

Economy

Middle income, major impact

23 July 2026

Key takeaways

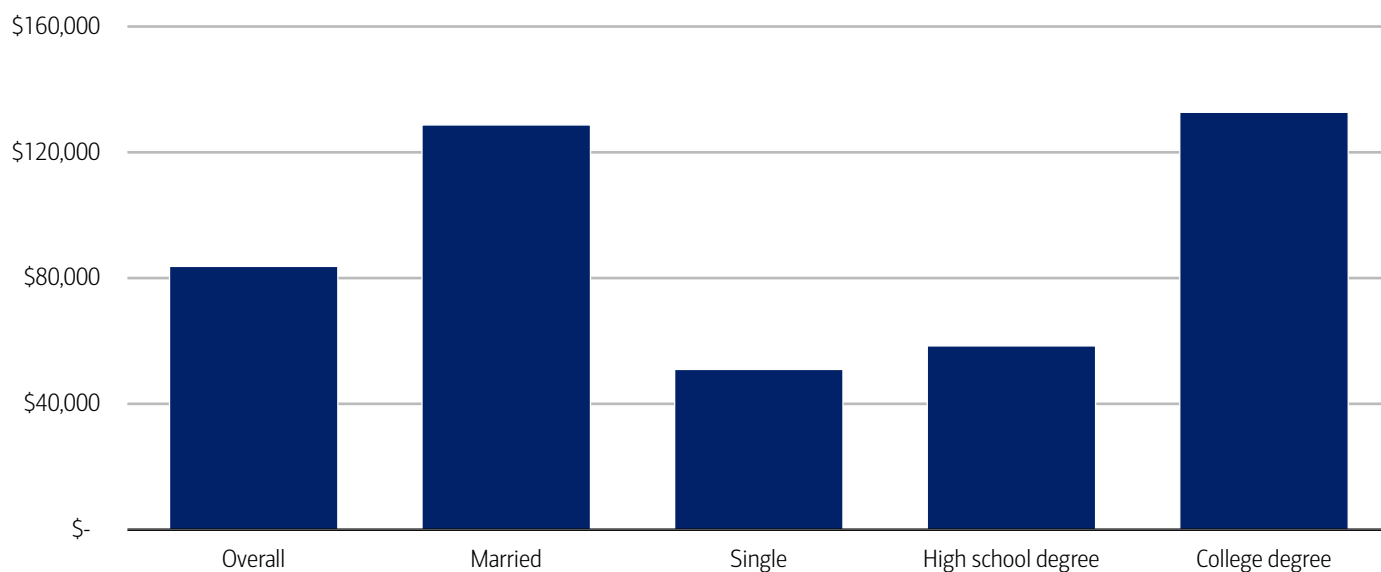
- According to the US Census, middle-income households' share of total spending is much closer to their share of the population than lower-income households' spending share. In fact, middle-income families' spending contributed nearly a quarter of US GDP in 2024. Meanwhile, Bank of America card data suggests their spending growth has remained resilient since mid-2024.
- Additionally, middle-income households generate about one-third of spending at grocery stores, restaurants, hobby shops and general merchandise retailers. Meanwhile, their spending growth has been especially strong in airlines and jewelry in Q2 2026.
- And while inflation outpaced after-tax wage growth for middle-income households in June 2026, spending remains solid. Rising wages have more than offset higher gasoline costs, helping consumers continue spending on both essentials and discretionary items.

What is middle income anyway?

Defining “middle income” is more complicated than it sounds. There is no single, universally accepted threshold, and where someone falls on the income spectrum depends on factors such as household size, education, marital status, age and geography. For example, the median or middle-income level is much lower if you’re single or have only a high-school degree and more than doubles for those who are married or college-educated (Exhibit 1). Generally, though, the Census suggests that middle income ranges from \$60,000 to \$130,000 annually for ages 25 to 74 years old.

