

Macro Roundup Article

Headline: [Younger Borrowers Are Struggling with Credit Card and Auto Loan Payments](#)

Article Link: <https://libertystreeteconomics.newyorkfed.org/2023/02/younger-borrowers-are-struggling-with-credit-card-and-auto-loan-payments/>

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Tweet: Researchers at @NewYorkFed report that delinquencies rates for credit card borrowers under age 50 are now above the pre-pandemic level, and they suggest that this may be driven by higher prices and higher interest rates.

Summary: Total debt balances grew by \$394 billion in the fourth quarter of 2022, the largest nominal quarterly increase in twenty years. As borrower-level delinquency rates approach or surpass pre-COVID norms, many look to the historical culprit: the labor market. However, employment and income gaps are not likely triggers for this recent trend. The Bureau of Labor Statistics reported that there were just under 6 million unemployed in the fourth quarter of 2022, roughly unchanged from the previous quarter and near a fifty-year low (even as the population and labor force have grown). Meanwhile, there were 18.3 million borrowers behind on a credit card at the end of 2022 compared to 15.8 million at the end of 2019. Instead, the evidence suggests that higher prices and higher interest rates are the more likely culprits driving delinquencies. While person-level delinquencies are high, we do not anticipate widespread stress for lender portfolios as balance weighted delinquencies remain at or below pre-pandemic levels. But, on a person-level, this financial distress is real, and the delinquent marks will impact their access to credit for years to come.

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Primary Topic: Wages/Income

Topics: Data, Factoid, Government/NGO, Inflation, Sell-by Date, Wages/Income, Workforce

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