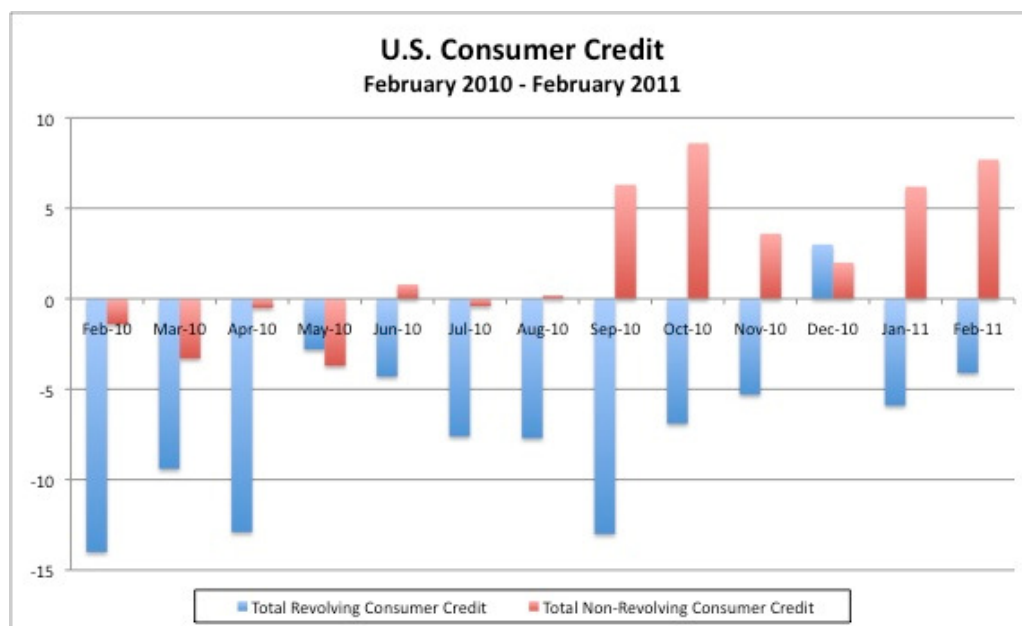


MEDILL REPORTS CHICAGO

Story URL: <http://news.medill.northwestern.edu/chicago/news.aspx?id=184397>

Story Retrieval Date: 4/11/2011 10:24:58 AM CST



Rising consumer credit shows optimism about economy's recovery

by **CLAIRE S. HOFFMAN**

April 07, 2011

U.S. consumer credit rose for a fifth consecutive month in February but consumers continued to pay down their credit card debt. When consumers take on more debt, it reflects confidence in the economy, experts say.

The Federal Reserve reported Thursday that consumers assumed an annual rate of 3.8 percent more overall debt in February, an increase of \$7.62 billion. That puts total consumer credit at \$2.42 trillion, a slight increase from January's \$2.41 trillion.

The February increase was greater than the \$4.7 billion increase expected by 33 economists surveyed by Bloomberg LP.

"It is the same trend we've seen in recent months with non-revolving consumer credit leading the expanding consumer credit market," said David Nice, an associate economist at Chicago-based financial services firm Mesirow Financial Holdings Inc., in a blog post.

The Federal Reserve releases the consumer credit report each month to provide an estimate of the variance in total dollar amount of outstanding loans to consumers. The percent change, which is compiled from data collected through surveys of institutions such as banks, finance companies and credit unions, is made up of two kinds of credit – revolving and non-revolving.

Revolving credit, or credit card debt, dropped for the second consecutive month by an annual rate of 4.1 percent in February, or \$2.71 billion. Non-revolving credit includes large, one-time loans for purchases such as automobiles, mobile homes and education. The Federal Reserve reported an increase of non-revolving credit at an annual rate of 7.7 percent, or \$10.33 billion. The credit report excludes loans for real estate purchases.

"I see the decline in revolving credit as a sign that the consumer is becoming more responsible with purchases and credit access," said Jeffrey Roach, chief economist at Horizon Investments LLC. "There are also lower delinquencies in paying credit card debt."

Participants in the March 15 Federal Open Market Committee meeting agreed to continue an accommodative monetary policy for the near future to keep interest rates low. This type of policy is meant to stimulate the economy and consumer spending.

"I see positive signs in the sense that credit markets are continuing to loosen up – sensibly but not irrationally," Roach said. "Consumers are growing more stable in this recovery period, which puts them in much better footing to deal with other pressures, such as rising prices at the gas pump."

©2001 - 2010 Medill Reports - Chicago, Northwestern University. A publication of the [Medill School](#).