Consumer Health Check

Did Christmas in July come in June this year?

- **Consumer spending growth slowed modestly in July after accelerating in the first half of 2026.** Much of the slowdown reflects the timing of Prime Day, which boosted June spending at the expense of July, making the slowdown appear somewhat larger than it actually was.
- **That said, the boost from larger tax refunds that lifted spending in the spring is now largely exhausted**, and households in July appeared more sensitive to rising gasoline prices than they were earlier in 2026. This creates a less supportive backdrop for spending in the second half of the year.
- **Still, it's difficult to envision a scenario where spending truly rolls over while consumer balance sheets remain as healthy as they are today.** Median checking and savings balances remain well above pre-pandemic levels, even after adjusting for inflation. We see increasing evidence of upper-income and older households cashing in on wealth gains to support spending.
- **The "K-shaped" pattern of spending has largely disappeared in 2026.** Larger tax refunds helped lower-income households absorb the shock from higher gasoline prices, but the improving labor market has been a more important and durable source of support. Continued progress will depend on the labor market remaining healthy.
- Under the hood, **spending on experiences** such as concerts, travel, and restaurants improved somewhat in July, even as broader discretionary spending slowed.
- **Special Focus:** We examine the **growing burden of student loan payments**, which account for an average of 8% of after-tax income among borrowers, with Gen Z households facing a disproportionate share of the burden.

Table 1: Summary

Indicator	Jan '26	Feb '26	Mar '26	Apr '26	May '26	Jun '26	Jul '26
Total Card Spend (YoY)	4.5%	5.3%	4.9%	6.2%	6.2%	6.4%	5.9%
ex-Gas (YoY)	5.2%	5.8%	4.5%	5.5%	5.0%	5.9%	5.4%
ex-Gas, ex-Amazon (YoY)	4.5%	5.1%	4.9%	6.3%	6.3%	6.1%	6.7%

Source: PNC internal data
Note: Growth in card spend is computed as a year-over-year percentage change (YoY) of the level value. Please see appendix for more detail on the underlying methodologies and disclosures.

KEY FACTS

Total spending up 5.9% YoY

Gap between **lower- and upper-income** spending narrowing

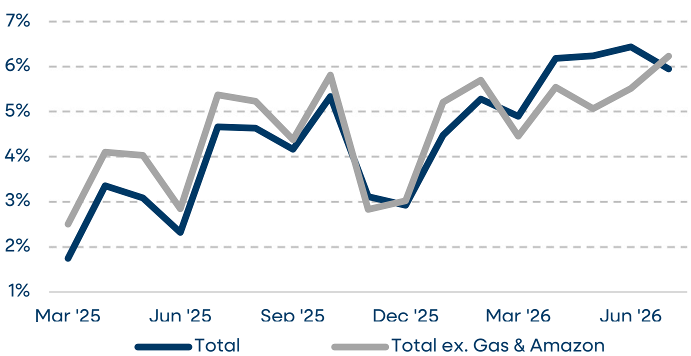
Average **checking and savings balances** are up 3.8% YoY

Student loan payments taking up 8% of after-tax income

Consumer spending slows in July on Prime Day impact

Consumer spending slowed somewhat in July after accelerating in the first half of the year. Total card spending growth was up 5.9% year-over-year in July, down from 6.4% the month prior, but still well above the 3.8% pace recorded at the end of last year.

Figure 1: YoY percent change in card spend

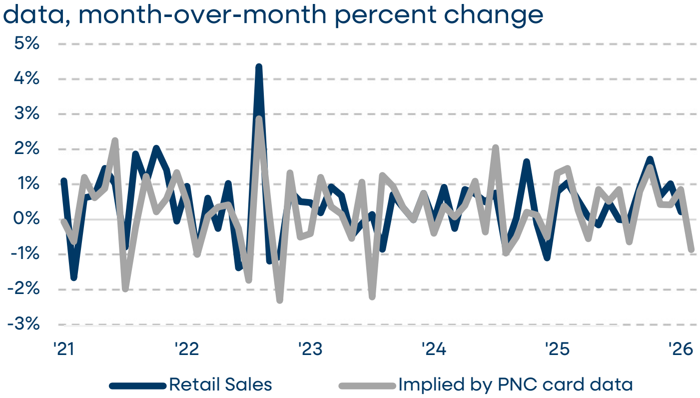


Source: PNC internal data

Note: Growth in card spend is computed as a year-over-year percentage change.

