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Institute Insights

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It's time to shake off winter – spring is breaking through, and so are new trends. In our latest edition of Institute Insights, we share our fresh perspectives on consumer spending, labor market health, women's economic impact and physical AI.

Spending growth blossomed in February, according to Bank of America internal card data, rising 3.2% year-over-year (YoY), the highest pace in over three years. On a seasonally-adjusted basis, spending also looked bright, rising 0.9% month-over-month. The long-standing "K" shape in spending between higher- and lower-income households melted slightly, though in our view, it may take additional time to thaw, as the gap in wage growth remains significant. So far this year, average tax refunds have been larger for higher-income households, but it has been lower-income households that have seen a stronger discretionary spending lift from refund checks, providing the boost that narrowed the "K" – albeit maybe only temporarily. Overall, most consumers' financial health remains solid, with credit card capacity and savings levels holding up like sturdy early-season roots. Still, a continued rise in minimum-only credit card payments suggests stress may be budding at the margins. Read publication: Consumer Checkpoint: February bounces back.

Our payroll growth estimate showed green shoots in February, rising to 1.3% YoY. At the same time, growth in the number of households receiving unemployment benefits flattened. But it's not all blue skies: while higher-income wage growth bloomed to 4.2% YoY, lower- and middle-income wage growth each wilted by 30 basis points to 0.6% and 1.2% YoY, respectively. The gap between higher-income wage growth and other cohorts is now the widest it has been since our data series began in 2015. One reason for softer wage growth among lower- and middle-income households may be smaller pay bumps when changing jobs. In Bank of America internal data, the pay raise associated with a job change was 6.7% in January, down from the 8.6% 2025 annual average and the double-digit gains seen during the "Great Resignation." Read publication: The Institute Employment Report: February 2026.

Women were at the root of 2025's labor-force growth, as hiring persisted in female-dominated sectors, like private education and healthcare. Yet shifting winds are visible elsewhere. The slowdown in job switching has made it harder for workers to secure higher wages, according to Bank of America deposit account data. And while the gender pay gap has narrowed, part of that improvement reflects cooler overall wage momentum, rather than a fully brightening landscape. As affordability pressures rise and income growth moderates, women are gravitating more toward "value" spending. The trend is most pronounced in apparel, reflecting how labor market pressures are seeping into household budgets. Read publication: Where are women positioned in a "K-shaped" economy?

Finally, AI is ushering in a robotics refresh, enabling a new generation of humanoid robots that can perceive, learn and act autonomously. BofA Global Research predicts the humanoid robot population will grow rapidly, with operational units potentially reaching three billion by 2060 – outnumbering cars per capita. While industrial and service applications are expected to thrive first, household humanoids are projected to branch out quickly and ultimately account for the largest share. In part two of our physical AI series, we outline what you need to know about humanoid robots – including how they work, how they're being used today and key challenges the industry faces as it moves toward large-scale deployment. Read publication: Physical AI, part 2: Humanoid robots.

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