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Economy

Consumer Checkpoint: Gains and gaps

12 August 2025

Key takeaways

- Total credit and debit card spending per household increased 1.8% year-over-year (YoY) in July, the highest growth rate since January, according to Bank of America aggregated card data. Seasonally adjusted (SA) spending per household rose by 0.6% month-over-month (MoM), after a 0.4% MoM rise in June.
- Will this forward momentum continue? An improvement in consumer discretionary spending is encouraging, but the data also reflected some temporary boosts, such as online retail promotions and back-to-school spending.
- A widening gap has opened up between the wages and spending growth of lower-income households and other cohorts. Lower-income households saw a deceleration in their after-tax wages growth in July to just 1.3% YoY, while higher-income households saw an acceleration to 3.2% YoY.
- Overall, consumers remain in good financial health, with elevated deposits and continued borrowing capacity. There are, however, a few signs of stress for lower-income households.

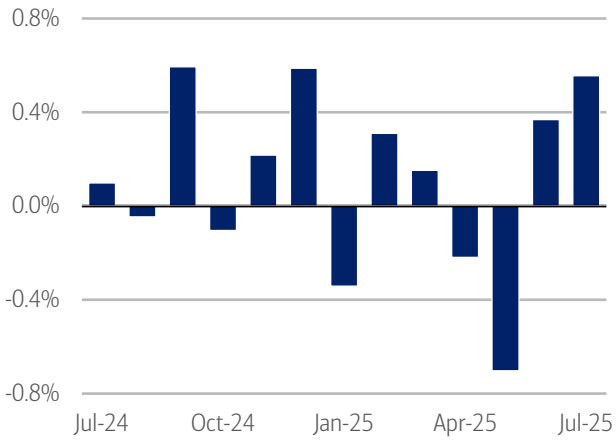
Consumer Checkpoint is a regular publication from Bank of America Institute. It aims to provide a holistic and real-time estimate of US consumers' spending and their financial well-being, leveraging the depth and breadth of Bank of America proprietary data. Such data is not intended to be reflective or indicative of, and should not be relied upon as, the results of operations, financial conditions or performance of Bank of America.

A strong month, with services and retail rising

Total credit and debit card spending per household increased 1.8% year-over-year (YoY) in July, the highest YoY rate of growth since January, and up from the 0.2% (YoY) increase in June, according to Bank of America aggregated card data. Seasonally adjusted (SA) spending per household rose by 0.6% month-over-month (MoM), following a 0.4% MoM increase in June (Exhibit 1).

Exhibit 1: Total card spending rose 0.6% MoM in July, following a 0.4% MoM increase in June

Total credit and debit card spending growth per household, based on Bank of America card data (monthly, MoM%, SA)



Source: Bank of America internal data

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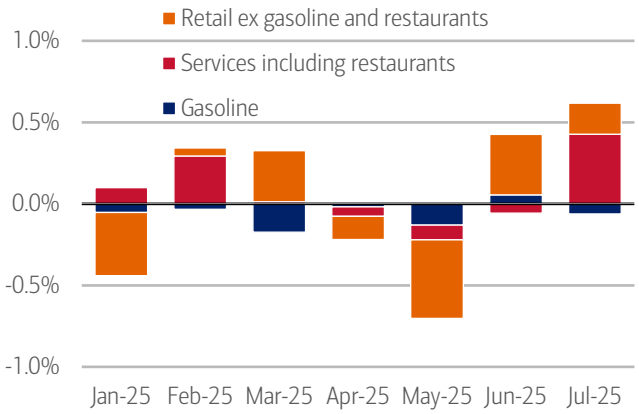
Exhibit 2: Retail and services spending both rose in July

Contribution to MoM total credit and debit card spending growth by category, based on Bank of America card data (monthly, SA, percentage points (pp))



Source: Bank of America internal data

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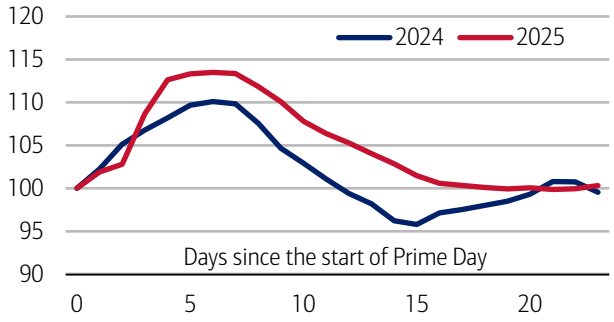
Looking at the data in more detail, the rise in MoM total card spending in July was fairly broad based, with both retail and services contributing (Exhibit 2), and services spending reversing after three months of declines. The 0.9% MoM services increase was the largest since April 2024.

