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BANK OF AMERICA INSTITUTE

BANK OF AMERICA

Year in Review

Let's get this party started... A look back at our top charts of 2022

19 December 2022

Spending the holidays with the in-laws? Looking for something to say at your company or family gatherings? To help you navigate the holiday season with smart conversation starters, our team has compiled a hand-picked selection of Bank of America Institute's noteworthy insights since our launch in April.

Bank of America Institute is dedicated to "uncovering powerful insights that move business and society forward." In the last eight months, we've delivered over 60 publications across three pillars: Proprietary Economic Insights, Environmental, Social and Government (ESG) and Transformation. And now, as the year comes to a close, we've consolidated some of the most insightful charts that we've published along the way. From inflation struggles to international travels, mounting rent to moderating crypto, our 2022 wrap-up serves as a great way to reflect on what we've seen, and anticipate what's to come.

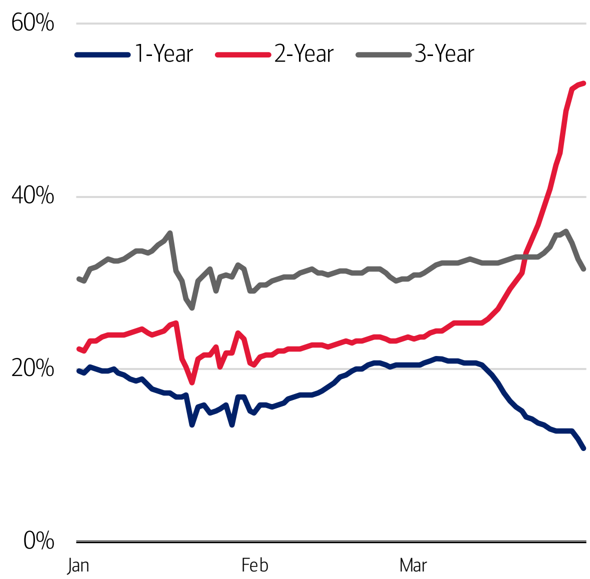
Economic Insights: a resilient consumer

The overall story of the consumer this year has been one of resilience. As we have reported in our monthly Consumer Checkpoints, spending has held up fairly well given the headwinds, including high inflation and rising interest rates.

Indeed the first two exhibits we published, from the inaugural **April** Consumer Checkpoint made this point (see Consumers weathering the storm of higher prices). Consumer spending on credit and debit cards showed strong YoY growth, with the lower income group leading the charge compared to their spending pre-pandemic.

Exhibit 1: Bank of America credit and debit card spending (1-year % change, 2-year % change, 3-year % change. 28-day moving average)

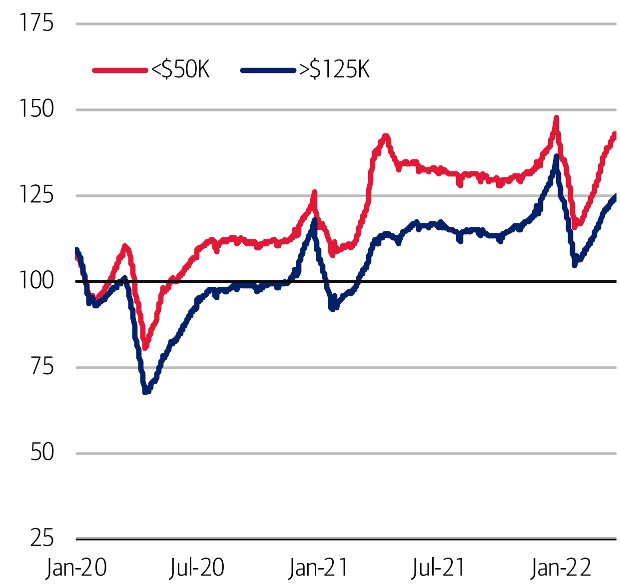
Card spending growth has slowed but remained strong relative to pre-pandemic levels



