

Economy

Regional Roundup: Mapping out affordability

28 January 2026

Key takeaways

- While spending growth accelerated in most regions in late 2025, it slowed in the South despite the region posting the strongest after-tax wage growth in December, according to Bank of America deposit account data. This disconnect suggests rising costs are absorbing much of households' income gains.
- Across regions, clothing and restaurants spending remains positive, but durables and airline spending have pulled back most sharply in the South, where durables were down in December over 4% year-over-year (YoY) and airline spending declined over 5% YoY, according to Bank of America card spending.
- Housing and other fixed costs help explain these patterns. While the South remains more affordable than many regions, faster rent growth since 2019 and higher gasoline spending relative to the Northeast appear to be constraining discretionary budgets, even as food affordability has improved.

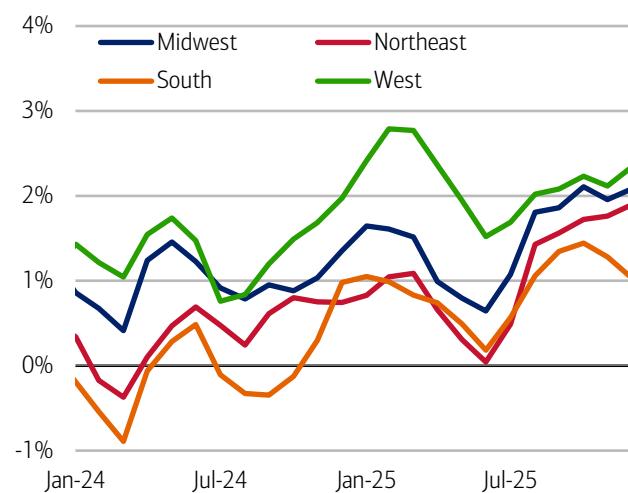
Spending growth slows in the South despite wage gains

Consumer spending continues to be on the upswing in the U.S., with the Midwest and the West remaining ahead of the pack. Exhibit 1 shows that Bank of America total aggregated credit and debit card spending per household in those regions remained strong over much of the past year, although the Northeast has recently gained ground.

Yet, a surprising picture has emerged for the South: spending growth has slowed over the past few months and has been weaker than the other regions for the second half of 2025, yet wage growth was strongest there – and across all regions – in December (Exhibit 2). In fact, wage gains continued to improve in the South over the second half of 2025, whereas all other regions saw a slight moderation in December – the opposite of their spending growth trends.

Exhibit 1: Total card spending growth accelerated in all regions except the South in December

Aggregated credit and debit card spending per household by region (3-month moving average, YoY%, monthly, seasonally adjusted)

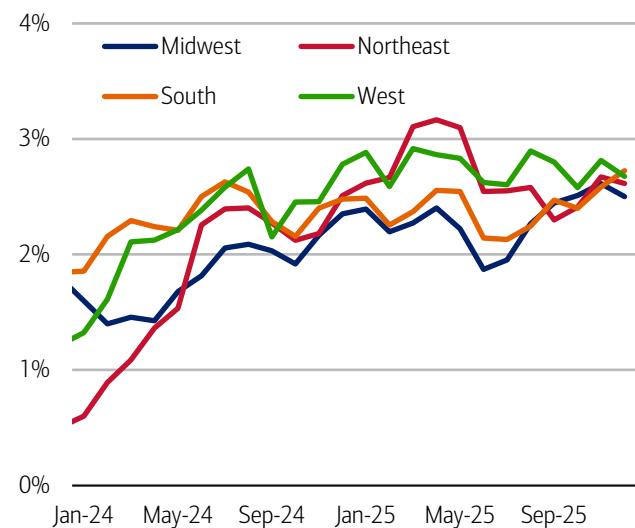


Source: Bank of America internal data

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Exhibit 2: The South had the strongest wage growth in December

After-tax wage and salary growth by region (seasonally adjusted, YoY%, monthly, six-month moving average)



