

CANADIAN CREDIT

September 2015

Chart 1

Household & business credit growth: Canada

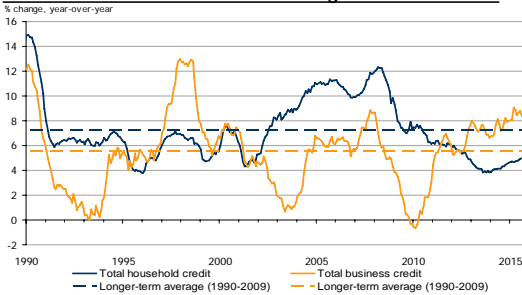


Chart 2

Household credit growth: Canada

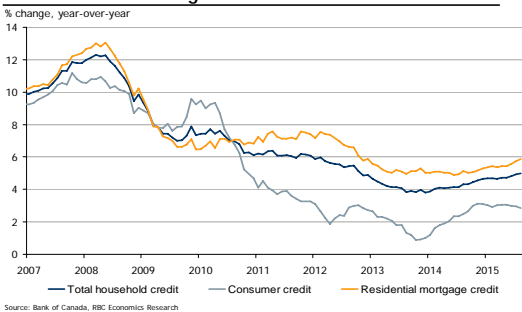
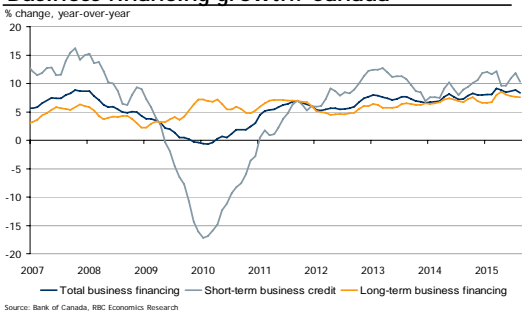


Chart 3

Business financing growth: Canada



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Mortgage growth gathers speed as other credit sources tap the brakes

Household and business credit growth moved in opposite directions in August as the latter eased from recent cycle-highs and the former gathered speed against the backdrop of a near-record level of housing activity that is unfolding in 2015 (Chart 1). Canadian households accumulated debt at a 5.0% annual rate in August, thereby representing a slight pick up from the 4.9% pace seen in July with the lift coming from a strong appetite for residential mortgage loans. At the same time, firms eased up on their financing needs with overall business credit rising by 8.3% from a year-ago compared to the 8.8% seen in July and a cycle-high 9.1% recorded in March 2015.

Residential mortgage borrowing shows no signs of abating

The holding pattern evident in residential mortgage borrowing over the first four months of the year proved to be temporary with the resumption of an upward trend emerging this summer. Credit data for August confirmed this momentum with the annual rate of increase clocking in at 5.9% in the month, up from 5.6% and 5.7% seen in June and July, respectively, and the largest increase since December 2012. In contrast, non-mortgage borrowing slowed to 2.9% in August after rising at a 3.0% pace over the preceding three month period. Borrowing through non-chartered banks eased in the month to drive the headline slowing while a slight uptick in demand for personal lines of credit and loans helped to keep chartered bank borrowing unchanged at 2.5%.

Capital market financing growth mixed in August

Growth in outstanding business loans from chartered banks slipped lower in August to account for the bulk of a slowing in short-term business credit. Business borrowing on a short-term basis increased by 10.3% from a year-ago in August, down from 11.8% in July. Longer-term business financing slowed more modestly, rising by 7.6% on a year-over-year basis in August compared to 7.7% in the month prior. Capital market financing activity was mixed in August with a 5.9% year-over-year increase in equity and warrants marking a slowing from the recent peak of 6.5% recorded in July while issuance of bonds and debentures increased 10.1% (up from 9.8%) to provide some offset.

Deterioration in financial conditions likely weighing on borrowing activity

Deterioration in financial conditions in August likely weighed on borrowing activity in the month with all credit components easing with the exception of residential mortgages, which continued to accelerate against a backdrop of ongoing housing market activity. Stabilization of consumer credit growth evident so far this year marks a sharp contrast from the upswing recorded over the past two years and business financing, while remaining elevated, is showing signs of slowing from earlier cycle-highs. Heightened economic uncertainty and financial market volatility are likely tempering borrowing activity; however, as the stimulative effects of monetary policy work through the economy, we anticipate that a sharp slowing in the respective growth trends will largely be avoided.

Canada

As at the end of August, 2015	Outstandings (C\$ billions)	Share of total %	m/m % change*	3-month % change*	y/y % change
Household markets					
Household credit	1,869	100.0	7.3	7.8	5.0
Consumer credit	539	28.8	2.9	4.2	2.9
Chartered banks	459	24.6	3.3	4.2	2.5
<i>Personal loan plans</i>	95	5.1	19.0	10.1	0.4
<i>Personal lines of credit</i>	269	14.4	1.9	2.4	3.4
<i>Credit cards</i>	76	4.1	0.9	5.7	2.9
<i>Other</i>	20	1.1	-30.2	-4.1	-0.6
Non-banks	66	3.5	0.6	4.8	4.7
Securitized loans	14	0.7	2.6	4.4	5.9
Residential mortgages	1,330	71.2	9.1	9.3	5.9
Chartered banks	987	52.8	10.1	9.8	5.2
Non-banks	281	15.0	3.3	6.5	5.8
Securitized mortgages	63	3.4	21.0	14.4	17.8
<i>NHA MBS</i>	53	2.8	24.4	0.9	23.0
Business markets					
Total business financing	1,728	100.0	2.8	5.1	8.3
Short-term business credit	487	28.2	-1.3	6.9	10.3
Chartered banks	392	22.7	-3.9	9.0	12.7
<i>Business loans</i>	318	18.4	4.4	17.8	13.6
<i>Bankers' acceptances</i>	74	4.3	-32.5	-20.8	9.0
Non-banks	83	4.8	5.3	-0.9	4.3
Securitized loans	1	0.1	-43.0	-63.2	-29.9
Commercial paper	11	0.7	67.8	12.4	-12.5
Long-term business financing	1,241	71.8	4.5	4.4	7.6
Chartered banks	52	3.0	7.9	9.2	6.8
<i>Commercial mortgages</i>	42	2.4	8.8	8.5	6.2
<i>Leasing receivables</i>	11	0.6	4.6	12.0	9.2
Non-banks	95	5.5	8.3	6.3	6.1
Securitized loans	8	0.5	-10.0	-10.5	-11.6
Bonds & debentures	529	30.6	5.7	4.4	10.1
Equities & warrants	522	30.2	2.5	4.0	5.9
Trust units	34	2.0	2.9	3.9	6.0

*Annualized growth rates

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

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