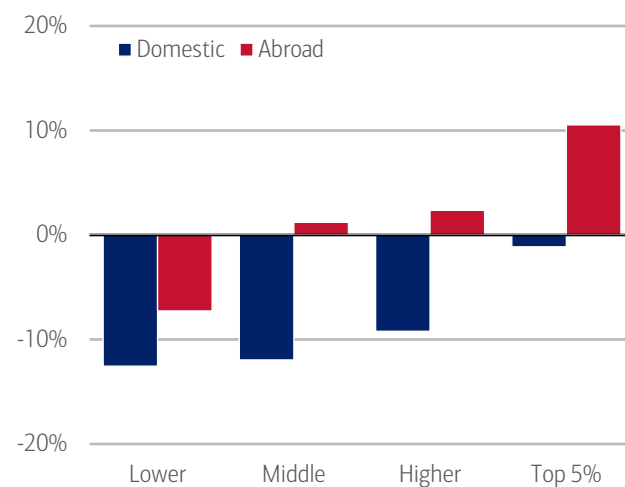


Source: Bank of America internal data
 BofA Global Research

BANK OF AMERICA INSTITUTE

Exhibit 5: The top 5% of households by income drove most of the luxury spending growth abroad in 2024

Domestic and abroad brick-and-mortar luxury fashion card spending per household by income in 2024 (YoY%)



Source: Bank of America internal data

BANK OF AMERICA INSTITUTE

Perhaps unsurprisingly, the top 5% of households by income had the strongest luxury spending growth in 2024, especially abroad – up 10.5% YoY. This is nearly five times stronger than the broader higher-income group.

This strength in luxury spending abroad could continue if consumer travel demand and “revenge spending” behavior carries into 2025 (a trend mentioned in our [June Consumer Checkpoint](#)), especially in regions like Europe, which is one of the most popular

shopping tourism destinations globally and with the American consumer, per BofA Global Research. Plus, a strong dollar could prompt increased luxury purchases abroad.

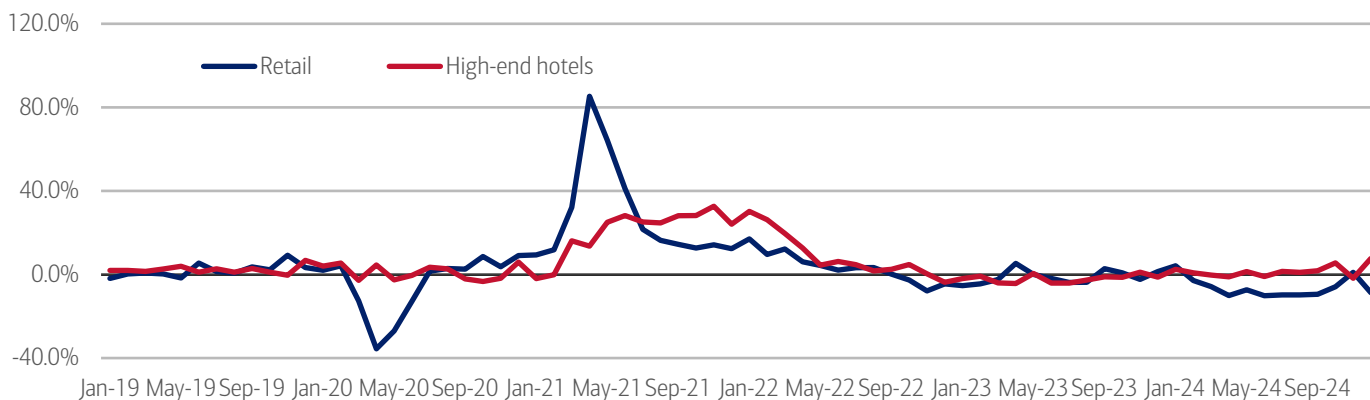
More bookings, less bling

In 2024, retail luxury purchases accounted for most of the total luxury, according to Bank of America payments account data (see Methodology). Yet, high-end travel makes up a significant share of overall luxury spending. And on top of traveling abroad for luxury goods, in 2024 there was also evidence of increased demand for luxury services (Exhibit 6).