Source: Bank of America internal data

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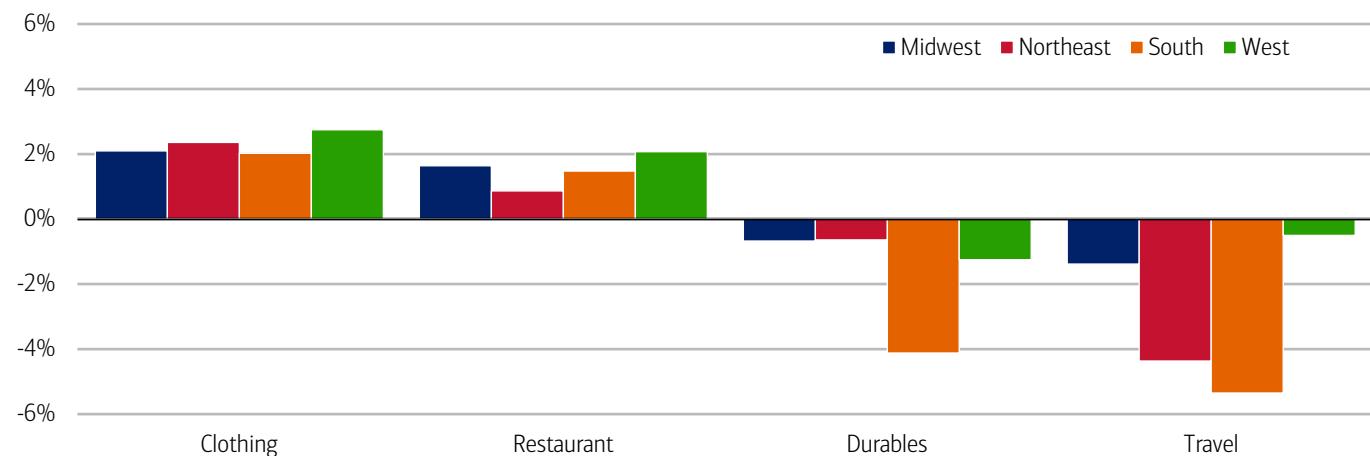
The culprit across the board: changes in affordability

What's behind this? Some of this might be due to waning labor supply, from increased immigration restrictions, putting pressure on wages. Another part of the equation – affordability challenges might be driving some changes in spending behavior. In our view, southern households are pulling back more sharply on bigger ticket discretionary items like durables and travel in order to keep up with expenses (Exhibit 3) (read more on this in [September's Regional Roundup](#)).

In the West, consumers exhibited comparatively more resilient spending in bigger ticket discretionary categories, consistent with higher average incomes and continued travel demand. The Northeast is between these two extremes, with relatively modest declines in durables but a sharper pullback in travel. By contrast, spending on smaller ticket categories like clothing and restaurants increased at a similar pace across all regions.

Exhibit 3: Clothing and restaurant spending has held up across the regions whereas households have pulled back on durables and airlines

Aggregated credit and debit card spending, based on Bank of America data, per household by region for select discretionary categories (3-month moving average to December 2025, YoY%, monthly, non-seasonally adjusted)



Source: Bank of America internal data. Travel includes airlines and lodging only.

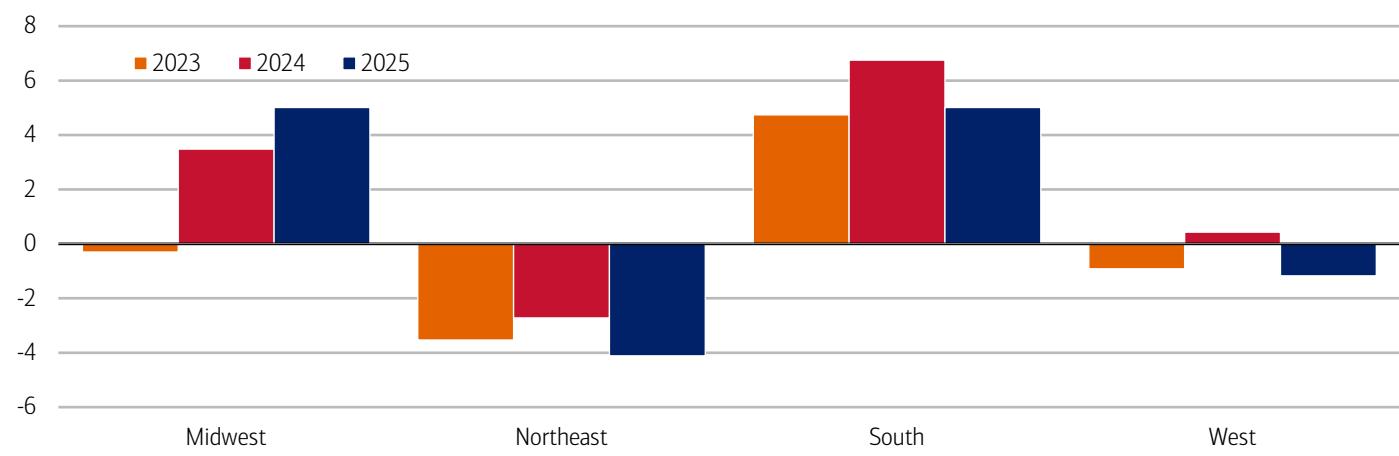
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Rents race ahead of paychecks across the South

Housing costs remain one of the most significant affordability challenges. In fact, over the past few years, after-tax wage growth in the South has failed to keep up with rent growth by a wider margin than in most other regions (Exhibit 4).

