

## Bank of America

# Institute Insights

21 December 2025

'Tis the season for Institute Insights! This week, we toast the close of 2025 and unwrap our final perspectives on consumer spending, small business health, and shifting wallet shares.

Are consumers in the holiday spending spirit? In November, total credit and debit card spending per household slowed to 1.3% year-over-year (YoY) – a slightly frosty, yet steady growth rate compared to October. When it comes to wage growth, the gap between income groups persisted – ticking up to 4% YoY for higher-income households, yet increasing just 1.4% YoY for lower-income households. Even so, shoppers appeared to ring in the season early this year, with holiday spending strong in October and early November, before cooling around Black Friday and Cyber Monday. Overall, consumers' finances still appear bright, with little indication of heavy reliance on credit or alternative payment methods like buy now, pay later (BNPL). Read publication: [Consumer Checkpoint: Merry but measured](#).

Meanwhile, small business profits remain warm this winter, thanks in part to Small Business Saturday. However, YoY profitability growth iced over despite this seasonal boost – falling below zero for the first time in 18 months, and highlighting that small businesses are feeling pressured. The share of small business owners raising prices jumped 13 points – the largest monthly rise in National Federation of Independent Business survey history. This suggests that small businesses are passing on higher costs due to tariffs and other inflation-related factors. Additionally, small business payments to hiring firms decreased by 4.6% YoY in November, signaling a weaker small business job market. Still, small business owners remain optimistic, underscoring a season of cautious cheer. Read publication: [Small Business Checkpoint: Holiday gains, hiring freeze](#).

Lastly, price pressures are causing some lower-income consumers to bundle up their budgets, as this group has faced the highest inflation rates for the past two years. In other words, not every household is stocking up on the same items. For lower-income consumers, necessities tend to be a bigger share of their spending – particularly food and shelter. And, as rising housing costs eat into discretionary budgets, Bank of America data finds shelter has exerted the most persistent and sustained upward pressure on consumers' baskets over the last three years. However, some bright spots are entertainment and online retail – remaining evergreen for this group. Still, overall discretionary share growth is increasingly skewed toward higher-income households. Read publication: [Inside consumers' wallets](#).

The Bank of America Institute team wishes you and your families a happy and healthy holiday season. We look forward to engaging again in 2026. Institute Insights will return on Sunday, January 11.

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# Disclosures

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