

Record-breaking \$1 trillion credit card debt isn't cause for concern just yet

Article

The news: US consumer credit card debt surpassed \$1 trillion for the first time ever at the end of July, [per](#) Federal Reserve Economic Data.

Total credit card balances increased by \$45 billion, growing 4.6% quarter over quarter in Q2.

The bigger picture: Growing credit card debt in itself may not be a cause for concern.

- US credit card debt as a share of gross domestic product (GDP) is still lower than before the pandemic.
- **And credit card debt equals just 6% of the total deposits households have in the bank**—near a 20-year low, suggesting many consumers have the cash to pay back their debts.

Why this matters: Increased credit card borrowing reflects growing consumer confidence. But that doesn't mean it's not entirely without risk.

- Credit card interest rates are higher than ever, which could make paying back debt more challenging. The average rate is 24.52% as of July 10, according to Forbes Advisor.
- The pause on student loan payments ending this fall could also strain consumers budgets and discretionary spending.