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Economy

Regional Roundup: Midwestern pop

24 November 2025

Key takeaways

- Total credit and debit card spending per household has strengthened in recent months across all regions, according to Bank of America aggregated data. However, the Midwest has been a standout – tripling growth since this summer, up 2.2% year-over-year (YoY) in October 2025.
- Why the improvement? Stronger wage growth and affordability for both homeowners and renters.
- The Midwest also has business appeal. BofA Global Research estimates that the Midwest is poised to become the next big leader in mega projects (e.g., data centers) as the region has favorable land costs and power availability.
- However, a decrease in manufacturing activity and small business hiring pose a risk for Midwest employment. Still, Bank of America data on the number of households receiving unemployment payments show the slowest growth in the Midwest as the region's labor market remains resilient overall.

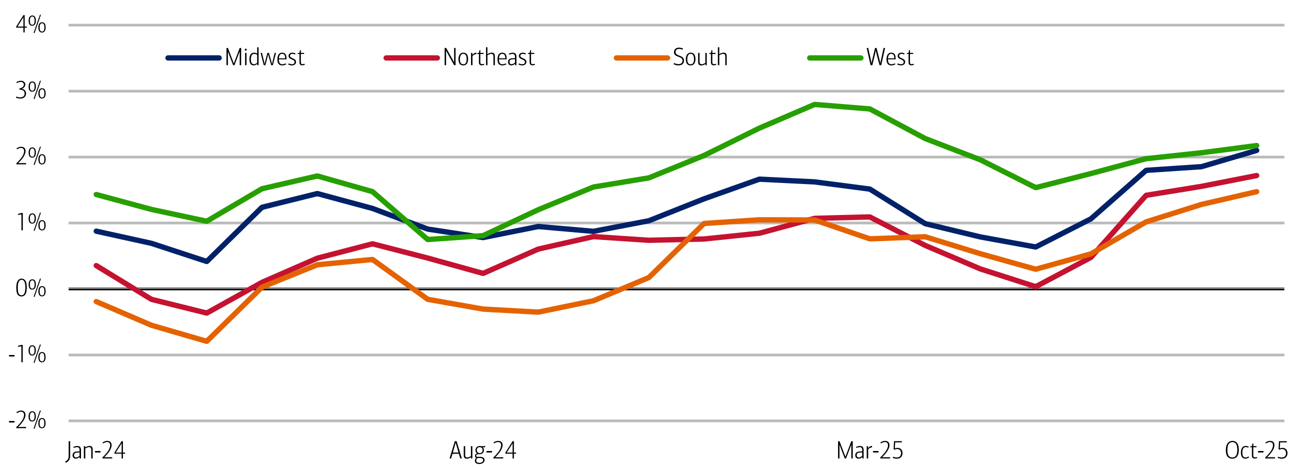
Midwestern spending and wage growth picks up steam again

Consumer spending marched on in October, with positive momentum across all regions, according to Bank of America aggregated card data (Exhibit 1).

The West continued to have the strongest spending growth. However, consumer spending growth in the Midwest has nearly caught up, having more than tripled since June. Finally, consumers in the Northeast and South have also experienced gains, although both continued to lag behind the other regions (read more in our previous Regional Roundup).

Exhibit 1: The Midwest had the second-strongest spending growth of all regions, up 2.2% year-over-year (YoY) in October 2025 – an acceleration from the 0.6% YoY growth seen in June

Credit and debit card spending per household from Bank of America data (3-month moving average, seasonally-adjusted (SA), YoY%)



Source: Bank of America internal data

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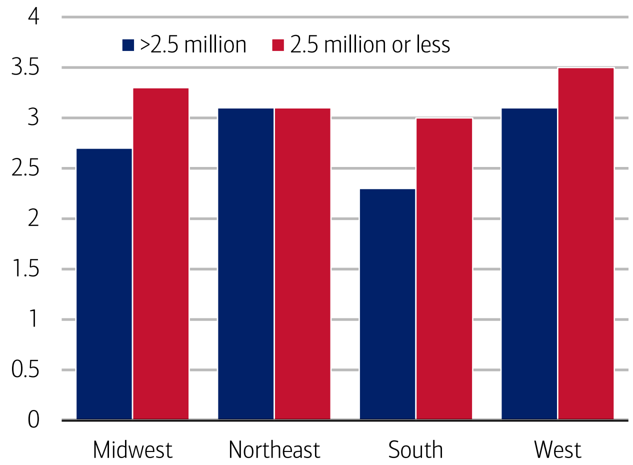
Consumers in the Heartland are increasing spending, and that's not just due to inflation

Notably, the Midwest's spending momentum isn't just from the rising cost of living in the region. In fact, larger cities (populations over 2.5 million) in the Midwest experienced less inflation, in September, than everywhere else in the US except the South, according to Consumer Price Index (CPI) inflation data from the Bureau of Labor Statistics (BLS) (Exhibit 2).