Does this rise in spending mean that the weakening we saw in April and May is largely behind us? Perhaps, but there are reasons to be cautious on that view.

First, retail spending in July appears to have been boosted by online promotions by numerous retailers, such as 'Prime Day,' which lasted longer than in 2024 (Exhibit 3). This resulted in stronger online retail spending this year compared to the year prior (see our recent publication, Add to cart: Online shopping surges). Back-to-school (BTS) spending also appears to have picked up in July, following a slow start in June (Exhibit 4). In our view, strength in spending in both of these areas does not necessarily say much about the underlying momentum of the consumer going forward, as this spending is, by nature, temporary and "event driven," and could reverse in subsequent months.

Exhibit 3: Total online retail spending around the Prime Day period was stronger than last year through all of July
Total online retail credit and debit card spending per household (Index, 7-day moving average of spending levels, 7-day moving average as of 16 July 2024 = 100 and 8 July 2025 = 100)



Source: Bank of America internal data
Note: Total online retail corresponds to purchases in which the card was not present. Prime Day period was July 16-17 in 2024 and July 8-11 in 2025. Prime Day period also includes promotional sales by other retailers.

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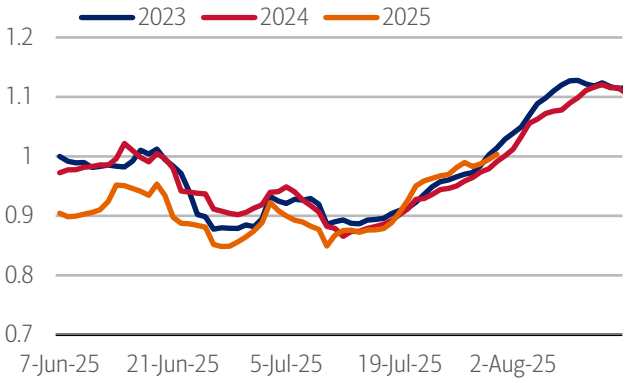
Exhibit 4: BTS spending accelerated in July, after a slow start
BTS credit and debit card spending per household (7-day moving average of spending levels, index 7 June 2023 = 1)



Source: Bank of America internal data
Note: BTS considers spending at merchants that historically benefit the most from the BTS season.

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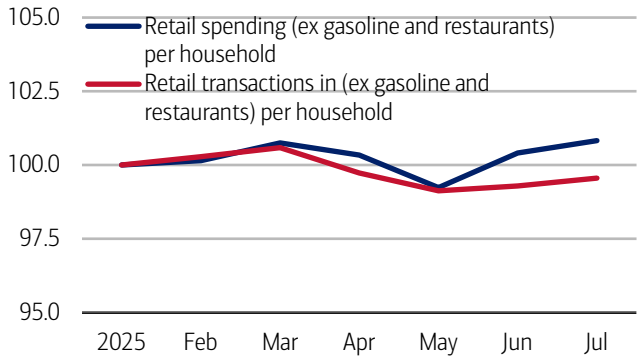
Another reason for caution: the spending gains may reflect some impact from tariffs. For one, it is possible some of the increase in spending was due to retailers passing through current or prospective tariff increases onto customers. When we look at the number of card transactions per household in July, we see a smaller rise than in dollar terms (Exhibit 5). Additionally, the August 1st deadline for countries to reach trade deals with the US may have also encouraged some consumers to "buy ahead" to avoid future price rises.

