

Death Care

Funeral spending in January 2024 grew sequentially much faster than historically

Industry Overview

Funeral spending -1% y/y so far in Q1

According to BAC aggregated credit and debit card data, spending on funeral services grew 14% m/m in January (while Total card spending indicated weaker Jan vs Dec). This is better than the pre-COVID seasonality (+11% m/m). So far in 1Q24, the spending is tracking down 1% y/y, which would be similar to the -1% y/y decline in 4Q23. Of note, the +8% CAGR vs 2019 implies a robust demand, likely for pre-need funeral contracts. The total card spending (not just funeral) by income shows that the y/y trends for the high-income consumers (-0.1% y/y in Jan) were worse than the low-income cohort (+0.4%), but sequentially, high-income spend held up better. See the [BofA on USA note](#) for an explanation of the methodology, disclaimers and limitations with BAC card data.

Funeral spending grew +14% m/m in January

Spending on funeral and cremation services increased 14% m/m in January. This is better than the pre-COVID seasonality: +12% m/m in Jan 2019, +10% m/m in Jan 2020 (Exhibit 3). The Jan spending is down -1% y/y but 32% above Dec 2019 - Exhibit 4.

So far Q1 is tracking -1% Y/Y but +8% CAGR vs 2019

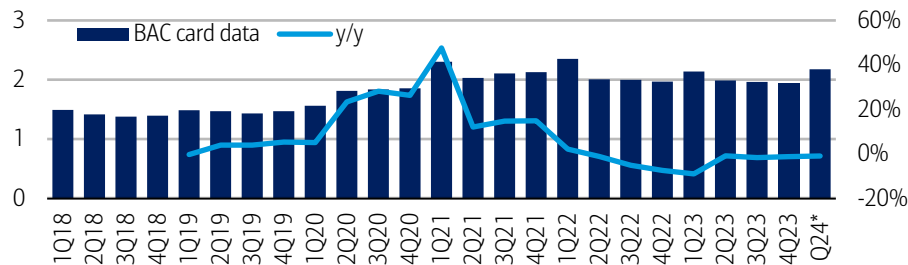
Based on the Jan data, 1Q24 spending is tracking down -1% y/y. Jan was up 14% m/m, better than the pre-COVID seasonality (spending grew +6% Q/Q in Q1 from Q4 on avg). Of note, the demand is robust as the Jan funeral spending is up at an +8% CAGR vs 2019, above the pre-COVID growth in the +3% range, possibly because of high demand for pre-need funeral contracts.

Total spending for high-income worse than low-income

To add more context to the data points for funeral spending, we looked at total card spend (not just funeral services) by income. In January 2024, the y/y growth for total spend by low-income cohort decelerated and was better than high-income: +0.4% y/y for the low-income cohort vs -0.1% for the high-income cohort - Exhibit 11.

Exhibit 1: Funeral spending trending -1 y/y in Q1, +8% CAGR vs 2019

Spending on funeral services according to BAC aggregated credit and debit card data, indexed to Jan 2010 (LHS) and y/y% change (RHS)). Jan 2010 = 1.



