

Economy

The Institute Employment Report: February 2026

04 March 2026

Key takeaways

- Payrolls growth accelerated to 1.3% year-over-year (YoY) in February, according to an estimate of payrolls based on Bank of America customer account data. At the same time, the growth in the number of households receiving unemployment benefits has flattened out. Overall, the impression is of a strengthening labor market in the early months of 2026.
- But there is a more concerning picture in Bank of America customer account data on after-tax wages and salaries. In particular, while higher-income wage growth rose to 4.2% YoY in February, lower- and middle-income wage growth slowed, to 0.6% and 1.2% YoY, respectively. The gap between higher-income wage growth and other cohorts is the largest it has been since the beginning of our data series.
- One reason for cooling wage growth amongst lower- and middle-income households may be weaker pay raises when changing jobs. In Bank of America internal data, the pay raise associated with a job change was 6.7% in January, down from the 2025 annual average of 8.6% and the double-digit gains during the "Great Resignation" period.

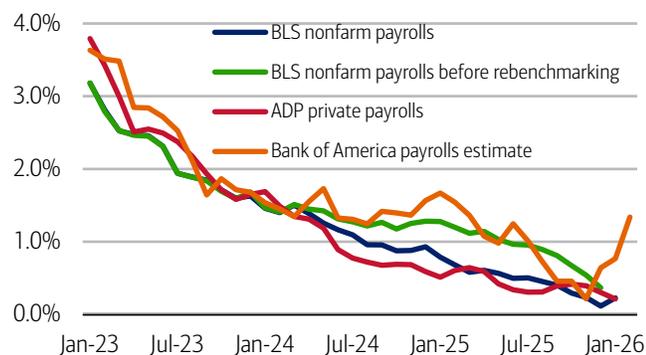
Payrolls growth accelerated again in February

Bank of America deposit account data suggests the recovery in payrolls growth we saw in January continued into February, while unemployment payments growth remained relatively flat. But the picture on wage growth in our data was less encouraging.

We use Bank of America consumer deposit data to estimate a payrolls series by looking at how the number of customer accounts receiving a paycheck is changing (see methodology). This data can be fairly noisy, partly due to seasonal variation. However, looking at a three-month moving average, Exhibit 1 suggests that the year-over-year (YoY) growth in our measure rose to 1.3% in February 2026, up from the 0.8% YoY in January.

Exhibit 1: Bank of America internal data continues to suggest an ongoing job growth rebound

Payroll estimates from Bank of America internal data (three-month moving average, % YoY), the Bureau of Labor Statistics (BLS) and Automatic Data Processing (ADP) (monthly, YoY)

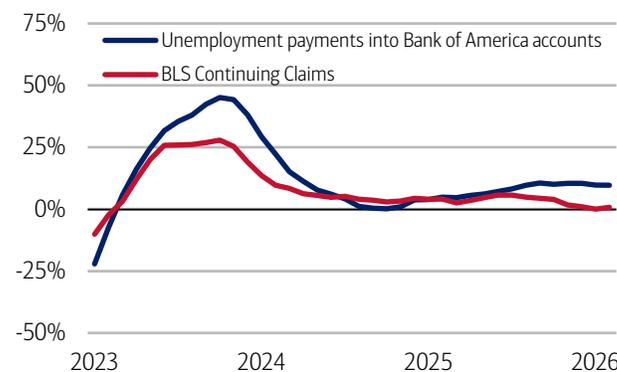


Source: Bank of America internal data, Haver Analytics
 Note: BLS and ADP data are seasonally adjusted, Bank of America data is not seasonally adjusted.

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Exhibit 2: Unemployment payments into Bank of America customer accounts show fairly steady growth

Number of households receiving unemployment payments (three-month moving average, YoY%, not seasonally adjusted (NSA)) and Continuing Claims (three-month moving average, YoY%, seasonally adjusted (SA))



Source: Bank of America internal data, Bloomberg
 Note: February Continuing Claims YoY data is average for weeks through February 13, 2026.

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The latest Bureau of Labor Statistics' (BLS) payroll estimate was revised lower following the benchmark revision process. This downward adjustment means BLS payrolls growth is now estimated to be lower in 2024/25 than previously estimated, implying our estimate of payrolls growth appears stronger than the official data over the period. Nonetheless, in our view, the positive growth in our estimate is a useful directional signal, indicating that the official data may have upside growth potential in coming releases.