Much of the slowdown reflects the timing of Prime Day, which was held in June instead of July this year. The shift pulled forward spending that would normally occur in July into June, making the July slowdown appear somewhat larger than it actually was. Spending outside of online retail and gasoline-related categories was largely stable. Our internal card data suggests that headline July retail sales, which the Census Bureau will release on Friday, August 14, may outright decline.

Figure 2: Estimate of Retail Sales using PNC card data, month-over-month percent change

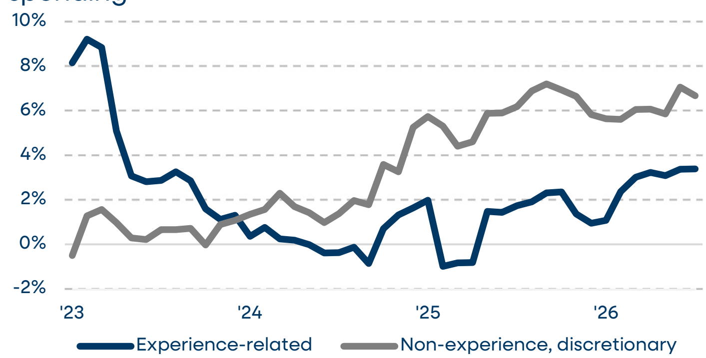


Source: PNC internal data

Note: Chart shows actual retail sales (blue) vs. what is implied using PNC card data (gray)

Under the hood, spending on services, particularly experiences such as concerts, travel, and restaurants, improved somewhat in July, helping to offset softer goods spending. Some of this strength may have been tied to the World Cup final, but spending on experiences has accounted for a growing share of discretionary spending for much of the past year.

Figure 3: YoY percent change in experience-related spending



Source: PNC internal data

Note: Growth in card spend is computed as a year-over-year percentage change in the three-month moving average of the level value.

While July spending was softer than June, the broader trend remains positive. Spending growth remains well above the pace observed at the end of 2025, suggesting consumers continue to spend despite a less supportive backdrop than earlier this year.

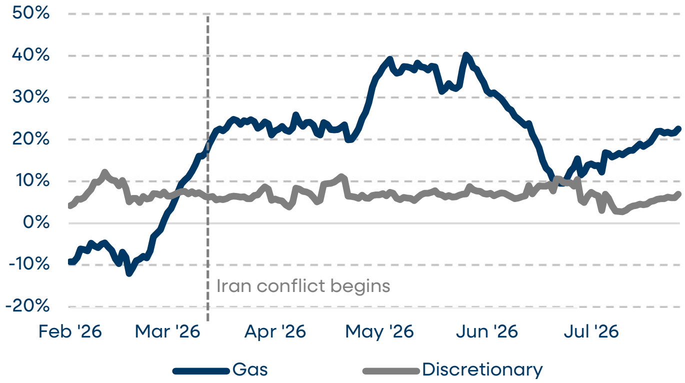
Boost from tax refunds in the rearview mirror

Households received larger tax refunds this year following tax changes implemented in 2025 under the One Big Beautiful Bill Act (OBBBA). On average, refunds were roughly 12% higher than the year before, providing a meaningful boost to spending that more than offset the impact of higher gasoline prices this spring.

That support now appears to be largely behind us. Our prior research shows that households typically spend down or allocate their tax refunds over roughly four months, and our data suggest they moved through those refunds even more quickly this year. As a result, the boost to spending from larger tax refunds now appears largely exhausted.

With that cushion fading, household spending appears to have become more sensitive to rising gasoline prices. We observed a modest pullback in discretionary spending beginning around the same time fuel prices started moving higher again in July.

Figure 4: YoY percentage change in card spend



Source: PNC internal data
Note: 7-day moving average of each component.

This dynamic will be important to monitor in the second half of the year. If gasoline prices move lower, consumers would receive a meaningful boost to purchasing power. However, if fuel prices remain elevated, the drag on discretionary spending could prove larger than it was earlier this year, when tax refunds were helping households absorb the increase.

