Consumer Credit Fell in May

How much credit consumers are taking on is a good signal about their confidence in the economy and their own financial situations. They take on more credit when they think things are good and their personal finances will remain strong in the future. They take on less debt when they feel the opposite.

The Federal Reserve reports today that consumer credit fell more than 5% in May on an annualized basis. That marks a 0.4% decline from credit levels in April.

This is a much smaller decline than in April when credit fell 20% on an annual basis or 1.7% from March.

For May, revolving credit—mostly credit cards—declined by almost 30% on an annual basis. Non-revolving debt (student loans, car loans, and other loans not secured by real estate) rose by more than 2%.

The credit data lags further than other important indicators for which we have data through June. It is indicative, like other data points, of an economy that bottomed out in April and began to rebound in May.

When the Fed releases data for June, it likely will show credit increased for the month. Credit card usage, for instance, should increase which should drive up revolving credit.

–Curtis Dubay, Senior Economist, U.S. Chamber of Commerce