Exhibit 1: Median incomes vary depending on your circumstances

Median incomes across different characteristics (2024, annual pre-tax income)



Source: US Census Bureau

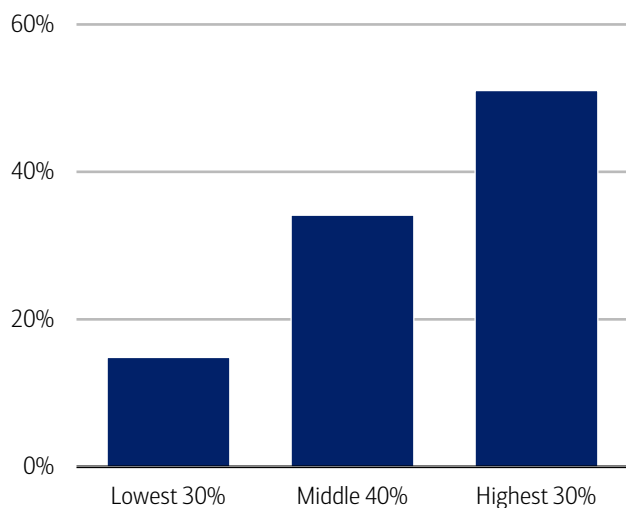
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Middle-income households' spending contributed nearly a quarter of GDP in 2024

Notably, while lower-income households punch well below their weight in total consumer spending, according to Census figures, middle-income households' share of spending is closer to their share of the population (Exhibit 2). And as for their contributions to the overall economy, middle-income families' spending accounted for nearly a quarter of US gross domestic product (GDP) in 2024 (Exhibit 3).

Exhibit 2: Middle-income households' share of spending is somewhat proportionate to their share of total households

Share of all expenditures or spending by grouped income deciles (2024, %)



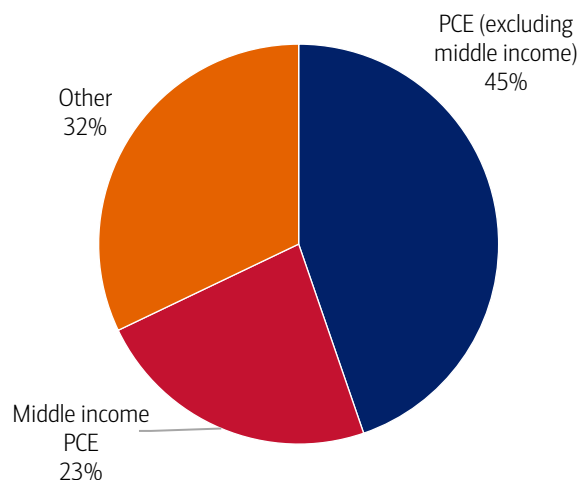
Source: US Census Bureau

Note: The middle 40% by income account for around 34% of total consumer expenditures.

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Exhibit 3: Middle-income households' spending alone accounted for nearly a quarter of GDP

Share of GDP by different categories (personal consumer expenditures (PCE), 2024, %)



Source: US Census Bureau

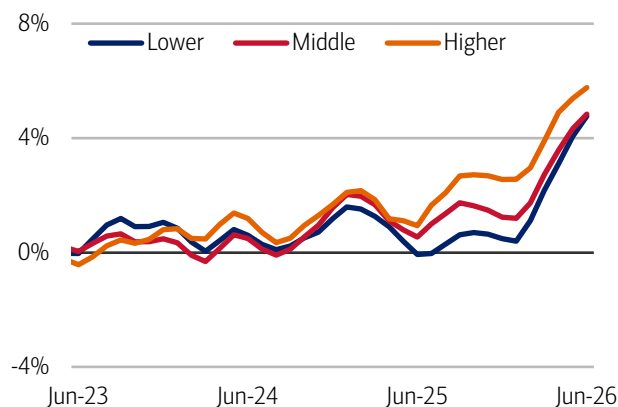
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Middle-income households' spending has held up well since last year

So, how has spending by middle-income households – defined here and below as the middle third of households by income – held up since 2024? Bank of America credit and debit card data suggests this cohort's spending growth has improved since last year. And though their overall card year-over-year (YoY) spending growth has eased slightly compared to lower-income families, they are still outpacing them on discretionary spending growth (Exhibit 4 and Exhibit 5). This suggests, in our view, that the middle-income cohort's contribution to GDP has remained robust.