Source: BAC Internal Data. * 1Q24 through January 2024

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12 February 2024

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United States
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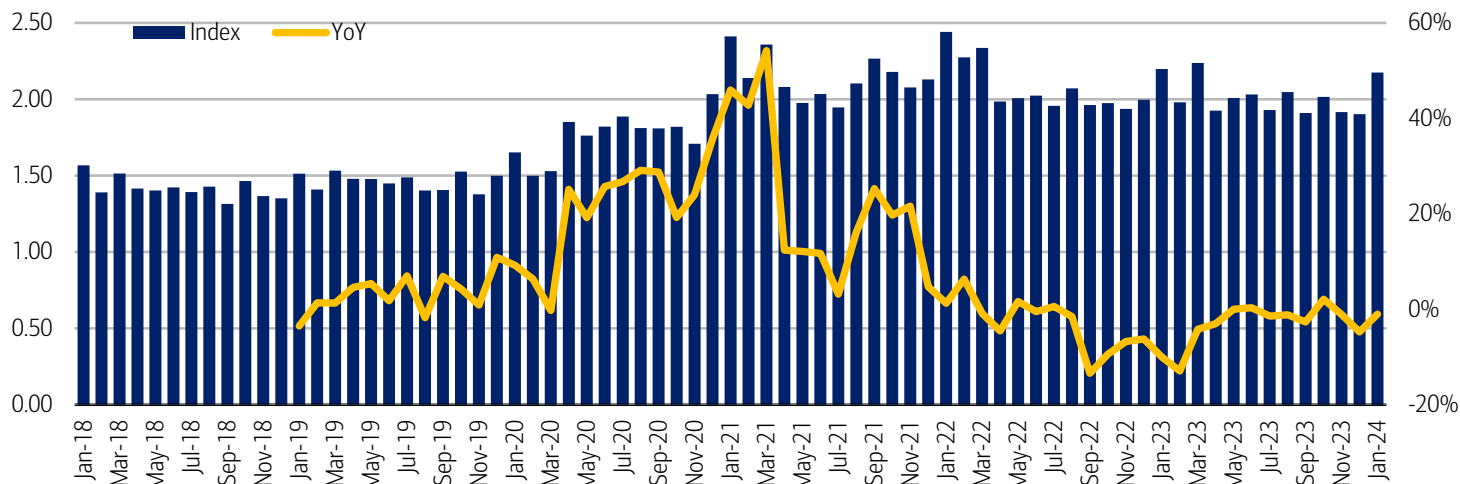
Monthly trends

Funeral spending grew 14% m/m in January 2024; it was down 1% y/y

We track monthly spending for funeral services which represents transactions with merchants that provide burial preparation and cremation services and conduct funerals.

Exhibit 2: Spending on funeral services grew 14% m/m in January 2024.

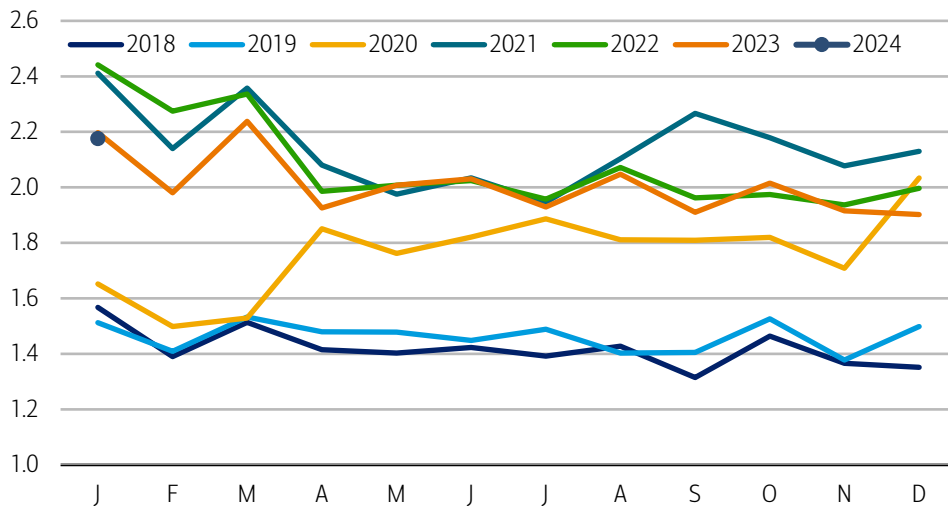
Monthly card spending on funeral and cremation services, according to BAC aggregated credit and debit card data, indexed to Jan 2010 (LHS) and y/y % change (RHS). Jan 2010 = 1.



