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Quick Answer

Credit card average balances rose by double digits in 2022, after falling for two years. The average credit card balance as of Q3 2022 was $5,910. That's 13.2% higher than the 2021 average balance of $5,221.

In this article:

Over the course of 2022, the Federal Reserve raised its key interest rate seven times (/blogs/ask-experian/how-fed-rate-hikes-impact-your-finances/), from a rock-bottom 0.25% in March to 4.50% by the end of December. Average credit card balances increased by 13.2% to an average balance of $5,910 in 2022, according to Experian data, as both credit card interest rates and spending increased throughout the year.

As part of Experian's look at consumer credit (/blogs/ask-experian/consumer-credit-review/) and debt trends (/blogs/ask-experian/research/consumer-debt-study/) in 2022, we examined what's driving the increases in credit card balances.

When the Federal Reserve raises rates, it's often done in the hope that it will arrest—or at least slow—inflationary pressure in the economy. As the rate of inflation was over 8% when the Fed started increasing rates, rate hikes were implemented with the hope that they would discourage some of the economic activity that tends to fuel inflation.

Consumers carrying credit card balances are often among the first to feel the effects of these increases in the form of higher interest rates on their variable-rate credit cards. The two-step process works like this: The Federal Reserve raises the federal funds rate (the rate at which banks lend to each other for short periods of time), and what follows is a near-immediate increase in the prime rate (/blogs/ask-experian/

what-is-prime-rate/) lenders use. Credit card issuers decide interest rates for their products by taking the prime rate and adding a certain amount of percentage points based on the cardholder's credit and other key factors.

In other words, credit card borrowers get a front-row view when the Fed starts fighting inflation.

Overall Credit Card Balance Increases to $910 Billion in 2022

Total credit card balances grew by $125 billion to end the third quarter (Q3) of 2022 at $910 billion, a sharp increase after a year of relatively flat credit card balances in 2021. However, the total amount of credit card debt in 2022 was still just slightly above the September 2019 levels. In other words, credit card debt can be added to the number of macroeconomic measures that have returned to pre-pandemic levels after two years of lower levels of consumer spending.

Macroeconomic factors affecting the economy as a whole—inflation, followed by interest rate increases designed to subdue it—also impacted consumers.

Overall Credit Card Debt in the U.S.

2020	2021	2022	2021-2022 Change
$785.6 B	$784.5 B	$909.9 B	$125.4 B (+16%)

Source: Experian data from Q3 of each year

The number of credit card accounts grew by 31.7 million, outpacing the 16.5 million increase from 2020 to 2021.

Number of Credit Card Accounts in the U.S.				
2019	2020	2021	2022	2021-2022 Change
463.6 M	478 M	494.5 M	526.2 M	+31.7 M

Source: Experian data from Q3 of each year

Average Credit Card Balance up 13.2%

The average credit card balance among consumers was $5,910 as of Q3 2022. That's 13.2% more than in Q3 2021. Nonetheless, despite the double-digit increase, the average balance is not approaching the pre-pandemic highs reached in 2019. Credit utilization increased as well, moving from 25.5% in 2021 to 28% in 2022.

Consumer Credit Card Snapshot				
	2020	2021	2022	2021-2022 Change
Average credit card balance	$5,315	$5,221	$5,910	$689 (+13.2%)
Average credit utilization ratio	25.4%	25.5%	28%	+2.5 percentage points

Source: Experian data from Q3 of each year

Average Balance Increases Vary Greatly by State

Average balances increased in every state—by as much as 17% in California and as little as 9.4% in West Virginia. But no matter the increase, they were certainly larger jumps than the more muted balance changes seen in prior years.

The largest percentage increases were in the West (California, Hawaii, Idaho, Nevada, Oregon, Utah and Washington) and the more urban areas of the East (Massachusetts, New York and Washington, D.C.). Balances appeared to grow the most in states where inflation pressures, particularly housing costs, rose the most. This suggests that consumers in these states may be revolving larger balances as a higher share of their income is devoted to rent and mortgage payments.

Conversely, the smaller percentage increases were in Southern and Midwestern states. Nonetheless, these increases were still meaningful even in these states, increasing by 9% to 11% in 2022.

Average Credit Card Balances by State

	2021	2022	Change
Alabama	$4,875	$5,364	+10%
Alaska	$6,617	$7,338	+10.9%
Arizona	$5,061	$5,755	+13.7%
Arkansas	$4,670	$5,183	+11%

Source: Experian data from Q3 of each year

Credit Utilization Is Increasing, Thanks to Both

Borrowers and Lenders

The average credit utilization ratio among consumers dropped to 25% during the pandemic—a primary driver in improvement in average credit scores over that timespan. But now utilization is ticking up once again, having reached a 28% average among all credit card borrowers in 2022. As we've stated previously, higher levels of spending combined with higher interest rates drove up average balances across the board.

Average Credit Card Utilization in the U.S.

	2021	2022	Change
Utilization ratio	25.5%	28%	+2.5 percentage points

Source: Experian data from Q3 of each year

But card issuers play a role as well, by occasionally increasing and decreasing credit limits based on a consumer's recent payment history. On average, credit limits have increased in 2022, though not as much as balances.