Source: Bank of America Internal Data (First published: 4/5/22)

Exhibit 2: Credit and debit card spending per household, by income group (Jan'20=100)

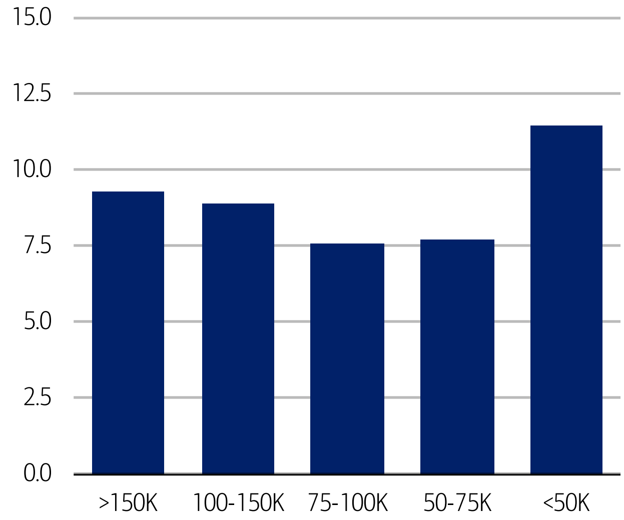
Lower-income consumers card spending increased by more than higher income, relative to before the pandemic



Source: Bank of America Internal Data (First published: 4/5/22)

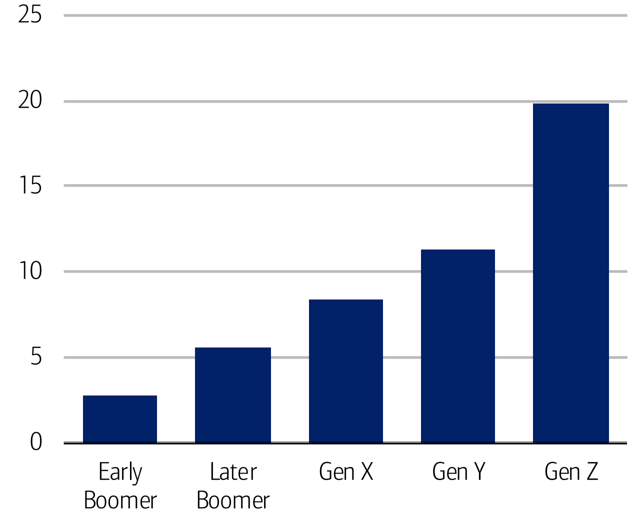
One of the key supports for this strong consumer has been the strength of the labor market. And in our **May** publication, [US labor market: changing for the better?](), we used Bank of America customer data on direct payroll deposits to look at pay growth. We found that it was the younger and lower income consumers where pay rises were greatest. Our data showed Gen Z job changers receiving an average 20% pay increase.

Exhibit 3: Annual pay change (May 2021-April 2022) by income range ($'000)
Lower-income customers have received higher pay rises than other income categories



Source: Bank of America Internal Data (First published: 5/25/22)