So, what are Midwestern consumers increasing their spending on? The strongest spending growth can be seen in general merchandise and restaurants (Exhibit 3), reflecting a broader trend of consumers searching for discounts and deals, while favoring smaller splurges (read more in the November Consumer Checkpoint). And while there has been a spending decline on bigger ticket retail (e.g., furniture, electronics, building materials) and travel, Midwesterners aren't pulling back as much as other regions.

Exhibit 2: CPI growth has been slower in larger Midwestern cities compared to similar sized cities in the Northeast and West

Consumer price index for all items – US city average – by city size (September 2025, YoY%)



Source: Bureau of Labor Statistics

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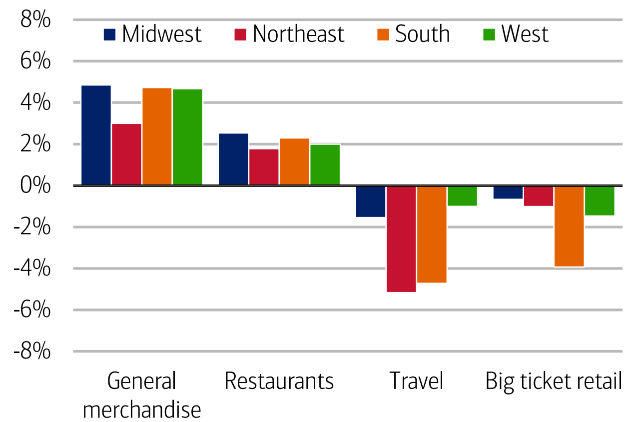
Exhibit 3: Midwestern households had stronger discretionary spending growth than other regions

Credit and debit card spending per household by select categories from Bank of America data (3-month moving average to October 2025, SA, YoY%)



Source: Bank of America internal data

Note: Discretionary includes items such as general merchandise, restaurants, travel and other big ticket retail items.

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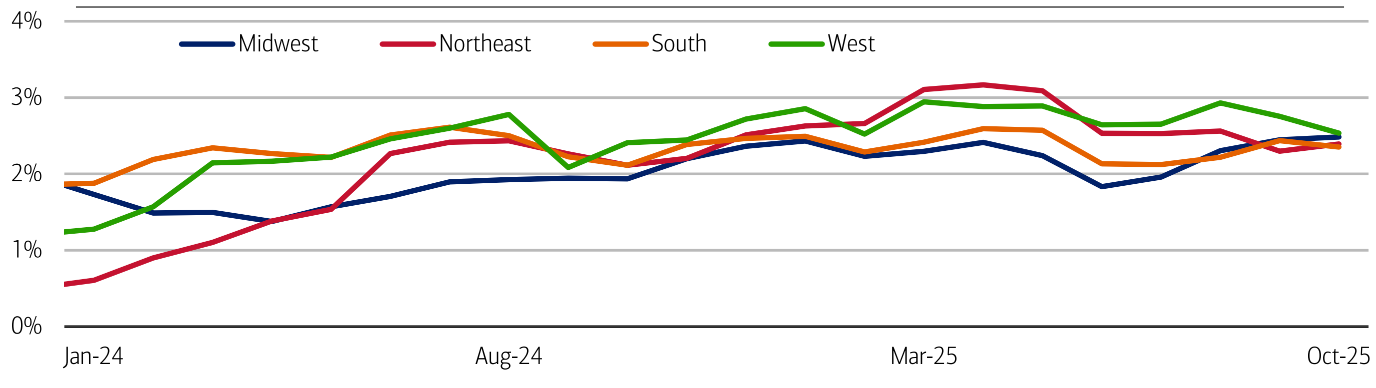
Positive wage growth momentum provides support for spending growth in the Midwest

The strength in Midwestern spending is likely related, in part, to the improvement in wage growth over the past year (Exhibit 4). While growth was similar across all regions in October, rising around 2.5% YoY; it has improved the most in the Midwest compared to earlier this year and 2024.

