

Bank of America

Institute Insights

26 July 2026

As consumers navigate an increasingly dense economic jungle, this week's Institute Insights follows the trails of value-seeking shoppers, resilient middle-income households, emerging entrepreneurs and improving small businesses.

Shoppers are swinging from one deal to the next in search of the best value, with spending at discount apparel retailers and value-oriented grocers accelerating in early 2026. While higher-income households continue to account for a disproportionately large share of overall retail spending, lower-income households are gaining share at discount retailers and value grocers. Interestingly, despite lower-income workers having seen wages keep pace with inflation better than before the pandemic, they have also been the most aggressive in trading down, with spending at discount apparel stores growing five times faster than among higher-income households. Read publication: [The rise of value.](#)

Did you know middle-income households contribute nearly a quarter of US GDP through their spending? These households account for roughly one-third of spending at grocery stores, restaurants, hobby shops and general merchandise retailers, making them a critical driver of economic activity. Their spending growth has remained solid since mid-2024, with particularly strong momentum in categories such as airlines and jewelry during the second quarter of 2026. While inflation has recently outpaced after-tax wage growth for this group, rising wages have more than offset higher gasoline costs, helping them continue spending on both necessities and discretionary purchases. Read publication: [Middle income, major impact.](#)

A new generation of entrepreneurs is leaving fresh tracks across the business landscape. Business creation continues to rise despite economic uncertainty, signaling that households remain willing to take risks and pursue new opportunities. While Gen X still represents the largest share of business founders, Gen Z are driving an outsized portion of recent growth, with business application growth in June more than double that of Millennials and Gen X. There has also been a growing divergence between overall business applications and those that signal plans to hire workers, particularly in the information sector, suggesting AI may be lowering barriers to starting a business. Read publication: [A new generation of business formation.](#)

Though still facing a challenging terrain of higher costs and elevated interest rates, small businesses are beginning to find firmer footing. Small business profitability growth turned positive in June for the first time this year, supported by stronger revenues and an improvement in hiring activity. While business owners continue to face persistent cost pressures and elevated interest rates, loan payment growth suggests demand remains modestly resilient. Hiring has also strengthened, particularly among finance, insurance and real estate firms, indicating that labor demand in many white-collar industries remains intact. Read publication: [Small Business Checkpoint: Signs of improvement.](#)

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