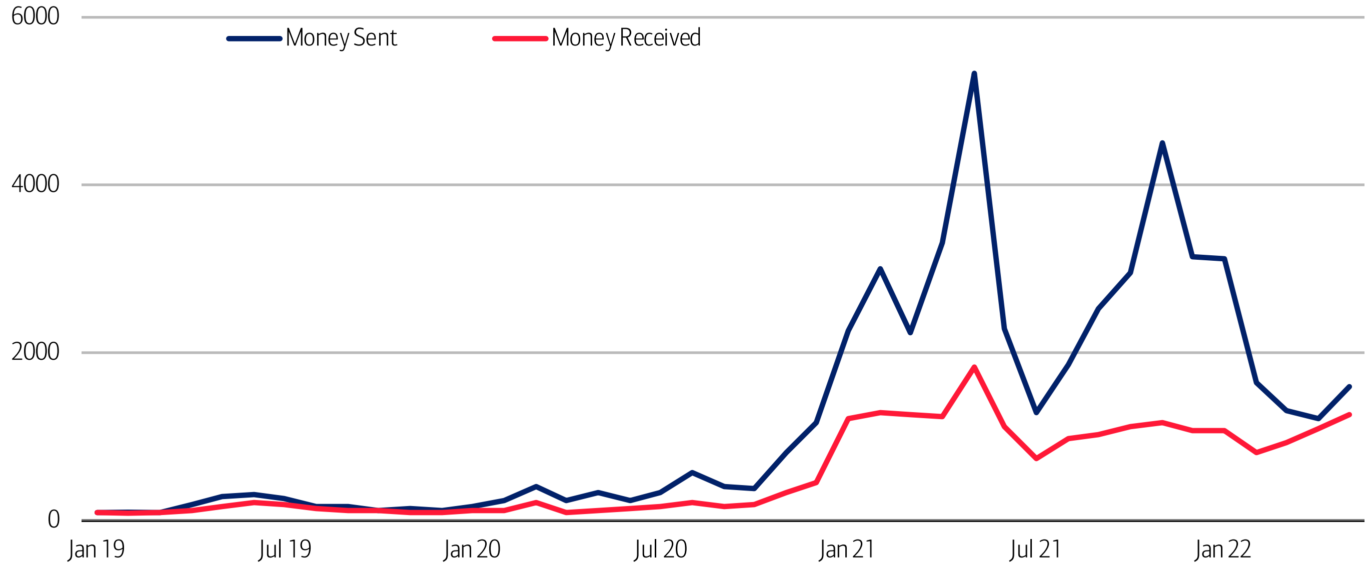
Exhibit 4: Annual pay change by age cohort (%) May 2021-April 2022
Younger generations have been receiving the highest pay rises



Source: Bank of America Internal Data (First published: 5/25/22)

Shifting focus from the consumer, we also used our propriety data to shed light on some of the key economic stories of the year. In **June**, following sharp declines in crypto valuations, we looked at crypto currencies and discovered a sharp drop in customer outflows to crypto platforms (see [Tales from the Crypto]()). We also shared Bank of America survey data, which showed a jump in respondents who had "very negative" reactions to crypto currency and a decline in those who were either "very" or "somewhat" positive.

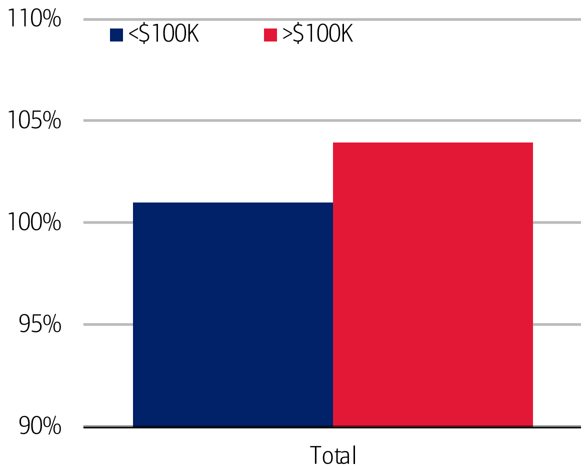
Exhibit 5: Bank of America crypto inflows and outflows (January 2019=100)
Outflows to crypto platforms have fallen sharply



Source: Bank of America Internal Data (First published: 6/29/22)