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Exhibit 3: Pre-COVID, funeral spending grew m/m in January: +12% m/m in Jan 2019, +10% m/m in Jan 2020

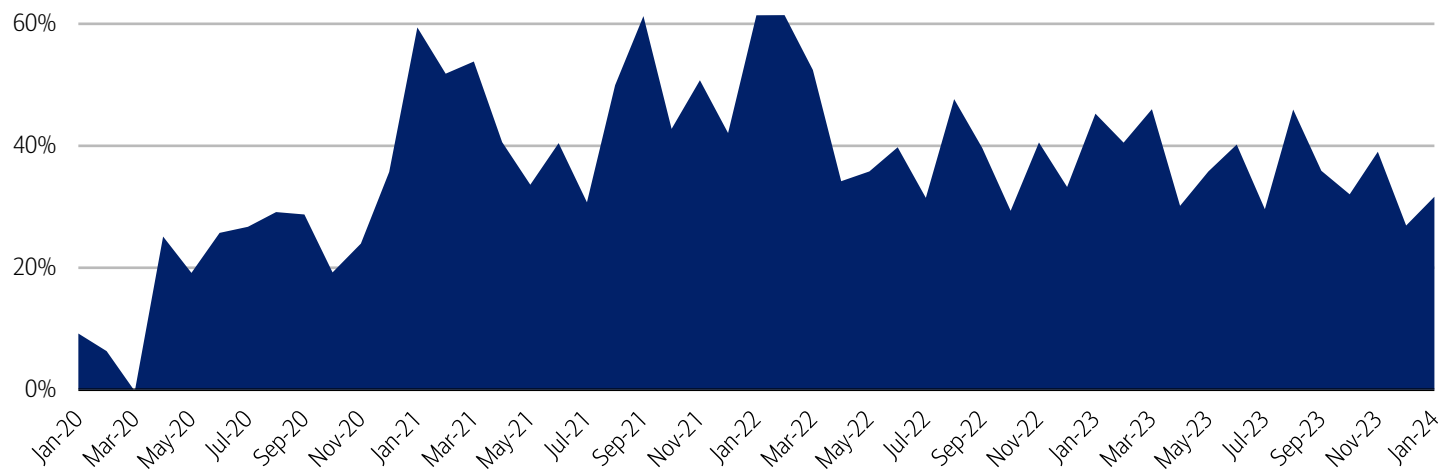
Monthly card spending on funeral and cremation services, according to BAC aggregated credit and debit card data (indexed to Jan 2010); 2018-2023. Jan 2010 = 1.



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Exhibit 4: Spending remains well above 2019 levels

Monthly card spending on funeral and cremation services, according to BAC aggregated credit and debit card data; as % of 2019 spending



Source: BAC Internal Data

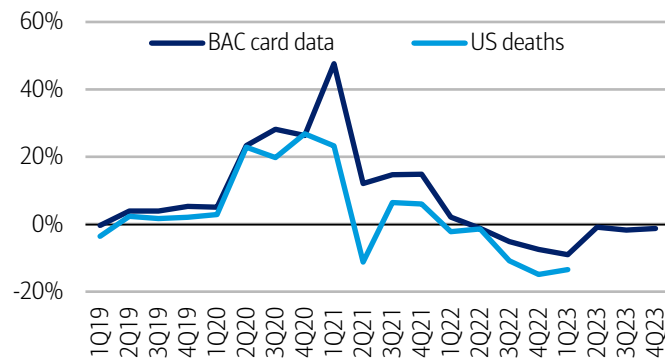
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Quarterly trends**Card data strongly correlated with deaths and SCI funeral vols/revs**

Based on the quarterly data 1Q18-3Q23, we found that the BAC aggregated credit and debit card data on spending on funeral and cremation services has a strong correlation with the y/y change in the number of deaths in the US (87% correlation) as well as SCI's same store (ss) funeral services volumes (91%) and SCI ss funeral revenue y/y growth (85% correlation). The funeral spending data likely reflects at-need and pre-need transactions. According to SCI, 40% of transactions are done by checks and thus are not captured in the BAC card data.

