

Economy

The Institute Employment Report: March 2026

08 April 2026

Key takeaways

- An estimate of payrolls growth based on Bank of America customer deposit account data continues to suggest a reacceleration in payrolls growth, with year-over-year (YoY) gains rising to 1.4% in March - back in line with early-2025 momentum.
- But while overall jobs growth has improved, after-tax wage growth is increasingly "K-shaped," with higher-income households seeing wage growth of 5.6% YoY in March, versus just 1.0% and 2.0% for lower- and middle-income groups, respectively, according to Bank of America customer account data. This is the widest gap in growth rates since 2015.
- In our view, a surge in bonuses among higher-income households is likely amplifying wage dispersion early in 2026, with solid YoY growth in bonuses for higher-income households while YoY growth in bonuses for middle- and lower-income cohorts remain negative. But even if this effect fades over this year, underlying wage dynamics continue to favor the top end.

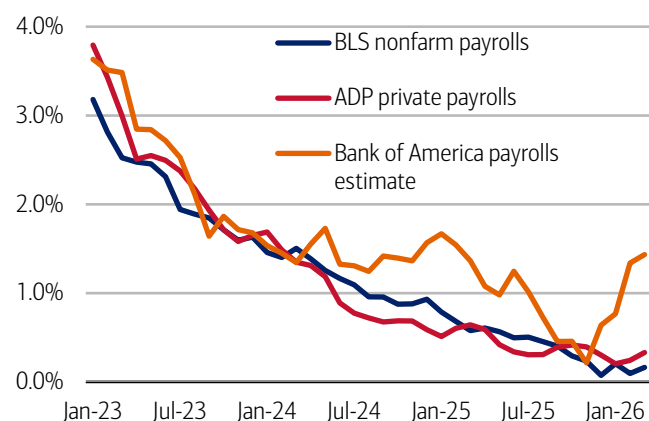
Payrolls growth showed continued momentum in March...

Bank of America deposit account data suggests the significant recovery in payrolls growth seen in February continued into March, while unemployment payments growth has eased. However, the "K" shape in wage growth grew wider.

We use Bank of America consumer deposit data to estimate a payrolls series by looking at how the number of customer accounts receiving a paycheck is changing (see Methodology). This data can be fairly noisy, partly due to seasonal variation. However, looking at the three-month moving average, Exhibit 1 suggests that the year-over-year (YoY) growth in our measure rose to 1.4% in March 2026, up from 1.3% YoY in February.

Exhibit 1: Bank of America account data indicates payrolls growth has rebounded to rates comparable to those observed in early 2025

Payroll estimates from Bank of America customer deposit account data (three-month moving average, % YoY), the Bureau of Labor Statistics (BLS) and Automatic Data Processing (ADP) (monthly, YoY)



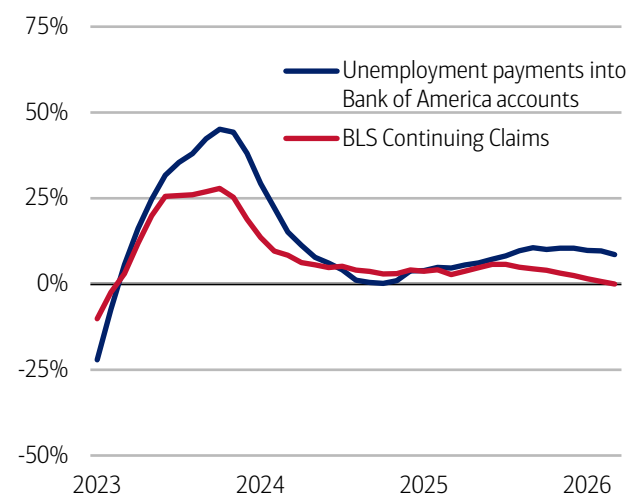
Source: Bank of America internal data, Haver Analytics

Note: BLS and ADP data are seasonally adjusted, Bank of America data is not seasonally adjusted.

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Exhibit 2: Unemployment payments growth into Bank of America customer accounts has slowed

Number of households receiving unemployment payments (three-month moving average, YoY%, not seasonally adjusted (NSA)) and Continuing Claims (three-month moving average, YoY%, seasonally adjusted (SA))



Source: Bank of America internal data, Bloomberg

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The Bureau of Labor Statistics (BLS) payrolls growth figure shows considerably weaker YoY jobs growth than the estimate based on Bank of America data. In February, BLS payrolls dropped by 133K month-over-month (MoM), though the number of jobs was still up by 149K YoY. In the latest March data, the BLS estimates payrolls rose 178K MoM and are up 260K YoY, which appears directionally consistent with the stronger picture seen in Bank of America data.

Additionally, Bank of America data on unemployment payments into customer accounts shows growth has eased. In March, unemployment payments growth dropped below 9% YoY (Exhibit 2). This also appears directionally consistent with BLS Continuing Claims data, which shows YoY growth around zero. The overall household survey unemployment rate was 4.3% in March, down from 4.4% in February.

... but there is a very large gap in after-tax wage growth between higher-income households and other cohorts

While it appears jobs growth momentum has improved, there is a very large gap between after-tax wage and salary growth across income cohorts. In fact, Bank of America deposit data shows higher-income households' after-tax wage and salary growth rose to 5.6% YoY in March, up from 4.2% YoY in February. This is the highest after-tax wage growth for this cohort since August 2021 (Exhibit 3).

