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Economy

The Institute Employment Report: July 2026

05 August 2026

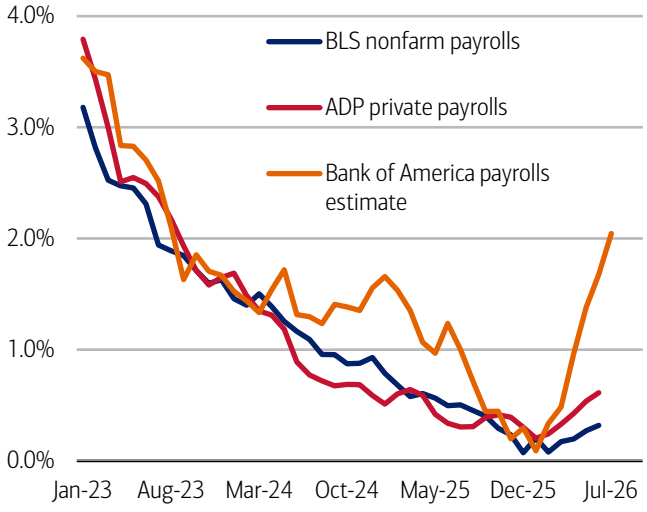
Key takeaways

- Bank of America customer deposit account data suggests labor market momentum strengthened further in July, with estimated payroll growth accelerating to 2.0% year-over-year (YoY), up from 1.7% in June.
- Job growth was led by lower-income households, while unemployment payments into customer accounts remained subdued, pointing to continued labor market resilience.
- Lower-income households saw after-tax wage growth accelerate to 5.2% YoY in July, surpassing higher-income households for the first time since December 2024, potentially aided by increased job switching and lower tax withholdings. Still, despite the strength in "regular" employment, the share of workers supplementing their income with gig work was up 0.4 percentage points YoY in June.

July's job growth shows further acceleration

Our estimate of job growth – which uses Bank of America deposit data to track changes in the number of customer accounts receiving a paycheck (see Methodology) showed an acceleration in job growth to 2.0% year-over-year (YoY) in July, up from 1.7% in June. The data can be noisy, partly due to seasonal variation and differences in pay-period timing, but in our view, this suggests the labor market has been faring very well over the summer (Exhibit 1).

Exhibit 1: July payroll growth accelerated further in Bank of America deposit account data
Payroll estimates from Bank of America customer deposit account 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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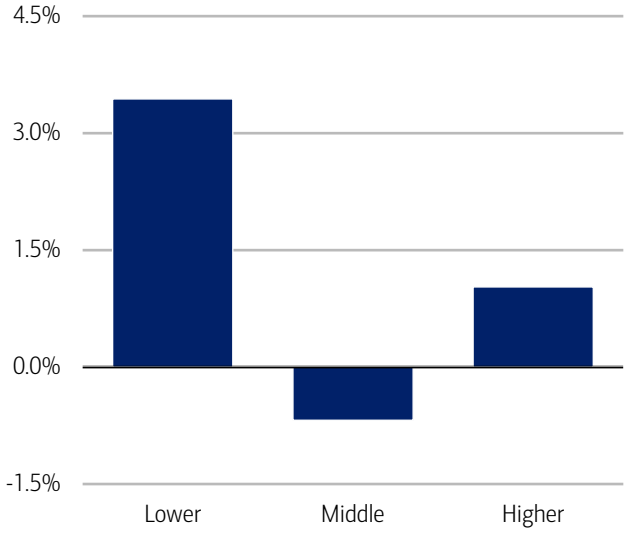
Exhibit 2: The strongest job growth appears to be at the lower-income end of the income distribution
Payroll estimates from Bank of America customer deposit account data by household income tercile (July 2026, three-month moving average, % YoY)



