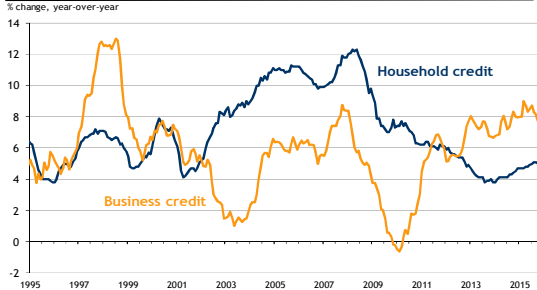


CANADIAN CREDIT

January 2016

Chart 1

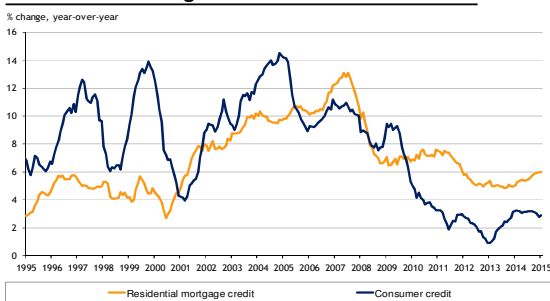
Household & business credit growth



Source: Bank of Canada, RBC Economics Research

Chart 2

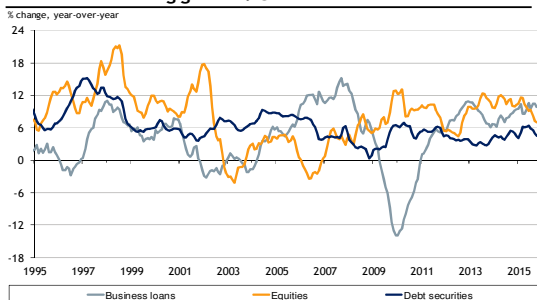
Household credit growth: Canada



Source: Bank of Canada, RBC Economics Research

Chart 3

Business financing growth: Canada



Source: Bank of Canada, RBC Economics Research

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Business financing slows as household credit growth trends sideways

Outstanding household debt balances continued to climb in November, rising 5.1% above the level recorded a year ago to top \$1.9 trillion. This marked the fifth consecutive month of increase within a narrow 5.0%-5.1% range and represented a quicker rate of growth than the 4.5% and 4.0% recorded in November 2014 and 2013, respectively. In contrast, business credit growth continued to slow after posting a cycle-high 9.0% year-over-year advance in May. Total business financing advanced at a 7.2% annual clip in November, thereby marking the slowest pace of increase since July 2014 and compared to a 7.6% year-over-year advance in October and 8.2% in September.

Uptick in household credit growth reflects gains in both main components

Residential mortgage balances grew to \$1.35 trillion in November, representing a \$76 billion increase from a year-ago. The 6.0% annual pace of increase in November matched that of the previous month and was the quickest rate of growth since October 2012. Robust demand for mortgage loans accompanied a slight uptick in the pace of accumulation in non-mortgage borrowing in November. Following three consecutive months of slowing, consumer credit growth picked up to a 3.0% year-over-year pace to bring outstanding balances to \$548 billion. Personal loan balances spiked in the month relative to a year-ago (related to base effects in November 2014) with more modest headline support coming from an increase in credit card balances in the month.

New business financing classifications, same slowing trends

The business credit statistics were re-classified into three components (loans, equities and debt securities) instead of the previously reported two (short-term and other). Growth in total business loans slowed to a 9.8% annual pace in November after recording gains of 10.5% in each of the previous two months. A sharp deceleration in non-mortgage loan growth outpaced an uptick in non-residential mortgage accumulation and drove the headline slowdown (Non-mortgage loans account for more than 80% of total business loans). Equity financing advanced by 4.5% from a year-ago, although remained below the 6.4% cycle-high recorded in July. Finally, growth in debt securities sustained a slowing trend in November with balances rising by 7.1% from a year-ago (Chart 3).

Bank of Canada optimistic household indebtedness will stabilize

Low borrowing rates set against a backdrop of resilient national labour markets is abetting an ongoing accumulation of credit, which in turn, is supporting household spending. The role of households in underpinning overall demand was acknowledged by the Bank of Canada as it weighed its decision to keep the overnight rate unchanged at 0.5% at its January meeting. In the event, the Bank characterized the risks to overall financial stability as being “largely unchanged” despite vulnerabilities continuing to “edge higher”. The persistence of low borrowing rates is expected to continue to incent households’ debt accumulation; although over the medium-term as a firming in economic growth prompts a gradual normalization of interest rates, the Bank anticipates that household indebtedness, as measured by the debt-to-income ratio, will stabilize.

Canada

As at the end of November, 2015	Outstandings (C\$ billions)	Share of total %	m/m % change*	3-month % change*	y/y % change
Household markets					
Household credit	1,900	100.0	5.3	5.6	5.1
Consumer credit	548	28.8	3.8	3.0	3.0
Chartered banks	468	24.6	4.0	3.0	2.7
<i>Personal loan plans</i>	96	5.1	8.2	7.4	5.0
<i>Personal lines of credit</i>	270	14.2	0.4	1.7	1.7
<i>Credit cards</i>	77	4.1	12.2	6.5	3.7
<i>Other</i>	19	1.0	-6.9	-12.3	-3.8
Non-banks	67	3.5	2.3	3.5	4.3
Securitized loans	14	0.7	3.8	2.5	5.7
Residential mortgages	1,352	71.2	5.9	6.7	6.0
Chartered banks	1,005	52.9	6.6	7.5	5.7
Non-banks	284	15.0	5.0	4.9	5.6
Securitized mortgages	63	3.3	-1.2	2.1	13.1
<i>NHA MBS</i>	53	2.8	-0.4	-2.4	16.3
Business markets					
Total business financing	1,739	100.0	2.4	5.1	7.2
Business loans	635	36.5	3.4	9.0	9.8
Non-mortgage loans	435	25.0	0.4	5.9	10.9
Chartered banks	320	18.4	-3.2	4.7	12.2
Non-banks	111	6.4	8.5	8.0	7.5
Securitized loans	3	0.2	-21.7	0.4	1.3
Commercial mortgage loans	121	6.9	4.8	7.5	4.7
Chartered banks	43	2.5	15.4	17.6	10.4
Non-banks	72	4.1	6.4	8.6	5.0
Securitized loans	6	0.3	-26.4	-33.1	-27.5
Bankers' acceptances	79	4.6	19.2	30.9	12.3
Debt securities	545	31.3	0.9	3.4	7.1
Short-term (Commercial paper)	13	0.7	248.4	61.4	-2.5
Long-term (Bonds)	532	30.6	-2.0	2.3	7.3
Equities	559	32.2	2.9	2.6	4.5
Equities & warrants	524	30.2	2.6	2.4	4.5
Trust units	35	2.0	7.3	5.1	4.8

*Annualized growth rates

Source: Bank of Canada, Haver Analytics, RBC Economics Research

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