Consumer Checkpoint is a regular publication from the 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.

Key talking points
- Bank of America data shows continued growth in consumer spending, but inflation is challenging households’ purchasing power. Total credit and debit card spending was up 9% yoy in May, with total card transactions up 7%.
- But as we hunt around the data for bearish signs, we are still struck by strong momentum in service sector spending.
- Additionally, households’ median checking and savings accounts are higher than pre-pandemic and, as yet, households do not appear to be relying on credit cards to meet rising bills. So, overall, we remain cautiously optimistic for the consumer.

Rising prices eroding spending power
Bank of America aggregated credit and debit card spending was up 9% year-over-year (yoy) in May. Within this, credit card spending was up 16%, while debit card spending was up 4% yoy. Overall Bank of America total payments data growth (across cards, Automated Clearing House (ACH), Wires, Billpay, peer-to-peer (P2P), cash and check), was 6% higher yoy in May, influenced by the timing of last year’s tax payments. Total transaction volumes were up 8% yoy.

Looking into card spending, in the 28-day period ending May 28 Bank of America card spending (credit and debit) per household was up 4.3% year-over-year (yoy). This was a moderation from the 6.8% yoy for the month of April. It is noteworthy that the spending growth rate is less than the current rate of major inflation measures in the US, namely the Consumer Price Index and Personal Consumption Expenditure inflation, which stood at 8.3% yoy and 6.3% yoy, respectively, in April. This suggests that inflation-adjusted spending (“real” spending) growth for households has slipped into negative territory.

Exhibit 1: Average daily total card spending per household (index, 2019 average = 1, 28-day moving average (ma))
Total credit and debit card spending remains well above 2019 levels, though has been easing lower very recently

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<th>Year</th>
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<th>2020</th>
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Source: Bank of America internal data. Data as of May 28 2022

Exhibit 2: Measures of consumer sentiment/confidence (standardized by mean and variance)
Consumer confidence has been declining since the middle of 2021, though measures differ on the degree

<table>
<thead>
<tr>
<th>Year</th>
<th>Conference Board measure of consumer confidence</th>
<th>University of Michigan measure of consumer sentiment</th>
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<tr>
<td>2000</td>
<td>4.0</td>
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<tr>
<td>2005</td>
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<tr>
<td>2020</td>
<td>0.0</td>
<td>0.0</td>
</tr>
</tbody>
</table>

Source: Haver, The Conference Board, University of Michigan

1 Card spending per household data covers the first 28-days of May. All other references to May refer to data to month-end.
Over the same period in 2021, the level of card spending was rising fairly sharply, reflecting the bounce-back following the easing of COVID-related restrictions as well as the impact of stimulus payments. The impact of both of these has tended to depress the year-on-year growth rate of card spending for the 28-days to May 28. As Exhibit 1 confirms, the current level of credit and debit card spending per household remains well above the 2019 level, and the current level is tracking broadly flat over recent months.

Still, consumer sentiment has become less favorable and there is considerable focus on the outlook given higher inflation and the Federal Reserve’s rate hikes. Exhibit 2 illustrates that consumer sentiment has been declining since around the middle of 2021, though the deterioration is considerably worse on the University of Michigan’s sentiment measure than the Conference Board’s confidence measure. Both measures are similar but not identical in design and it could be that the impact of inflation is having different effects here. Specifically, the University of Michigan measure is more sensitive to financial conditions while the Conference Board measure is more related to labor markets.

The rise of gas prices is likely one factor weighing heavily on consumer sentiment, with average retail gas prices reaching a record high in May. Gas prices are of course highly transparent for consumers and this was likely one reason for consumers becoming less optimistic. It appears that the impact of these higher gas prices is felt by the lower income households in particular. According to the aggregated Bank of America card data, average gas spending as a share of total card spending per household surged to 7.8% for the week ending May 28th, up from just 6.4% for the month of February. But for the lower income group (defined as those with annual household income lower than $50k) the average share of gas spending has surged to 9.5% (Exhibit 3).

