

BofA on USA

A good start to holiday spending

We expect a solid retail sales report for November

Total card spending per household (HH), as measured by BAC aggregated credit and debit cards, was up 0.5% year-over-year (y/y) in November. Card spending per HH rose 0.2% month-over-month (m/m) in November on a seasonally adjusted (SA) basis. We expect the Census Bureau's retail sales ex-autos estimate for November to show a 0.1% increase (Exhibit 1). However, the large drop in gas prices weighed on BAC card spending on the month. Most other categories saw solid growth, with outsized gains in clothing, furniture and airlines (Exhibit 2). Therefore, we forecast an above-consensus 0.7% gain in the core control group (retail sales ex autos, gas, building materials and restaurants).

Optimistic about the holidays

As we have noted in recent reports, the BAC card spending data point to a solid start to the holiday shopping season. Total card spending per HH was up 1.8% y/y in the week ending December 2 (Exhibit 9). Spending on holiday items was down 2.0% y/y, but we think this is because of a shift in the timing of Thanksgiving (Exhibit 10). In the nine days after Thanksgiving, spending on holiday items was 0.9% higher than in the same period last year. The corresponding increases for online retail and services spending were 2.5% and 2.0%, respectively, suggesting that (1) the migration toward online shopping continues; and (2) gains in spending have been broad based (Exhibit 11 and Exhibit 12).

Growing drag from student loan payments

We update our student loan analysis, and find that the resumption in payments appears to be a growing headwind to spending. We compare (1) HHs that made their first federal student loan payment of 2023 from a BAC deposit account in October and made another payment in November; to (2) HHs that made their first payment in November; and (3) HHs that made at least one payment in 2023 before October, i.e., HHs that were making payments even before they were due.

Across all income cohorts, the first group (first payment in October) underperformed the other two groups in November (Exhibit 8). The second group (first payment in November) meaningfully underperformed the third group (early payments) in the high-income cohort. This suggests to us that student loan payments are a drag on spending, but the impact builds over time. We retain our view that the restart of payments will be a mild headwind, but not a game-changer, for consumers.

Consumer resilience complicates Fed messaging

After recent dovish communication from Fed Chair Powell and Governor Waller, markets are pricing a significant probability of a Fed cut as early as March 2024. We expect the Fed's message at its December 12-13 meeting to also lean relatively dovish (see [December FOMC preview: Moving in the right direction](#)). But we think resilience in consumer spending, as evidenced by the latest BAC card data, creates risks that inflation could be stickier than the Fed would like. Therefore, in our view, it could be challenging for the Fed to cut rates in the near term. We retain our view that rate cuts will only start in June 2024.

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12636429

Timestamp: 12 December 2023 07:15AM EST

12 December 2023

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Moving Average = ma

The month of November

Exhibit 1: BofA forecast and Bloomberg consensus for November Census Bureau retail sales

We expect strong gains in retail sales in November, once the drop in gas prices is factored out

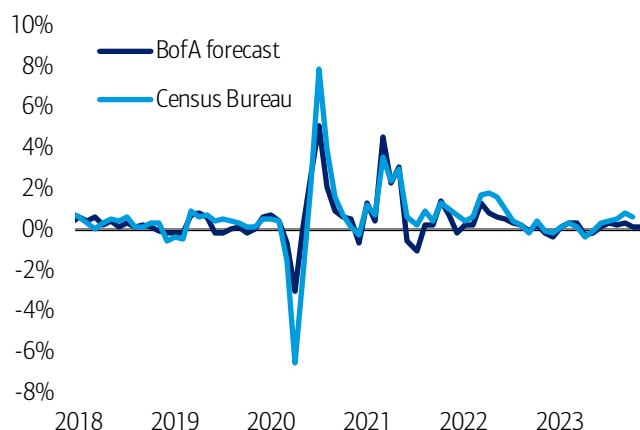
% m/m	BofA forecast	Bloomberg consensus
Retail sales	0.1%	-0.1%
ex-autos	0.1%	-0.1%
ex-autos and gas	0.6%	0.2%
Core control	0.7%	0.2%

Source: BAC internal data. The core control group is retail sales ex autos, gas, building supplies and restaurants.

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Exhibit 3: Retail sales ex-autos: Census Bureau vs. BofA forecasts (%m/m, SA, 3-month ma)

We are expecting retail sales ex-autos to increase by 0.1% in November, which would lower the three-month average growth rate



Source: BAC internal data, Census Bureau

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Exhibit 2: Aggregated monthly card spending per HH by major category (%m/m, SA)

Card spending was robust in most categories in November

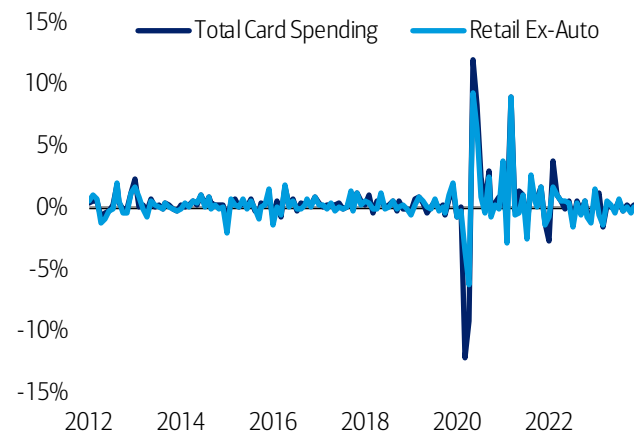
	Nov-23	Oct-23	Sep-23	Aug-23	Jul-23	Jun-23
Gas	-4.0%	-3.2%	2.7%	5.9%	1.4%	-0.2%
Furniture	2.9%	-1.2%	-1.1%	-2.4%	-2.5%	-0.6%
Home improvement	-0.1%	0.5%	-1.3%	-1.0%	-0.1%	-1.0%
Clothing	2.4%	-1.6%	-1.3%	-1.8%	0.8%	-1.8%
Grocery	-0.4%	0.9%	-0.3%	0.1%	-0.3%	0.3%
General Merchandise	0.2%	0.2%	0.1%	-0.5%	1.0%	-0.8%
Department Store	0.6%	-1.5%	-0.3%	-1.6%	-0.6%	-0.6%
Restaurants	0.4%	0.5%	0.1%	-0.4%	0.5%	0.0%
Lodging	-0.1%	0.0%	-0.2%	-0.7%	-1.6%	0.0%
Airlines	3.0%	-3.0%	-0.5%	-1.0%	1.2%	-1.4%
Total online retail (card not present)	-0.8%	-0.3%	0.7%	-0.5%	1.5%	0.3%

Source: BAC internal data. Card not present is largely online but could include purchases made over the phone.