Exhibit 5: Retail (excluding gas and restaurants) transactions rose 0.3% MoM in July, less than the 0.4% rise in retail spending
Retail (excluding gas and restaurants) credit and debit card transactions per household (monthly, SA, index January 2025=100)



Source: Bank of America internal data

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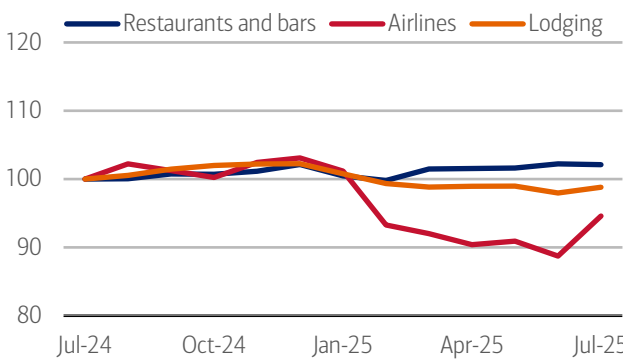
Exhibit 6: Airline and lodging spending both rose in July, while restaurant spending remained steady
Credit and debit card spending per household on select categories (monthly, SA, July 2024=100)



Source: Bank of America internal data

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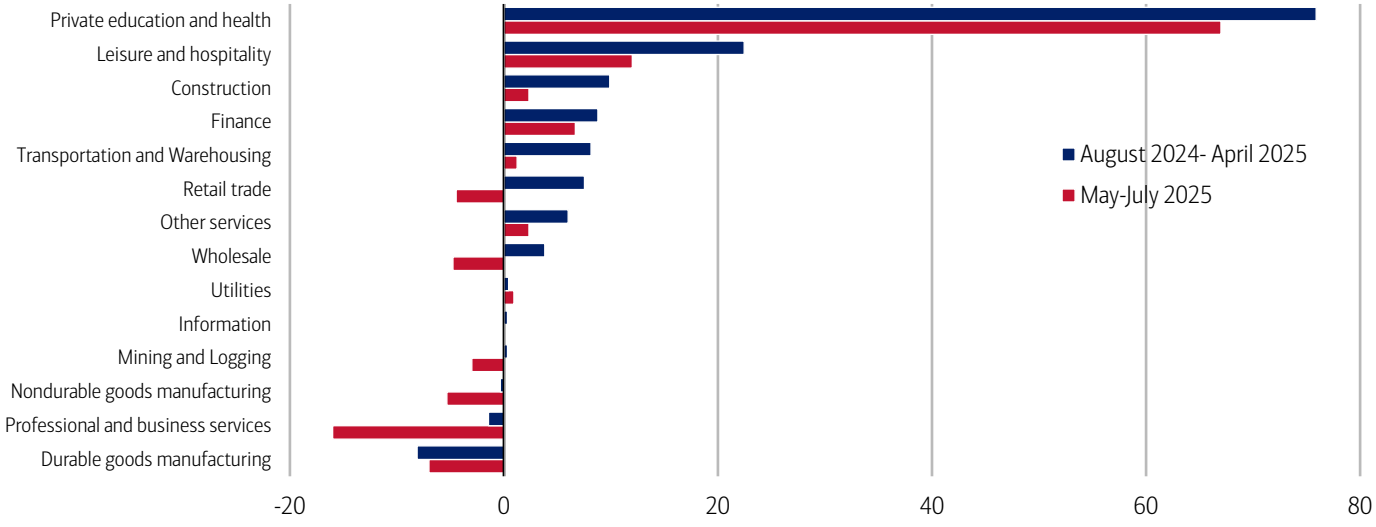
Still, one good sign in the July data is that the slowdown in consumer discretionary travel services eased, with airline and lodging spending rising in July (Exhibit 6) compared to June, and restaurant and bar spending holding steady. If this rebound continues, it would be good news for underlying momentum.

A gap is widening between lower-income households and the rest

While economic data is often prone to uncertainty, revision and measurement error, the July jobs report from the Bureau of Labor Statistics (BLS) contained large downward revisions to previous months' estimates. This suggested that the labor market slowed significantly in the second quarter of 2025. And, the deceleration appears fairly broad based (Exhibit 7), although it is noteworthy that certain sectors that tend to have lower average hourly earnings, such as retail, wholesale and leisure, and hospitality, have seen significant step backs in the pace of jobs growth.