This finding is in line with the general services trend witnessed throughout the post-pandemic recovery (see our recent analysis in the [December Consumer Checkpoint](#) for more). Interestingly, this past summer, we found luxury travel offerings, such as high-end hotels, outperformed “standard” accommodations, reversing the trend observed for the past two years. Read more about this in our analysis [Travel abroad: Taking off or landing?](#)

Exhibit 6: For the past year, retail luxury spending has been significantly weaker than spending on high-end hotels

Luxury payments by type (monthly, YoY%)



Source: Bank of America internal data. See methodology for payments channels.
Note: High-end is defined by a reference to a group of lodging services specializing in luxury accommodations.

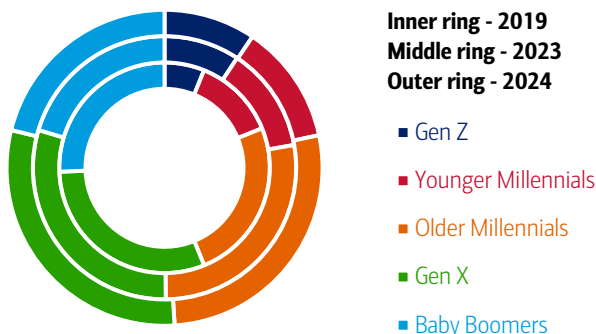
BANK OF AMERICA INSTITUTE

Older generations remain the most glamorous

Who is driving luxury spending? Across generations, Gen X accounted for the greatest share of luxury purchases in 2024, followed by Older Millennials and Baby Boomers (Exhibit 7). Luxury services spending on high-end hotels has outpaced luxury retail spending across all generations, but older generations’ YoY spending growth across both categories was stronger than younger generations’ in 2024 (Exhibit 8). Only Baby Boomers exhibited positive luxury retail YoY growth.

Exhibit 7: Gen X accounts for the greatest share of luxury spending, though only Older Millennials’ and Gen Z’s share increased from 2019

Share of luxury payments by generation (annual, %)

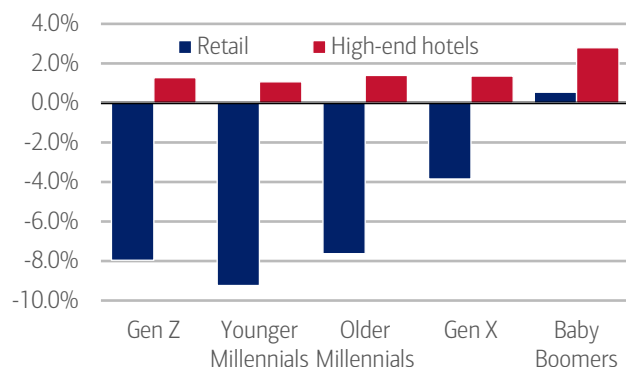


Source: Bank of America internal data. See Methodology for payments channels.

BANK OF AMERICA INSTITUTE

Exhibit 8: Across generations, luxury services spending growth has outpaced luxury retail. Older generations’ spending growth across both was stronger than younger generations in 2024

Luxury payments by type by generation in 2024 (YoY%)



Source: Bank of America internal data. See Methodology for payments channels.
Note: High-end is defined by a reference to a group of lodging services specializing in luxury accommodations.

BANK OF AMERICA INSTITUTE

Interestingly, compared to 2019, more Gen Z consumers have contributed to overall luxury spending. This could be because younger generations are capitalizing on their strong after-tax wage growth, as we previously found higher-income younger generations are spending more on discretionary categories (see: [Are young professionals spending more?](#)). Plus, according to a recent [Bank of America survey of young professionals](#), 10% of Gen Z and Millennials reported their motivations for building wealth were to live a luxurious life.