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Exhibit 4: BAC aggregated monthly card spending per HH (%m/m, SA)

Card spending per HH was up 0.2% m/m in November on a SA basis

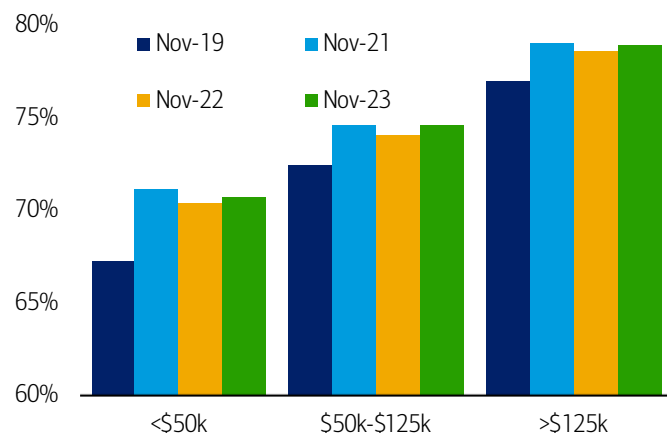


Source: BAC internal data

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Exhibit 5: Share of discretionary spending in total spending per HH by income (%)

Discretionary spending remained resilient across income cohorts in November, accounting for over 70% of spending by lower-income HHs

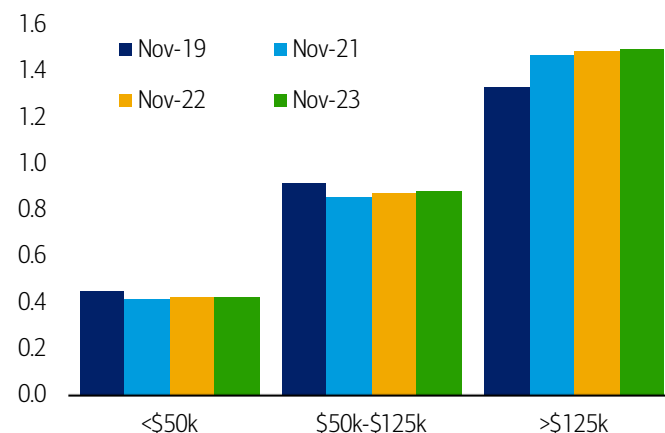


Source: BAC internal data. Discretionary spending is total spending ex gas, groceries and utilities. We exclude 2020 because the data were distorted by the pandemic.

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Exhibit 6: Ratio of credit card spending per HH to debit card spending per HH by income group

For lower- and middle-income HHs, we do not see signs of increased reliance on credit cards relative to 2019

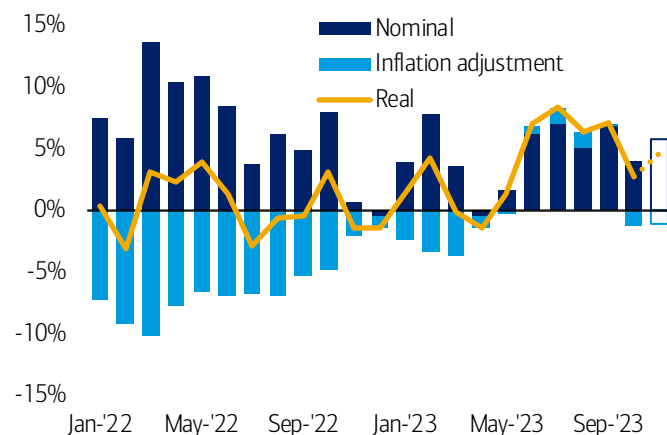


Source: BAC internal data. We exclude 2020 because the data were distorted by the pandemic.

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Exhibit 7: Core control retail sales (3 month annualized % change)

Real core control retail sales increased 2.7% annualized from Aug to Oct 2023, but the three-month growth rate is likely to increase in Nov

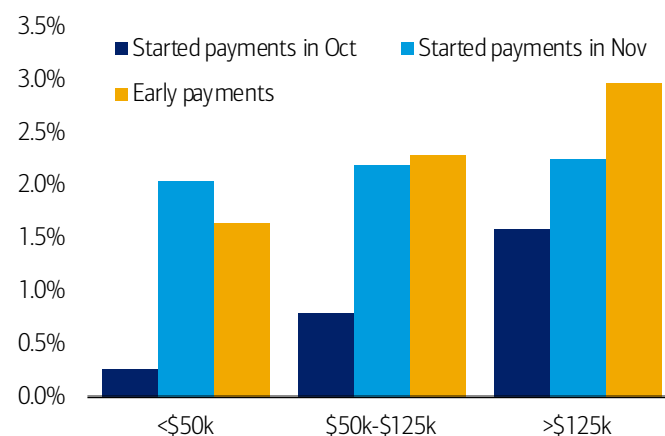


Source: BAC internal data, Bureau of Economic Analysis, Haver Analytics. The inflation adjustment uses a price index reported by Haver Analytics. It converts nominal spending into real spending, so it is negative when inflation is positive and vice versa. BofA Projections for November are represented by the dotted line and white boxes above. We assume nominal core control sales are in line with our forecasts, and inflation is the same as it was in November.

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Exhibit 8: Change in average daily spending per HH by income cohort, Nov 2023 vs Sep 2023, not seasonally adjusted

HHs that started student loan payments in Oct underperformed HHs that were already making (early) payments this year across all income groups



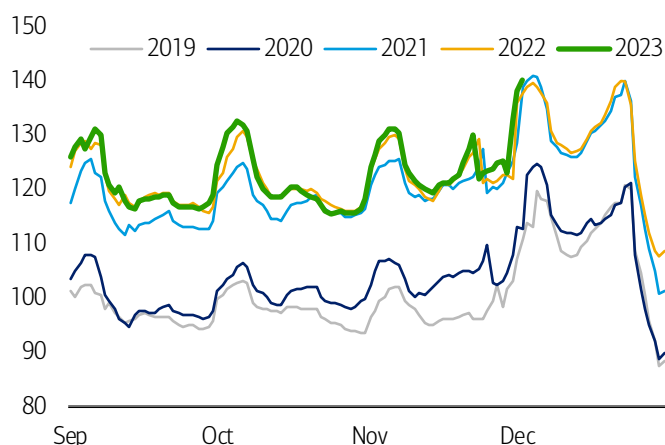
Source: BAC internal data. "Started payments in Oct" refers to HHs that made their first federal student loan payment of 2023 from a BAC deposit account in October, and made another payment in November. "Started payments in Nov" refers to HHs that made their first federal student loan payment of 2023 from a BAC deposit account in November. "Early payments" refers to HHs that made at least one payment from a BAC deposit account between January and September 2023.