Exhibit 5: Spending data is highly correlated with US deaths

Quarterly spending on funeral and cremation services, according to BAC aggregated credit and debit card data vs US deaths; y/y % change

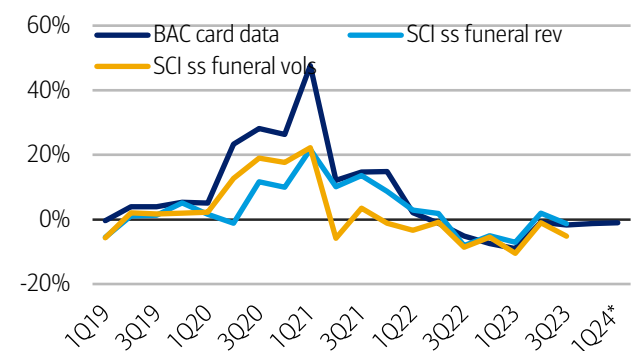


Source: BAC Internal Data; US deaths data from CDC

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Exhibit 6: Spending data is highly correlated with SCI funeral revenues

Quarterly spending on funeral and cremation services, according to BAC aggregated credit and debit card data vs SCI same store (ss) funeral volumes and revs; y/y % change



Source: BAC Internal Data, SCI company filings

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So far in 1Q24, funeral spending tracking -1% y/y, +8% CAGR vs 2019

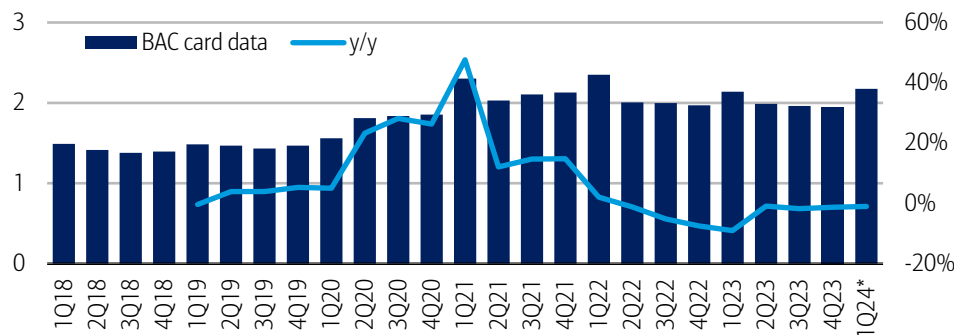
Based on the January 2024 data, funeral spending is tracking down 1% y/y so far in 1Q24. It follows a -1% /y decline in 4Q23, -2% y/y in 3Q23, and -1% y/y in 2Q23. The January spending implies a 14% Q/Q increase, better than the pre-COVID seasonality in the data (+12% m/m in Jan 2019, and +10% m/m in Jan 2020).



Of note, the spending remains well above the 2019 levels. The 4Q23 spending grew at a 7% CAGR vs 2019, above the pre-COVID growth in the +3% range. 1Q24 tracking at +8% CAGR vs 2019.

Exhibit 7: So far in 1Q24, funeral spending tracking -1% y/y; +8% CAGR vs 2019

Quarterly spending on funeral and cremation services, according to BAC aggregated credit and debit card data, indexed to Jan 2010 (LHS) and y/y change (RHS). Jan 2010 = 1.



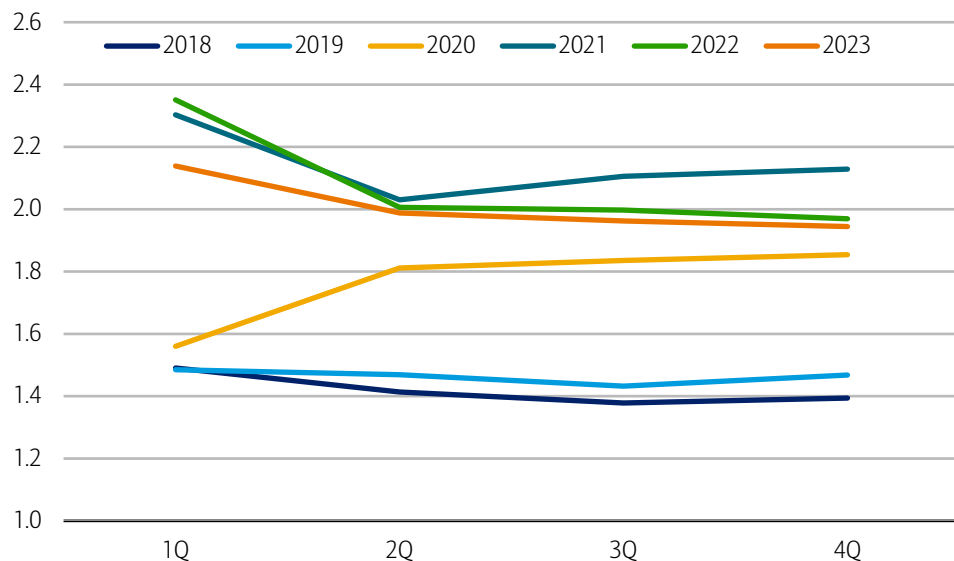
Source: BAC Internal Data. * 1Q24 through January 2024