Source: Bank of America internal data

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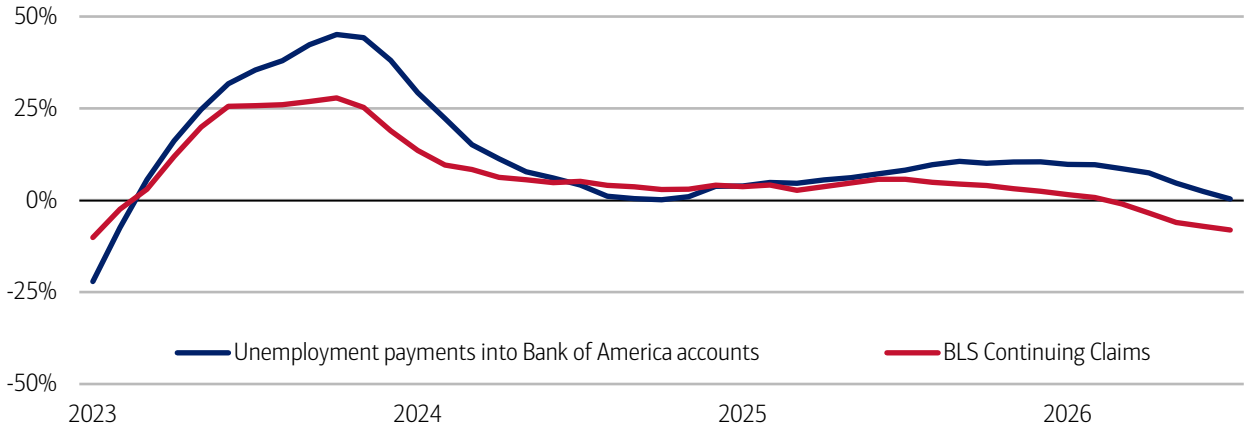
When we split Bank of America job growth data by household income tercile, we find that job growth in July was strongest among lower-income households. There was positive, but weaker, growth among higher-income households, but interestingly, for middle-income households, we actually observed a small decline in jobs (Exhibit 2).

That said, this picture of a fairly robust labor market overall is also supported by Bank of America data on unemployment payments into customer accounts. In July the YoY growth of this measure was flat (Exhibit 3).

Exhibit 3: Unemployment payment growth was flat in July, according to Bank of America consumer deposit data
Number of households receiving unemployment payments (three-month moving average, YoY%, not seasonally adjusted (NSA)) and Bureau of Labor Statistics (BLS) Continuing Claims (three-month moving average, YoY%, seasonally adjusted (SA))



Source: Bank of America internal data, Bloomberg

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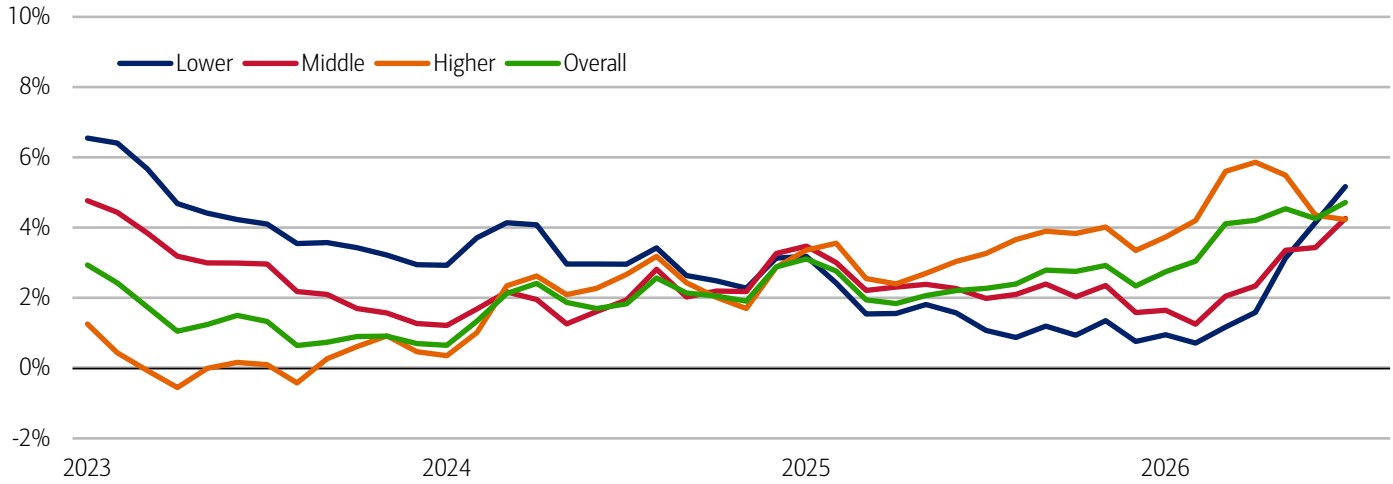
After-tax wage growth developments mirror the lower-income jobs story