Exhibit 4: Higher-income households' spending rose to 5.8% YoY in June compared to 4.8% for lower- and middle-income households

Total credit and debit card spending per household, by household income tercile (three-month moving average, YoY%, seasonally adjusted (SA))

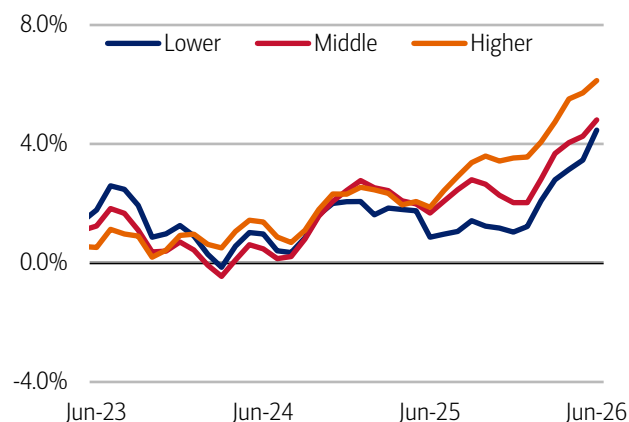


Source: Bank of America internal data

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Exhibit 5: Discretionary spending growth improved the most for higher- and lower-income households in June

Discretionary card spending per household by income tercile (SA, YoY%)



Source: Bank of America internal data

Note: Discretionary spending is total card spending excluding gas, groceries and utilities.

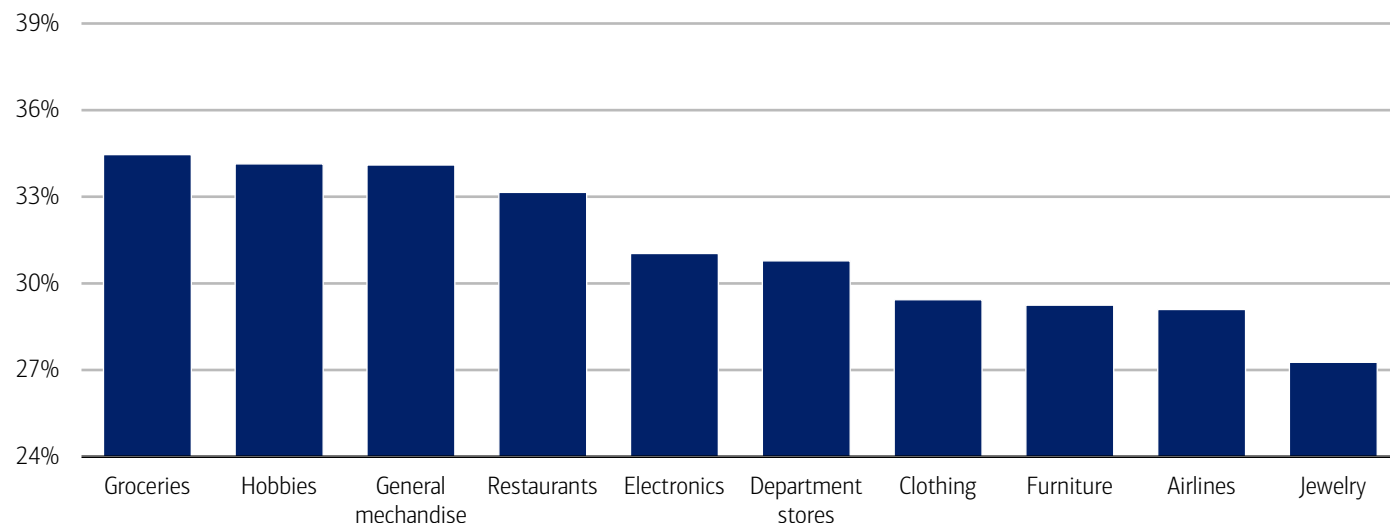
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Groceries, hobbies and general merchandise depend on the middle

So, which categories depend on those earning middle incomes? According to Bank of America card data, middle-income families account for slightly over a third of spending at grocery stores, hobby shops and general merchandise retailers in the twelve months ending in June 2026 (Exhibit 6). Meanwhile, restaurants rely on middle-income households for nearly a third of their revenue, corresponding to their share of households. Meanwhile, this cohort still contributes a meaningful, though smaller, share of total spending in higher ticket categories like furniture, airlines and jewelry.

Exhibit 6: Middle-income groups account for nearly a third of spending at grocery stores, hobby shops, general merchandise retailers and restaurants

Share of category spending from middle-income households (rolling 12-month sum to June 2026, %)