Exhibit 3: Gas spending as a share of total card spending per household by income group (% , 7-day moving average)
Share of consumer credit/debit card spending on gasoline surged as prices hit record high levels

A tale of two types of spending
As gas spending takes up larger share of consumer wallet, other areas of spending appear to be coming under increasing pressure. It appears durable goods spending has been largely taking the hit from higher food and gas prices. As Exhibit 4 shows, durable goods spending, which includes furniture, electronics and home improvement, was down 11% on a yoy basis for the seven days to May 28.
But while goods spending appears to have weakened as higher inflation bites, the same is not true so far for services spending. This is important because over 60% of consumer spending is on services. Exhibit 5 illustrates the yoy growth rates for the 28 days to May 28 for a number of leisure categories. All growth rates remain very strongly up compared to a year ago. Of course, some of this will reflect the re-opening of the economy and the switch back into service spending and away from goods. Looking by the income distribution, the %yoy rates for services spending are the strongest for the higher income group (households with annual income >$125k) who has had the biggest pent-up demand for travel and entertainment.

Not all service sector spending takes place using debit or credit cards. Exhibit 6 shows a selection of service sector related spending using ACH/Wires spending channels. Some of the change over this period may reflect changes in the way people are paying for things – using fewer checks for example. But the big picture is that compared to May 2019, childcare, professional services, utility payments and a range of other services spending are all showing very strong growth.

**Midwest Chill and Miami Heat**

We took a look at total card spending per household by major Metropolitan Statistical Areas (MSAs) for the 4 weeks to May 28 and found meaningful regional differences. On a %yoy basis, spending was strong for cities in the South, with Miami seeing a solid gain of 6.8%. Meanwhile spending in cities in the Midwest was fairly muted, with Chicago only seeing a 1.4% yoy gain in total card spending (Exhibit 7). Note that spending levels in May 2021 were relatively strong in Chicago and Detroit due to strength in manufacturing activities, which might have depressed the current yoy rates. Moreover, the employment index of the
Chicago PMI measure has been in contractionary territory since last November, which could have weighed on current spending levels in the region as well.

**Exhibit 7: Total card spending for major MSAs (%yoy change for the 28-day period ending May 28th)**

Spending in the Midwest showed the biggest relative weakness.

![Chart showing Total card spending for major MSAs](chart)

Source: Bank of America internal data

**Consumer facing cross currents**

The overall consumer outlook is difficult to read, as there any number of cross winds currently. It is clear that ‘bearish’ sentiment has increased. And on the downside, higher inflation presents households with a real challenge, along with any slowdown in the overall economy as the Fed hikes rates likely to impact households. But on the upside, the labor market is continuing to generate strong wage growth, which can at least partly compensate for higher inflation. And when we hunt through the data we still see positive momentum in services spending.

Additionally, when we look at the current median deposit levels in savings and checking balances, it appears that households continue to have higher ‘buffers’ relative to before the pandemic.

Another favorable sign is that the share of credit card spending per household to total card spending per household remains around 2019 levels. In other words, it does not appear that households are having to spend more on credit cards to pay rising bills. If we only focus on households with annual income less than $50K, we also find that credit card spending as a share of total card spending was around the same level as in May 2019 (Exhibit 9).

**Exhibit 8: Median household savings and checking balances (index, 2019 avg = 100 for each group) for a fixed group of households (HH) between 2019 to April 2022**

Households’ savings remain well above 2019 levels.

![Chart showing Median household savings and checking balances](chart)

Source: Bank of America internal data

**Exhibit 9: Credit card spending share of total card spending for households with at least one credit and debit card since 2019 (%)**

Credit card spending relative to debit card spending is little changed versus May 2019.

![Chart showing Credit card spending share of total card spending](chart)

Source: Bank of America internal data

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2 Monthly data includes those households that had a consumer deposit account (checking and/or savings account) for all 40 months from January 2019 through April 2022.
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Methodology
Selected Bank of America transaction data are 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 are not comprehensive; they are 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.

Total payments include total credit card, debit card, ACH, wires, billpay, person-to-person, cash and checks. The payments data represents aggregated spend from Retail, Preferred, Small Business and Wealth Management clients with a deposit account or credit card. Data is not adjusted for seasonality, processing days or portfolio changes, and may be subject to periodic revisions. Aggregated card spend is based on processing date while the ‘per household’ measure is based on transaction date.

The 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. Monthly data includes those households that had a consumer deposit account (checking and/or savings account) for all 40 months from January 2019 through April 2022.

Bank of America credit/debit card spending per household include spending from active US households only. Only 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.

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

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