The strength in lower-income households' job growth appears consistent with Bank of America data showing a strong recovery in after-tax wage growth among that cohort. In July lower-income households saw their after-tax wage growth accelerate to 5.2% YoY – the highest rate since March 2023 – and surpassing the 4.2% YoY growth among higher-income households for the first time since December 2024. Meanwhile, middle-income households' after-tax wage growth rose to 4.3% YoY, also slightly ahead of higher-income households (Exhibit 4).

What's driving the pick-up in after-tax wage growth among lower-income households? Alongside strong job growth, we have also observed a rise in job-to-job movements (read: The Institute Employment Report: June 2026), which could be disproportionately boosting lower-income pay growth. But beyond labor market dynamics, it is also possible that households reduced their tax withholdings this year following the One Big Beautiful Bill Act (OBBA), boosting their take-home pay.

Exhibit 4: In July, after-tax wage growth among lower-income households surpassed that of higher-income households for the first time since December 2024
After-tax wage and salary growth by household income terciles, based on Bank of America aggregated consumer deposit account data (three-month moving average, YoY%, SA)



Source: Bank of America internal data

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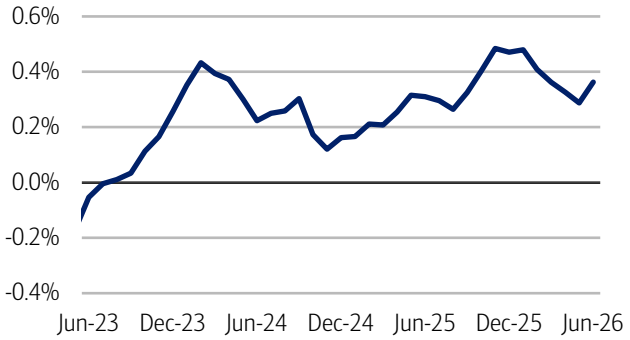
More people are taking on gig work as a second source of income

It's also possible lower-income and middle-income households might have adjusted their tax withholdings due to cost-of-living pressures, not least from rises in the price of gasoline. Interestingly in Bank of America deposit account data we see another potential labor market manifestation of this pressure: the share of customers receiving gig income rose for the better part of three years (Exhibit 5). Moreover, in June 2026 the share ticked back up, despite the strength in the "regular" labor market.

One explanation for this continued increase is that gig work tends to skew younger, and Gen Z has been facing a relatively tougher job market for new entrants (read more on this in August's publication: The Gen Z reality check). Also telling is that there has been a broad-based increase in the share of customers already employed *and* receiving gig income (Exhibit 6). In our view, this highlights that despite a solid labor market some households are using gig to "top up" their regular paycheck.

Exhibit 5: The share of gig workers has ticked back up in June after moderating for five months
Share of customers with gig work (percent difference from previous year, monthly, three-month moving average)



Source: Bank of America internal data

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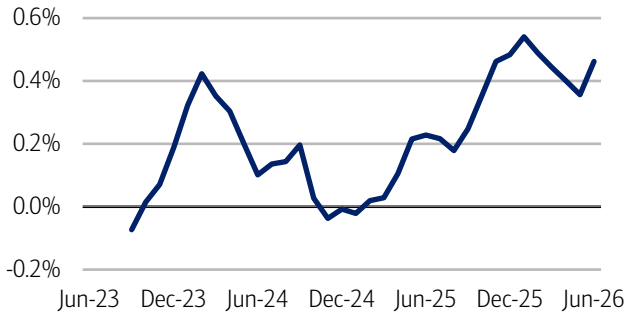
Exhibit 6: There has been an increase in the share of customers already employed and receiving gig income
Share of customers receiving direct deposits and have gig income (percent difference from previous year, monthly, three-month moving average)