Exhibit 4: Rent payments' growth has outpaced wages most severely in the South over the past three years

Growth in median rent payments compared to growth in average after-tax wage and salary, both based on Bank of America data (yearly, difference in index 2019 = 100)



Source: Bank of America internal data

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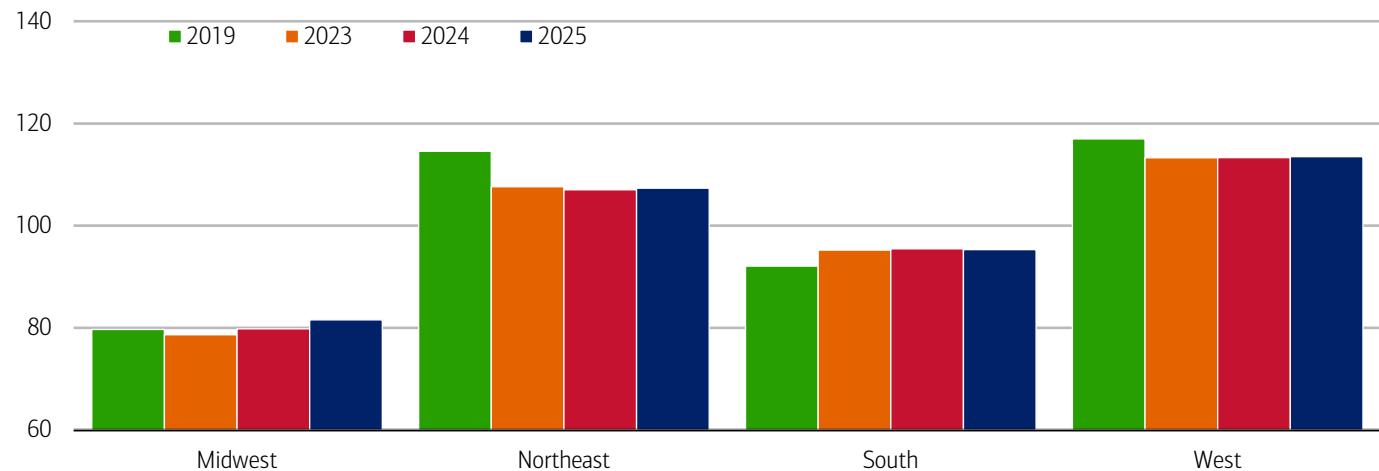
Renters – who tend to be younger and have lower incomes than homeowners – are particularly sensitive to these pressures, especially as housing is often the largest expense of any household. And while we do not directly observe rent as a share of income, the gap between rents and wages suggests that housing has claimed a larger portion of a typical renter's household budget in the South.

This dynamic likely reflects a strong increase in people moving to the region, especially from the Northeast, which bolstered demand for rental housing faster than supply (read more on this in [On the move: U.S. migration patterns](#)). However, the good news is – supply has caught up.

We recently found that rent payments in certain parts of the South have been flat or even decreasing (read more in [On the move: Renters catch a break](#)). This has likely eased some of the burden that rents have put on some Southern households in the past few years. However, while cooling rent payments likely boosted smaller ticket discretionary spending (like clothing and restaurants), these improvements have likely not extended to bigger ticket items like durables and travel yet, in our view.

Exhibit 5: Median rents remain well below the national median in the Midwest and South, even after recent increases

Median rents per region compared to national median, based on Bank of America payments data (yearly, index national median = 100)



Source: Bank of America internal data.