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Holiday spending update

Exhibit 9: Total card spending per HH, based on BAC aggregated credit and debit card data (7-day ma, index, average of last four weeks of Aug 2019 = 100)

Total card spending per HH was up 1.8% y/y in the week ending Dec 2

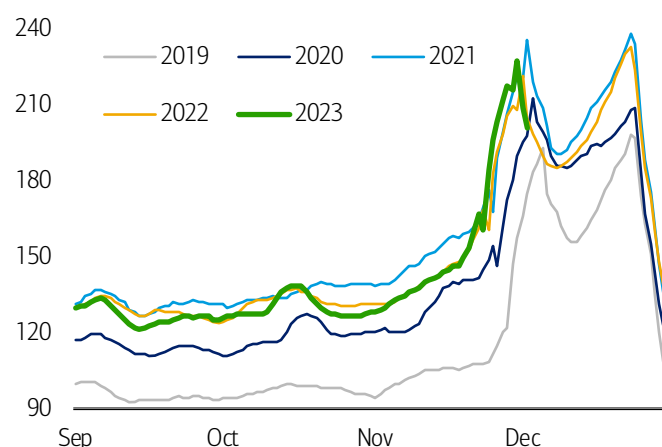


Source: BAC internal data

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Exhibit 10: Spending per HH on holiday items, based on BAC aggregated credit and debit card data (7-day ma, index, average of last four weeks of Aug 2019 = 100)

In the nine days after Thanksgiving, spending on holiday items was 0.9% higher than in the same period last year

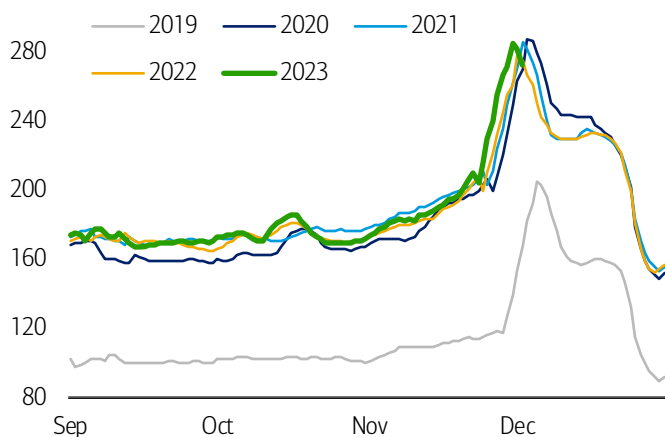


Source: BAC internal data. Holiday items include all MCC codes for which spending in Nov-Dec is at least 20% of total annual spending in the category

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Exhibit 11: Online retail (card not present) spending per HH, based on BAC aggregated credit and debit card data (7-day ma, index, average of last four weeks of Aug 2019 = 100)

In the nine days after Thanksgiving, online retail spending was 2.5% higher than in the same period last year

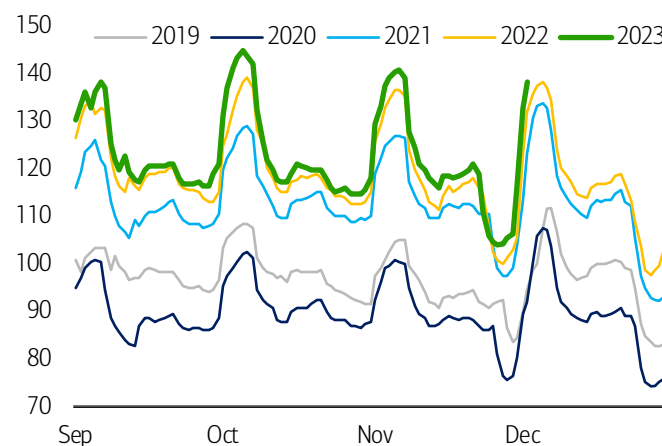


Source: BAC internal data

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Exhibit 12: Spending per HH on services, based on BAC aggregated credit and debit card data (7-day ma, index, average of last four weeks of Aug 2019 = 100)

In the nine days after Thanksgiving, services spending was 2.0% higher than in the same period last year



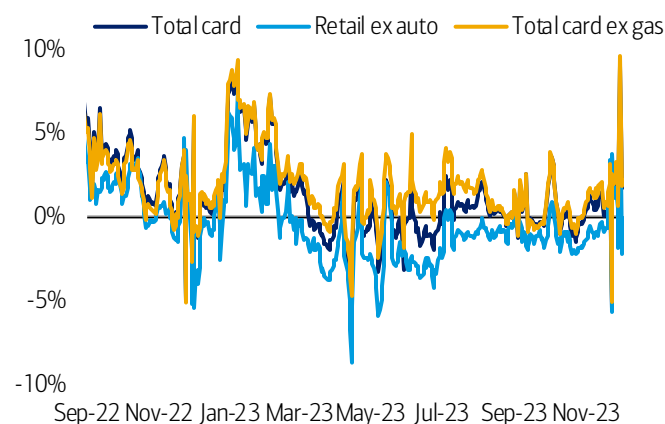
Source: BAC internal data

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The big picture

Exhibit 13: Total card, retail ex auto and total card ex gas spending, per HH, based on BAC aggregated card data (y/y %change of the 7-day ma of spending levels)

Total card spending ex gas came in at 2.2% y/y in the week ending Dec 2

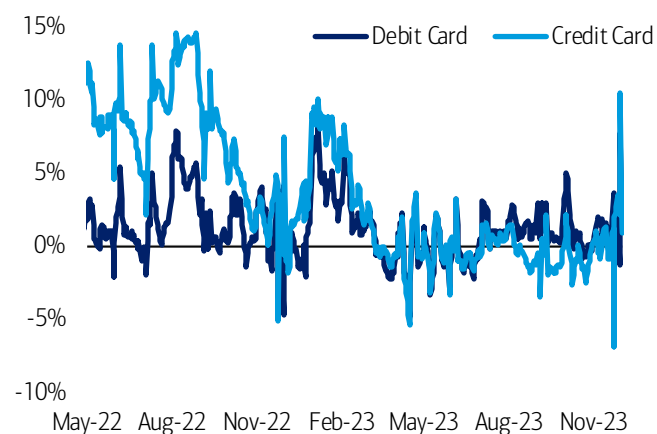


Source: BAC internal data

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Exhibit 15: Total credit card and total debit card spending, per HH, based on BAC aggregated card data (y/y %change of the 7-day ma of spending levels)

