

## Consumer Morsel

# July 4th holiday spending update: we'll always have Paris

14 July 2022

### Key talking points

- The “July 4<sup>th</sup> holiday bump” in spending was smaller this year than in the prior three years despite elevated inflation. Bank of America credit and debit card spending per household was up 3.5% year-over-year (YoY) in the two weeks ending July 9.
- Within income groups, upper-income households saw significantly greater services spending growth on a YoY basis while the lower-income households saw the biggest increase in spending relative to the two weeks ending June 18.
- The share of retail Bricks and Mortar (B&M) spending in foreign countries has reached a record high in our data, suggesting resilience in international travel demand.

### A modest “holiday bump” in spending

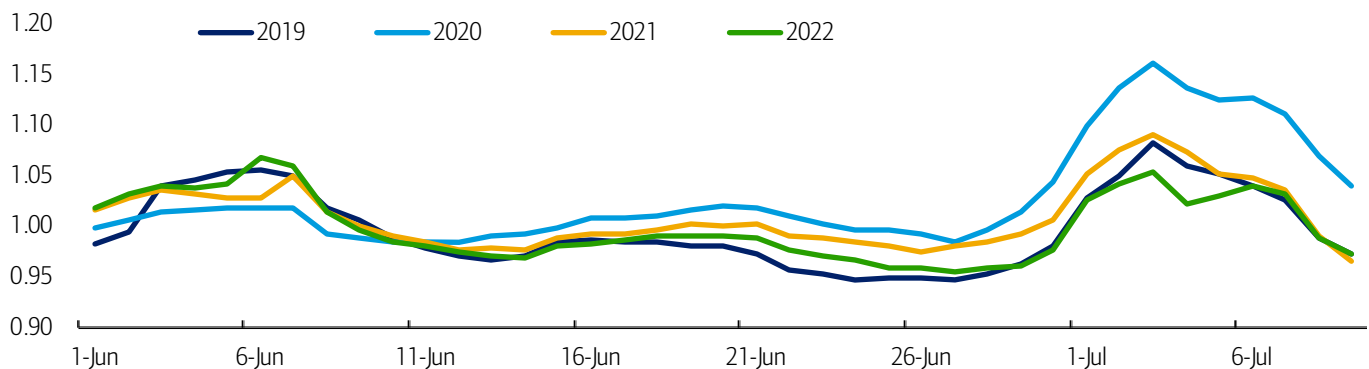
Total card spending per household, as measured by BAC aggregated credit and debit cards, was up 3.5% YoY in the two weeks ending July 9, which we view as the period during which spending would have been impacted by the July 4 holiday. The “holiday bump” in spending was smaller this year than in any of the prior three years (Exhibit 1 and Exhibit 2) despite elevated inflation this summer. This is consistent with BofA Global Research’s previously-published view that real (inflation-adjusted) economic activity is slowing into a mild recession.

### Who spent during the holiday, and on what?

Across income cohorts, services spending growth outpaced goods spending growth during the two weeks ending July 9 (Exhibit 3). In terms of which income cohort drove the spending pickup, the story is nuanced. Upper-income households saw significantly greater services spending growth on a yoy basis. This is likely due to base effects: fiscal stimulus drove strong spending by lower-income households last summer. It was actually lower-income households that saw the biggest “holiday bump” this year, i.e. the biggest increase in spending relative to the two weeks ending June 18. This particularly true in lodging and entertainment.

#### Exhibit 1: Total BAC card spending (7-day moving avg, index, June 5-18 avg = 1 for each year)

The BAC card data show a smaller “holiday bump” in spending this year than in prior years



Source: Bank of America internal data. We index the data to the June 5-18 period because that period omits distortions from Memorial Day (end-May) and last year’s Prime Day sales (June 21 and 22).

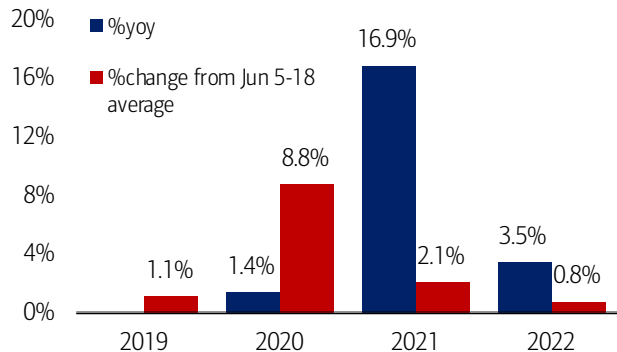
### International travel takes off

In the week ending July 9, the share of retail brick and mortar (B&M) spending outside households’ Metropolitan Statistical Areas (MSAs) reached 18%, the highest on record in our data, which start in 2019 (Exhibit 4). The share of retail B&M spending in foreign countries has also reached a record high in our data (Exhibit 5). However, passenger traffic at US airports remains below 2019 levels (Exhibit 6). This suggests that people are spending more when they do go on vacation. One potential reason is that

there has been a rotation from domestic to international travel. This could be because the strength of the US dollar has made foreign travel more affordable for US residents, or the fact that Europe recently dropped most of its travel restrictions. A shift towards international travel, if it is happening, would be a headwind for US GDP since spending abroad is counted as an import, i.e. it does not add to GDP.