Exhibit 4: The Midwest's wage growth momentum has largely been positive over the past two years

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



Source: Bank of America internal data

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The Midwest tops the US affordability leaderboard – again

Rents across the Midwest remained cheaper than the national median

Another reason for Midwest spending strength – affordability. Housing, often a household's largest expense, is a prime example. Median rents in many major Midwestern cities are lower than the national median, according to Bank of America internal data. And this is especially true for lower-income consumers. While overall rents in Chicago are about 7% lower than the national median, they are 14% less for individuals with lower incomes (Exhibit 5). Meanwhile, Columbus, Indianapolis, and St. Louis show similar patterns for rental affordability.

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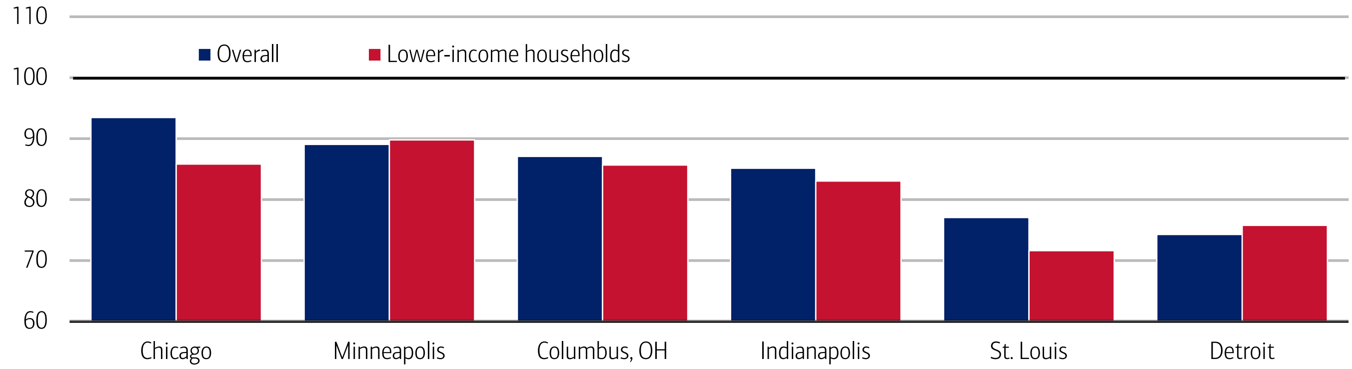
Exhibit 5: Rents remain below the national median across all major Midwestern cities, especially for lower-income consumers
Median rents overall and for lower-income consumers by city (3-month moving average to October 2025, index national median = 100)



Source: Bank of America internal data. Cities refer to core-based statistical areas (CBSAs) from the US Office of Management and Budget. Lower income consumers are defined as earning less than $50K annually.

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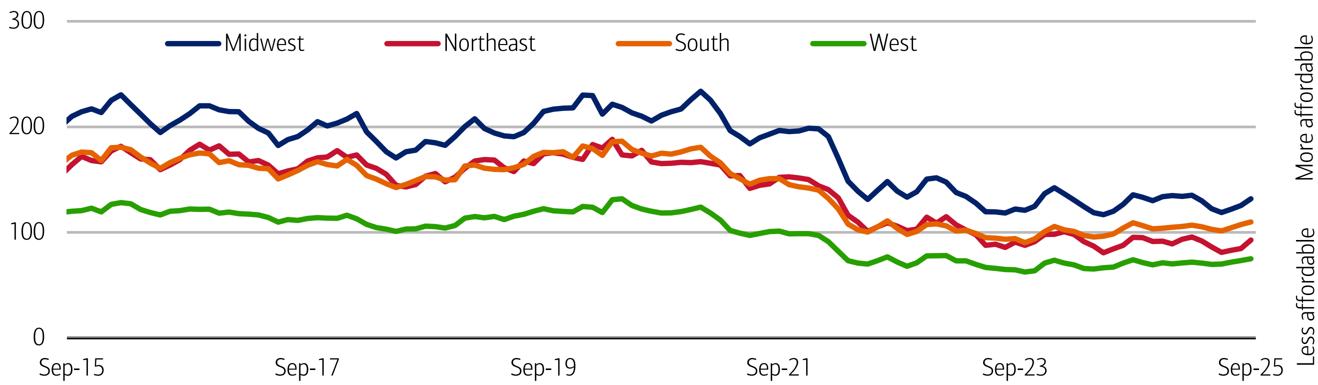
Affordability extends beyond housing, making the Midwest the most cost-effective region to put down roots

Buying a home is much more affordable in the Midwest as well. Though housing costs have risen across the US since 2020, as of September, the Midwest remained the most affordable region in the US to purchase a home, according to data from the National Association of Realtors (Exhibit 6).