Exhibit 7: The cool down in payroll growth is broad based
Average MoM change in payrolls by industry over August 2024 to April 2025 and May to July 2025 (SA, '000s)



Source: Haver Analytics

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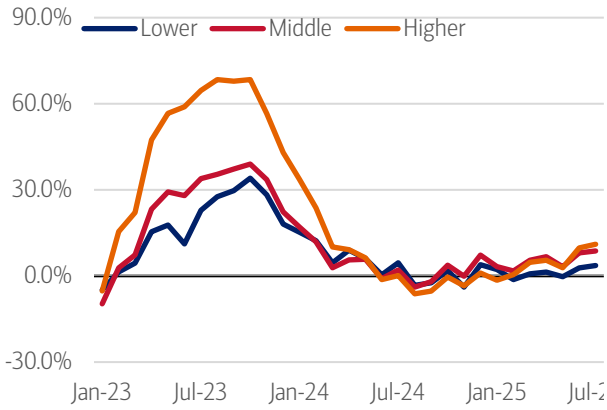
Looking at Bank of America deposit data, we see a YoY rise in the number of households receiving unemployment payments (Exhibit 8). Higher- and middle-income households are seeing the biggest increases/growth, with the YoY increase in unemployment payments for both cohorts around 10% in July. Lower-income households, however, are seeing comparatively small YoY increases, around 4% YoY. Although, it is important to note that the absolute numbers of households receiving unemployment payments is low across all income cohorts.

Exhibit 8: Unemployment payments have been rising, but by more for higher- and middle-income households
Number of households receiving unemployment payments by income tercile (YoY%, not seasonally adjusted (NSA))



Source: Bank of America internal data

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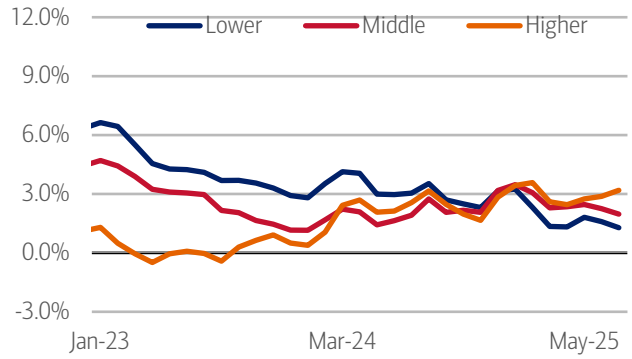
Exhibit 9: Wage growth for lower-income households dropped to just 1.3% YoY in July, while it accelerated to 3.2% for higher-income households
After-tax wage and salary growth by household income terciles, based on Bank of America aggregated consumer deposit data (3-month moving average, YoY%, SA)



Source: Bank of America internal data

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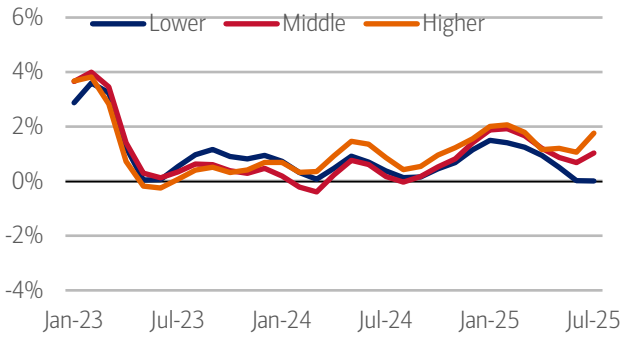
Yet, we also see wage gaps widening. Bank of America deposit data shows that the three-month moving average of after-tax wage growth for lower-income households decelerated in July to 1.3% YoY from 1.6% YoY in June (Exhibit 9). By contrast, higher-income households' wage growth accelerated for the third month in a row to 3.2% YoY from 2.9% YoY in June. The gap between higher- and lower-income wage growth is the highest since February 2021. So, from this perspective, the labor market appears to have deteriorated most significantly for lower-income workers.

In our view, lower-income households may not be seeing a large rise in unemployment payments in part *because* their wage growth is weakening. In other words, they may not be losing their jobs, but soft labor demand is pressuring their pay and they are potentially working fewer hours.

Furthermore, the stark divergence in wage growth is increasingly reflected in card spending. Exhibit 10 shows card spending across incomes. In July, card spending was flat among lower-income households. But it was much stronger for middle- and higher-income households, with YoY growth accelerating to 1.0% and 1.8%, respectively.