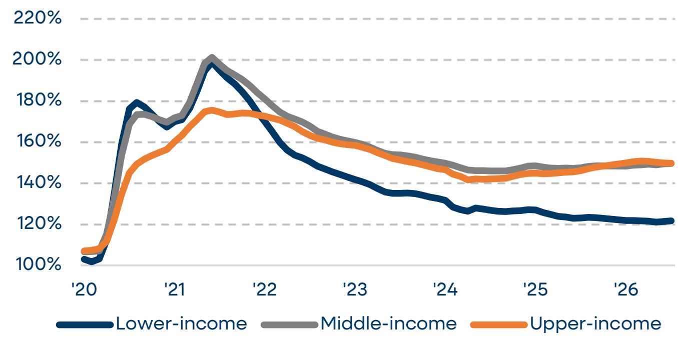
The myth that households have run out of savings

Even with the boost from higher tax refunds largely in the rearview mirror, it's difficult to envision a scenario where spending truly rolls over while consumer balance sheets remain as healthy as they are today. We recognize that this runs somewhat counter to the prevailing narrative that households have exhausted the excess savings built up during the pandemic and are now running on fumes.

But the data simply do not support that view. In our opinion, healthy consumer balance sheets are one of the best explanations for why spending has remained so resilient despite higher inflation, higher interest rates, and a labor market that has cooled from its post-pandemic peak.

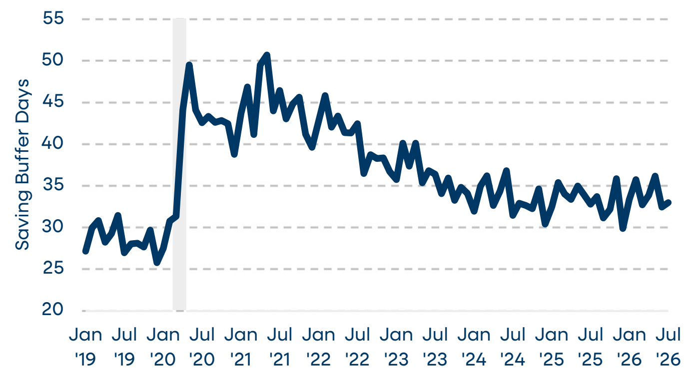
Let's start with checking and savings account balances, which are arguably the best proxy available for household liquidity. Even after adjusting for inflation, median checking and savings balances remain between 20% and 50% above pre-pandemic levels, depending on income cohort. In other words, households continue to hold far more cash than they did before the pandemic.

Figure 5: Median inflation-adjusted checking and savings deposit balances as a percentage of 2019 levels (3M MA)



Source: PNC internal data
Note: Chart shows data seasonally adjusted by PNC and deflated using total consumer price index, 3-month moving average (3M MA)

Figure 6: Median days of household savings buffers

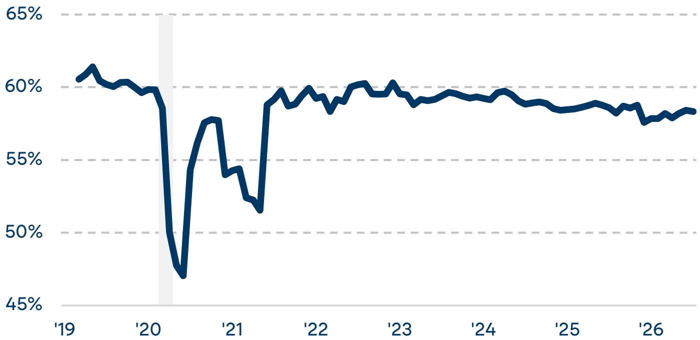


Source: PNC internal data
Note: Chart shows the number of days households can maintain current spending using existing cash balances if no new income comes in.

Another way to view this is through PNC's Cash Savings Buffer Index, which measures how long the average household could maintain spending if income were suddenly interrupted. The benefit of this view is that it takes into consideration that household spending has increased alongside higher savings. This measure also remains above pre-pandemic levels and has been broadly stable, if not modestly improving, throughout 2026.

We also see little evidence that a growing share of households are living paycheck-to-paycheck. If anything, our estimates suggest the opposite trend has occurred in recent years.

