Consumer borrowing up slightly in April

Economists worried decreasing borrowing could stymie growth

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Consumer borrowing increased slightly in April, a sign Americans may have more faith in the economic recovery.

Borrowing rose by $954.8 million in April, the Federal Reserve said Monday. But the government revised away a gain it had originally reported for March. Instead, it reported credit fell a sharp $5.44 billion during that month.

The April increase, if it stands, would be only the second gain in the past 15 months. Economists are hoping households will soon feel confident enough to borrow more and help sustain the recovery.

Consumer credit also rose in January. Beyond the January and April gains, consumer credit has posted a string of declines that started in February 2009. Households have cut back on their spending to repair their battered budgets.

In April, consumer credit increased at a seasonally adjusted annual rate of 0.5 percent.

Mark Vitner, senior economist with Wells Fargo Securities, and Yasmine Kamaruddin, an economic analyst, said in a research report that the increase was driven by a 7.1 percent rise in nonrevolving credit, which largely consists of auto and student loans.

Auto spending has been boosted in recent months by incentives offered by automakers.

Revolving debt, which includes credit card borrowing, plunged 12 percent. It marked the 19th consecutive decline.

Tighter credit conditions imposed by many banks could constrain the rebound.

For years, economists worried about the low personal savings rate among Americans. But now they fear less borrowing could hamper overall growth. Consumer spending accounts for 70 percent of total economic activity.

The 0.5 percent rise in credit in April lifted total borrowing to $2.44 trillion, still down 4.8 percent from a year ago.

The credit card report covers credit cards, auto loans and other debt not secured by real estate.