

## Bank of America

# Institute Insights

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Just as the US hockey teams brought home the gold, this week's Institute Insights delivers a game-winning lineup: fresh trends in alcohol spending, a read on small business health, the latest on auto sales, and an intro to physical AI.

Are sports fans rethinking how they toast their favorite teams' wins? Alcohol spending as a share of household budgets is gliding toward 40-year lows. Bank of America data shows a clear match-up, with one side pulling ahead: spending at liquor, wine, and beer stores is slipping, while bar spending is rising strongly. Our data also suggests Dry January is not expanding, although holiday splurges are becoming more muted. In our view, the long-run trend is more about moderation than outright abstaining – a shift in strategy rather than a total system change. Younger generations are the playmakers driving this shift, with Gen Z in particular showing stronger spending growth on fitness and active hobbies than bars. That leads us to believe some younger consumers might be choosing conditioning drills over last-call sprints, reshaping how they spend and socialize. Read publication: [Younger generations move from barstools to barbells.](#)

Small business owners skated into 2026, reporting improved business health and higher expected sales. However, they're still backchecking against inflation, tariffs, and interest rates – all of which remain a threat. Still, sensitivity to these factors differs by region, reinforcing that feelings of optimism depend on which end of the ice you're defending. Additionally, small business profitability is under pressure, as rising costs outpace consumer spending. Until cost pressures ease meaningfully, firms may remain hesitant to invest or expand. On the hiring front, small businesses have adopted a "low-hire, low-fire" posture, although a slight uptick in payments to hiring firms in January could be the first sign of a rebound taking shape. Read publication: [Small Business Checkpoint: Adding up expenses.](#)

Auto sales hit a rough patch in January, dropping back and remaining well below 2019 levels. But it's still early in the first period, and Bank of America's consumer vehicle loan application data suggests January's cold streak may have been weather-related, with winter storms keeping consumers from mounting any kind of breakaway toward dealerships. Even so, car prices and auto insurance have both risen significantly in recent years, contributing to a decline in affordability. Younger Millennials (30-36) might be feeling particularly shorthanded, as their car loan payments have gone up more than 60% on average compared to 2019 levels. Meanwhile, electric vehicles (EVs) are struggling to hold the line, as EV loan originations have fallen sharply over the past few years, especially among Millennials. Read publication: [Autos: Stuck in a lower gear?](#)

Physical AI is moving from prospect to starter, marking the next major phase of AI commercialization – one characterized by machines that can see, decide and act in the real world. This line change unlocks multi-trillion-dollar opportunities across robotics, autonomous vehicles and drones. Momentum is building quickly, fueled by advances in models, data, compute and simulation. At the same time, multimodal foundation models, synthetic data and world models are enabling robots to learn, interact and train more safely and efficiently. With these advancements, robots are shifting to data-driven, end-to-end AI. This publication kicks off our three-part series exploring what happens when AI leaves the locker room and hits the ice. Read publication: [Physical AI, part 1: The basics.](#)

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