And it's not just housing – the region also ranks among those with the fewest households living paycheck to paycheck (read more in Paycheck to Paycheck). As a result, more consumers likely have enough money left over for "nice to have" spending after paying for necessities like housing, groceries, utilities, and childcare – just to name a few.

Exhibit 6: Buying a home continued to remain more affordable in the Midwest than other regions
Housing affordability index by the National Association of Realtors (monthly, index 100+ is more affordable)



Source: Haver analytics

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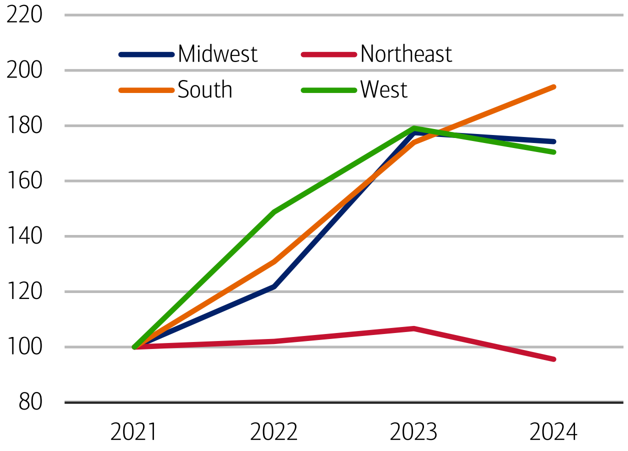
What's next for the Midwest? The outlook is mixed

This affordability isn't just a boost to consumers. According to BofA Global Research, the Midwest is primed to attract investments in mega projects such as data centers due to favorable land costs, power availability, and regulatory environments. In fact, construction of private nonresidential projects increased by nearly 75% in the region from 2021 to 2024 (Exhibit 7). And BofA Global Research estimates 2025 will be another banner year, with construction starts reaching a peak of $145.5 billion. That's likely why August 2025 construction employment has increased 3.2% YoY in the heartland, according to data from the BLS. However, BofA Global Research also estimates that next year may bring some normalization to the overall construction market, with regional construction activity projected to fall to $126.9 billion.

The manufacturing industry is another focal point for employment in the Midwest and could face pressures, likely due to tariffs and uncertainty surrounding some large-scale investments (e.g., the CHIPS Act). In fact, manufacturing employment in the region decreased 0.5% YoY in August 2025. Notably, employment in this sector makes up 12% of the Midwest's economy, compared to the national average of about 8%, according to the Midwest Manufacturing Association. Put another way, in some Midwestern states like Ohio, Michigan, and Illinois, manufacturing and construction account for around one in every six jobs (Exhibit 8).

Exhibit 7: In the Midwest private nonresidential construction has surged since 2021, ranking second only to the South

Private nonresidential construction put in place by Census region (indexed 2021 = 100, annual)



Source: Haver analytics

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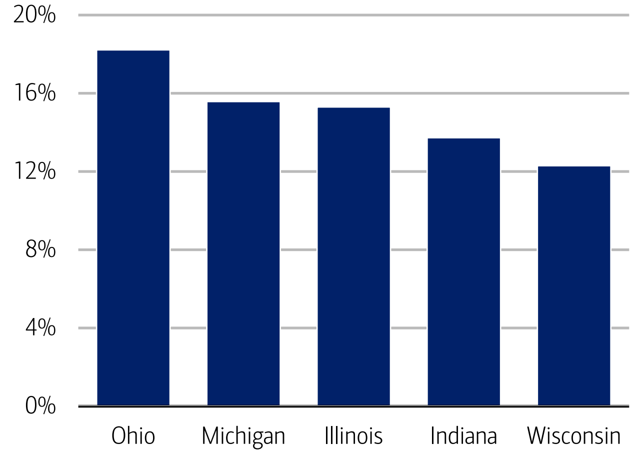
Exhibit 8: Ohio and Michigan have the highest share of construction and manufacturing jobs in the Midwest