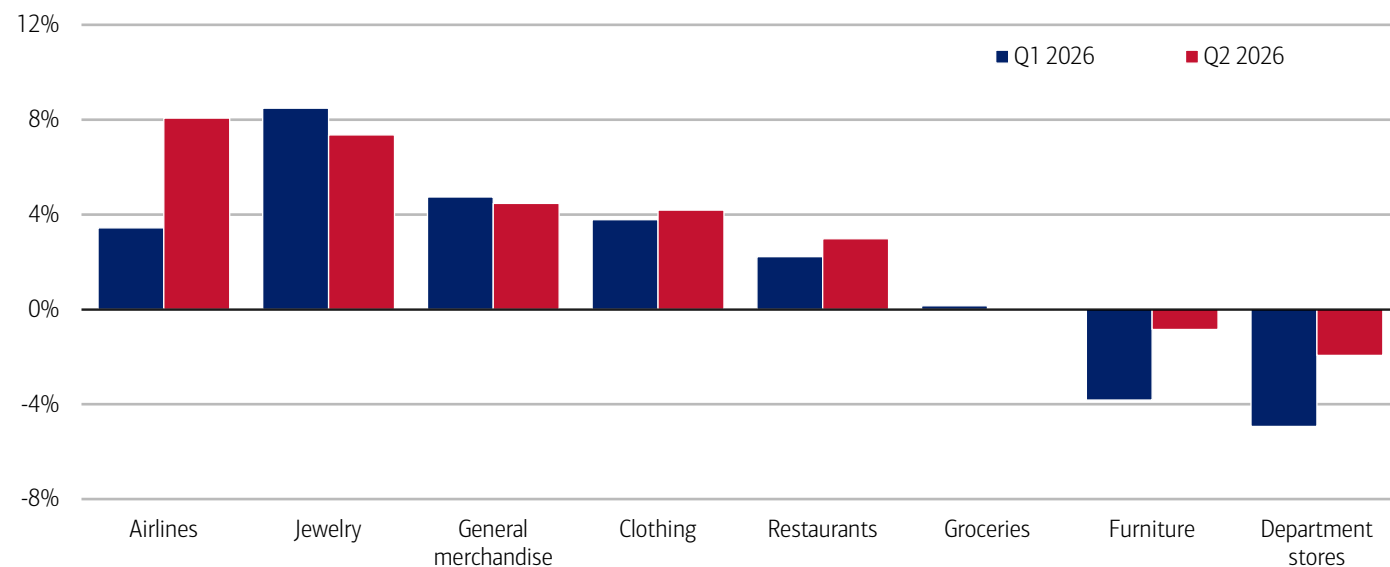
Source: Bank of America internal data

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Looking across some of these categories, middle-income households have accelerated their spending growth in airlines, clothing and restaurants during Q2 2026 from the first quarter (Exhibit 7). And while spending growth has decelerated in jewelry and general merchandise, it is still solidly positive. Conversely, spending at grocery stores was flat and down slightly YoY at furniture and department stores in the second quarter of this year.

Exhibit 7: Middle-income households' spending growth was strongest at airlines, jewelry, and general merchandise

Spending growth across select categories by middle-income households (quarterly, YoY%)



Source: Bank of America internal data

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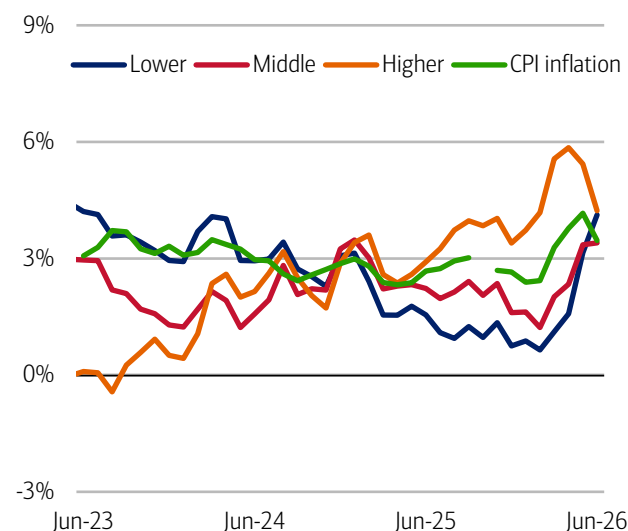
What's next for middle-income households' spending?

As of June 2026, inflation outpaced middle-income households' after-tax wage growth, based on a comparison of Bank of America deposit data and consumer price index (CPI) inflation data from the Bureau of Labor Statistics (BLS) (Exhibit 8). This suggests that some middle-income families are seeing prices increase faster than their wages.

Notably, though, almost a third of inflation growth is from the gasoline price spike alone. So, how does the average middle-income household's earnings growth stack up against gas price increases? Bank of America data shows that the typical YoY rise in after-tax wages is over five times larger than the increase in per-household gasoline spending (Exhibit 9).