Figure 7: Percent of households living "paycheck-to-paycheck"

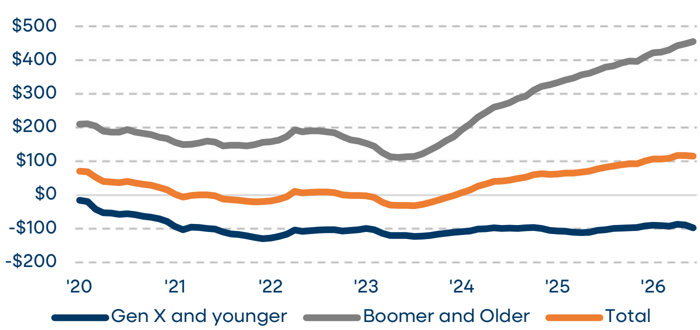


Source: PNC internal data

Note: Chart shows the fraction of households whose monthly outflows exceed 90% of their monthly inflow within any given month.

Importantly, the discussion above focuses only on cash held in checking and savings accounts and ignores the substantial wealth gains accumulated over the past several years. We continue to see meaningful evidence that households are monetizing some of those gains, with transfers from brokerage accounts providing an additional source of cash flow to support spending.

Figure 8: Net monthly inflows from brokerages into checking accounts per household



Source: PNC internal data

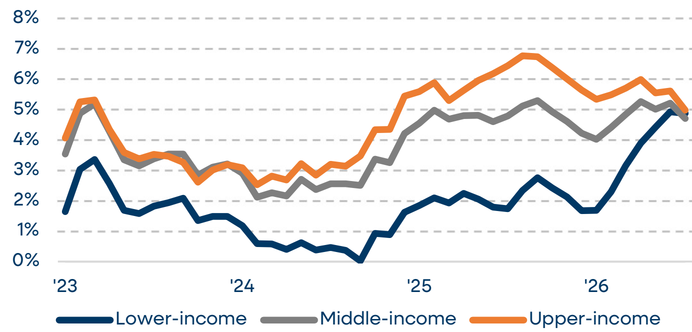
Note: Chart shows the average monthly net inflows from brokerages into our cohort's checking balances by broad generation category (twelve-month moving average)

None of this suggests that every household is thriving in the current environment. Many families continue to feel the effects of higher prices and a labor market that is no longer as strong as it was several years ago. However, it does help explain why consumer spending has remained so resilient and why we remain skeptical of a scenario in which spending truly rolls over during the remainder of 2026.

"K-shaped" spending gap has closed, whether that continues will depend on the labor market

As we've written about in past months, one of the most encouraging developments this year has been the improvement in spending among lower-income households. After a pronounced "K-shaped" pattern persisted for much of the past three years, the gap between upper- and lower-income spending has largely closed in 2026. That remained true in July.

Figure 9: YoY percentage change in card spend ex. gas by income tercile



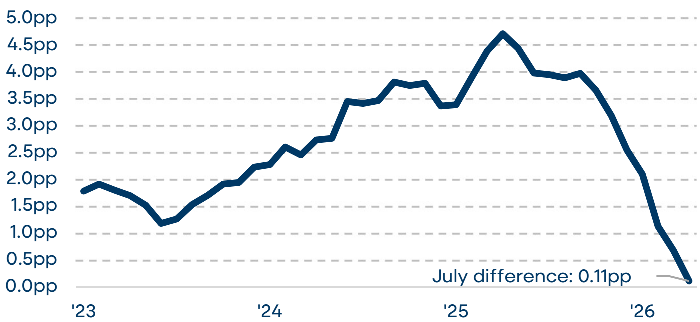
Source: PNC internal data

Note: Growth in card spend is computed as a year-over-year percentage change in the three-month moving average of the level value.

Beyond spending, we're also beginning to see evidence that the "savings gap" between upper- and lower-income households is starting to narrow. In other words, the improvement in spending does not appear to be coming at the expense of overall balance-sheet health.

Two factors have helped support these trends: larger tax refunds and improving labor market conditions. However, it is becoming increasingly clear that the labor market has been the most important and durable driver, in our view. Larger tax refunds certainly helped to cushion the impact of higher gas prices earlier this spring, but not much more than that. Part of the reason for this is that the largest gains from higher refunds accrued to middle- and upper-income households.

