

## BUSINESS

# Report: Borrowing on the rise

## New loans funding cars, education — but people shun credits cards

By Derek Kravitz  
The Associated Press

**WASHINGTON — Americans took out more loans to buy cars and attend school in February but used their credit cards less frequently for the second straight month.**

The Federal Reserve said Friday that consumers increased borrowing by \$8.7 billion, the sixth straight monthly increase.

The jump in borrowing was driven by \$11 billion increase in the category that mostly measures demand for auto and student loans. Borrowing on credit

cards fell by \$2 billion after a \$3 billion decline in January.

Total consumer borrowing rose to seasonally adjusted \$2.52 trillion. That's nearly at pre-recession levels and up from a post-recession low point of \$2.39 trillion reached in September 2010. Borrowing had tumbled for more than two years during and immediately after the recession.

Consumer borrowing rose by \$18.6 billion in January, following similar gains in December and November. The gains for those three months were

the largest in a decade.

A rise in borrowing could suggest that consumers are feeling more confident about the economy. However, few are comfortable enough to step up credit card use. Consumers carried \$799 billion in credit card debt in February — 15 percent less than they held in December 2007, the first month of the Great Recession. And student loan debt surpassed the \$1 trillion mark for the first time at the end of last year.

Steven Wood, chief economist at Insight Economics, said February's borrowing increase was strong. But he noted that it was the smallest increase since October. "Consum-

ers still appear to be reluctant to use their credit cards," he said in a note to clients.

Other analysts said Americans might be opting to use cash instead of credit cards as a way to continue paying down their debt. Consumer spending rose in February by the most in seven months.

Most consumers spent more of what they earned. The saving rate dropped to 3.7 percent of after-tax income in February. That was the lowest level since August 2009 and a full percentage point lower than all of last year.

And they paid more for gas. The average price per gallon nationally has risen

sharply from the start of this year. On Friday, it was \$3.94 per gallon.

Consumers are also taking on more debt at a time when their wages have not kept pace with inflation.

The outlook for the economy looked a little less rosy on Friday after the government said hiring slowed sharply in March. Employers added just 120,000 jobs last month — half the December-February pace. The unemployment rate fell from 8.3 percent to 8.2 percent, the lowest since January 2009.

The Federal Reserve's borrowing report covers auto loans, student loans and credit cards.