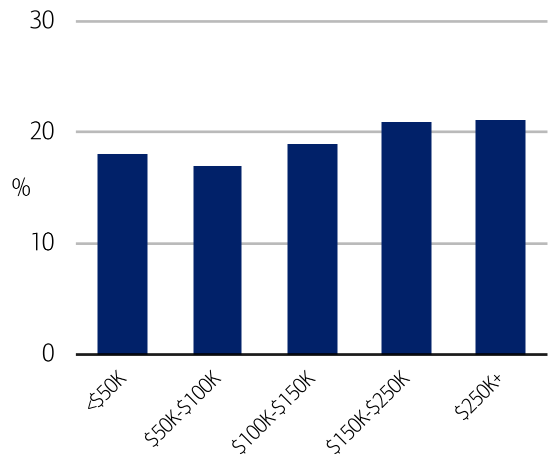
In **July**, we investigated another media headline which suggested that the impact of high inflation was causing many people to spend all of their monthly income and in turn, live paycheck to paycheck (see Who is living paycheck to paycheck?). To test this hypothesis we looked at inflows and outflows into customer accounts and found that, on average, inflows and outflows were actually very closely aligned. Applying a threshold for a shortfall in inflows relative to outflows, it appeared that around 20% of customers across income groups may have been in a "paycheck to paycheck"-like position, not the majority, which headlines suggested.

Exhibit 6: Q1 2022 Inflows as a percentage of outflows in Bank of America aggregated and anonymized customer deposit data by household income
By and large outflows and inflows are very closely aligned over the quarter



Source: Bank of America internal data (First published: 7/19/22)

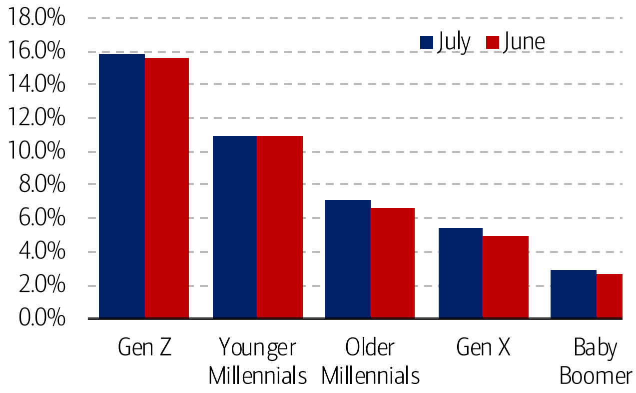
Exhibit 7: Q1 2022 Percentage of customers where inflows are less than 85% of outflows, by customer income groups
As incomes rise there appears to be more of a tendency for inflows to fall short of outflows



Source: Bank of America internal data (First published: 7/19/22)

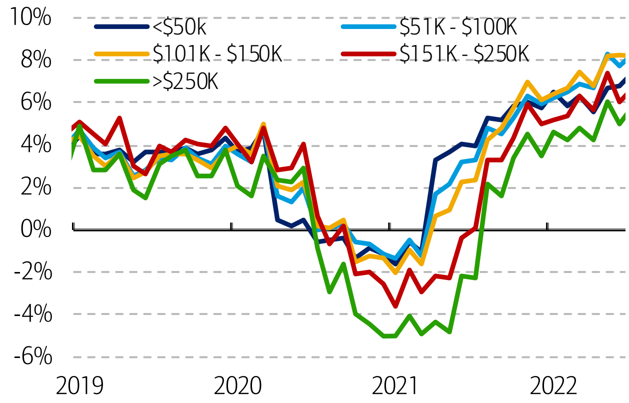
Still, we've never doubted that people are facing a lot of pressure from the rising cost of living. In **August** we looked at the rental market in our publication Who is impacted the most by surging rents? Using customer ACH payments for rent we found very sharp rises in the median rental payment, particularly for the young, and across income cohorts, the lowest rental rises were amongst the highest income group.

Exhibit 8: Median rent payment growth by generation in Bank of America internal data (%YoY)
Younger consumers are getting squeezed the most by higher rent inflation



Source: Bank of America internal data (First published: 8/18/22)

Exhibit 9: Median rent payment in Bank of America internal data by income group (monthly, %YoY)
All income groups are seeing significant increases in rent payments

