

CANADIAN CREDIT

October 2014

Chart 1

Household & business credit growth: Canada

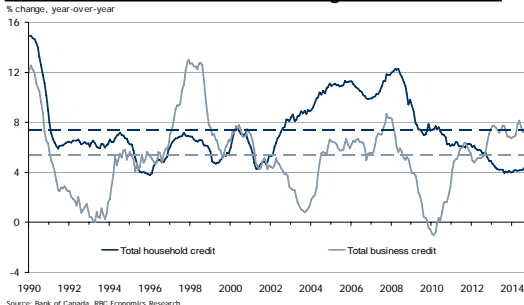


Chart 2

Household credit growth: Canada

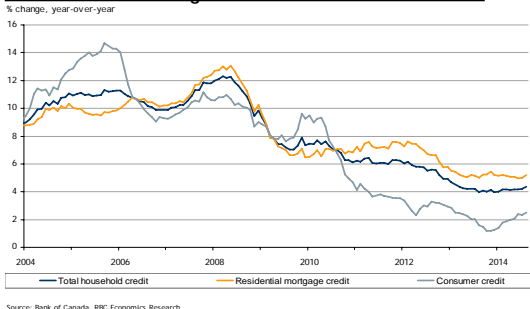
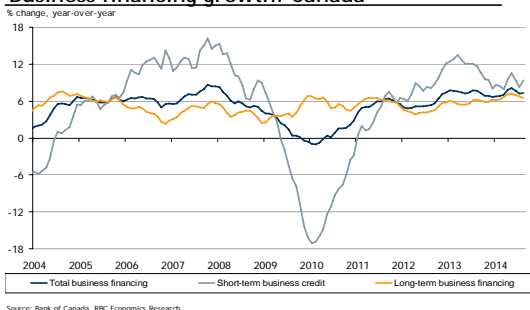


Chart 3

Business financing growth: Canada



Household and business credit growth edged higher in August

Household credit growth emerged from a recent steady trend in August, rising by 4.4% on a year ago basis after recording three consecutive months of stable 4.2% gains. Even with the acceleration, however, household credit continued to expand at a near multi-year low rate of growth (Chart 1). Total business financing growth also edged higher in August with outstanding balances rising by 7.3% on a year-over-year basis compared to 7.2% in the month prior.

A pick up in mortgage borrowing boosted household credit growth

A quicker pace of household credit growth in August predominantly reflected a 5.2% rise in residential mortgage borrowing while consumer credit increased more modestly by 2.5%. Residential mortgage debt reached \$1.26 trillion in August, a \$62.0 billion increase from a year ago and marked an acceleration from the 5.0% year-over-year increases recorded in June and July. Outstanding consumer credit balances increased by \$12.8 billion to \$0.53 trillion to resume an upward trend after a brief slowing in July. Personal lines of credit provided by chartered banks (which accounts for nearly 50% of overall consumer credit) picked up for the second consecutive month in August after posting year-over-year declines since November 2013. Outstanding balances now sit just below the record high in December 2012 of \$260 billion and the rise helped to offset an easing in other components of chartered bank lending.

Short term financing growth rises to offset modest slowing in longer-term

A modest acceleration in short-term business financing helped to offset a slowing in longer-term borrowing as total business financing edged higher in August. A robust year-over-year rise in bond and debenture issuance of \$42.0 billion in August was preceded by a stronger gain of \$46.5 billion in the previous month (this component comprises 40% of longer-term business financing). As a result, despite a solid pick up in equity financing providing some offset, overall longer-term financing growth slowed to 6.5% in August from 6.8% in July. In contrast, short-term business borrowing accelerated to 9.3% year-over-year in August from 8.3% in the month prior led by a rise in business loan lending by chartered banks.

A brief respite in the constructive evolution of household imbalances

Renewed vigor in the country's housing market late in the spring and into the summer months likely abetted the rise in mortgage accumulation in August with a typical one to six month lag between a home purchase and the reporting of the transaction in the credit data. The advance accompanied the resumption of an upward trend in non-mortgage borrowing resulting in household credit growth perking up in August; however, as we noted in a [recent report](#), against a strengthening economic backdrop, upward pressure on current unsustainably low interest rates will likely temper mortgage borrowing and support sustained low rates of household credit growth over the forecast horizon.

Canada

As at the end of August, 2014	Outstandings (C\$ billions)	Share of total %	m/m % change*	3-month % change*	y/y % change
Household markets					
Household credit	1,786	100.0	6.8	7.0	4.4
Consumer credit	528	29.6	4.6	5.1	2.5
Chartered banks	448	25.1	3.8	4.8	2.3
<i>Personal loan plans</i>	94	5.3	-0.3	7.4	6.2
<i>Personal lines of credit</i>	260	14.5	1.1	2.0	0.4
<i>Credit cards</i>	74	4.1	2.9	6.4	2.7
<i>Other</i>	20	1.1	84.3	27.6	6.9
Non-banks	66	3.7	9.6	7.0	3.2
Securitized loans	14	0.8	8.2	5.8	6.9
Residential mortgages	1,258	70.4	7.8	7.7	5.2
Chartered banks	937	52.5	6.8	6.8	4.3
Non-banks	265	14.8	7.9	7.6	6.6
Securitized mortgages	56	3.1	26.2	25.7	14.9
<i>NHA MBS</i>	44	2.4	35.4	0.9	20.1
Business markets					
Total business financing	1,583	100.0	8.1	5.4	7.3
Short-term business credit	448	28.3	17.5	4.7	9.3
Chartered banks	348	22.0	17.8	4.0	10.1
<i>Business loans</i>	280	17.7	20.7	8.7	10.7
<i>Bankers' acceptances</i>	68	4.3	6.9	-13.0	7.6
Non-banks	83	5.3	6.8	8.6	7.6
Securitized loans	5	0.3	-16.3	-26.3	-1.5
Commercial paper	13	0.8	128.8	15.6	5.1
Long-term business financing	1,135	71.7	4.6	5.6	6.5
Chartered banks	49	3.1	7.3	2.2	4.6
<i>Commercial mortgages</i>	39	2.5	7.8	0.5	3.9
<i>Leasing receivables</i>	10	0.6	5.0	9.2	7.1
Non-banks	87	5.5	6.4	6.6	5.5
Securitized loans	13	0.8	-7.7	-4.9	-6.4
Bonds & debentures	459	29.0	0.3	6.9	10.1
Equities & warrants	493	31.2	8.9	5.0	4.2
Trust units	32	2.0	1.5	5.6	6.3

*Annualized growth rates

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

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