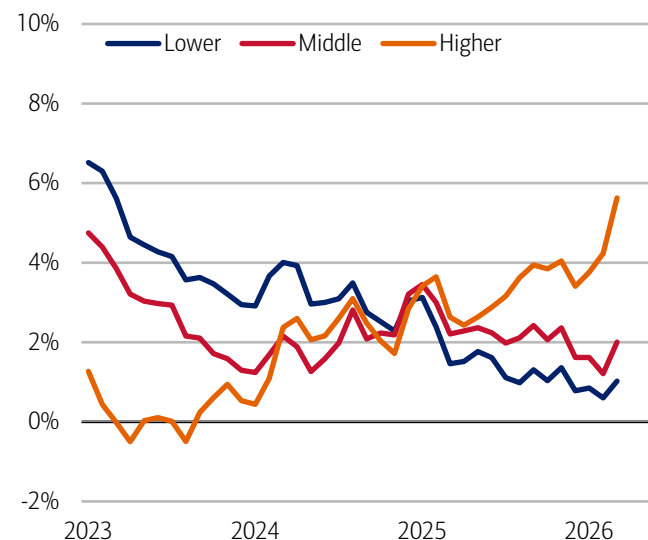
There was also a rebound in middle- and lower-income households' after-tax wage growth in March, to 2.0% and 1.0% YoY, respectively. But the gap between these cohorts' and higher-income households' wage growth still widened and is now the largest gap we've seen since the data series began in 2015.

In our view, one driver of the current widening in after-tax wage growth between higher-income households and the other cohorts is likely bonus growth. An estimate of bonus growth (see Methodology) based on Bank of America deposit data showed higher-income households saw solid positive growth over the first three months of 2026, while for middle- and lower-income households, bonus growth was negative (Exhibit 4).

This divergence in bonus growth may fade as we move through the year (many higher-income households receive their bonuses in the early part of the year). But, even so, the persistence in the "K" shape between higher-income wage growth and other cohorts suggests underlying wage dynamics may continue to favor the higher-income group.

Exhibit 3: In March, higher-income households' after-tax wage growth rose to 5.6% YoY, while lower-income households' wage growth was 1.0% YoY

After-tax wage and salary growth by household income terciles, based on Bank of America aggregated consumer deposit account data (3-month moving average, YoY%, SA)

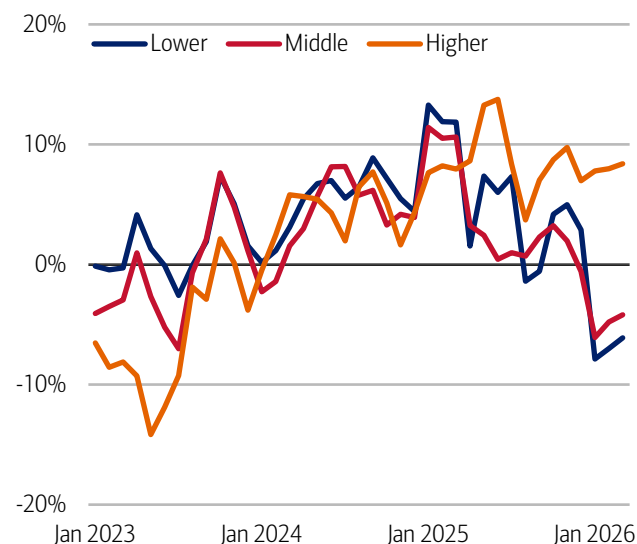


Source: Bank of America internal data

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Exhibit 4: It appears there has been a large divergence in bonus growth in 2026

Estimate of average bonus payments by household income terciles (3-month moving average, YoY)



Source: Bank of America internal data

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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.

The differences between the total and per household card spending growth rate (if discussed) can be explained by the following reasons:

1. Overall total card spending growth is partially boosted by the growth in the number of active cardholders in our sample. This could be due to an increasing customer base or inactive customers using their cards more frequently.
2. Per household card spending growth only looks at households that complete at least five transactions with Bank of America cards in the month. Per household spending growth isolates impacts from a changing sample size, which could be unrelated to underlying economic momentum, and potential spending volatility from less active users.
3. Overall total card spending includes small business card spending while per household card spending does not.
4. Differences due to using processing dates (total card spending) versus transaction date (per household card spending).
5. Other differences including household formations due to young adults moving in and out of their parent's houses during COVID.

Any household consumer deposit data based on Bank of America internal data is derived by anonymizing and aggregating data from Bank of America consumer deposit accounts in the US and analyzing that data at a highly aggregated level. Whenever median household savings and checking balances are quoted, the data is based on a fixed cohort of households that had a consumer deposit account (checking and/or savings account) for all months from January 2019 through the most current month of data shown.

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.

We consider a measure of services necessity spending that includes but is not limited to childcare, rent, insurance, public transportation, and tax payments. Discretionary services includes but is not limited to charitable donations, leisure travel, entertainment, and professional/consumer services. Holiday spending is defined as items in which spending in the November-December period is usually at least 20% of total annual spending on the category.

For analysis looking at higher value transactions (including durables), we consider a value per transaction threshold estimated with reference to the top 30% of transactions by value in 2024. The share of higher value transactions is then the number of transactions above this threshold as a percentage of total transactions over time.

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:

1. Gen Z, born after 1995
2. Younger Millennials: born between 1989-1995
3. Older Millennials: born between 1978-1988
4. Gen Xers: born between 1965-1977
5. Baby Boomer: 1946-1964
6. Traditionalists: pre-1946

Any reference to card spending per household on gasoline includes all purchases at gasoline stations and might include purchases of non-gas items.

Estimate of payrolls 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.

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