Economy

The Institute Employment Report: October 2026

05 November 2026

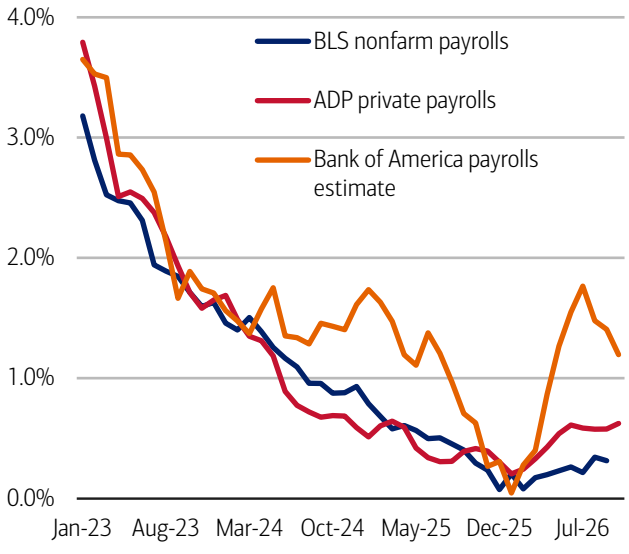
Key takeaways

- Job growth moderated in October to 1.2% year-over-year (YoY), but the labor market remains resilient, according to Bank of America deposit data. Moreover, unemployment payments were down around 5% YoY, suggesting few signs of labor market stress. Bank of America business payments data also suggests small and mid-sized firms' hiring plans have strengthened.
- The composition of job growth is broadening and Bank of America data shows job switching has risen across income groups, with lower- and middle-income job movers seeing larger pay gains than higher-income movers.
- Lower-income households are seeing the strongest wage growth. After-tax wage growth for lower-income households rose to 4.7% YoY in October, compared with 3.8% for middle-income and 3.4% for higher-income households, pointing to some continued catch-up after a weaker 2025.

Job growth slowed in October, though remains resilient

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) – eased further in October, albeit to a still robust 1.2% year-over-year (YoY). The data can be noisy, partly due to seasonal variation and differences in pay-period timing, but in our view, the overall picture is of a fairly resilient labor market (Exhibit 1).

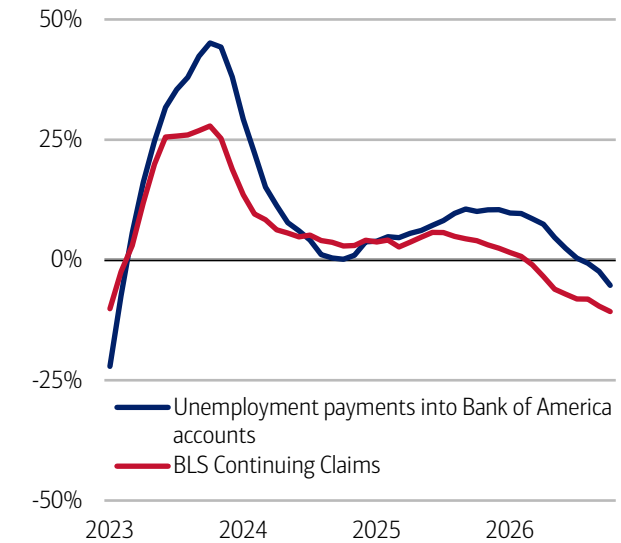
Exhibit 1: Bank of America deposit account data confirms a moderating but resilient trend in payroll growth
Payroll estimates from Bank of America customer deposit account data (three-month moving average, % YoY), the Bureau of Labor Statistics (BLS) and Automatic Data Processing (ADP) (monthly, YoY)



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: Unemployment payments dropped YoY in October, according to Bank of America consumer deposit data
Number of households receiving unemployment payments (three-month moving average, YoY%, not seasonally adjusted (NSA)) and BLS Continuing Claims (three-month moving average, YoY%, seasonally adjusted (SA))