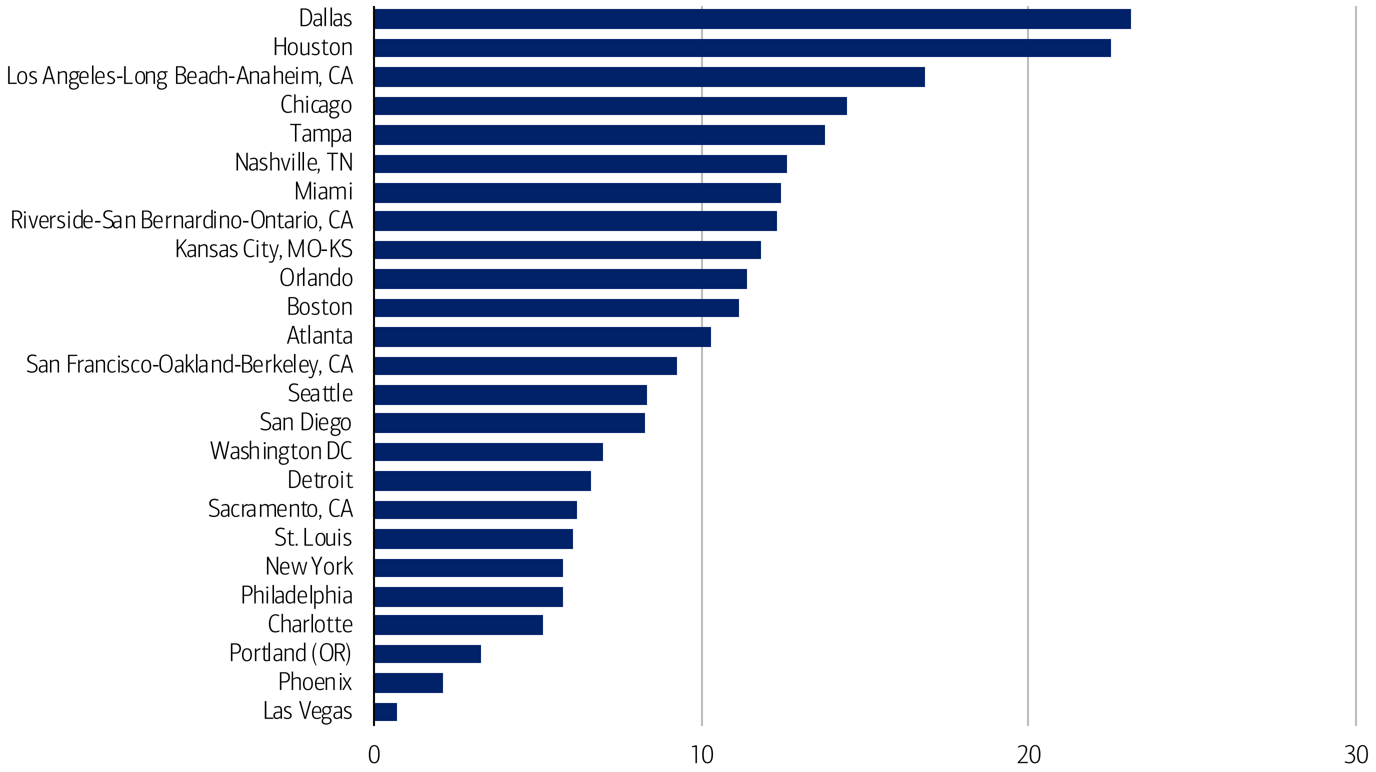


Source: Bank of America internal data (First published: 8/18/22)

In **September** we looked at another set of bruising price increases coming from utilities (see High energy impact?). Across a swathe of geographies we found double-digit rises in median monthly bill payments. A Bank of America and CivicScience survey found that 17% of US households had missed or made late payments on utility bills, with lower income groups under more strain.