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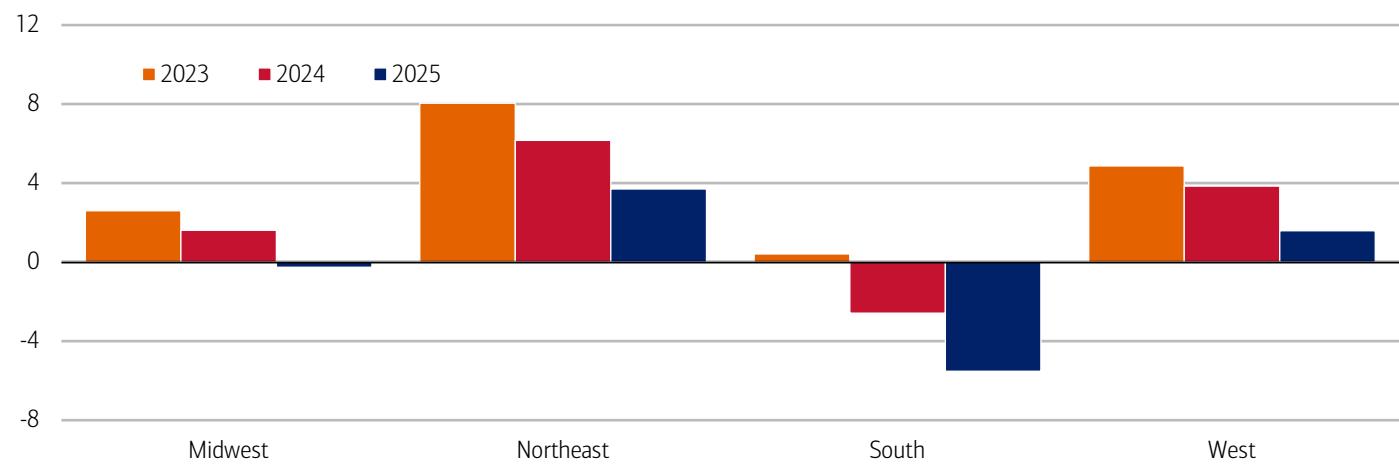
When it comes to overall housing cost pressures, the South demonstrates how changes in prices – and spending – can alter the perception of a region's affordability. The South has long lured people from more expensive regions largely due its traditional cost of living advantage versus areas like the Northeast. Yet that advantage appears to be ebbing slightly. Exhibit 5 shows that median rents remain well below the national median, even after recent increases. However, the South has seen a faster upward shift since 2019.

Paychecks pull ahead of food prices in the South

While rent differs quite significantly, food spending is much more similar across the regions. In fact, Exhibit 6 shows average wages in the South have made gains on food bills, according to Bank of America internal data.

Exhibit 6: Grocery and restaurant spending has risen more relative to wages in the Northeast than in other regions

Growth in average grocery and restaurant spending per household compared to average after-tax wage and salary, both based on Bank of America data (yearly, difference in index 2019 = 100)