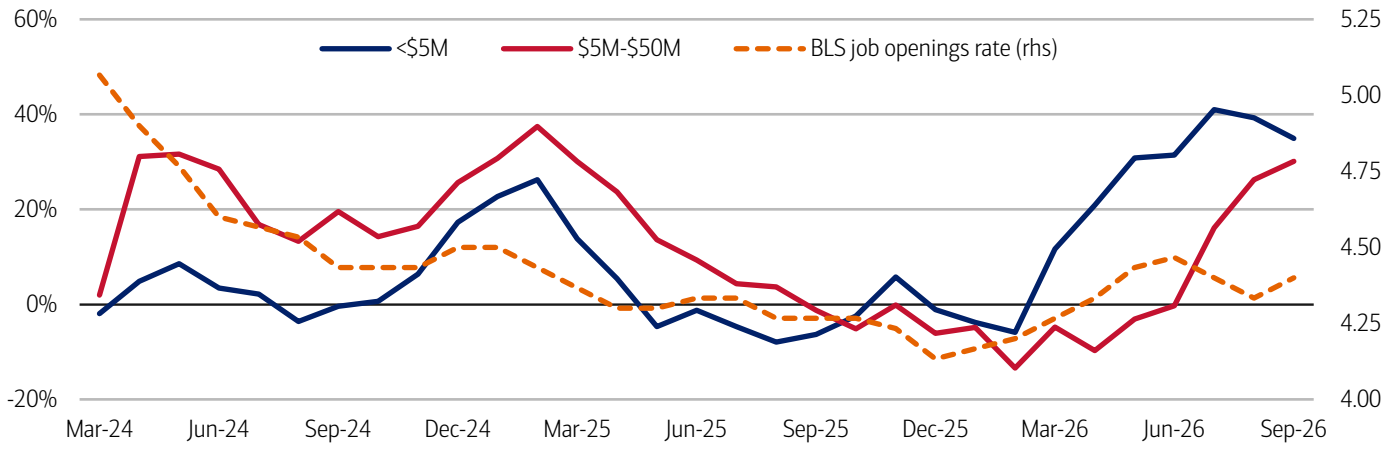
Source: Bank of America internal data, Bloomberg

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Bank of America data on unemployment payments also suggests little cause for concern about labor market trends. Payments are down around 5% YoY, consistent with developments in Continuing Claims from the BLS (Exhibit 2).

The picture of a resilient labor market is also matched in Bank of America business payments. Small businesses (firms with revenue <$5M) have shown a rebound in their payments to hiring firms over 2026, while mid-sized firms (firms with revenue $5M-50M) have also recently joined that recovery (Exhibit 3). Given the importance of these firms in the economy – they make up around 30% of total payrolls – this, in our view, suggests continued labor demand through the rest of this year.

Exhibit 3: Small business payments to hiring firms have accelerated since March 2026, whereas mid-sized picked up in the last few months
Business payments to hiring firms per client by annual revenue (YoY%, monthly, three-month moving average) and the BLS job openings rate (right-hand side (rhs), three-month moving average, %)



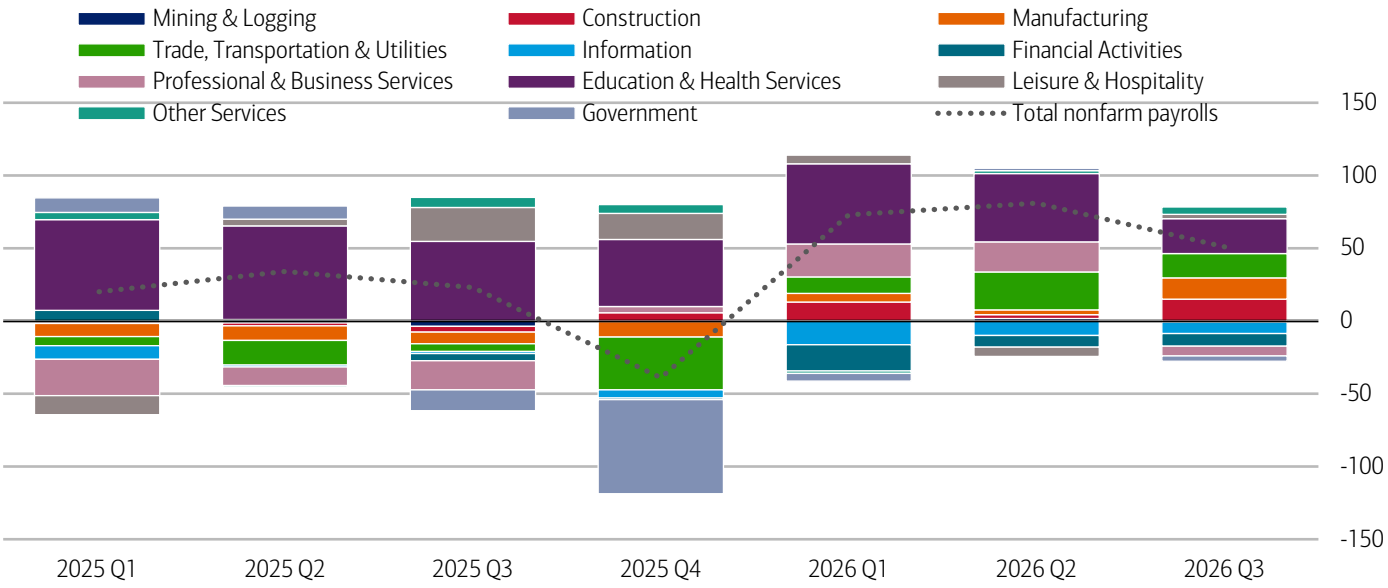
Source: Bank of America internal data, Haver Analytics