Debit and credit card spending growth were 2.6% y/y and 0.9% y/y, respectively, in the week ending Dec 2

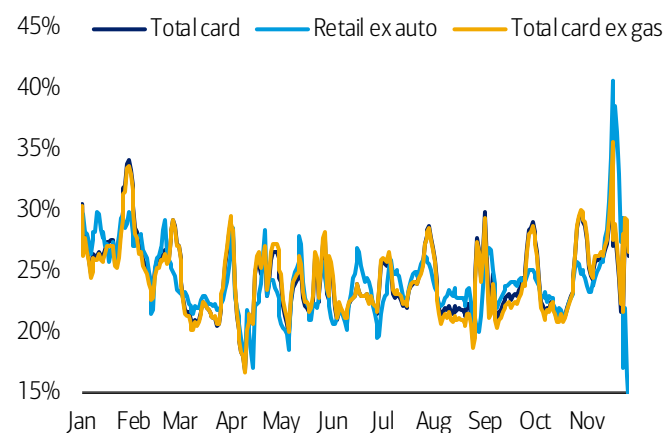


Source: BAC internal data

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Exhibit 14: Total card, retail ex auto and total card ex gas spending, per HH, based on BAC aggregated card data (four-year %change of the 7-day ma of spending levels)

Total card spending growth was 26.3% on a four-year basis in the week ending Dec 2

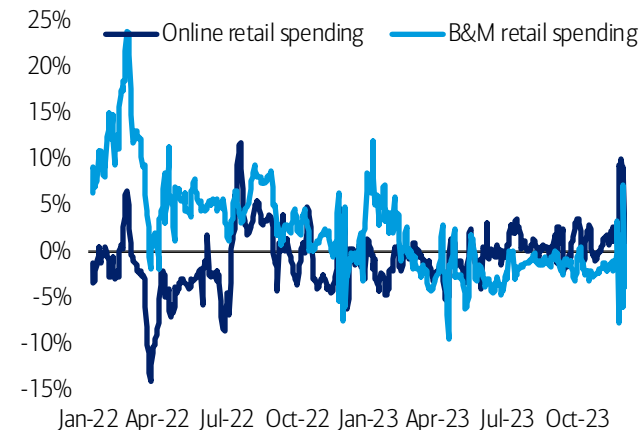


Source: BAC internal data

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Exhibit 16: Online (card not present) and B&M retail spending, per HH, based on BAC aggregated card data (y/y %change of 7-day ma of spending levels)

B&M retail spending was up 0.5%, while online retail spending was down 1.6% on a y/y basis in the week ending Dec 2



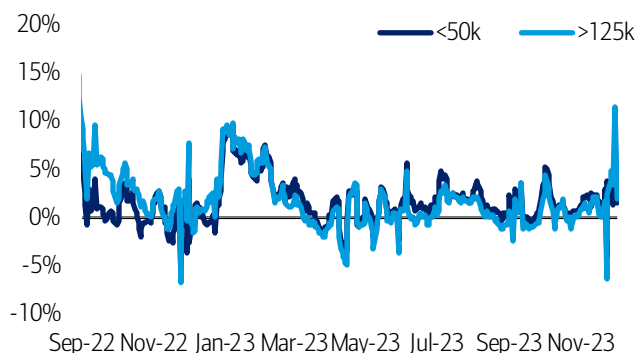
Source: BAC internal data. Note: B&M retail means retail purchases at the store.

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Income-based trends

Exhibit 17: Total spending ex groceries and gas, per HH by income group, based on aggregated BAC card data (y/y % change of the 7-day moving average of spending levels)

Total card spending ex groceries and gas was around 2.0% y/y for both income groups in the week ending Dec 2

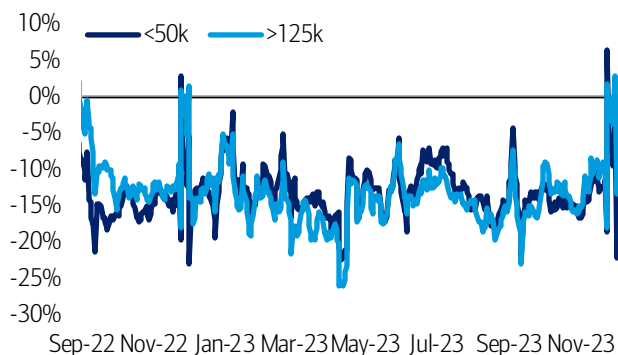


Source: BAC internal data

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Exhibit 19: Furniture spending per HH by income group (y/y % change of the 7-day ma of spending levels)

Furniture spending growth has been largely negative on a y/y basis for both income groups since late Aug 2022

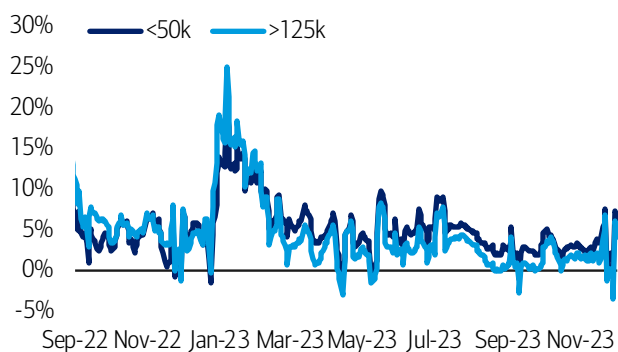


Source: BAC internal data.

