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Economy

The Institute Employment Report: May 2026

04 June 2026

Key takeaways

- Payroll growth picked up again in May, according to Bank of America customer deposit account data, suggesting the labor market remains resilient and broadly healthy. It appears much of this strength is being driven by gains in lower-income jobs.
- Consistent with improvements in the labor market, unemployment payments into Bank of America customer deposit accounts continues to show slowing growth.
- Wage growth for lower- and middle-income households is recovering but still lags higher-income earners, despite some narrowing in the gap. Lower- and middle-income after-tax wage growth rose to 3.1% and 3.5% year-over-year (YoY), respectively, in May, while higher-income wage growth eased to 5.6% YoY.

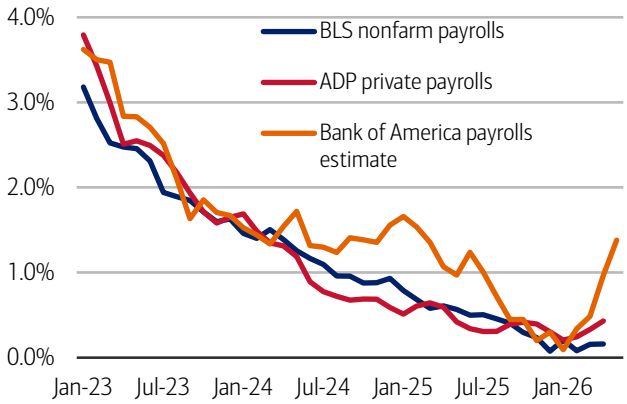
May continued to see solid payrolls growth

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 suggests payrolls grew briskly in May. And the acceleration in jobs growth since the start of the year appears to be concentrated in lower-income roles.

This data can be fairly noisy, partly due to seasonal variation and variation in pay periods. This month's data also incorporates some revisions to our data, to better identify payments aligned with job-related income. While these revisions lower recent year-over-year (YoY) growth rates, they do not change the directional story of rising jobs growth in 2026.

Looking at the three-month moving average, Exhibit 1 shows our jobs growth measure rose to 1.4% year-over-year (YoY) in May, up from 1.0% in April. This is broadly in line with the rates seen in late 2024/early 2025 – a period of healthy payrolls growth according to the Bureau of Labor Statistics' (BLS) measure.

Exhibit 1: Bank of America account data indicates payrolls growth continued into May
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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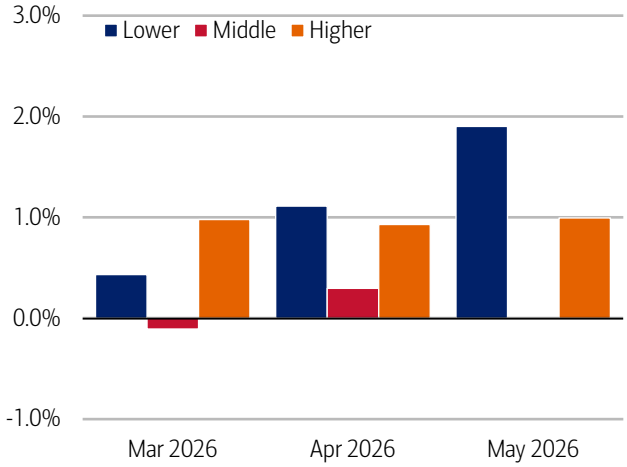
Exhibit 2: The acceleration in payrolls growth appears to be concentrated primarily in lower-income jobs
Payroll estimates from Bank of America customer deposit account data by household income tercile (three-month moving average, % YoY)



