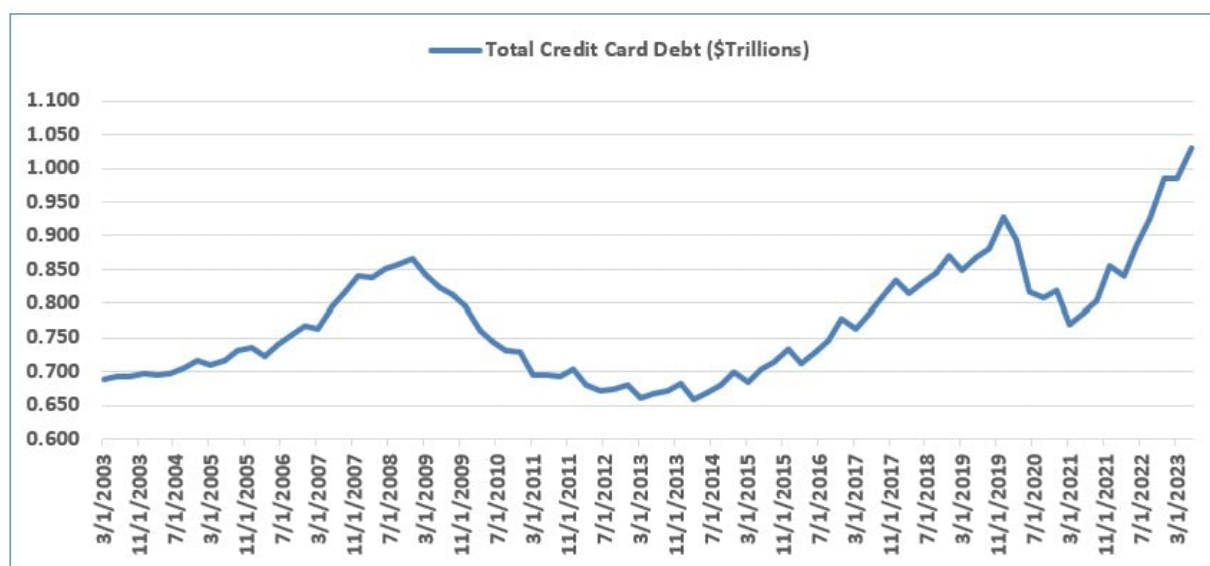


Total Credit Card Debt Hits \$1trillion BUT, Everything in Context.

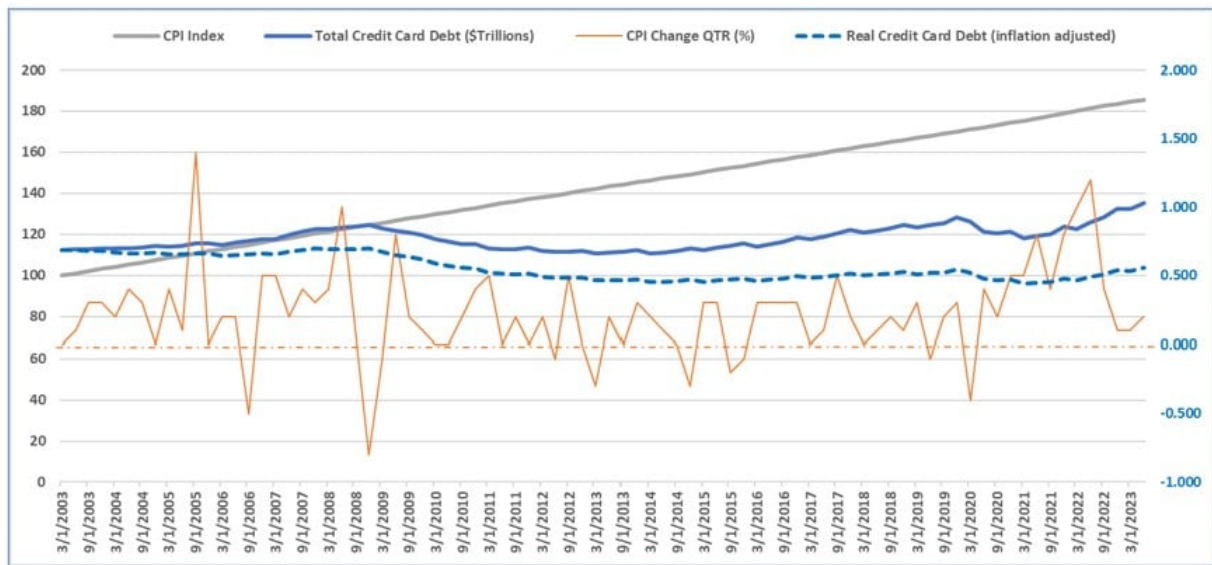
Earlier this month the FED announced that American's credit card debt hit a historic milestone of \$1 trillion in the second quarter (chart below). In no time, CNN, The Wall Street Journal, Reuters, CNBC, and the Washington Post ran this cautionary signal up the flag post. Yet, it is unfair to take this figure out of context. In 2003, the Average Car price in 2003 was \$22,260, a Big Mac cost \$2.39, and a gallon of gas was just \$1.554. Today, that same car, Big Mac, and gallon will cost you \$48,808, \$5.17, and \$3.72, respectively. Looking at these things in relative terms, while Consumer Debt increased 48% in the 20 years from 2003 to 2023, Cars, Big Macs, and Gas went up 116%, 139%, and 119% (table below). Looking at it this way, it seems like consumers could have ratcheted up their debt even more.



Source: Total Consumer Credit Card Debt - FED Reserve Bank of NY

Item	2003	2023	Increase
Total Credit Card Debt (million)	\$693	\$1,031	48.77%
Big Mac	\$2.39	\$5.17	116.32%
Gallon of Gas	\$1.55	\$3.72	139.38%
Average New Car	\$22,260	\$48,808	119.26%

The chart below shows Consumer Debt in a more reasonable context. The solid blue line shows nominal consumer debt, while the dashed blue line shows consumer debt discounted by the CPI rate. Looking at it in real terms, one can see that consumer debt relative to prices has remained fairly stable.



Sources:

CPI - Bureau of Labor Statistics

Total Consumer Credit Card Debt - FED Reserve Bank of NY

Sources:

<https://blog.cheapism.com/average-car-price-by-year/amp/>

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https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=pet&s=emm_epm0_pte_nus_dpg&f=m