Americans Living Paycheck to Paycheck Rises to 24% in 2025, Led by Millennials and Gen X: BofA Report

Data reflects a 'K-shaped economy' of high-income earners driving the bulk of consumer spending

By Niloy Chakrabarti, IBTimes, Published 11/12/25

The latest Bank of America (BofA) report reveals that 24% of American households are now living paycheck to paycheck, up slightly from 23.7% in 2024. This growing financial strain underscores the ongoing challenges faced by many amid rising inflation and stagnant wages. According to the report released Tuesday, inflation has been the primary driver of increased financial hardship for Americans. Since January 2025, inflation has outpaced the post-tax wages of middle- and lower-income households. The US inflation rate rose to 3% in September, up from 2.9% in August, further eroding purchasing power. Households living paycheck to paycheck typically spend over 95% of their income on essentials such as housing, groceries, utility bills, gasoline, childcare, public transportation, and subscriptions. This leaves them with minimal or no capacity for savings or discretionary spending.

BofA data indicates that the rising trend is predominantly driven by lower-income households. Currently, 29% of lower-income households are living paycheck to paycheck, compared to 28.6% in 2024 and 27.1% in 2023. One key factor is slowing wage growth among this group. Income for lower-income earners has been easing year-to-date after a period of faster growth in 2021–22. The bank's internal data shows that middle-aged households comprising Millennials and Gen X have been spending most of their earnings on necessities since last year. Interestingly, the increase in the number of higher- and middle-income households living paycheck to paycheck remains relatively minimal. 'Higher-income millennial households have seen their average wages grow five percentage points faster than the rate of lower-income households in the same generation. Meanwhile, higher-income Gen X have outpaced their lower-income counterparts by four percentage points. And higher-income Baby Boomers have seen wage gains, while their lower-income peers are seeing declines,' the BofA report states. The study concludes that these higher-income cohorts have more capacity to absorb inflationary pressures, thanks to their outsized wage growth.

Economists and strategists have pointed to the data reflecting a 'K-shaped economy', where higher-income asset holders are driving the majority of consumer spending. This divergence creates a bifurcated economic landscape, with wealthier households continuing to spend while lower-income groups struggle. The report notes that inflation has accelerated notably in the Mountain division, which includes states such as Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, and Wyoming. Analysts warn that rising costs in these regions could intensify financial pressures on consumers. Major businesses, particularly in the consumer staples and fast-food sectors, are increasingly concerned about this split in consumer behaviour. Reduced spending among lower-income households could impact company revenues and growth.

McDonald's CEO Chris Kempczinski recently highlighted the pressures faced by low-income consumers, citing high rents, food prices, and childcare costs. 'Think about the low-income consumer and ... the pressures that they face ... rents are at pretty high levels ... food prices, whether it's in restaurants or groceries ... childcare is high,' Kempczinski said. Similarly, Chipotle CEO Scott Boatwright noted a widening gap in consumer spending across income groups. During an earnings call, he stated that the decline in spending earlier this year among lower- and middle-income customers has persisted, with these groups further reducing visit frequency. The BofA report paints a clear picture of a divided economy, with rising inflation disproportionately impacting lower-income households. While higher-income earners continue to absorb these costs more comfortably, the financial vulnerability of middle- and lower-income Americans is increasing.

Gold hits more than 3-week high on US debt concerns, Fed rate cut expectations

By Anmol Choubey, Reuters, November 13, 2025

Gold prices rose on Thursday to a more than three-week high on expectations the U.S. government reopening would increase debt levels, while publication of delayed U.S. economic data could provide more clarity on Federal Reserve interest rate policy. Spot gold gained 0.9% at $4,235.56 per ounce, as of 1016 GMT, its highest since October 21. U.S. gold futures for December delivery rose 0.6% at $4,240.10 per ounce. "Precious metals are rallying alongside equities as traders continue to front run dovishness and the resolution of the U.S. government shutdown will not significantly alter the trajectory, as it is expected to contribute to an increase in debt levels," said Hugo Pascal, a precious metals trader at InProved. "Physical demand for silver and gold remains robust and recent U.S. economic indicators signal weakening growth, a favourable combination for metals prices."