Source: Bank of America internal data

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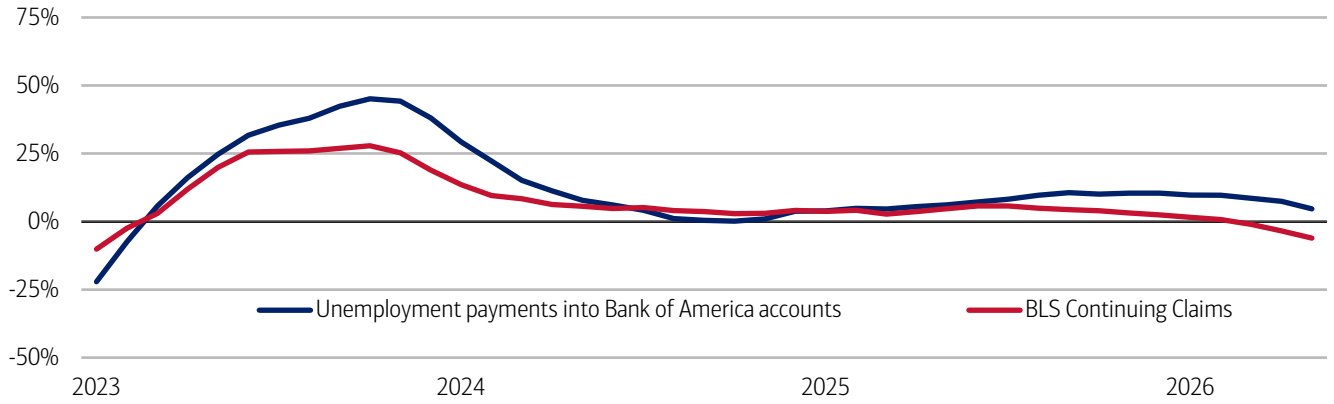
Interestingly, when we split our estimate of jobs growth by household income terciles, we find the acceleration in jobs growth in our data appears to be driven by lower-income payrolls (Exhibit 2).

Consistent with continued improvements in jobs growth, Bank of America data on unemployment payments into customer accounts continues to show easing growth (Exhibit 3).

Exhibit 3: Unemployment payment growth continued to decline in May
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

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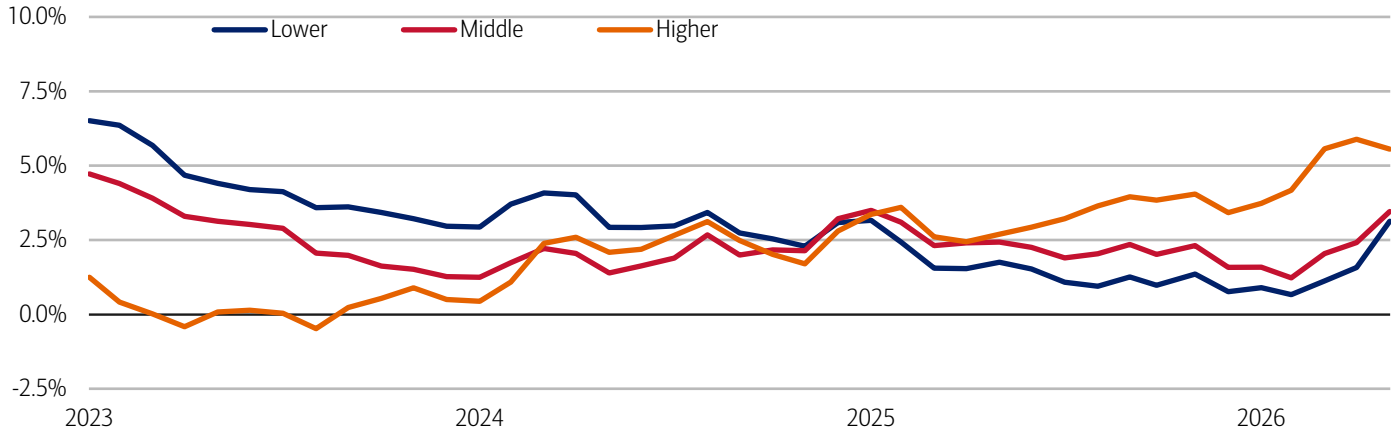
Signs of recovery in lower- and middle-income wage growth?

While there continues to be a large gap between higher-income households' after-tax wage growth and that of lower- and middle-income households in Bank of America data, there are signs of a recovery for the latter in May.

In May, higher-income households saw after-tax wage growth of 5.6% YoY – down from 5.9% YoY in April, but still a relatively high growth rate compared to the previous three years (Exhibit 4). The YoY growth rates for lower- and middle-income households are considerably lower, but both are continuing to recover. In May, lower-income households' after-tax wage growth rose to 3.1%, the highest rate since January 2025, while middle-income households' wage growth rose to 3.5% YoY. While still significant, the gap between higher- and lower-income households wage growth was the lowest it has been since July 2025.

What is driving this rebound in lower- and middle-income wage growth? In our view, some recovery is consistent with the stronger jobs growth we have seen in recent months, alongside an increase in job openings seen in the recent Job Openings and Labor Turnover Survey (JOLTS) report from the BLS. But we view the uptick in wage growth cautiously – sometimes changes in pay growth can reflect differences in the number of pay periods, for example. So we need to see additional data to confirm the trend.

Exhibit 4: Lower- and middle-income households saw after-tax wage growth rise to 3.1% and 3.5% YoY, respectively, in May, narrowing but not closing the gap with higher-income households
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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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.

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.

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Disclosures

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