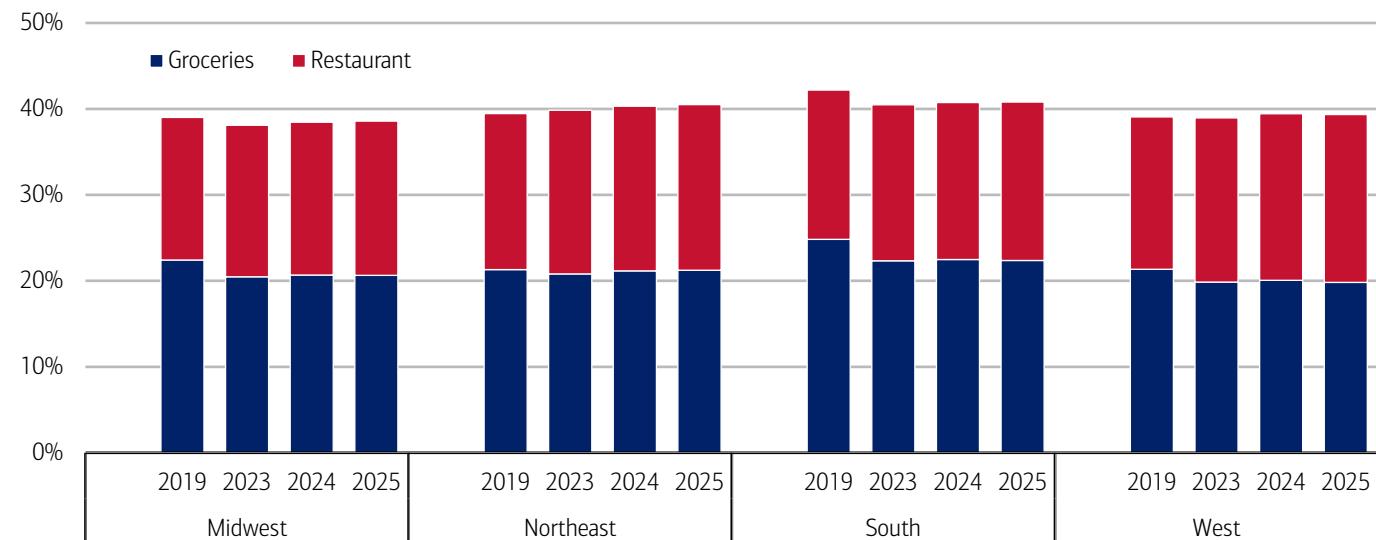
Source: Bank of America internal data

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Additionally, while a higher share of Southerners' spending used to go to food pre-pandemic, wage gains in the region have brought it more in line with the rest of the US in recent years (Exhibit 7). In fact, all regions, except the Northeast, have seen grocery spending eat up less of their overall retail spending budget. And, in our view, it looks like these gains have allowed consumers to slightly expand their restaurant spending.

Exhibit 7: In 2025, all regions allocated a similar share of their spending on food

Grocery and restaurant spending as a share of total retail card spending, based on Bank of America card data, by region (yearly, %)



Source: Bank of America internal data

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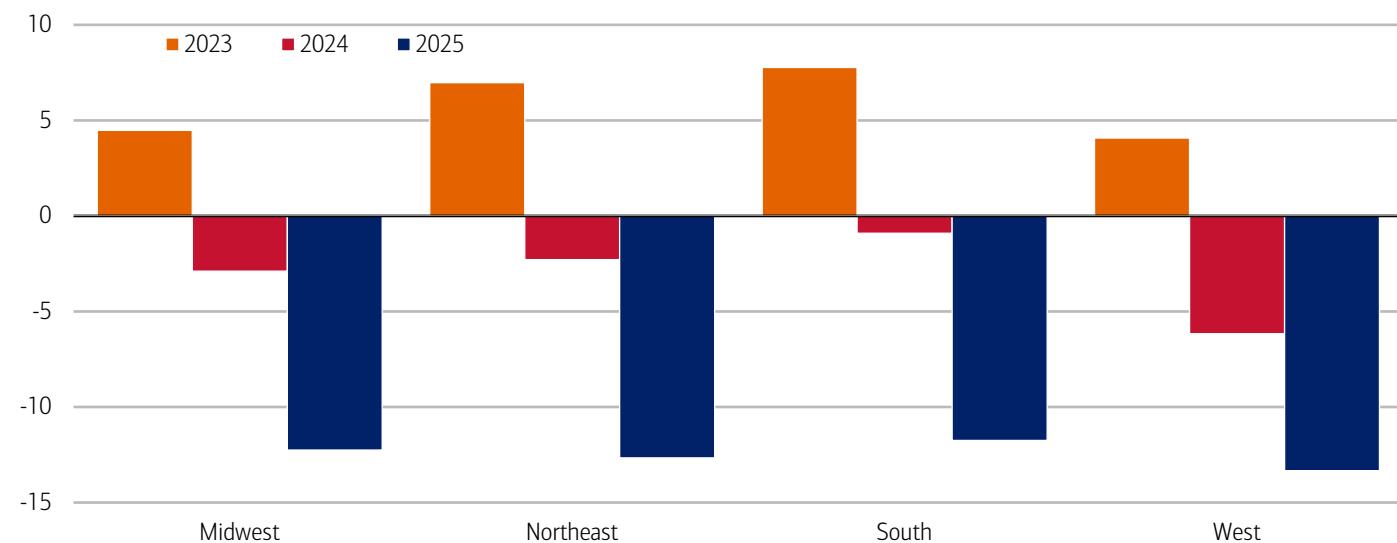
Gas prices leave more in the tank

Still, what people spend on food depends more on their age, family situation, and lifestyle than where they live. However, this is only partly true when it comes to transportation. Lower gasoline prices provide the greatest relief to consumers in places where driving is a necessity, likely as fuel costs become a fixed expense, like rent. As a result, even modest decreases in gas prices can have an outsized effect on discretionary budgets.

According to Bank of America internal data, the gains from wage growth and falling gas spending was significant across all regions in 2025, only two years after fuel spending was burning a hole in consumers' wallets (Exhibit 8).

