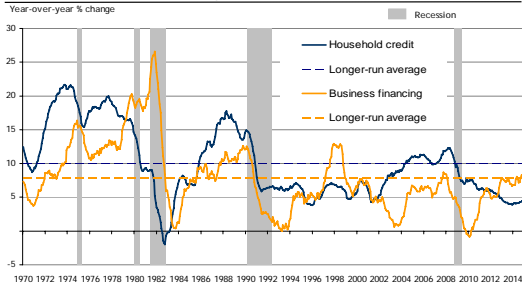


CANADIAN CREDIT

June 2015

Chart 1

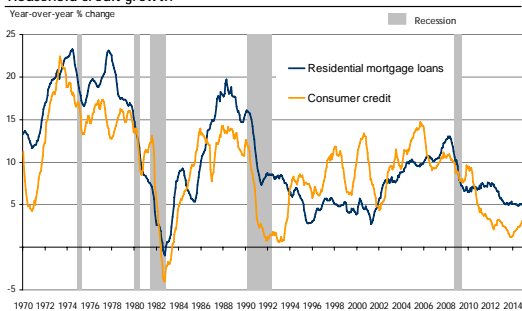
Household and business credit growth



Source: Bank of Canada, RBC Economics Research

Chart 2

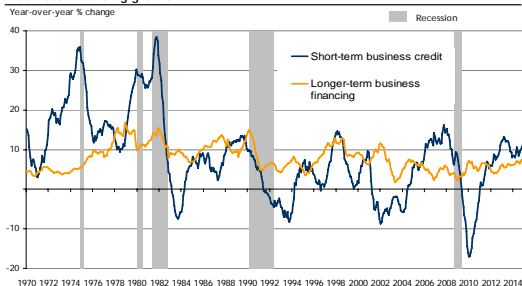
Household credit growth



Source: Bank of Canada, RBC Economics Research

Chart 3

Business financing growth



Source: Bank of Canada, RBC Economics Research

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Household and business credit accumulation remain firm in April

Canadian households expanded their outstanding debt balances by \$81 billion from a year ago in April to \$1.82 trillion, kicking off the second quarter 4.6% above the level recorded in April 2014. A reluctance to spend, as evident in softer consumer expenditures in Q1/15, has done little to curb demand for credit with the annual increase in April matching the pace of growth reported in each of the past three months. Robust business financing growth also showed few signs of abating in April, recording an 8.9% year-over-year increase that represented only a modest slowing from the cycle-high 9.1% in the previous month.

An uptick in consumer credit growth accompanies ongoing mortgage gains

The resumption of an upward trend in consumer credit accumulation was evident in April with the 3.0% year-over-year increase building upon the 2.9% gain recorded in March. A bump in outstanding credit card balances in the month accompanied ongoing accumulation on personal lines of credit to boost overall non-mortgage loans by \$15 billion from a year ago to \$532 billion. In contrast, the robust pace of housing activity recorded in recent months did not spur an uptick in mortgage loans in April (given the one-to-six month lag between a home sale and the reporting in mortgage data) as growth in this component remained unchanged at 5.3% for the third consecutive month. Of note, household credit continues to trend well below its longer-run average (Chart 1).

Longer-term business financing growth jumps to highest rate since 2002

Businesses' demand for short-term borrowing eased in April though longer-term financing accelerated to keep total business credit growth elevated in the month. There was \$481 billion in outstanding short-term business credit in April, a 9.7% increase from a year ago. This marked a slowing compared to the previous six consecutive months of double-digit gains that included a cycle-high 12.2% rate of growth in March. In contrast, longer-term business financing marked the highest year-over-year advance since June 2002 in April, rising 8.6% on a year-over-year basis following a 7.9% increase recorded in March.

Credit trends supportive of current monetary policy stance

The challenging economic environment as evinced by the outright decline in economic activity in Q1/15 did not impede households and businesses accumulation of credit despite indications that consumers eased up on expenditures and corporate profits plunged over the period. This attests to financial conditions remaining highly stimulative. Moreover, the robust gain in household incomes along with a bump in the saving rate in Q1/15 set up for the consumer to unwind some of this pent-up demand with spending expected to contribute to a modest bounce-back in overall economic growth in Q2/15. This is broadly consistent with the Bank of Canada's assessment that the front-loaded impact of the oil price shock, albeit larger than expected, will dissipate and give way to firmer growth over the remainder of the year. Until evidence of a sustained recovery takes hold and with financial stability risks "evolving as expected", the Bank of Canada is expected to maintain the current policy stance through 2015.

Canada

As at the end of April, 2015	Outstandings (C\$ billions)	Share of total %	m/m % change*	3-month % change*	y/y % change
Household markets					
Household credit	1,825	100.0	3.3	2.5	4.6
Consumer credit	532	29.2	2.0	0.6	3.0
Chartered banks	452	24.7	1.9	0.3	2.7
<i>Personal loan plans</i>	92	5.0	1.5	1.8	0.0
<i>Personal lines of credit</i>	266	14.6	-0.9	0.7	3.2
<i>Credit cards</i>	74	4.0	13.1	-5.3	3.2
<i>Other</i>	20	1.1	2.3	9.3	6.1
Non-banks	67	3.7	1.7	1.8	4.1
Securitized loans	14	0.7	6.2	7.0	6.9
Residential mortgages	1,293	70.8	3.9	3.3	5.3
Chartered banks	960	52.6	3.3	2.1	4.5
Non-banks	273	15.0	4.6	5.0	5.7
Securitized mortgages	60	3.3	11.3	15.7	18.6
<i>NHA MBS</i>	50	2.7	9.9	-5.8	26.5
Business markets					
Total business financing	1,677	100.0	12.2	12.7	8.9
Short-term business credit	481	28.7	0.6	11.8	9.7
Chartered banks	380	22.7	3.0	15.5	11.0
<i>Business loans</i>	303	18.0	-8.4	9.7	11.2
<i>Bankers' acceptances</i>	77	4.6	65.4	42.3	10.6
Non-banks	88	5.2	6.9	5.6	8.0
Securitized loans	2	0.1	-33.1	-14.5	-33.3
Commercial paper	12	0.7	-66.5	-35.3	-7.6
Long-term business financing	1,196	71.3	17.2	13.1	8.6
Chartered banks	51	3.0	8.2	6.4	4.6
<i>Commercial mortgages</i>	41	2.4	7.7	8.1	3.8
<i>Leasing receivables</i>	10	0.6	10.2	0.1	7.9
Non-banks	91	5.4	4.0	0.8	5.6
Securitized loans	7	0.4	-25.8	-25.6	-24.9
Bonds & debentures	497	29.6	28.6	23.1	12.9
Equities & warrants	516	30.8	11.9	8.3	6.3
Trust units	34	2.0	5.8	6.6	7.0

*Annualized growth rates

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

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