Source: Bank of America internal data

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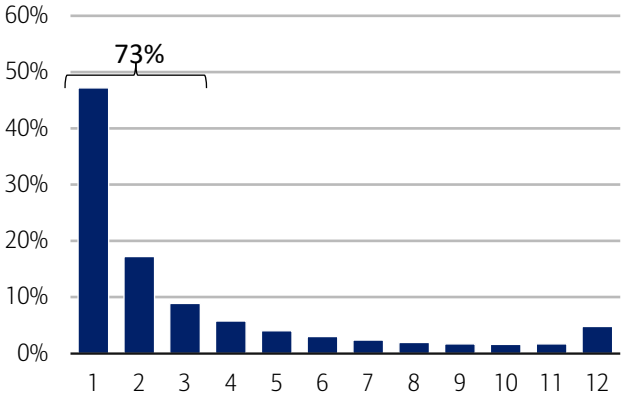
For many workers, gig may be a fairly infrequent recourse when things are tight. This use of gig work to "top up" regular primary income is also consistent with Bank of America data showing that for June 2026 nearly half of gig workers only earned income from this type of work one month in the past year, while almost 74% of gig workers did three months or less (Exhibit 7).

Exhibit 7: Nearly half of gig workers only received income one month of the year, while almost 73% received income three months or less in the past year
Percentage share of gig workers by number of months worked in the past twelve months from June 2026 (count of months, %)



Source: Bank of America internal data

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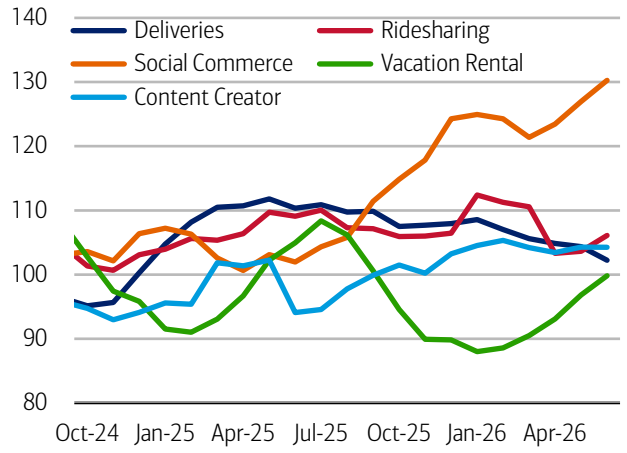
Exhibit 8: The number of customers participating in social commerce gig work was up more than 30% from the 2024 average
Gig workers by type (monthly, three-month moving average, indexed, 2024 average = 100)



Source: Bank of America internal data

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What type of gig work are people taking on? While the number of customers participating in food delivery has trended downwards, social commerce has accelerated, up more than 30% from the 2024 average (Exhibit 8). In our view, this could be due in part to strong consumer demand for thrifted items bought via social commerce sites (read more on this in April's publication: Secondhand fashion piece).

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.

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.

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.

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.

An estimate of bonus growth from Bank of America deposit data is calculated by looking at customers who have received an inbound ACH payroll transaction in the last two years. From this sample an estimate of bonuses is derived by looking for payroll transactions which are over 50% higher than the median regular payroll payments received by the customer. Of these payments only those that were received around the same time in each of the last two years are selected.

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

Contributors

David Michael Tinsley

Senior Economist, Bank of America Institute

Taylor Bowley

Economist, Bank of America Institute

Sources

Li Wei

Director, Global Risk Analytics

Dale Lin

Director, Global Risk Analytics

Yan Peng

Vice President, Global Risk Analytics

Elaine Li

Director, Global Risk Analytics

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