Bank of America data on unemployment payments into customer accounts is broadly consistent with an improvement in the labor market. Exhibit 2 shows the growth in unemployment payments into Bank of America customer accounts has leveled-off at just below 10% YoY.

But the slowdown in middle-income households' wage growth has quickened

While the picture on stronger payrolls growth is "good news," there is a concerning picture coming from Bank of America deposit data on households' after-tax wage and salary growth.

One concern is that the gap between higher- and lower-income households' after-tax wage growth is wide. In fact, in the February data, higher-income after-tax wage growth accelerated to 4.2% YoY, while lower-income after-tax wage growth dropped back to 0.6% YoY. This means the gap between higher- and lower-income households wage growth was 3.6 percentage points (pp) – the highest of any point in our data, which begins in 2015.

As we discussed in [last month's Employment Report](#), signs that middle-income households' after-tax wage growth was softening were also a concern. And in the February data we have seen this trend accelerate. Middle-income after-tax wage growth fell to 1.2% YoY in February, making the gap with higher-income wage growth also the widest it has been over the length of our series.

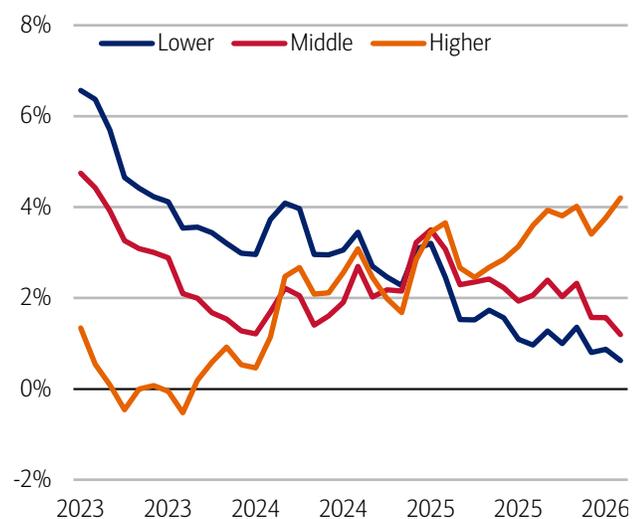
What's driving softer after-tax wage growth for lower- and middle-income households in our data? In part, it appears to be smaller raises for those changing jobs. In Bank of America deposit data, the pay raise associated with a job change was 6.7% in January, down from the 2025 annual average of 8.6% and the double-digit gains during the "Great Resignation" period in 2021-22 (Exhibit 4).

It could be that these softer gains from switching jobs are landing hardest on lower- and middle-income households, given these groups often achieve wage progression through job moves. We also discuss job-to-job pay raises and the differences between men and women in our publication: [Where are women positioned in a "K-shaped" economy?](#)

While the short-run outlook for consumers is being buoyed by higher tax refunds, how the dichotomy in our data between strong jobs growth and growing income divergence develops will, in our view, be key later this year.

Exhibit 3: In February, lower-income households' after-tax wage growth was 0.6% YoY, while higher-income households' wage growth was 4.2% YoY

After-tax wage and salary growth by household income terciles, based on Bank of America aggregated consumer deposit account data (3-month moving average, YoY%, SA)



Source: Bank of America internal data

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Exhibit 4: In 2025, the annual average pay raise associated with a job change was 8.6%, and in January 2026, this dropped further to 6.7%

Median pay raise for job-to-job movers (% monthly, 3-month moving average, and annual average)*



Source: Bank of America internal data

*Calculated as the change in pay in the three months from a job move compared to pay over the same three months a year earlier.

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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, 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.

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.

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.

Estimate of payrolls growth from Bank of America internal data is based on the change in customer accounts receiving a paycheck in the month. An adjustment is made for the difference between overall population growth and customer account growth.

The job-to-job change rate (j2j rate) is defined as the proportion of customers with an identified change in their employer as a proportion of the total number of customers with employment income. We estimate the median pay rise associated with a j2j change using the pay in the first three months of the new job compared to the same three months a year ago.

Additional information about the methodology used to aggregate the data is available upon request.

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