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A broader-based labor market is seeing a rise in job switching

Beneath the surface of resilient momentum in the labor market, there have been some shifts in the composition of job growth. In BLS payrolls data, the impression is that growth has become somewhat broader based over 2026 (Exhibit 4). The reliance on education and health services for job growth in 2025 appears to have lessened, while job growth in manufacturing, trade, transportation and utilities, and construction has improved.

Exhibit 4: Recent job growth has been modest, but broader based
Average change in non-farm payrolls by industry (quarterly, thousands)

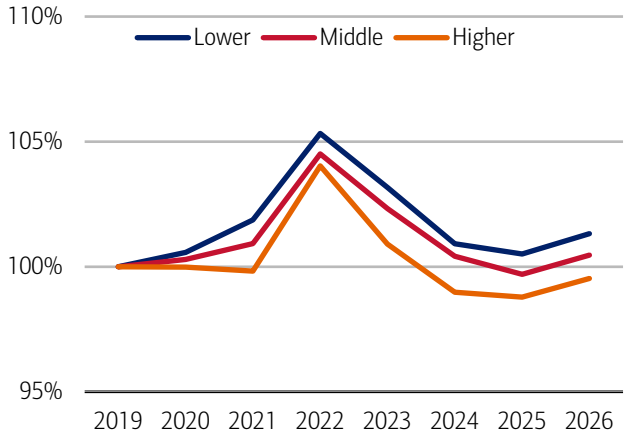


Source: Haver Analytics

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In Bank of America data, this broadening in job growth has been reflected across income cohorts. When we look at the proportion of customers with a deposit account and a steady paycheck who changed jobs in the last year, we find it has risen for all income cohorts (Exhibit 5). However, lower- and middle-income households who made a job switch have seen much larger increases in pay than higher-income households. Moreover, for these cohorts pay gains have been larger in 2026 compared to the last few years, while for higher-income households this is not the case (Exhibit 6).

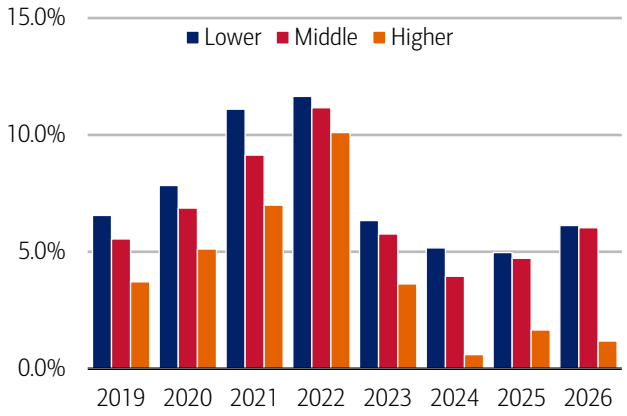
Exhibit 5: There has been an increase in job switching across income cohorts
Share of total deposit account customers with a steady paycheck who switched employers, by household income group (Q3 of every year, index Q3 2019 = 100)