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Exhibit 21: Restaurant spending per HH by income group (y/y % change of the 7-day ma of spending levels)

Y/y restaurant spending growth was stronger among lower-income HHs than higher-income HHs in the week ending Dec 2

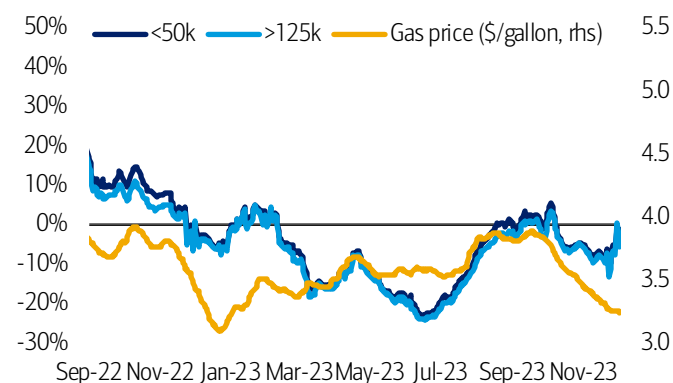


Source: BAC internal data

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Exhibit 18: Gas spending per HH by income group vs. retail gas price per gallon (y/y % change of the 7-day ma of spending levels)

The recent decline in gas prices led to a decrease in y/y gas spending growth for both income cohorts in November

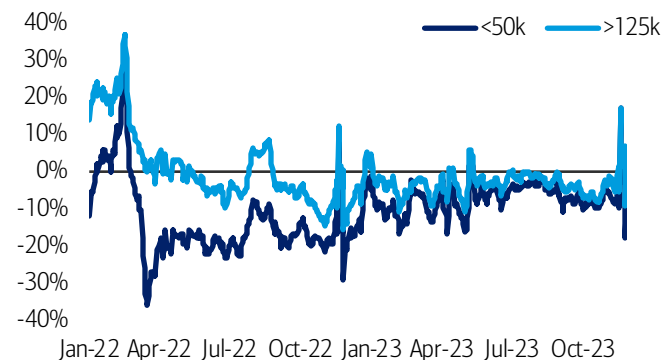


Source: BAC internal data, American Automobile Association

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Exhibit 20: Clothing spending per HH by income group (y/y % change of the 7-day ma of spending levels)

Y/y clothing spending growth has largely been negative for both income cohorts this year

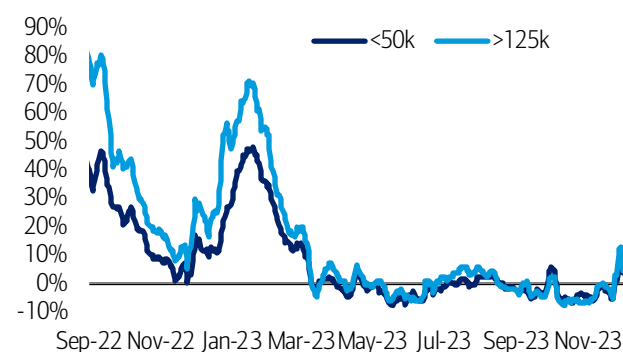


Source: BAC internal data

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Exhibit 22: Airline spending per HH by income group (y/y % change of the 7-day ma of spending levels)

After largely being negative in November, y/y airline spending growth turned positive in the last week of November for both income groups

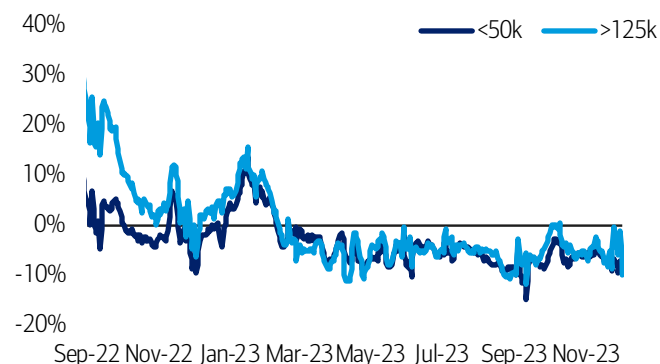


Source: BAC internal data

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Exhibit 23: Lodging spending per HH by income group (y/y % change of the 7-day ma of spending levels)

Y/y lodging spending growth has also largely been negative for both income cohorts since early 2023

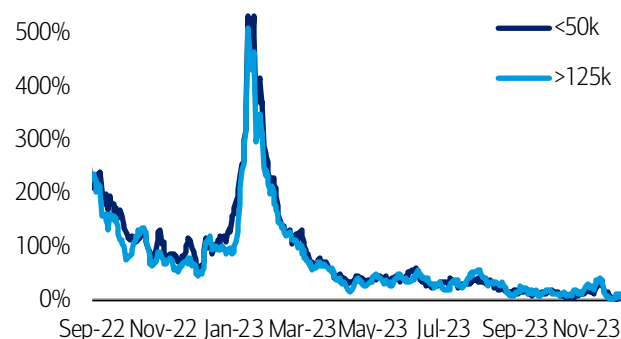


Source: BAC internal data

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Exhibit 25: Cruise spending per HH by income group (y/y % change of the 7-day ma of spending levels)

Cruise spending growth for lower-income HHs outpaced that for higher-income HHs in the week ending Dec 2

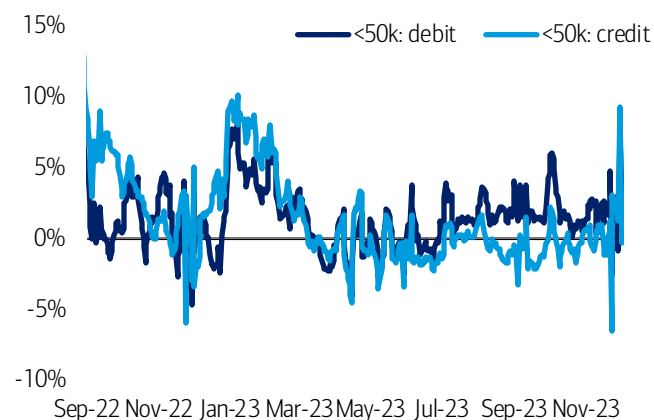


Source: BAC internal data

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Exhibit 27: Total credit card and total debit card spending per HH for lower-income group (y/y % change of the 7-day ma of spending levels)

Lower-income debit card spending growth significantly outpaced credit card spending growth on a y/y basis in the week ending Dec 2

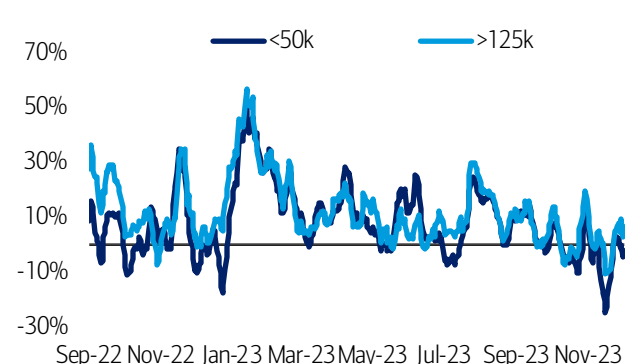


Source: BAC internal data

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Exhibit 24: Entertainment spending per HH by income group (y/y % change of the 7-day ma of spending levels)