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Based on the 2018-2019 data, we observed that the funeral spending typically increases in Q1 from Q4 (+6.4% Q/Q average increase in 1Q19 & 1Q20), then the spending declines in Q2 from Q1 (-3.1% Q/Q average decline in 2018 and 2019), further declines in Q3 from Q2 (-2.5% Q/Q on average) and typically increases in Q4 (up +1.8% Q/Q on average), reflecting the seasonality in the number of deaths.

Exhibit 8: Spending typically increases in Q1 from Q4.

Quarterly spending on funeral and cremation services, according to BAC aggregated credit and debit card data indexed to Jan 2010; 1Q18-2Q23. Jan 2010 = 1.



Source: BAC Internal Data

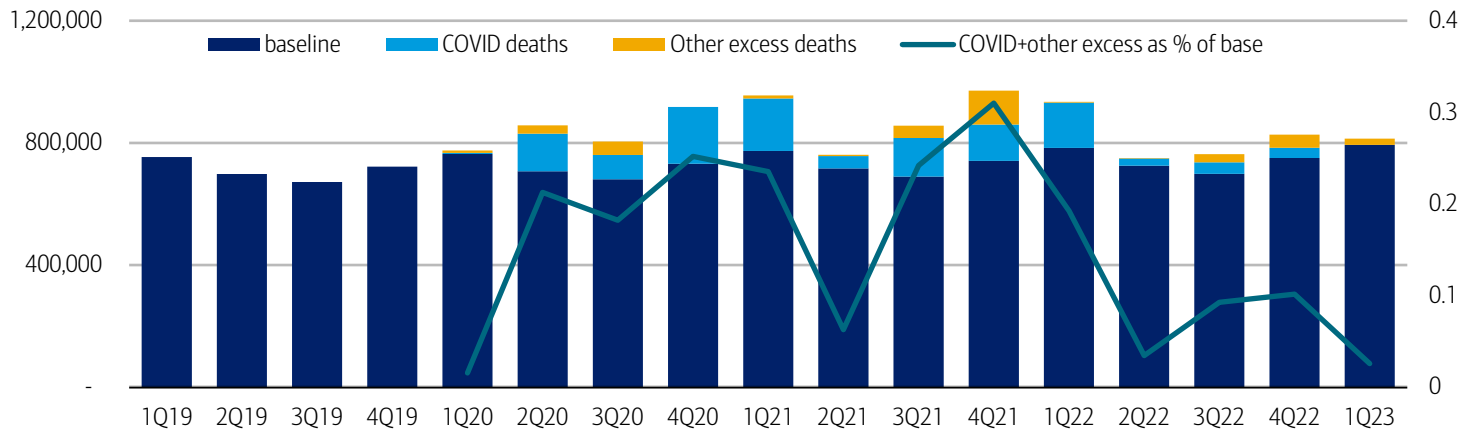
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The funeral services spending in 4Q23 grew at a CAGR of +7% vs 2019, above the historical spending growth of +3% in 2018-2019, pre-COVID. This is possibly due to above average demand for pre-need funeral services.

In addition, this could be a reflection of excess deaths - see more details in [our deep dive into excess mortality](#) report. Our estimates imply that the excess deaths were about 3% of the base in 1Q23. In the exhibit below, we had estimated excess deaths: First we estimated the normalized death count based on the average growth of +1.3% between 2014 and 2019. We then estimated excess deaths above that normalized level.