Share of construction and manufacturing employment by state in Midwest (%)



Source: US Census Bureau

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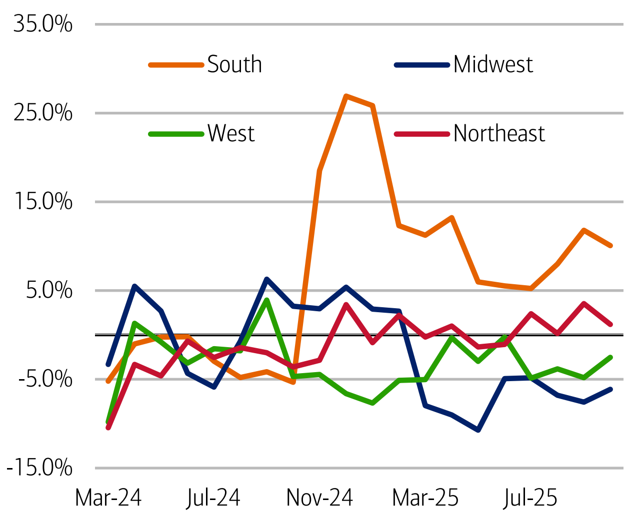
Smaller firms are also feeling particularly pinched, possibly as the popularity of the area (read more in our previous On The Move publications) brings changing consumer dynamics and more competition. For example, while Illinois added thousands of new enterprises from 2022 to 2025, it lost 2.2% of its small business jobs.[1] Bank of America data also confirms this trend. Growth of small business payments to hiring firms in the Midwest is below that of other areas and has been negative since the first quarter of this year, after growing through most of last year – signaling some weakness in small business activity in the region (Exhibit 9).

Despite these factors, the overall labor market in the Midwest remains resilient. While the number of households receiving unemployment payments continued to grow YoY across the US in October, Bank of America account data shows an increase of only 1% YoY in the Midwest, significantly below the South and West, which were both up 15%+ (Exhibit 10).

Exhibit 9: Small business hiring payments growth fell 6.1% YoY in October

Small business payments to hiring firms per client by Census region (monthly, 3-month moving average, YoY%)



Source: Bank of America internal data

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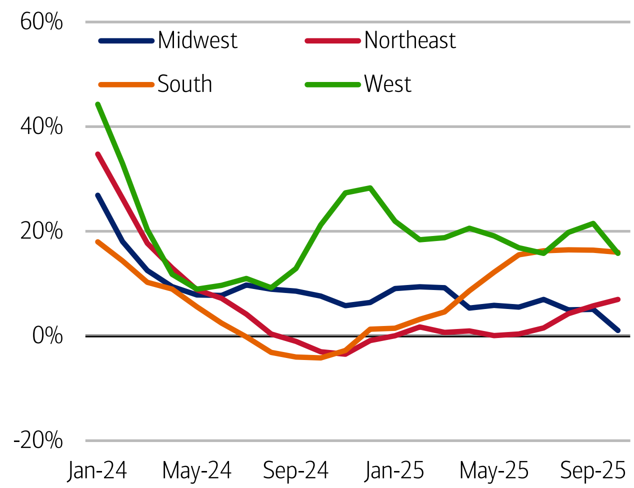
Exhibit 10: Unemployment payments are still increasing in the Midwest, but at a much slower pace than the rest of the US

The growth in the number of households receiving unemployment payments into Bank of America deposit accounts (three-month moving average, YoY%, not seasonally adjusted (NSA))



Source: Bank of America internal data

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[1] Founder Reports. (2025, November 12). *States With the Fastest Small Business Growth.*

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.

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.

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.

Contributors

Joe Wadford

Economist, Bank of America Institute

Taylor Bowley

Economist, Bank of America Institute

Sources

Li Wei

Director, Global Risk Analytics

Jon Kaplan

Senior Vice President, Analytics, Modeling and Insights

Pat Williams

Senior Vice President, Analytics, Modeling and Insights

Michael Feniger

Senior Research Analyst, BofA Global Research

Nandita Nayar

Research Analyst, BofA Global Research

Disclosures