BUSINESS

Americans increase borrowing

Jump in credit card debt is biggest since 2007, but use remains below pre-recession levels

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Associated Press

WASHINGTON — Americans stepped up their borrowing in May, helped by the largest one-month gain in credit card debt in more than four years. But overall credit card use is still well below where it was just before the recession began.

The Federal Reserve said Monday that consumer borrowing rose by $17.1 billion in May from April.

The increase drove total borrowing to a seasonally adjusted $2.57 trillion. That's just below the all-time high of $2.58 trillion reached in July 2008, seven months after the recession began.

Borrowing has increased steadily over the past two years. But most of the gain has been driven by auto and student loans. The category that measures activity in those loans increased by $9.1 billion in May to a record $1.7 trillion.

A measure of credit card debt increased by $8 billion in May, the biggest one-month jump since November 2007. But the overall level rose to just $870 billion.

Credit card debt had totaled more than $1 trillion before and shortly after the recession began. The May level was only 2.2 percent above the low point hit in April 2011.

Consumers cut back sharply on their credit card borrowing during the recession and have only been posting modest gains over the past year.

And Americans reached for their credit cards in May as hiring slumped and consumer confidence tumbled.

More borrowing is generally viewed as a healthy sign for the economy. It suggests consumers are growing more comfortable taking on debt. But it can also mean that more people are having trouble finding jobs and deciding to go back to school. Student loan debt has been rising sharply.

Households began borrowing less and saving more when the recession began.