Exhibit 8: Inflation growth is outpacing middle-income households' after-tax wage growth...

After-tax wage and salary growth by household income tercile (three-month moving average, YoY%, SA) and CPI inflation (monthly, YoY%, SA)

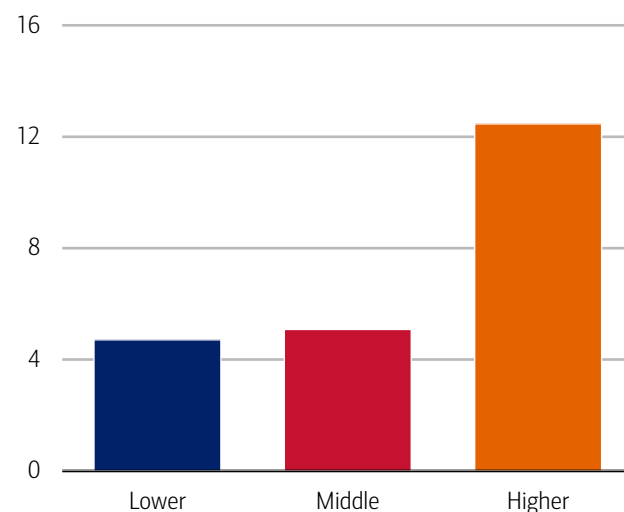


Source: Bank of America internal data, BLS

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Exhibit 9: ...though the rise in after-tax wage growth is five times larger than the increase in gasoline spending

Absolute rise in average gasoline spending per household compared to the increase in after-tax wages (June 2026 YoY difference, ratio)



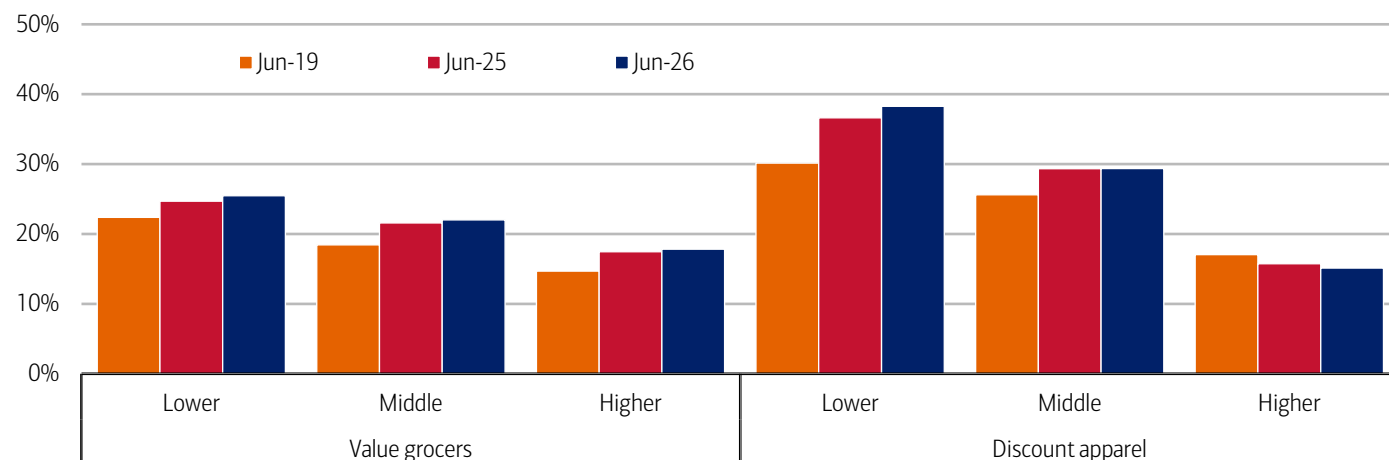
Source: Bank of America internal data, BLS

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Additionally, middle-income families have some room to trade down, if needed. Only one in five dollars spent on groceries is at value grocers, while less than a third of clothing spending is at discount apparel retailers (Exhibit 10). So, in our view, some middle-income households may have some wiggle room to make trade-offs in groceries and clothing to offset higher spending elsewhere.

Exhibit 10: Lower-income households have traded down the most in groceries and clothing compared to other income cohorts

Grocery spending share at value grocers and clothing spending share at discount apparel retailers by household income tercile (12-month rolling average to June every year, %)



Source: Bank of America internal data

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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.

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Sources

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Disclosures

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