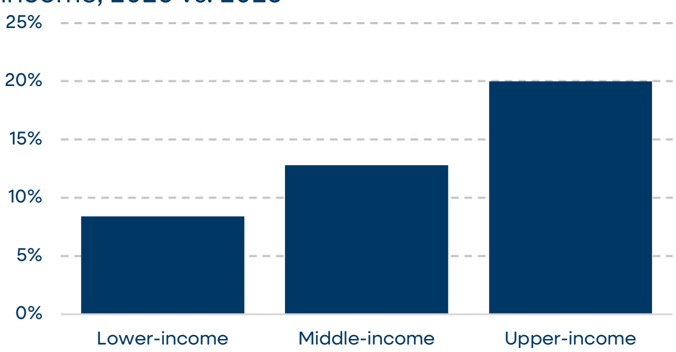
Figure 10: Difference in card spend growth (ex. gas) between upper- and lower-income households



Source: PNC internal data

Note: Growth in card spend is computed as a year-over-year percentage change in the three-month moving average of the seasonally adjusted level value.

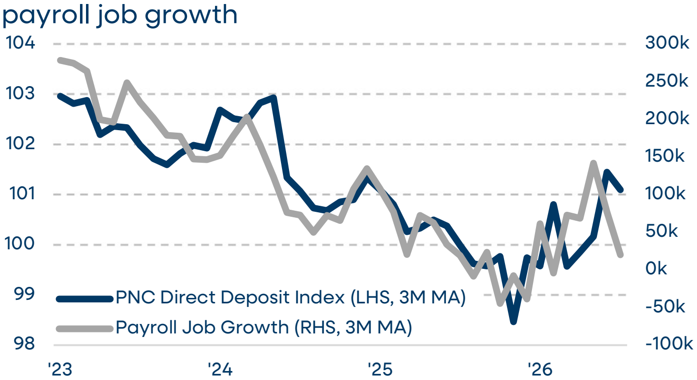
Figure 11: Percent increase in Federal tax refunds by income, 2026 vs. 2025



Source: PNC internal data

Note: Chart shows the percent increase in size of Federal tax refund, 2026 vs. 2025, by income thirds

Figure 12: PNC Direct Deposit Index vs. monthly payroll job growth



Source: PNC internal data, BLS

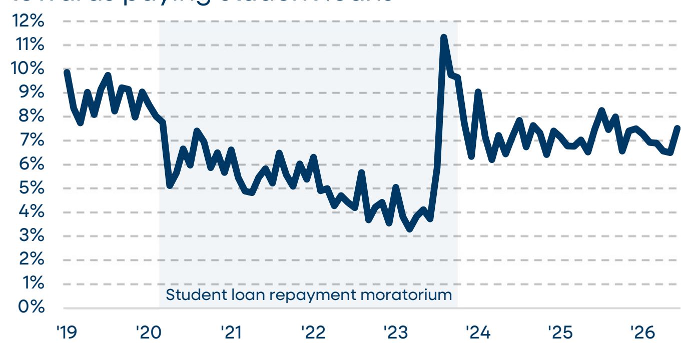
Note: PNC Direct Deposit Index measures the fraction of households in our sample receiving a regular direct deposit payment, indexed so that 2019 = 100

Looking ahead, continued improvement in the labor market will be critical if these gains in lower-income spending are to prove durable. Similar to the national-level statistics, PNC checking account data shows 1. Fewer households receive unemployment payments relative to the start of the year, and 2. Improved job growth, particularly in the spring.

How much of a burden are student loan payments?

As a special focus this month, we examine the burden of student loan debt. Among households with student loan payments, repayment consumes roughly 8% of after-tax income on average, about in line with pre-pandemic levels, if not somewhat lower.

Figure 13: Percentage of after-tax income going towards paying student loans



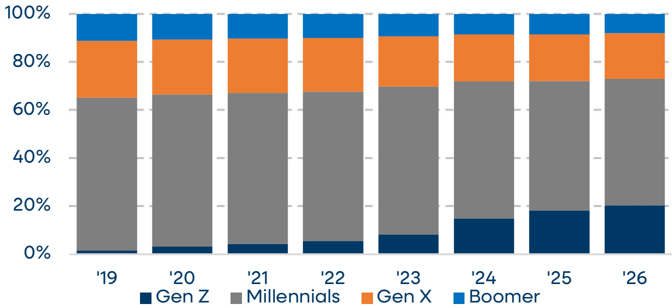
Source: PNC internal data

Note: Shows the average percent of after-tax income devoted to repaying student loan debt across just households who paid student loan debt

Gen Z households account for a growing share of borrowers actively repaying student loans. Because incomes tend to be lower among younger households, and because some loans were originated during a period of higher interest rates, Gen Z households devote a disproportionately large share of their after-tax income to student loan payments. Interestingly, the generation spending the second-highest share of income on student loan repayment is Baby Boomers, likely reflecting a combination of Parent PLUS loans and lower incomes associated with retirement.