Exhibit 10: Spending growth for lower-income households was around 0% YoY in the three months to July, and much stronger for higher-income households, at roughly 1.8% YoY
Total credit and debit card spending per household, according to Bank of America card data, by household income terciles (3-month moving average, YoY%, SA)



Source: Bank of America internal data

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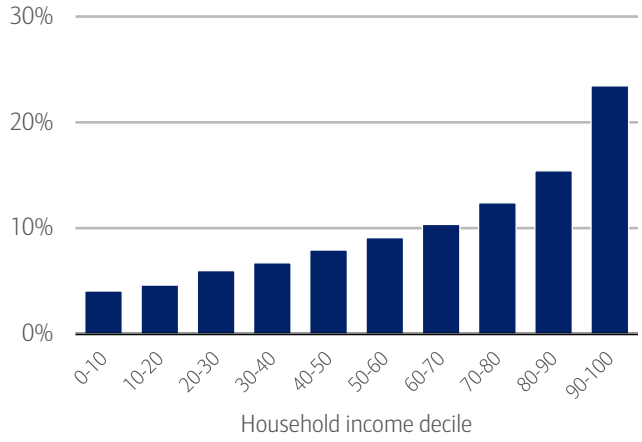
Exhibit 11: Lower-income households account for a relatively small portion of overall US consumer spending
Share of total consumer expenditure by household income decile (%)



Source: Bureau of Labor Statistics

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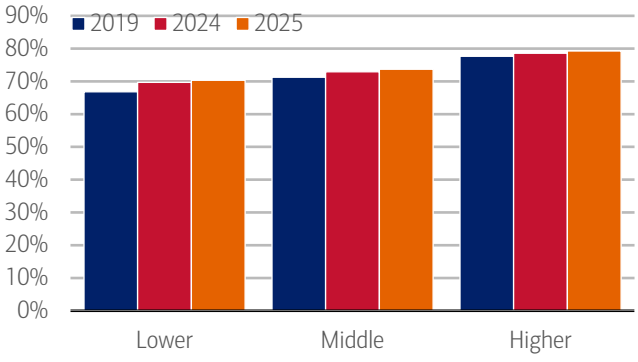
How concerned should we be about these divergences? From a macroeconomic perspective, it is reassuring that middle- and higher-income households' spending growth does not appear to weakening like it has for lower-income households. It is worth noting that the lowest 30% of households by income account for less than 15% of overall US consumer spending (Exhibit 11). So, if spending among those who earn more continues to look solid, the outlook for overall consumer spending should also be robust.

Exhibit 12: The share lower-income households spending on discretionary categories in 2025 is relatively unchanged from 2024
Share of total card spending per household on discretionary categories by income (May-July average, %)



Source: Bank of America internal data. Discretionary spending is defined as total credit and debit card spending less spending on groceries, gasoline and utilities

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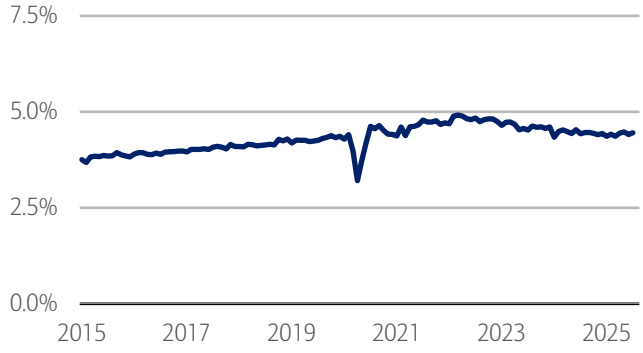
Exhibit 13: There is no evidence that retail returns of goods to are increasing, although the downtrend has eased back
Payments from retailers to households (returns) credit and debit cards as a proportion of spending (%)



Source: Bank of America internal data

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But there are broader socioeconomic concerns around any slowdown in lower-income households' wages and spending. This group already spends a lower proportion on discretionary items than others. However, we do not yet see evidence that they are cutting discretionary expenses. Exhibit 12 shows that the share of such spending this year compared to 2024 is fairly flat.