Exhibit 9: Excess deaths were about 3% of the base in 1Q23

Estimated base-case deaths (assuming +1.3% growth per year) vs the actual deaths reported, quarterly data 1Q19-1Q23



Source: Death count as per CDC data; BofA Global Research estimates for base case vs excess deaths

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Total spending for high-income consumers worse vs low-income

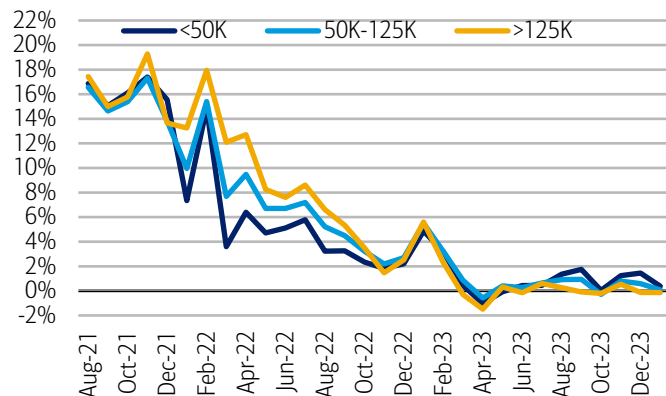
To add more context to the quarterly data points for funeral spending, we also look at total card spend (not just funeral services) to get a broader sense of macroeconomic factors that may impact funeral spend. We specifically look at total spend by income level which we break into total spend across consumers that earn less than \$50K annually (a proxy for low-income consumers), those that earn \$50-125K annually, and those that earn more than \$125k (high-income proxy).

In January 2024, total spending declined y/y for the higher income group (-0.1% y/y) while it grew for the other two income groups: +0.4% y/y for the low-income group and +0.1% for the middle group (\$50-125k). This is a smaller delta compared to the difference observed in December when the high-income (-0.1% y/y) underperformed the low-income growth (+1.4%) by a bigger margin (160bps). The delta in growth in Jan. 2024 is slightly better than the average underperformance of -0.6% for the full year 2023. Some of this narrowing reflects falling gasoline prices, which tend to benefit lower-income cohorts relatively more as they have a higher weight of gasoline in their overall spending.

On the quarterly basis, in 4Q23, the total spending by the high-income cohort (+0.1% y/y) underperformed the low-income cohort (+0.9% y/y). This follows the underperformance in 2Q23 and 3Q23. Also, the y/y spending growth in Q4 was worse than the increases in 3Q23 (+0.3% y/y for high-income and +1.2% for the low-income cohort).

Exhibit 10: In Jan. 2024, the growth in spending for high-income cohort was weaker than for the low-income income bracket.

Monthly Total spending ex grocery and gas per household by income group, based on aggregate BAC card data indexed to Jan 2010; y/y % change

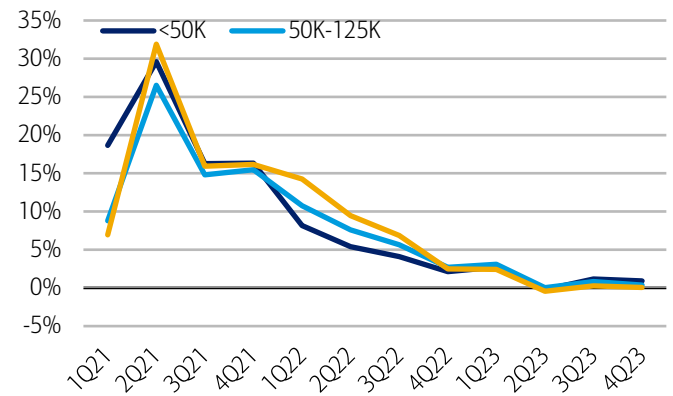


Source: BAC Internal Data

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Exhibit 11: In 4Q23, Total spending by High income cohort grew slower (+0.1% y/y) than for the other cohorts.

Quarterly Total spending ex grocery and gas per household by income group, based on aggregate BAC card data indexed to Jan 2010; y/y % change



Source: BAC Internal Data

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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.

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.

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

According to our discussions with the funeral and cemetery industry participants, about 40% of transactions (pre-need and at-need) are done by checks and thus are not captured in the BAC card data.

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



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