Y/y entertainment spending was up 6.2% for higher-income HHs while for lower-income HHs it was down 2.1% in the week ending Dec 2

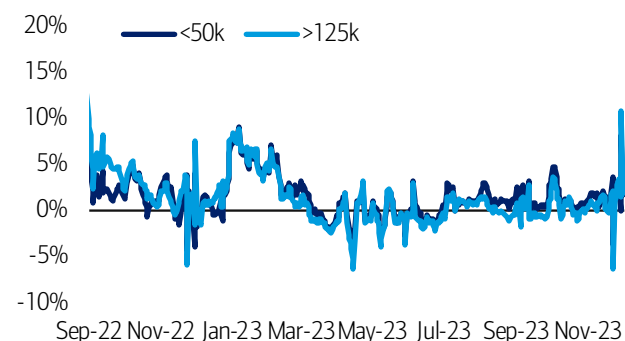


Source: BAC internal data

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Exhibit 26: Total card spending per HH by income group (y/y % change of the 7-day ma of spending levels)

Total card spending growth for lower-income HHs (2.5% y/y) outpaced higher-income HHs (1.9% y/y) in the week ending Dec 2

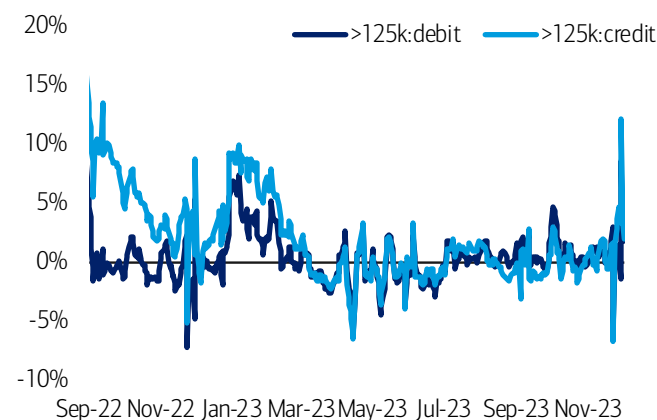


Source: BAC internal data

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Exhibit 28: Total credit card and total debit card spending per HH for higher-income group (y/y % change of the 7-day ma of spending levels)

Higher-income credit card and debit card spending growth were both 1.9% y/y in the week ending Dec 2



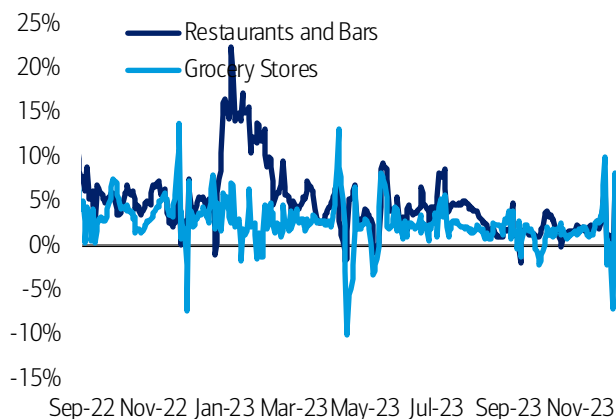
Source: BAC internal data

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Sector trends

Exhibit 29: Spending per HH at restaurants and bars and grocery stores, based on BAC aggregated card data (y/y % change of the 7-day ma of spending levels)

Spending growth at restaurants and bars was at 4.5% y/y in the week ending Dec 2

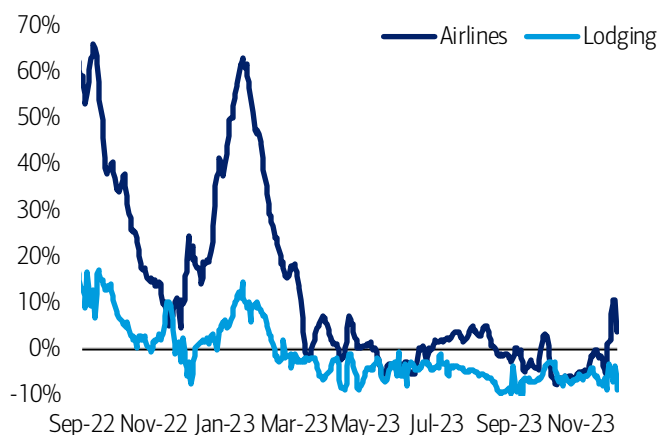


Source: BAC internal data

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Exhibit 31: Spending per HH on airlines and lodgings, based on BAC aggregated card data, (y/y % change of the 7-day ma of spending levels)

Lodging spending growth remained negative on a y/y basis in the week ending Dec 4

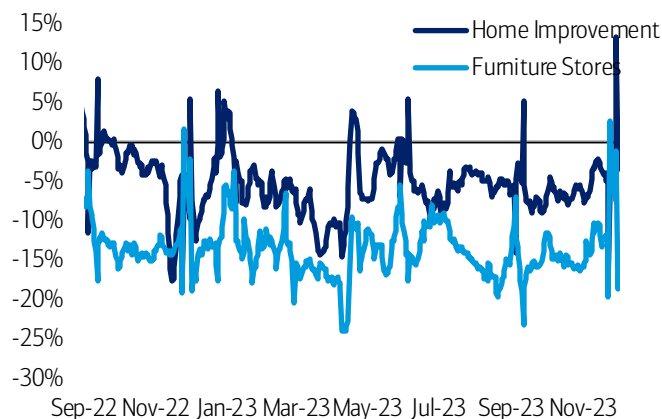


Source: BAC internal data

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Exhibit 30: Spending per HH at home improvement and furniture stores, based on BAC aggregated card data (y/y % change of the 7-day ma of spending levels)

Furniture and home improvement spending growth remained negative on a y/y basis in the week ending Dec 2