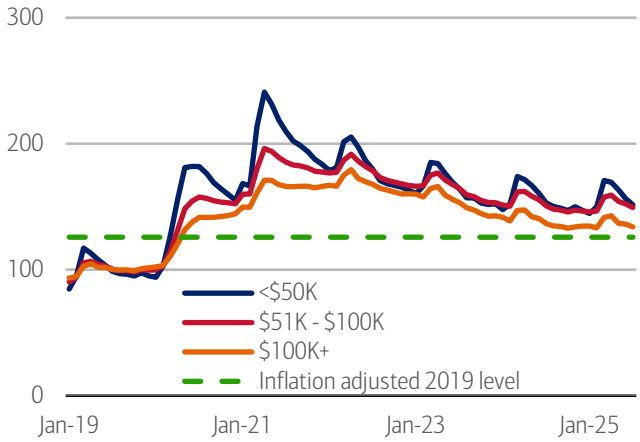
Somewhat more broadly, there's evidence that consumers are keeping what they buy. When we look at returns of goods as reflected in Bank of America internal data on payments from retailers back to customers' credit and debit cards, we do not see any sign of an upturn, although the downtrend since 2022 has flattened out (Exhibit 13). Given returns might be expected to increase when people feel economic pressure, this is also reassuring.

Financial pressures on households are limited

While lower-income households' wage and spending growth is clearly a weak point, consumers' overall financial health looks sound. Bank of America deposit data shows that households continue to hold more in both nominal and inflation-adjusted terms than in 2019 (Exhibit 14). Moreover, across all households, including lower-income ones, the rate of decline of deposits has eased (Exhibit 15).

Exhibit 14: Median checking and savings deposit balances remain above inflation-adjusted 2019 levels

Monthly median household savings and checking balances by income for a fixed group of households through July 2025 (monthly, indexed 2019 = 100)



Source: Bank of America internal data

Note: Monthly data includes those households that had a consumer deposit account (checking and/or savings account) for all months from January 2019 through July 2025.

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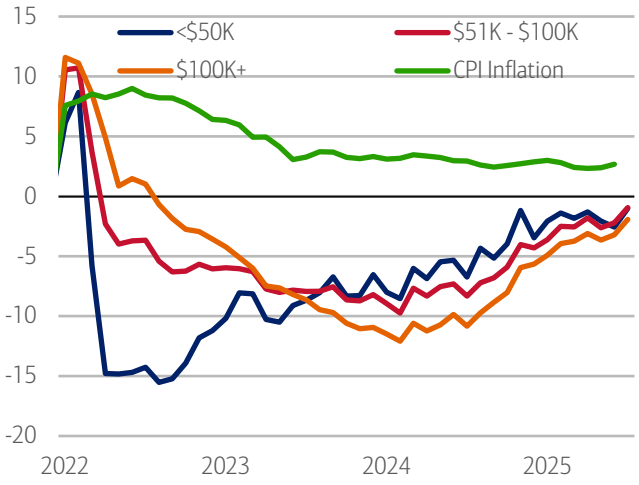
Exhibit 15: The rate of decline of deposit balances has eased

Monthly median household savings and checking balances by income for a fixed group of households through July 2025 (% YoY, monthly)



Source: Bank of America internal data

Note: Monthly data includes those households that had a consumer deposit account (checking and/or savings account) for all months from January 2019 through July 2025.

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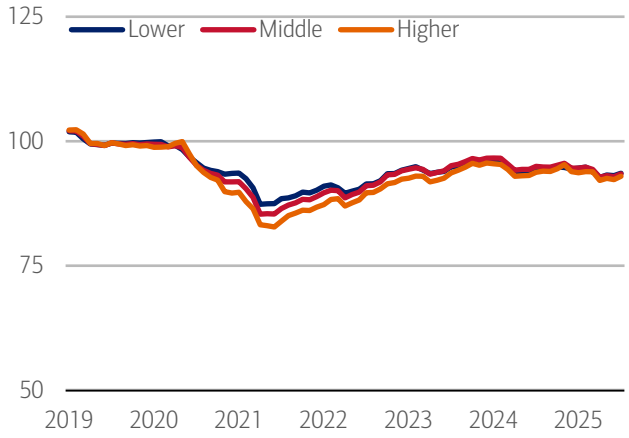
The latest data on credit card "borrowing capacity" also looks solid. For example, we continue to see that the share of households who carry a credit card balance from one month to the next ("revolvers") is lower than in 2019 (Exhibit 16) across income cohorts.

Among those that carry a balance, there is, however, some sign of the increasing pressure on some lower-income households. In particular, the median credit card utilization rate for this group has risen faster than that of middle- and higher-income households since 2019 (Exhibit 17). However, there is an important caveat: monthly credit card balances are not high relative to after-tax wages and salaries compared to 2019 – thanks in part to previous strong wage growth across income cohorts in recent years (Exhibit 18).

