Turner College of Business & Technology
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The Butler Center for Research and Economic Development

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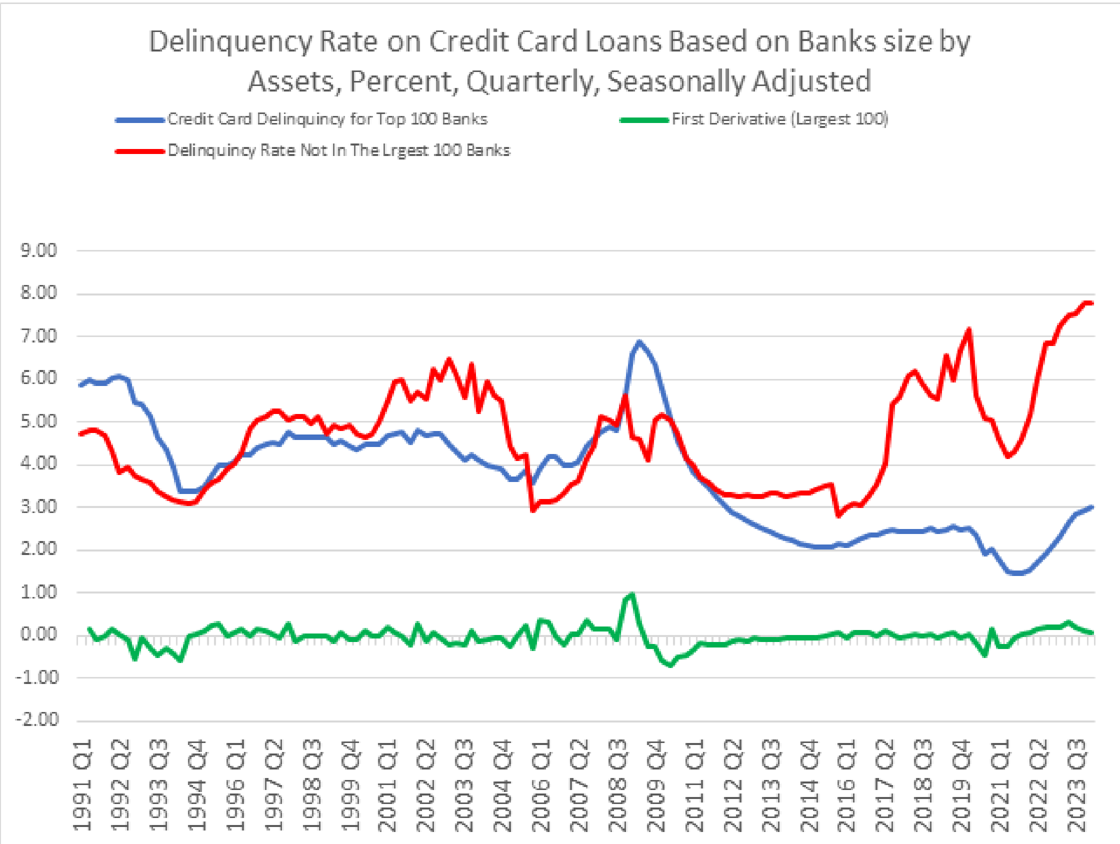
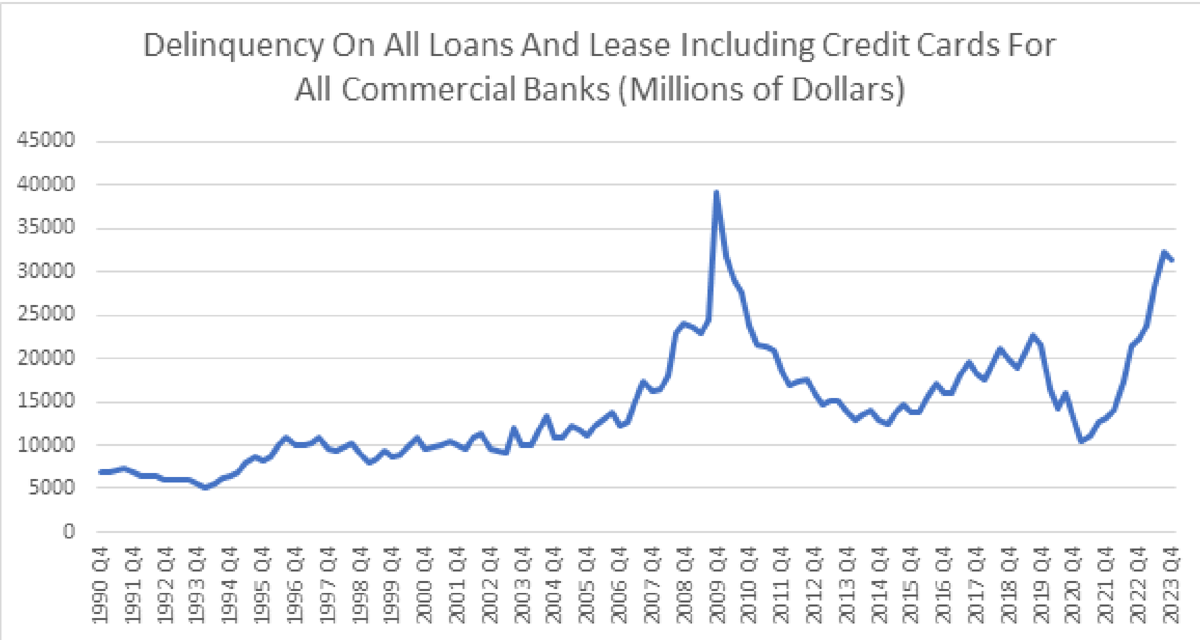
Who is Paying for the High Rates?

Amid the high-interest rate environment, the credit card delinquency rate shows a significant bifurcation, reflecting the increasing gap between Wall Street and Main Street. Although the delinquency rate in the biggest 100 banks has reached 3%, above the pre-pandemic level of 2.5%, the rate for banks outside the top 100 has significantly surpassed both the pre-pandemic and the peak during the Great Recession.

Furthermore, an analysis of the first derivative of credit card delinquency in the top 100 banks shows a rapid increase after crossing the zero threshold and changing direction in the third quarter of 2021. The second graph shows that the delinquency rate on loans and leases has surpassed the pre-pandemic level. However, when accounting for the level of money supply, the current delinquency-to-money supply ratio is 1.51% (delinquency is $31,398 million and current M2 is $20,748 million), slightly above the pre-pandemic level of 1.48% (delinquency was $22,798 million and M2 was $15,313.7 million).

In conclusion, the rising delinquency rates indicate a risk to economic growth amid a high debt economy and assets priced for perfection amid optimism for higher productivity and AI. Nevertheless, the burden of high interest rates has disproportionately fallen on lower-income groups and small businesses, who were the intended beneficiaries of the excessive government spending.




Delinquency On All Loans And Lease Including Credit Cards For All Commercial Banks (Millions of Dollars)
45000
40000
35000
30000
25000
20000
15000
10000
5000
0
1990 Q4
1991 Q4
1992 Q4
1993 Q4
1994 Q4
1995 Q4
1996 Q4
1997 Q4
1998 Q4
1999 Q4
2000 Q4
2001 Q4
2002 Q4
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