Consumer borrowing drags struggling economy

By Martin Crutsinger ASSOCIATED PRESS WRITER

WASHINGTON — Consumer borrowing fell again in July as households cut back on their credit card use for a 23rd consecutive month, adding more drag on an economy struggling to mount a sustained rebound.

Borrowing dropped at an annual rate of \$3.6 billion in July, the Reserve reported Federal Wednesday. That marked the 17th drop in credit in the past 18 months.

for auto loans in July but this gain increase in credit that has was offset by further reductions in occurred since January 2009 was the category that includes credit cards.

The latest drop in overall borrowing was slightly higher than includes auto loans rose 0.6 pereconomists' expectations and followed a \$1.02 billion decline in June, which was revised from an initial estimate that total credit had dropped by \$1.3 billion that month.

The July decrease represented a 1.8 percent decline in percentage terms and followed a 0.5 per-

a small 1 percent rise in January of this year.

Borrowing in the category that cent in July after gains of 3.2 percent in June and 1.2 percent in May. The three monthly increases reflected a revival of auto sales this summer after automakers endured slumping sales during the recession.

Borrowing on credit cards fell by 6.3 percent in July after a big-

category has now fallen for a cant improvements. record 23 consecutive months as Americans have struggled to repair their household finances after the worst recession since the

Households are borrowing less and saving more and that has acted as a drag on the overall economy by lowering consumer spending, which accounts for 70 percent of total economic activity.

Economists expect households will continue to cut back on borrowing as long as incomes and

Americans did boost borrowing cent drop in June. The only ger 7.5 percent June decline. This employment don't show signifi-

The government reported Friday that the unemployment rate in August climbed to 9.6 percent in August, up from 9.5 percent in July as payroll jobs fell by 54,000. The jobless rate has shown scant improvement after hitting a high for this downturn of 10.1 percent last October. The long stretch of declining borrowing has left total consumer credit at an annual level of \$2.42 trillion, 6.3 percent below the peak set in July 2008 of \$2.58 trillion in credit.











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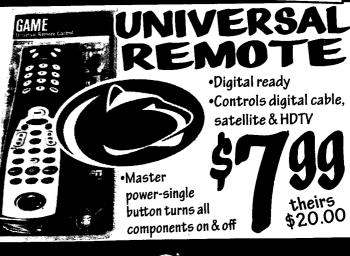
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