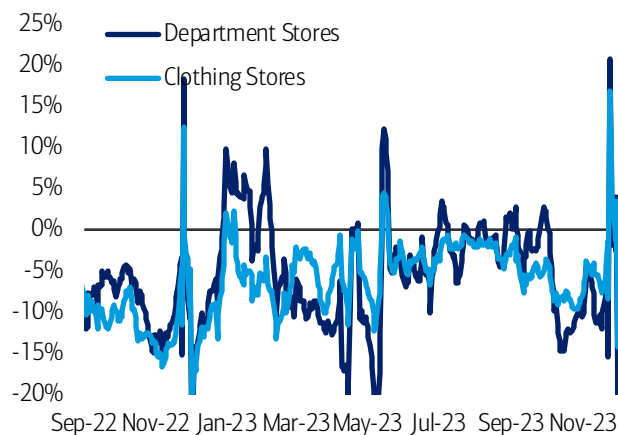


Source: BAC internal data

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Exhibit 32: Spending per HH at department and clothing stores, based on BAC aggregated card data (y/y % change of the 7-day ma of spending levels)

Y/y clothing spending growth has largely been negative this year

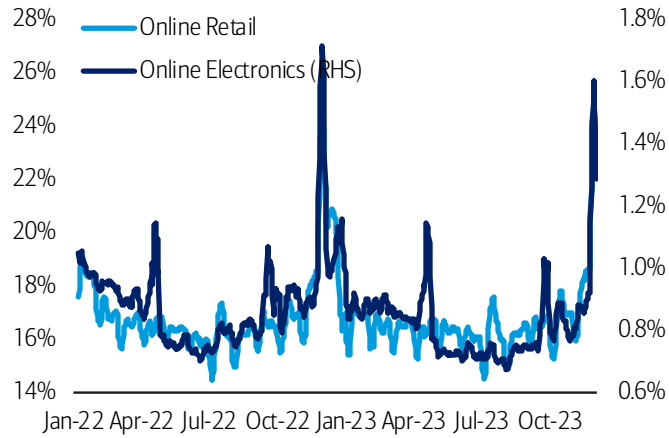


Source: BAC internal data

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Exhibit 33: Online retail and online electronic (card not present) spending per HH as a share of total card spending (% , 7-day moving average)

The share of online retail spending was 23.0% in the week ending Dec 2

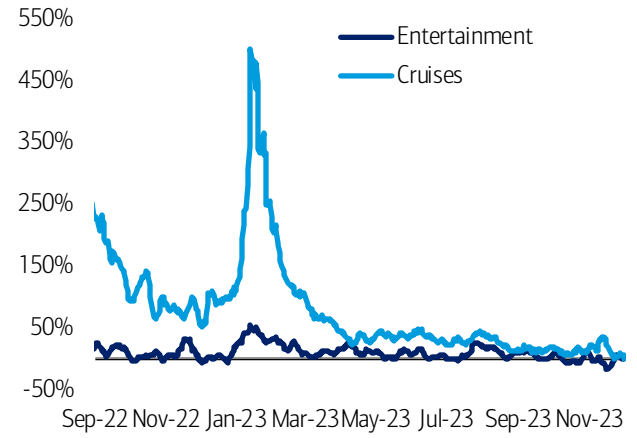


Source: BAC internal data

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Exhibit 34: Spending per HH on entertainment and cruises, based on BAC aggregated card data (y/y % change of the 7-day ma of spending levels)

Spending growth on cruises has stabilized after the reopening spike



Source: BAC internal data

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Heat Map

Exhibit 35: Aggregated daily card spending growth per HH by major category, Nov 19-Dec 2 (1-year and 4-year %change of the 7-day ma of spending levels)
Total card spending per HH was up 1.8% y/y in the week ending Dec 2. The 4-year growth rate was 26.3% in the week ending Dec 2