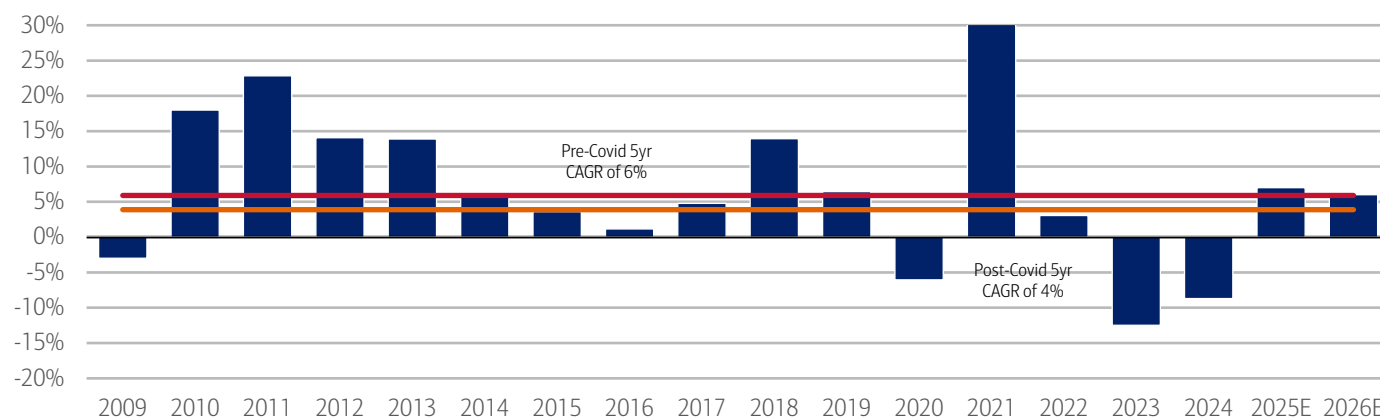
Will there be room for luxury going forward?

So, what’s coming down the luxury runway for 2025? According to BofA Global Research, luxury goods are benefiting from much higher visibility, thanks in part to social media. Importantly, the aggregated number of luxury sector followers is up almost six-fold since 2015, per BofA Global Research estimates.

In the five years leading up to 2019, revenues from the American luxury consumer were growing at a 6% compound annual growth rate (CAGR), according to BofA Global Research (Exhibit 9). In 1Q22, the 3-year CAGR was 18% – three times faster than the pre-Covid level of growth. Since then, growth has normalized both on a YoY basis and compared to the 2019 trend, so future shopping sprees could be a short catwalk away.

Exhibit 9: The US luxury market grew 6% CAGR pre-Covid (red line), and is now at 4% CAGR post-Covid (yellow line)

Luxury fashion credit and debit card spending (YoY%, 5-year CAGR pre and post Covid), Dec year end



Source: BofA Global Research estimates
BofA Global Research

BANK OF AMERICA INSTITUTE

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.

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.

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:

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

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, Digital and Data

Ashley Wallace

Research Analyst, BofA Global Research

Daria Nasledysheva

Research Analyst, BofA Global Research

Lakshmi Mangena

Vice President, Global Risk Analytics

Disclosures

These materials have been prepared by Bank of America Institute and are provided to you for general information purposes only. To the extent these materials reference Bank of America data, such materials are not intended to be reflective or indicative of, and should not be relied upon as, the results of operations, financial conditions or performance of Bank of America. Bank of America Institute is a think tank dedicated to uncovering powerful insights that move business and society forward. Drawing on data and resources from across the bank and the world, the Institute delivers important, original perspectives on the economy, sustainability and global transformation. Unless otherwise specifically stated, any views or opinions expressed herein are solely those of Bank of America Institute and any individual authors listed, and are not the product of the BofA Global Research department or any other department of Bank of America Corporation or its affiliates and/or subsidiaries (collectively Bank of America). The views in these materials may differ from the views and opinions expressed by the BofA Global Research department or other departments or divisions of Bank of America. Information has been obtained from sources believed to be reliable, but Bank of America does not warrant its completeness or accuracy. These materials do not make any claim regarding the sustainability of any product or service. Any discussion of sustainability is limited as set out herein. Views and estimates constitute our judgment as of the date of these materials and are subject to change without notice. The views expressed herein should not be construed as individual investment advice for any particular person and are not intended as recommendations of particular securities, financial instruments, strategies or banking services for a particular person. This material does not constitute an offer or an invitation by or on behalf of Bank of America to any person to buy or sell any security or financial instrument or engage in any banking service. Nothing in these materials constitutes investment, legal, accounting or tax advice. Copyright 2025 Bank of America Corporation. All rights reserved.