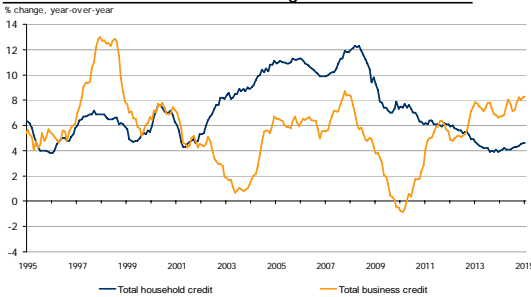


## CANADIAN CREDIT

March 2015

Chart 1

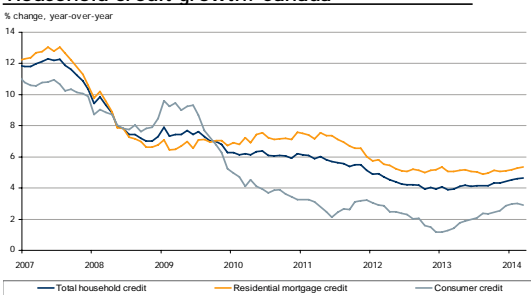
### Household & business credit growth: Canada



Source: Bank of Canada, RBC Economics Research

Chart 2

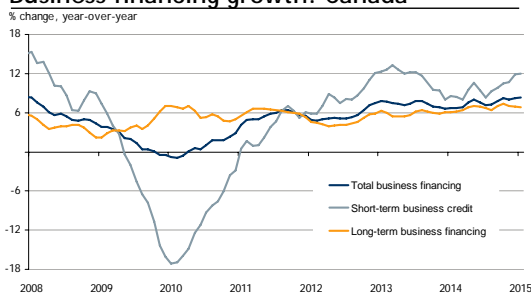
### Household credit growth: Canada



Source: Bank of Canada, RBC Economics Research

Chart 3

### Business financing growth: Canada



Source: Bank of Canada, RBC Economics Research

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### Household and business credit balances rise to kick off 2015

The annual pace of Canadian credit growth sustained a healthy clip in January building upon a gradual upward trend that has been in place since early 2014 (Chart 1). Outstanding household debt balances stood at \$1.82 trillion in the month, an \$80 billion increase from a year-ago and a 4.6% year-over-year rise that matched the two-year high rate of growth recorded in December. Total business financing growth recorded another cycle-high in January, with the 8.3% annual increase following a similar sized gain in the previous month. This represents the fastest annual expansion of business financing since 2007.

### Mortgage accumulation quickens as consumer credit demand eases

A pause in the firmly entrenched strengthening consumer credit growth trend accompanied an uptick in residential mortgage borrowing in January to keep overall year-over-year household credit growth steady in the month. Following a sustained period of stable year-over-year increases, mortgage growth accelerated for the third consecutive month in January (Chart 2), rising by 5.4% from the year ago level to mark the fastest rate of growth since November 2013. In contrast, a moderation in the growth of consumer credit outstanding to 2.9% in January from 3.0% in December was predominantly the result of a slight deceleration in chartered bank lending (accounts for 85% of non-mortgage loans).

### Businesses appetite for short-term credit rises in January

January marked the sixth consecutive month of acceleration in short-term business borrowing, with outstanding balances rising by 12.0% on a year-over-year basis in the month to mark the fastest rate of increase since July 2013 (Chart 3). Heightened uncertainty and the potential for cash flow constraints resulting from the protracted period of declining crude oil prices along with a possibility for a subsequent tightening in lending may be prompting firms to tap into short-term credit sources, most notably in the oil & gas sector. In contrast, longer-term financing held steady to begin 2015 with outstanding balances rising by 6.9% from a year ago in January to match the rate of increase recorded in December.

### The balancing act of the Bank of Canada continues

The respite in the strengthening pace of personal debt accumulation may provide some comfort for policymakers as the Bank of Canada seeks to mitigate the economic impact of low oil prices while balancing the financial stability risks surrounding elevated levels of household debt. There is a risk that highly accommodative financial conditions could exacerbate household imbalances as evidenced by the recent strengthening in mortgage accumulation; however, the Bank noted that the easier financial conditions are contributing to financial stability risks evolving “as expected”. The material easing of financial conditions since the policy cut in January contributed to the Bank’s shift to an implicit neutral policy yesterday; however, with the full impact of crude oil price weakness yet to flow through to the economy, the Bank is remaining quiescent as it awaits further data to gauge whether an additional “insurance cut” is needed.

## Canada

As at the end of January, 2015	Outstandings (C\$ billions)	Share of total %	m/m % change*	3-month % change*	y/y % change
<b>Household markets</b>					
Household credit	1,815	100.0	-0.1	3.4	4.6
Consumer credit	531	29.3	-5.2	1.0	2.9
Chartered banks	451	24.9	-6.6	0.5	2.6
<i>Personal loan plans</i>	91	5.0	-6.7	-16.7	-0.5
<i>Personal lines of credit</i>	266	14.6	-1.5	8.0	3.2
<i>Credit cards</i>	75	4.1	-22.1	3.2	2.7
<i>Other</i>	19	1.1	-8.0	-14.8	10.0
Non-banks	66	3.7	2.5	3.4	3.5
Securitized loans	13	0.7	6.2	3.9	9.1
Residential mortgages	1,284	70.7	2.1	4.5	5.4
Chartered banks	955	52.6	0.5	3.3	4.3
Non-banks	271	14.9	5.4	5.4	6.3
Securitized mortgages	58	3.2	13.5	20.3	20.3
<i>NHA MBS</i>	48	2.6	24.6	-8.5	26.2
<b>Business markets</b>					
<b>Total business financing</b>	<b>1,627</b>	<b>100.0</b>	<b>7.5</b>	<b>8.2</b>	<b>8.3</b>
<b>Short-term business credit</b>	<b>468</b>	<b>28.7</b>	<b>18.8</b>	<b>14.8</b>	<b>12.0</b>
Chartered banks	367	22.5	20.9	17.3	13.1
<i>Business loans</i>	296	18.2	17.9	21.8	13.8
<i>Bankers' acceptances</i>	71	4.3	34.7	0.5	10.3
Non-banks	86	5.3	10.7	9.3	8.5
Securitized loans	2	0.1	-4.5	-16.8	-28.9
Commercial paper	13	0.8	17.3	-10.2	14.6
<b>Long-term business financing</b>	<b>1,159</b>	<b>71.3</b>	<b>3.3</b>	<b>5.7</b>	<b>6.9</b>
Chartered banks	50	3.1	13.6	7.4	2.8
<i>Commercial mortgages</i>	40	2.4	11.4	6.5	1.4
<i>Leasing receivables</i>	10	0.6	22.4	11.2	8.5
Non-banks	90	5.6	4.7	7.6	5.5
Securitized loans	9	0.5	-20.8	-20.9	-17.9
Bonds & debentures	471	29.0	3.4	6.0	11.1
Equities & warrants	506	31.1	2.3	5.5	4.4
Trust units	33	2.0	7.0	4.1	6.2

\*Annualized growth rates

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

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