Source: Bank of America internal data

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Exhibit 6: The pay rise from switching jobs has increased for lower- and middle-income households
Median after-tax wage growth for those who changed employers minus those who stayed with their employers by income group (Q3 of every year, YoY%)



Source: Bank of America internal data

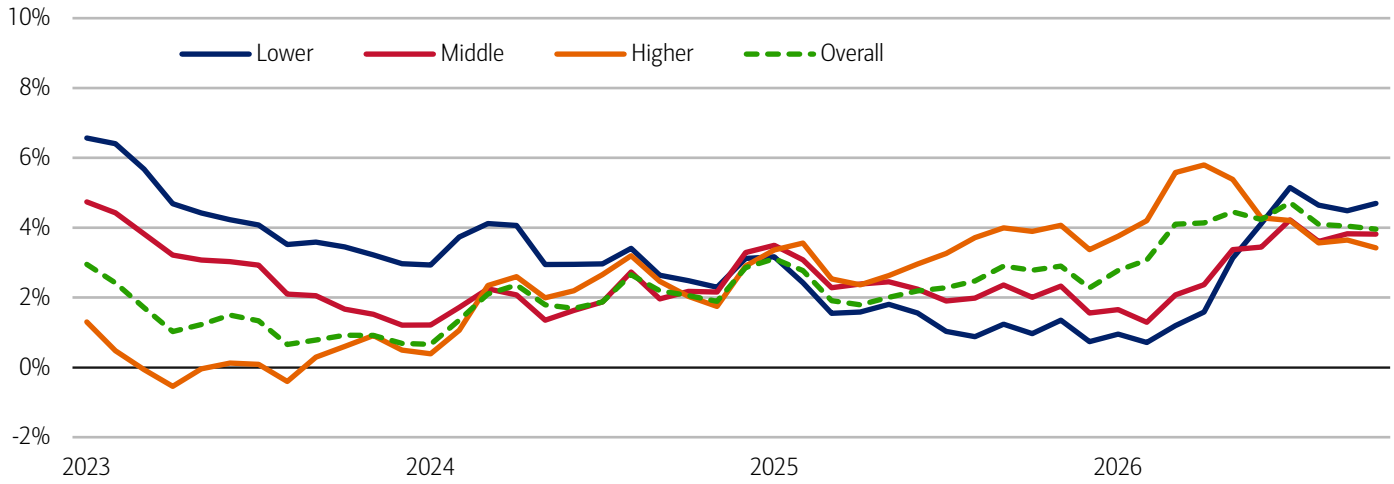
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Lower- and middle-income households benefit via higher wage growth

Alongside tax changes impacting take-home pay from the One Big Beautiful Bill Act (OBBA), the broadening in the labor market is likely a key reason why lower- and middle-income households have seen stronger pay growth this year.

In October, average after-tax wages and salaries growth was 4.0% YoY, unchanged from September. Lower-income households' wage growth rose to 4.7% YoY from 4.5% in September, while wage growth for middle- and higher-income households was 3.8% and 3.4% YoY, respectively. Overall, current trends appear relatively stable, with lower-income households seeing a period of catch-up after a much weaker 2025 (Exhibit 7).

Exhibit 7: Lower-income wage growth was around 4.7% YoY in October, compared to 3.4% YoY for higher-income households
After-tax wage and salary growth by household income tercile, 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 **Business** payments data represents aggregate spend from Small Business and/or Business Banking 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 Business client data represents activity spending from active 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 are generally defined as under $5mm in annual sales revenue. Mid-sized businesses in this report include business clients within Bank of America and are generally defined as $5mm-$50mm 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 payroll 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. Occasionally historic payments can be reclassified, leading to revisions in the series.

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.

Revenue tiers are determined by the combination of following factors: 1) stated revenue on small businesses credit applications, 2) actual account inflow into Bank of America Deposit Accounts, and 3) third party revenue estimation.

The alternative hiring indicator consists of payments from Bank of America business clients to business-focused hiring firms which include both direct deposits through Automated Clearing House (ACH) and payments via credit and debit cards.

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

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Disclosures

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