Exhibit 16: The share of those who carry credit card balances is below 2019 levels for all income groups
Ratio of households with a revolving balance to total households in Bank of America credit card data, by household income terciles (monthly, index 2019 average = 100)



Source: Bank of America internal data

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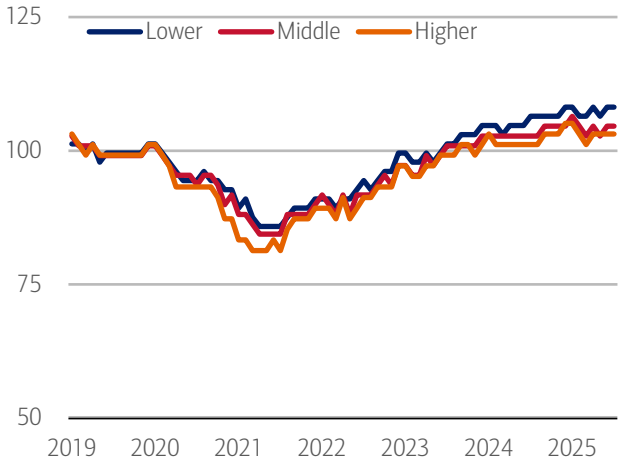
Exhibit 17: Lower-income households have seen a larger increase in credit card usage rates compared to 2019 levels
Median credit card utilization rate for households with a revolving balance by household income (monthly, index 2019 average = 100)



Source: Bank of America internal data

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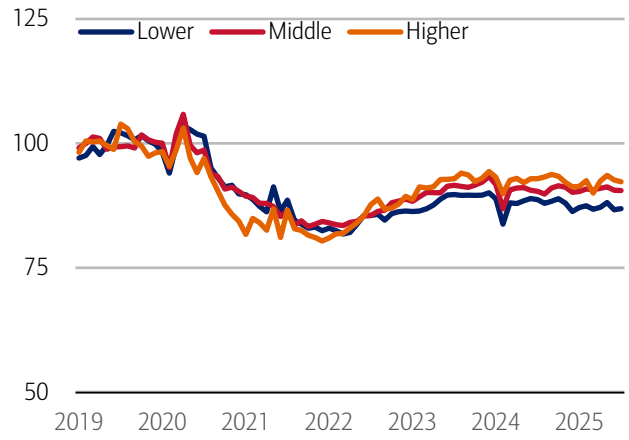
Finally, people are continuing to be cautious in tapping into their retirement savings. Bank of America's 2025 Q2 Participant Pulse finds that the share of 401(K) participants who took a hardship distribution rose slightly in Q2 2025, but remains a low proportion of participants, at 0.7% (Exhibit 19). The average dollar size of such distributions declined in Q2 to $5,250.

Exhibit 18: Credit card balances as a share of after-tax salaries and wages are below 2019 levels
Credit card balances for revolvers as a percentage of after-tax wages and salaries (monthly, SA, index 2019=100)



Source: Bank of America internal data

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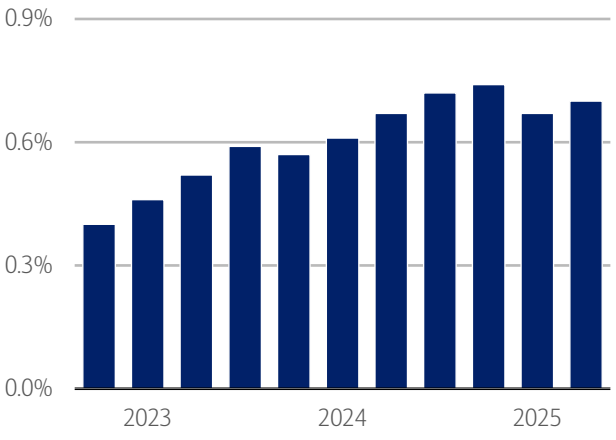
Exhibit 19: The share of 401(K) participants taking a hardship distribution rose slightly in Q2 2025
Proportion of total 401(k) participants taking a hardship distribution (quarterly, %)



Source: Bank of America internal data.
Note: Chart starts in the fourth quarter of 2022.

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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.

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.

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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