So what's a good credit utilization ratio (/blogs/ask-experian/what-is-the-best-percentile-for-credit-utilization/)? As far as your credit score is concerned, the lower, the better. Though as long as you keep your utilization below 30%, carrying a balance shouldn't be too detrimental to your FICO® Score ⓘ. Utilization is second only to payment history in terms of its significance in credit score calculations. Still, it is only one of several factors influencing an individual's credit score. Length of credit history, the types of credit used and new credit all influence FICO® Score calculations as well (though not as much as utilization or payment history).

Average Credit Utilization by Credit Range, 2022

FICO® Score Credit Range	Average Credit Utilization Ratio
300-579 (Poor)	82.1%
580-669 (Fair)	56.1%
670-739 (Good)	35.2%
740-799 (Very good)	14.7%
800-850 (Exceptional)	6.5%

Source: Experian data from Q3 2022

Average Balances Higher Among All Generations

After a dip in revolving credit balances in 2021, inflation and consumer demand meant that card balances increased with a vengeance in 2022. The greatest increases, in percentage terms, were among the younger generations, millennials and Generation Z. Their older counterparts, Generation X and baby boomers, while not showing as great of a percentage increase, nonetheless have average balances that are higher than the nationwide average balance of $5,910.

Change in Average Credit Card Balances by Generation

	2021	2022	Change
Generation Z (18-25)	$2,282	$2,854	+25.1%

Change in Average Credit Card Balances by Generation

	2021	2022	Change
Millennials (26-41)	$4,576	$5,649	+23.5%
Generation X (42-57)	$7,070	$8,134	+15%
Baby boomers (58-76)	$5,804	$6,245	+7.6%
Silent Generation (77+)	$3,177	$3,316	+4.4%

Source: Experian data from Q3 of each year; ages as of 2022

Credit limits—the total amount of credit extended across an individual's revolving credit lines—increased among all generations, indicating that lenders, for now, are still willing to extend credit to many consumers. Even if the extra credit (pardon the pun) isn't needed, an increase in available credit still helps to lower one's credit utilization, which in turn may improve credit scores.

Change in Average Credit Card Limits by Generation

	2021	2022	Change
Generation Z	$9,857	$11,290	+14.5%
Millennials	$22,136	$24,668	+11.4%
Generation X	$33,694	$35,994	+6.8%

Change in Average Credit Card Limits by Generation

	2021	2022	Change
Baby boomers	$38,898	$40,318	+3.6%
Silent Generation	$31,937	$32,379	+1.4%

Source: Experian data from Q3 of each year

Nonetheless, this still presents a challenge for consumers in 2023 and beyond. When average balances increase by more than average credit limits, we can conclude average credit utilization has also increased for each generation in 2022. Potentially, it could result in downward pressure on FICO® Scores. In general, a higher credit utilization level can result in a lower FICO® Score, which could influence availability of future credit to individuals.

Elevated APRs Will Change Credit Behaviors in 2023

Although inflation appears to be cooling down, APR increases for credit card holders aren't likely to decrease soon, which may mean consumers, especially those who carry balances from month to month, will likely change their behaviors in 2023 and beyond.

There are multiple paths forward for those with credit card balances. If the following sound like financial diet plans, that's not far off base.

Consumers start paying down balances: Fortunately for consumers, unemployment rates are still at 50-year lows, so there is some income to service credit card balances —although increasing costs of rent, transportation and other necessities are competing for that income as well.

Refinancing: With average credit card APRs already topping 20%, those able to refinance existing revolving debt, via either balance transfer credit cards or personal loans, may feel the urgency to do so this year. Balance transfer cards (/blogs/ask-experian/what-is-a-balance-transfer-and-how-does-it-work/) allow borrowers to pay down existing balances at an introductory 0% or reduced APR for a number of months —often 12 months or longer. Consider the average balance of $5,910 above: A consumer making a minimum payment of around $118 on a card with a 20% APR would be charged over $1,000 in interest over the course of 12 months, while barely making a dent in the balance.

Less new credit extended: Banks are beginning to be choosier about whom they extend additional credit to in 2023, according to recent loan officer surveys. This will, in aggregate, increase utilization ratios unless new credit card spending is curbed.

Alternative financing routes, like buy now, pay later (/blogs/ask-experian/what-is-buy-now-pay-later/) financing: A recent study from the Consumer Financial Protection Bureau notes that borrowers who use buy now, pay later services often already have credit cards to make a purchase, but often opt for buy now, pay later plans anyway. Interestingly, consumers with credit cards are more likely to use buy now, pay later once the utilization ratio exceeds 30%.

Methodology: The analysis results provided are based on an Experian-created statistically relevant aggregate sampling of our consumer credit database that may include use of the FICO® Score 8 version. Different sampling parameters may generate different findings compared with other similar analysis. Analyzed credit data did not contain personal identification information. Metro areas group counties and cities into specific geographic areas for population censuses and compilations of related statistical data.

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