To better understand the impact of student loan payments on consumer spending, we examined households that resumed making student loan payments following the end of the repayment moratorium in 2023 and the subsequent restart of payments in 2023-24. Among those households, we observe a clear pullback in debit and credit card spending equal to roughly half of the increase in debt-service payments, after normalizing for income. The effect was particularly pronounced among Gen Z households and highlights the meaningful drag student loan repayment can impose on consumer spending.

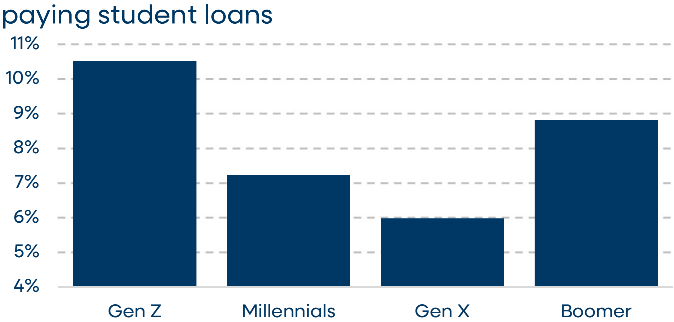
Figure 14: Distribution of households making student loan payments by generation



Source: PNC internal data

Note: Chart shows the distribution of households paying student loans as a percentage of total by generation

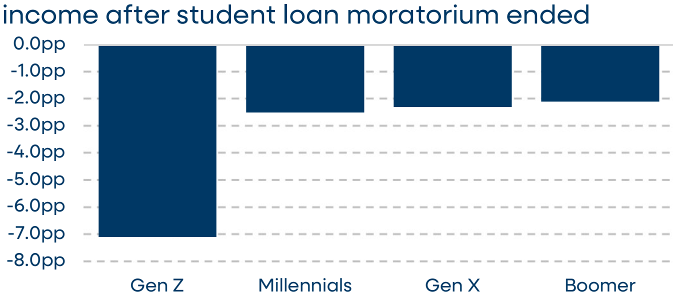
Figure 15: Percentage of after-tax income going to paying student loans



Source: PNC internal data

Note: Chart shows the average percentage of after-tax income going to paying student loans including just those households with both recorded income and recorded student loan payments

Figure 16: Pullback on spending as a percentage of income after student loan moratorium ended



Source: PNC internal data

Note: Chart shows the distribution of households paying student loans as a percentage of total by generation

Key Charts and Figures:

Table 2: Card spend by category, YoY percent change

Indicator	Oct '25	Nov '25	Dec '25	Jan '26	Feb '26	Mar '26	Apr '26	May '26	Jun '26	Jul '26
Key Aggregates										
Total Spending	5.3%	3.1%	2.9%	4.4%	5.2%	4.8%	6.1%	6.2%	6.3%	5.9%
Total (Ex. Gas Stations)	5.9%	3.4%	3.3%	5.1%	5.8%	4.4%	5.4%	5.0%	5.8%	5.4%
Sector Level										
Auto	4.9%	1.9%	6.3%	4.7%	7.7%	6.2%	7.4%	3.4%	6.5%	5.0%
Restaurants and Bars	3.5%	1.1%	-0.2%	3.3%	3.8%	0.2%	2.9%	3.3%	1.1%	3.4%
Food/Beverage Stores	1.4%	0.3%	-0.3%	2.8%	0.3%	-1.0%	-0.3%	0.9%	-1.6%	0.2%
Gambling	23.6%	20.1%	17.9%	16.1%	12.4%	13.1%	17.2%	17.6%	22.4%	26.4%
Gas and Service Stations*	-3.1%	-1.5%	-3.6%	-6.1%	-3.3%	11.8%	16.8%	24.9%	14.0%	13.5%
Hotels	0.5%	-0.4%	-2.5%	0.1%	2.3%	-0.1%	3.3%	1.1%	-1.3%	2.3%
Leisure	-0.2%	-1.3%	-3.4%	4.1%	5.0%	2.6%	5.4%	4.2%	4.7%	3.4%
Services	6.5%	1.5%	5.0%	4.1%	6.3%	6.6%	6.5%	4.9%	7.9%	8.0%
Travel	2.9%	-0.4%	1.9%	3.2%	7.5%	6.7%	6.7%	6.3%	7.1%	7.4%
Retail – Building/Garden/Supplies	-4.6%	-3.1%	-5.2%	0.5%	-3.1%	-0.9%	5.8%	-0.4%	1.7%	1.5%
Retail – Clothing Accessories	1.0%	2.9%	-1.2%	1.8%	4.4%	0.6%	1.8%	0.4%	0.9%	3.2%
Retail – Electronics and Appliances	18.0%	12.4%	6.9%	11.0%	11.1%	8.9%	7.3%	10.5%	11.4%	10.8%
Retail – Furniture and Home Furnishings	2.4%	-0.7%	-2.3%	3.5%	3.8%	-0.5%	2.1%	5.8%	4.4%	3.6%
Retail – General Merchandise Stores	4.7%	3.2%	0.8%	3.1%	3.6%	2.8%	4.5%	7.1%	5.7%	6.4%
Retail – Health and Personal Care	-6.9%	-8.3%	-5.5%	-1.3%	1.4%	4.8%	2.0%	2.9%	5.5%	6.7%
Retail – Misc. Store Retailers**	8.1%	10.4%	6.5%	8.8%	9.8%	6.7%	7.1%	6.2%	11.5%	10.6%
Retail – Non-Store Retailers	-4.0%	-5.7%	-5.6%	-4.8%	-2.1%	-5.3%	-4.9%	-4.7%	-3.5%	-9.9%

Source: PNC Internal data

Note: Table reports year-over-year percent change in total card spending by category (aggregate) not per-household spending. 'Funds transfer' and 'Other' categories omitted. Unlike table 1, this table does not use a 3-month moving average, so the numbers may differ slightly.

* 'Gas & Service Stations reflects total card spend at gas station merchants, capturing fuel purchases alongside convenience retail and ancillary auto-related spending.

** 'Retail – Misc. Store Retailers' includes spending on 'Sports/Books/Hobby/Music.'

Methodology

The data is based on aggregated and anonymized selections of PNC data. The data may have a degree of selection bias due to selected populations and data availability.

- *Card spend trends are based on aggregated debit card and credit card transaction data for a fixed cohort of Retail customers. Spending is categorized using standard Merchant Category Codes (MCC) defined by financial services companies. Spending data may also be grouped using other proprietary methods.*
    - *Gasoline spend is limited to purchases made via automated fuel dispensers, "at the pump" card transactions.*
- *Balance data is aggregated for a fixed cohort of households that had a consumer deposit account (checking, savings, and/or certificate of deposit) for all months from January 2019 through the current month shown.*
- *Consumer payroll, unemployment, tax refund, and brokerage flows are based on ACH and other electronic payment methods classified using proprietary methods.*
- *Lower-, middle-, and higher-income views are based on estimated household income, calculated using the most recent 12 months of credit transactions into consumer deposit accounts. Households are divided into terciles: the bottom third is classified as lower income, the middle third as middle income, and the top third as higher income. Income terciles are updated periodically.*
- *Savings buffer days measure the number of days a household could maintain its current spending using existing checking and savings balances if no new income were received.*
- *Our paycheck-to-paycheck metric measures the ratio of non-savings-related outflows from consumer deposit accounts to total inflows into those same accounts. Households with monthly outflows equal to or greater than 90% of inflows are categorized as living paycheck-to-paycheck.*
- *Credit card balance and payment rate data are based on a fixed cohort of credit card accounts from 2019 to present and do not represent PNC's overall credit card portfolio.*
- *Refer to the notes beneath the charts and tables for further details about the data presentation. Occasionally, a 3-month moving average is employed to ensure smoother results.*

Disclosures

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