U.S. President Donald Trump on Wednesday signed legislation ending a 43-day government shutdown, the longest in U.S. history, which delayed critical economic data such as jobs and inflation reports. The agreement funds federal operations through January 30, but the government is projected to add $1.8 trillion annually to its $38 trillion debt burden. Fed Chair Jerome Powell has cautioned against further easing this year, partly due to a lack of data, while cutting the interest rate by a quarter-point last month. Economists said the U.S. Labor Department should prioritise November employment and inflation data to ensure Fed officials have up-to-date information at their December policy meeting. A Reuters poll found that 80% of economists expect the Fed to cut rates by 25 basis points next month. Lower interest rates typically benefit gold, which offers no yield and is often seen as a safe-haven asset during periods of economic uncertainty. Gold, up 61% so far this year, reached a record $4,381.21 on October 20, fuelled by economic and geopolitical concerns, rising ETF inflows, and expectations of further rate cuts. Elsewhere, spot silver climbed 1.2% to $54.05 per ounce, moving towards a record high touched on October 17. Platinum was steady at $1,615 and palladium rose 0.8% to $1,485.26.

Fed split deepens as Collins says she would hesitate to support another cut

By Ann Saphir, Reuters, November 12, 2025

Boston Federal Reserve President Susan Collins, who voted for both of the Fed's policy-rate reductions this year, said on Wednesday she sees a "relatively high bar" for additional easing in the near term, citing worries about elevated inflation.
"Absent evidence of a notable labor market deterioration, I would be hesitant to ease policy further, especially given the limited information on inflation due to the government shutdown," Collins said in remarks prepared for delivery to a bankers conference in Boston. "It will likely be appropriate to keep policy rates at the current level for some time to balance the inflation and employment risks in this highly uncertain environment."

Her remarks underscore the deepening divisions at the Fed and the lack of consensus around another rate cut, challenges Fed Chair Jerome Powell flagged two weeks ago. Despite "solid" support for the most recent interest-rate cut, Powell said, another reduction at the Fed's December meeting was "not a foregone conclusion, far from it." Collins "has never dissented and has always been aligned with the center of the Committee so this seems significant," wrote III Capital Management's chief economist, Karim Basta. "January may well be more likely than December for the next move as it gives them time to look at more data."

The U.S. House on Wednesday was poised to vote to end the record-long shutdown, which has delayed the release of key economic data. The White House on Wednesday said October jobs and inflation reports might never be released. October's quarter of a percentage point reduction in the policy rate range to 3.75%-4.00% drew two dissents, one from Kansas City Fed chief Jeffrey Schmid, who wanted to leave rates unchanged, and the other from Fed Governor Stephen Miran, who wanted a bigger half-point cut because he feels inflation is falling faster than is widely appreciated. Since then a few others of the Fed's 12 voting rate-setters, like Collins on Wednesday, have signaled growing caution on rate cuts. They include St. Louis Fed President Alberto Musalem who worried about policy becoming too easy, and Fed Vice Chair Philip Jefferson who said proceeding slowly is particularly prudent given the lack of official data during the U.S. government shutdown.

Non-voting rate-setters including Atlanta Fed President Raphael Bostic have also expressed a preference for holding rates steady, given inflation risks, while others such as San Francisco Fed President Mary Daly call for being open-minded. On Wednesday, Collins said she views short-term borrowing costs as "mildly restrictive" amid financial conditions that are a tailwind for economic growth. The labor market has clearly softened, she said, but downside risks have not worsened since the summer. And while tariffs have pushed up inflation less than expected and their effect may abate in early 2026, she said, she is worried inflation that has run above the Fed's 2% target for nearly five years could remain elevated. "It seems prudent to ensure that inflation is durably on a trajectory back to 2% before making any further adjustments to our policy stance," Collins said.