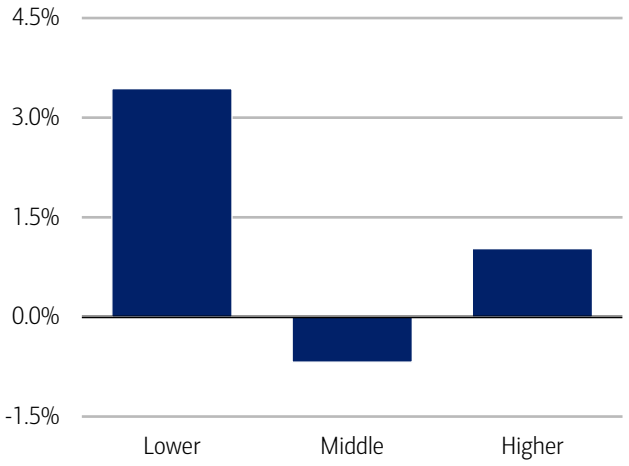
Daily Insights

Lower-income workers lead labor market gains

05 August 2026

The strongest job growth appears to be at the lower-income end of the income distribution

Payroll estimates from Bank of America customer deposit account data by household income tercile (July 2026, three-month moving average, % year-over-year (YoY))



Source: Bank of America internal data

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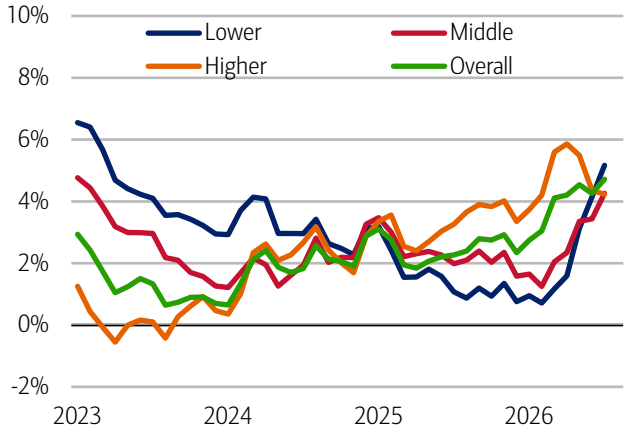
In July, after-tax wage growth among lower-income households surpassed that of higher-income households for the first time since December 2024

After-tax wage and salary growth by household income tercile, based on Bank of America aggregated consumer deposit account data (three-month moving average, YoY%, seasonally adjusted)



Source: Bank of America internal data

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In Bank of America data, we continue to see strong signs that the labor market has moved beyond the "K-shaped" narrative.

First, our estimate of job growth based on Bank of America deposit data showed lower-income households experienced growth of over 3% YoY in July, well ahead of the 1% seen among higher-income households. Meanwhile, middle-income households saw jobs decline.

The shift is perhaps even more striking in after-tax wage growth. In July, lower-income households recorded the strongest YoY after-tax wage growth at 5.2%, compared with 4.2% for higher-income households.

To be clear, all income cohorts are seeing stronger wage growth than they did in 2025. For now, this points to a labor market that is "leveling up" rather than down.

Read our publication: The Institute Employment Report: July 2026.

Methodology

Selected Bank of America transaction data is used to inform the macroeconomic views expressed in this report and should be considered in the context of other economic indicators and publicly available information. In certain instances, the data may provide directional and/or predictive value. The data used is not comprehensive; it is based on **aggregated and anonymized** selections of Bank of America data and may reflect a degree of selection bias and limitations on the data available.

Any payments data represents aggregated spend from US Retail, Preferred, Small Business and Wealth Management clients with a deposit account or credit card. Aggregated spend include total credit card, debit card, ACH, wires, bill pay, business/peer-to-peer, cash, and checks.

Any **Small Business** payments data represents aggregate spend from Small Business clients with a deposit account or a Small Business credit card. Payroll payments data include channels such as ACH (automated clearing house), bill pay, checks and wire. Bank of America per Small Business client data represents activity spending from active Small Business clients with a deposit account or a Small Business credit card and at least one transaction in each month. Small businesses in this report include business clients within Bank of America and generally defined as under $5mm in annual sales revenue.

Unless otherwise stated, data is not adjusted for seasonality, processing days or portfolio changes, and may be subject to periodic revisions.

Bank of America aggregated credit/debit card spending per household includes spending from active US households only. Only consumer card holders making a minimum of five transactions a month are included in the dataset. Spending from corporate cards are excluded. 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.

Lower, middle and higher household income cuts in Bank of America credit and debit card spending per household, and consumer deposit account data are based on quantitative estimates of each households' income. These quantitative estimates are bucketed according to terciles, with a third of households placed in each tercile periodically. The lowest tercile represents 'lower income', the middle tercile represents 'middle income' and the highest tercile 'higher income'. The income thresholds between these terciles will move over time, reflecting any number of factors that impact income, including general wage inflation, changes in social security payments and individual households' income. The income and tercile in which a household is categorised are periodically re-assessed.

Generations, if discussed, are defined as follows: Gen Z, born after 1995; Younger Millennials: born between 1989-1995; Older Millennials: born between 1978-1988; Gen Xers: born between 1965-1977; Baby Boomer: 1946-1964; Traditionalists: pre-1946.

Estimate of payroll growth from Bank of America internal data is based on the change in customer accounts receiving a paycheck in the month. An adjustment is made for the difference between overall population growth and customer account growth.

An estimate of bonus growth from Bank of America deposit data is calculated by looking at customers who have received an inbound ACH payroll transaction in the last two years. From this sample an estimate of bonuses is derived by looking for payroll transactions which are over 50% higher than the median regular payroll payments received by the customer. Of these payments only those that were received around the same time in each of the last two years are selected.

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

Contributors

Liz Everett Krisberg

Head of Bank of America Institute

David Michael Tinsley

Senior Economist, Bank of America Institute

Disclosures

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