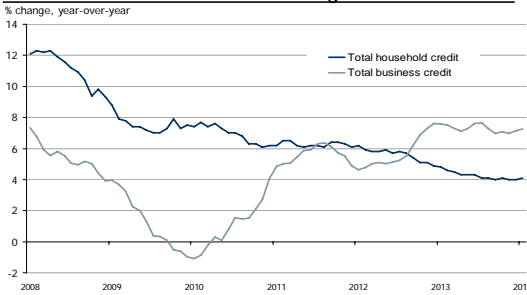


CURRENT ANALYSIS

March 2014

Chart 1

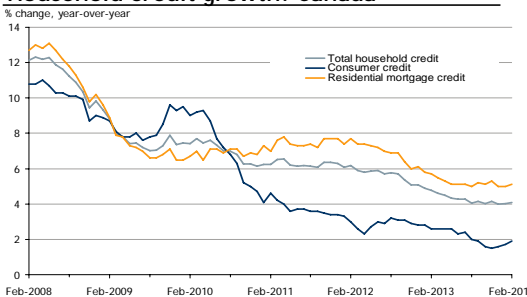
**Household & business credit growth: Canada**



Source: Bank of Canada, RBC Economics Research

Chart 2

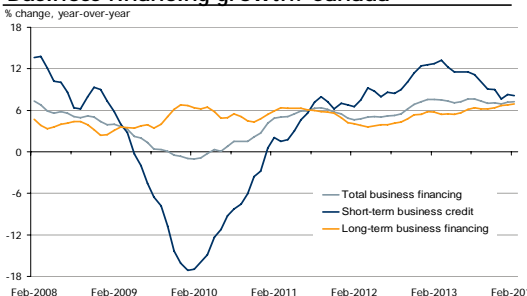
**Household credit growth: Canada**



Source: Bank of Canada, RBC Economics Research

Chart 3

**Business financing growth: Canada**



Source: Bank of Canada, RBC Economics Research

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**Households' debt accumulation picks up in February**

Canadian households increased the pace of debt accumulation in February with the year-over-year rate of household credit growth edging up to 4.1% after holding steady at 4.0% to start the year. Outstanding personal debt balances stood at \$1.74 trillion in February, a \$68 million increase from one year ago. Business financing also picked up in February, rising by 7.3% on a year-over-year basis from 7.2% in the previous month, to match the 7.3% increase in 2013.

**Residential mortgage credit growth edges up**

Residential mortgage debt accumulation edged up in February, increasing by 5.1% compared to 5.0% in January as chartered banks increased their mortgage lending by \$51 billion from a year-ago (to reach \$916 billion and account for 75% of total residential mortgage credit). This coincided with a pick-up in real estate activity in February with home re-sales and price gains accelerating in the month. Despite the uptick, mortgage growth remained below the 5.7% rate of increase in February 2013. Consumer credit (which consists of loans, credit cards and lines of credit) also expanded in February with the 1.8% year-over-year rate of growth marking a slight acceleration from 1.7% at the start the year.

**Longer-term financing growth reaches a near 10-year high**

The issuance of equities and warrants (which accounts for 44% of longer-term financing) continued to expand in February, rising at the quickest pace since January 2012 to reach \$484 billion in the month. Growth in this component helped overall longer-term business financing to increase at its fastest pace since December 2004, rising by 7.0% in February from 6.7% in January. In contrast, short-term business lending by chartered banks slowed to its lowest rate of growth since March 2012 and offset a pick-up in non-bank lending in the month leading to an overall easing in total short-term business financing in February. Following a cycle-high rate of growth in March 2013, short-term financing slowed to 8.1% in February from 8.3% in the previous month.

**No need to raise rates just yet...**

Even with the uptick in February, household credit continued to post the slowest gains year-to-date since 1996. Consumer credit accumulation slowed to its lowest rate since 1993 in the first two months of the year while residential credit eased to the slowest rate of growth since 2001 over the period. With house prices forecasted to rise a modest 1.5% and sales to edge only moderately higher, we remain of the view that mortgage accumulation will stabilize limiting a further deterioration in household balance sheet conditions. Against this backdrop, the Bank of Canada is likely to keep policy aimed at supporting growth with no change in the overnight rate likely this year. The persistence of the supportive monetary policy environment provides scope for businesses to increase investment and provide a greater contribution to growth in 2014.

## Canada

As at the end of February, 2014	Outstandings (C\$ billions)	Share of total %	m/m % change*	3-month % change*	y/y % change
<b>Household markets</b>					
Household credit	1,744	100.0	1.0	1.9	4.1
Consumer credit	517	29.6	-2.3	-0.3	1.8
Chartered banks	439	25.2	-2.6	-0.3	1.7
<i>Personal loan plans</i>	92	5.3	1.8	6.1	13.2
<i>Personal lines of credit</i>	258	14.8	0.2	-1.5	-0.6
<i>Credit cards</i>	71	4.1	-21.4	-5.4	-1.5
<i>Other</i>	18	1.0	22.6	6.6	-4.8
Non-banks	65	3.7	-1.7	0.1	2.2
Securitized loans	13	0.8	4.4	0.7	3.3
Residential mortgages	1,227	70.4	2.5	2.8	5.1
Chartered banks	916	52.5	1.0	1.2	5.9
Non-banks	261	15.0	5.6	6.2	2.6
Securitized mortgages	50	2.9	14.4	17.0	3.3
<i>NHA MBS</i>	38	2.2	19.4	-3.5	3.2
<b>Business markets</b>					
<b>Total business financing</b>	1,519	100.0	7.5	7.4	7.3
<b>Short-term business credit</b>	426	28.0	13.7	9.8	8.1
Chartered banks	327	21.5	9.9	9.2	8.0
<i>Business loans</i>	260	17.1	-2.4	0.4	8.2
<i>Bankers' acceptances</i>	67	4.4	76.4	53.5	7.4
Non-banks	81	5.4	8.5	8.8	7.9
Securitized loans	5	0.3	26.2	-11.5	-1.7
Commercial paper	13	0.8	267.8	46.5	16.2
<b>Long-term business financing</b>	1,094	72.0	5.2	6.5	7.0
Chartered banks	48	3.2	-2.3	7.6	9.6
<i>Commercial mortgages</i>	39	2.6	-2.1	8.9	10.9
<i>Leasing receivables</i>	9	0.6	-3.1	2.2	4.5
Non-banks	87	5.7	6.8	8.4	5.2
Securitized loans	14	0.9	-3.8	-7.0	-5.7
Bonds & debentures	428	28.2	5.2	4.7	10.4
Equities & warrants	484	31.9	5.7	8.1	4.4
Trust units	32	2.1	8.3	7.6	8.3

\*Annualized growth rates

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

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