Exhibit 10: Median customer monthly payment by Core Based Statistical Area (Three-month median covering June-August 2022, % change YoY)

There is some disparity in the rise in bills across the country. Dallas bills increased by 23% YoY, while Las Vegas bills increased by 0.7%

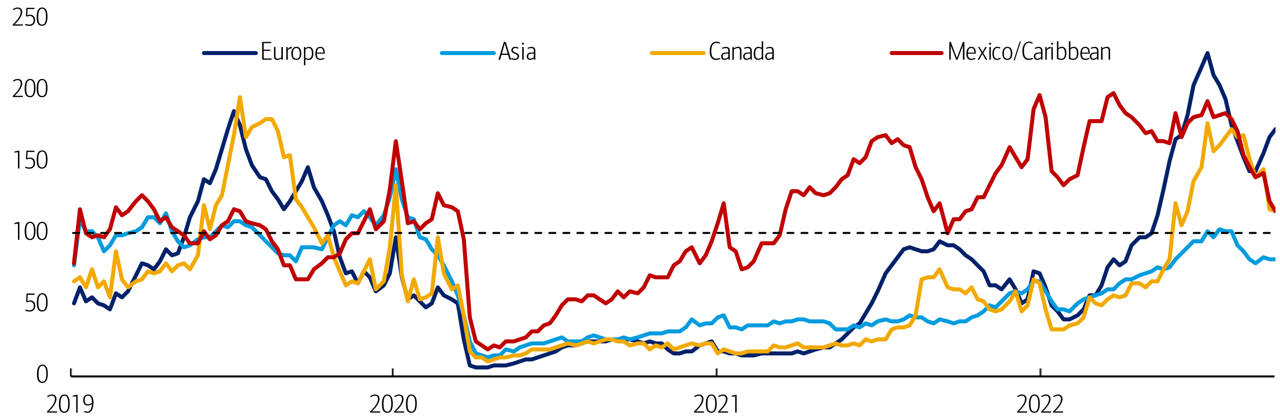


Source: Bank of America internal data (First published: 9/23/22)

Still, for some Americans it wasn't all doom and gloom. The weakness in the dollar and the end of the pandemic travel restrictions in many geographies allowed some US consumers to spend abroad with gusto, which we covered in Catch me abroad. In particular, one of our October publications showed spending in Europe was surging, with consumers appearing to spend pent up demand for luxury goods.

Exhibit 11: Spending in select international regions, based on Bank of America internal data (weekly, index, 2019 average =100 for each group)

Spending in Europe saw the biggest boost this year, while US consumer spending in Asia lagged

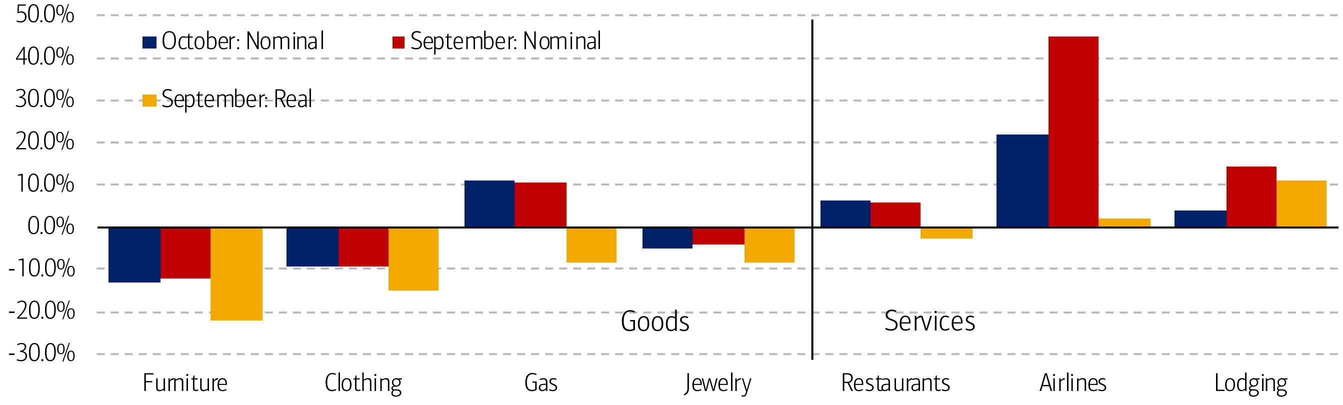


Source: Bank of America internal data. International spend is identified through point of sale card spending in foreign countries. (First published: 10/4/22)

Heading into the key holiday spending season we've been continuing to contrast the weakness of goods spending with the strength of services. In **November** we noted how goods spending looked weak in both nominal and inflation-adjusted terms, while consumers (especially higher income ones) continued to spend on 'experiences' such as travel and lodging (see Driving home for the holidays).