**Exhibit 2: Total card spending growth for the 14 days ending July 9**

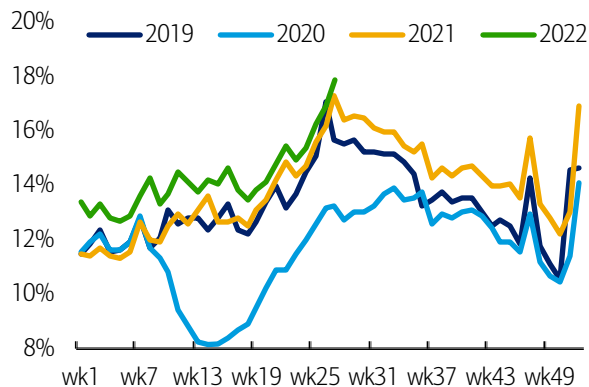
Spending growth was weaker during the July 4 holiday period this year than in 2021



Source: Bank of America internal data

**Exhibit 4: Share of retail B&M spending outside households' MSAs**

The percentage share of out-of-MSA retail B&M spending rose to a record high (18%) in our data during the week ending July 9



Source: Bank of America internal data

**Exhibit 3: Card spending growth by income and spending category, for the 14 days ending July 9**

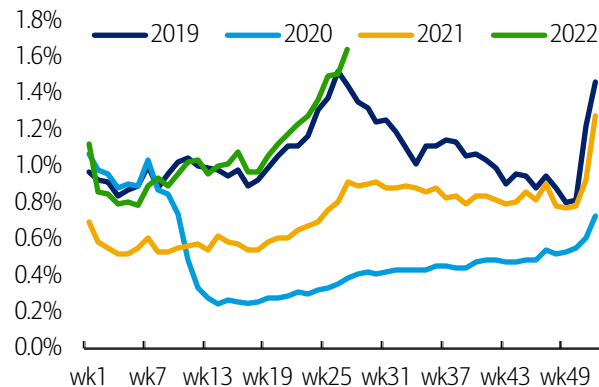
Upper-income households saw the biggest increase in services spending during the July 4 holiday period on a yoy basis

	<50k	50k-125k	>125k	
%YoY	Total services	4.7%	7.0%	9.0%
	Lodging	-0.5%	7.0%	16.6%
	Restaurants	2.4%	3.4%	4.4%
	Entertainment	15.2%	20.3%	19.7%
%change from Jun 5-18 avg	Total retail	2.8%	2.9%	2.8%
	Total services	9.6%	6.7%	4.1%
	Lodging	13.8%	7.5%	3.1%
	Restaurants	0.0%	-0.1%	-0.3%
%change from Jun 5-18 avg	Entertainment	17.4%	9.5%	2.4%
	Total retail	0.1%	-0.4%	-0.9%

Source: Bank of America internal data

**Exhibit 5: Share of retail B&M spending in foreign countries**

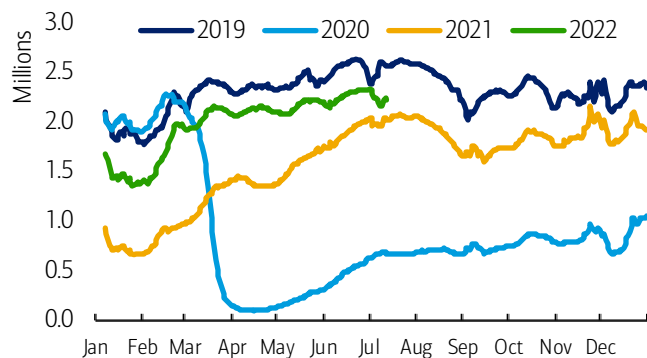
The share of retail B&M spending abroad also rose to a record high (1.6%) in our data during the week ending July 9



Source: Bank of America internal data

## Exhibit 6: TSA air-passenger throughput (7-day moving avg, mn)

Passenger traffic at US airports remains below 2019 levels



Source: Transportation Security Administration (TSA)

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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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