Exhibit 8: In 2025, all regions have seen wages grow faster than gas spending after seeing the opposite two years ago

Growth in average gas spending per household compared to average after-tax wage and salary, both based on Bank of America data (yearly, difference in index 2019 = 100)



Source: Bank of America internal data

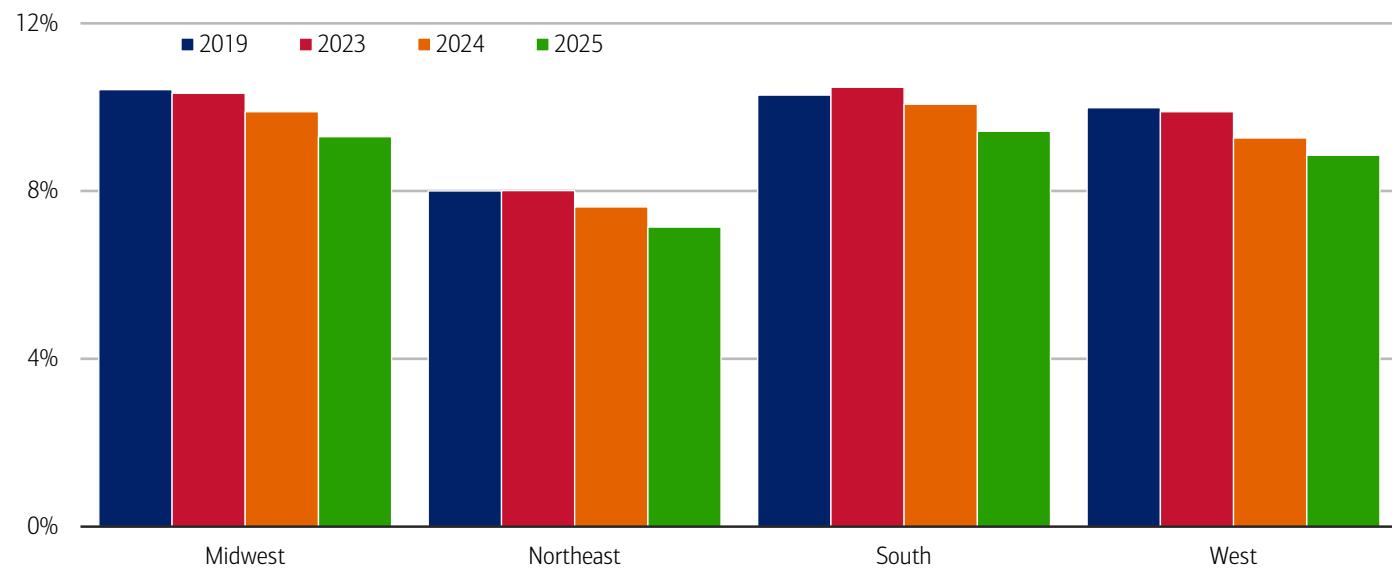
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These gains have allowed consumers to allocate less of their retail spending budget to gasoline over the past few years. Yet, those in the South, as well as the Midwest and West, must allocate a higher share of their spending to gasoline than people in the Northeast (Exhibit 9).

So, while some of those that have moved to the South may be gaining on lower rents relative to their home region, others may be experiencing sticker shock as the total cost of living sets in. Thus, while the South is still a beacon of affordability to many, it may be losing some of its shine.

Exhibit 9: Gasoline spending accounts for a similar share of retail spending for every region except the Northeast

Gasoline spending as a share of total retail card spending, based on Bank of America card data, by region (yearly, %)



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, 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.

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.

US Census Regions of the United States:

Northeast: Connecticut, New Jersey, Maine, New York, Massachusetts, Pennsylvania, New Hampshire, Rhode Island, Vermont

Midwest: Indiana, Iowa, Illinois, Kansas, Michigan, Minnesota, Ohio, Missouri, Wisconsin, Nebraska, North Dakota, South Dakota

South: Delaware, Alabama, Washington DC, Kentucky, Florida, Mississippi, Georgia, Tennessee, Maryland, Arkansas, North Carolina, Oklahoma, South Carolina, Texas, Virginia, West Virginia, Louisiana

West: Arizona, Alaska, Colorado, California, Idaho, Hawaii, New Mexico, Oregon, Montana, Washington, Utah, Nevada, Wyoming

Major grocery categories include sugar and sweets, juices and other non-alcoholic beverages, bakery products, processed fruits and vegetables, fresh fruit and vegetables, coffee and tea, fats and oils, milk, cereal and cereal products, other, cheese, and meats, poultry and fish, Other includes soups, snacks, frozen and freeze-dried prepared foods, and spices, seasonings, and condiments.

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.

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

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