Exhibit 12: Credit and debit card spending per household for select sectors, nominal vs. real growth rates (%YoY)

Services spending remained positive on a %YoY basis in October though airlines and lodging spending are moderately sharply

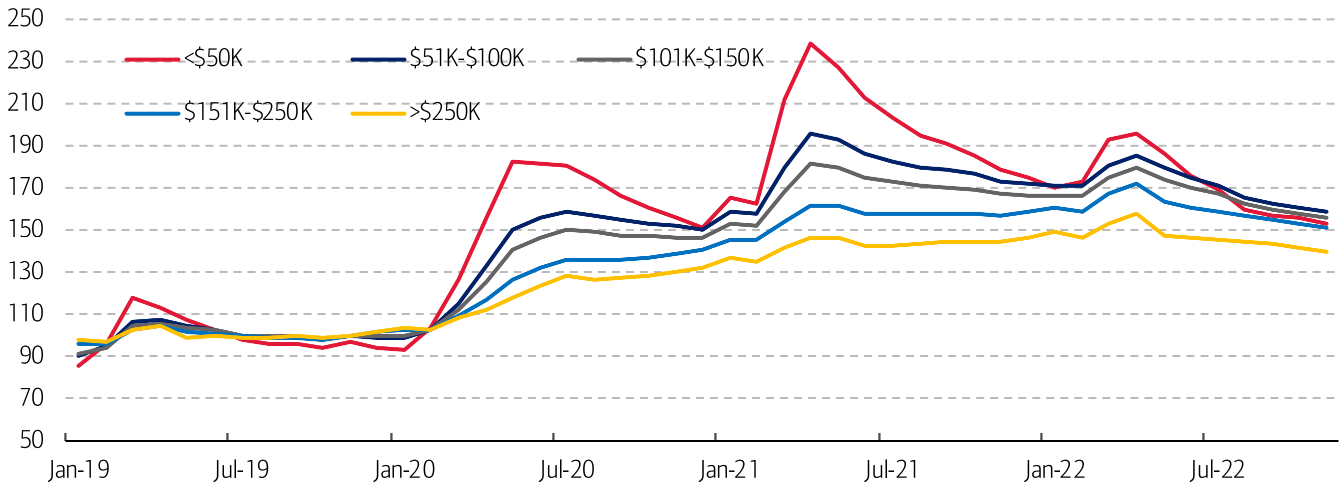


Source: Bank of America internal data. Real spending growth rate is calculated by adjusting for the corresponding price increase in Consumer Price Inflation (Bureau of Labor Statistics), (First published: 11/10/22

And while we've been a little concerned by how holiday spending is shaking out, our **December** Consumer Checkpoint publication, End of year health check, again highlights one of the main sources of resilience for the consumer throughout 2022: deposit balances. While slightly declining, these savings buffers remain well above the levels seen before the pandemic for all income groups. At the outset of 2023 we believe this should continue to help support spending in what may be a challenging year for the overall economy.

Exhibit 13: Monthly median household savings and checking balances by income (index, 2019 average =100) for a fixed group of households

Median deposit balances are slowly declining, but remain well above the levels of 2019



Source: Bank of America internal data. Data as of November 2022. Monthly data includes those households that had a consumer deposit account (checking and/or savings account) for all months from January 2019 through November 2022. (First published: 12/8/22)

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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 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 BAC 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 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.

Generations, if discussed, are defined as follows:

1) Gen Z, born after 1996
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

Any reference to card spending per household on gasoline include 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.

Disclosures