	12/2	12/1	11/30	11/29	11/28	11/27	11/26	11/25	11/24	11/23	11/22	11/21	11/20	11/19
Total card spending														
1-yr % change	1.8%	1.7%	9.0%	0.3%	2.1%	2.7%	2.1%	1.3%	1.7%	-5.5%	2.5%	1.4%	0.8%	0.0%
4-yr % change	26.3%	28.8%	28.9%	21.3%	27.3%	21.6%	24.3%	26.4%	28.1%	27.1%	35.0%	31.0%	28.7%	27.2%
Retail ex auto														
1-yr % change	0.0%	-2.2%	7.5%	-1.9%	0.6%	1.7%	1.4%	1.1%	3.8%	-5.6%	3.4%	1.4%	0.6%	-0.7%
4-yr % change	13.9%	16.3%	22.0%	17.1%	29.3%	27.4%	32.9%	36.4%	38.6%	33.6%	40.6%	34.2%	30.7%	28.4%
Airlines														
1-yr % change	4.5%	3.9%	10.9%	10.7%	9.8%	7.4%	2.2%	1.4%	1.0%	-6.0%	-4.9%	-4.5%	-3.5%	-2.5%
4-yr % change	26.3%	38.3%	42.2%	35.8%	30.5%	14.1%	4.8%	2.2%	0.4%	-2.0%	2.7%	4.8%	5.8%	5.4%
Lodging														
1-yr % change	-9.0%	-6.1%	-3.6%	-7.0%	-5.9%	-5.2%	-5.6%	-3.1%	-6.5%	-8.9%	-6.1%	-6.4%	-7.3%	-8.1%
4-yr % change	-0.1%	6.9%	12.9%	15.5%	16.6%	14.5%	13.9%	14.0%	10.0%	8.7%	11.3%	9.9%	8.9%	9.8%
Entertainment														
1-yr % change	1.5%	-1.2%	4.0%	1.2%	2.6%	5.0%	4.5%	5.1%	4.9%	-0.5%	-2.5%	-7.6%	-9.2%	-11.7%
4-yr % change	-3.8%	-1.8%	0.6%	0.2%	7.9%	10.5%	15.5%	21.2%	24.0%	26.3%	36.1%	32.3%	30.0%	27.8%
Restaurants & bars														
1-yr % change	4.5%	5.4%	6.6%	-2.1%	0.0%	1.0%	1.1%	0.8%	0.2%	-0.6%	6.7%	5.1%	4.4%	3.0%
4-yr % change	29.8%	24.9%	20.0%	13.1%	15.7%	15.0%	21.8%	27.4%	32.3%	35.6%	39.7%	34.3%	31.8%	30.6%
Transit														
1-yr % change	3.5%	4.3%	1.1%	-1.4%	-1.5%	-0.9%	-1.3%	-5.1%	-6.2%	-4.8%	-2.8%	-1.2%	0.5%	2.1%
4-yr % change	11.4%	11.8%	7.7%	3.6%	-0.7%	-3.2%	-3.5%	-3.3%	-2.0%	0.7%	3.1%	5.3%	7.2%	9.3%
Gas														
1-yr % change	-4.6%	-1.8%	-0.7%	-7.0%	-6.3%	-6.1%	-5.9%	-7.8%	-10.5%	-11.5%	-6.9%	-8.3%	-8.8%	-9.2%
4-yr % change	22.4%	22.3%	20.6%	16.0%	15.3%	12.0%	14.8%	16.1%	18.3%	21.9%	26.1%	23.4%	22.4%	21.7%
Clothing														
1-yr % change	-8.3%	-14.3%	3.5%	-1.3%	1.6%	2.8%	2.3%	4.8%	16.8%	-8.4%	-1.3%	-4.5%	-5.5%	-7.1%
4-yr % change	-6.6%	5.9%	28.7%	34.3%	77.5%	75.5%	77.2%	74.2%	63.9%	32.5%	34.7%	25.7%	20.0%	15.8%
Furniture														
1-yr % change	-14.4%	-18.5%	-1.2%	-7.4%	-5.6%	-4.4%	-6.2%	-5.7%	2.6%	-19.6%	-12.0%	-11.7%	-11.6%	-12.2%
4-yr % change	-1.7%	8.9%	26.8%	23.0%	45.3%	30.5%	27.4%	25.2%	20.1%	2.8%	10.6%	9.9%	8.8%	8.3%
Department store														
1-yr % change	-10.0%	-20.8%	4.0%	-2.7%	-0.8%	-0.6%	-2.0%	-0.4%	20.7%	-15.5%	-6.1%	-8.2%	-8.0%	-9.3%
4-yr % change	-37.0%	-29.3%	-10.0%	-8.2%	27.2%	37.0%	39.6%	37.9%	31.3%	-0.4%	4.9%	-1.1%	-4.4%	-7.5%
Home improvement														
1-yr % change	-3.4%	-2.2%	13.3%	-4.2%	-3.8%	-2.8%	-2.4%	-3.8%	-6.5%	-18.4%	-4.5%	-5.0%	-4.0%	-4.1%
4-yr % change	38.0%	37.4%	41.3%	22.9%	26.8%	9.2%	8.0%	7.3%	8.9%	10.9%	28.4%	26.5%	25.8%	25.4%
Online electronics (card not present)														
1-yr % change	-13.0%	-13.0%	-2.2%	-2.1%	0.9%	4.2%	2.0%	5.0%	10.8%	-5.6%	0.0%	0.6%	0.6%	0.1%
4-yr % change	-10.8%	11.8%	33.4%	46.8%	76.7%	85.1%	75.5%	67.8%	57.3%	39.9%	42.0%	39.6%	35.8%	35.6%
Grocery														
1-yr % change	5.3%	3.7%	8.2%	-7.2%	-2.5%	-0.2%	0.3%	-1.0%	0.8%	-2.3%	10.0%	6.8%	4.9%	2.8%
4-yr % change	2.6%	-3.0%	-6.3%	-13.4%	-4.5%	0.8%	13.7%	23.7%	33.3%	36.3%	43.6%	33.2%	27.0%	23.2%
General Merchandise														
1-yr % change	0.1%	-6.4%	9.9%	-1.2%	0.2%	0.8%	-0.1%	-0.4%	6.8%	-10.0%	0.7%	-0.5%	-0.4%	-1.5%
4-yr % change	11.9%	13.8%	24.3%	18.2%	37.9%	37.1%	43.3%	48.0%	51.8%	40.6%	52.9%	47.9%	44.6%	41.6%
Total B&M retail														
1-yr % change	0.5%	-3.9%	7.3%	-6.0%	-3.3%	-2.0%	-1.6%	-2.3%	1.9%	-7.8%	3.3%	0.8%	-0.1%	-1.6%
4-yr % change	-1.3%	-3.7%	-0.5%	-7.7%	4.1%	4.4%	12.7%	18.4%	23.4%	20.0%	28.0%	21.5%	18.1%	15.8%
Total online retail (card not present)														
1-yr % change	-0.6%	1.6%	9.2%	6.2%	8.6%	9.9%	8.6%	9.5%	7.6%	-1.5%	3.2%	2.7%	2.3%	1.7%
4-yr % change	61.8%	84.3%	104.0%	113.7%	127.7%	114.3%	104.3%	97.1%	88.0%	79.6%	85.0%	79.9%	76.4%	74.9%
Total card debit														
1-yr % change	2.6%	2.1%	7.7%	-1.3%	1.2%	2.0%	1.6%	0.6%	1.4%	-4.4%	3.6%	1.8%	1.3%	0.7%
4-yr % change	27.5%	27.0%	23.9%	16.3%	23.1%	19.7%	24.3%	27.3%	30.0%	29.7%	36.2%	31.1%	29.0%	27.7%
Total card credit														
1-yr % change	0.9%	1.3%	10.5%	2.1%	3.3%	3.6%	2.7%	2.2%	2.1%	-6.9%	1.2%	0.9%	0.3%	-0.9%
4-yr % change	24.9%	31.1%	34.8%	27.6%	32.5%	23.9%	24.3%	25.3%	25.8%	23.9%	33.4%	30.8%	28.4%	26.5%

Source: BAC internal data. Note: The 1-yr % change shows the change between the current date at the head of the table column and its comparable date a year ago and the 4-yr % change shows the percentage change with the comparable date four years ago. Total card spending includes total BAC card activity, which captures retail sales and services that are paid with cards. Does not include ACH payments. B&M (Brick & Mortar) retail means retail purchases at the store. Card not present is largely online but could include purchases made over the phone.

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Selected Bank of America ("BAC") 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 November provide directional and/or predictive value. The data used are not comprehensive; they are based on aggregated and anonymized selections of BAC data and November reflect a degree of selection bias and limitations on the data available.

Methodology explained

Readers should be aware that although the BAC datasets utilized in our analysis represent a significant number of data points, they nevertheless present a degree of selection bias, including but not limited to income levels and geographies. In addition, the data is limited to debit and credit cards and does not include other payment methods such as cash or checks.

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BAC data used in this report include spending from active US households (HHs) only. Spending from corporate cards are excluded.

Our methodology for calculating the growth rates for daily data: we calculate the %y/y growth rate and the 4-year % change by matching calendar days (Jan 1 2023 is matched to Jan 1 2022, and Jan 1, 2019, respectively). The % change is calculated based on the 7-day moving average of spending levels.

Unless otherwise noted, the monthly subsector data are adjusted to control for seasonality and other factors.

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