

## Canada: Household Credit Growth Continues To Climb in September

- Canadian household credit growth accelerated to 4.3% m/m saar in September, pushing trend growth to a mid-2018 pace of 3.8% y/y.
- Residential mortgage credit growth decelerated slightly to 4.9% m/m saar, however it still remains strong and continues to expand with trend growth accelerating to a 16-month high.
- Consumer credit growth expanded at 2.9% m/m saar, pulling trend growth down to 2016 rates.

### CANADIANS BORROWING HAND OVER FIST

Total Canadian household credit growth continued to accelerate in September, reaching a pace last seen in mid-2018. Despite a slight deceleration from the previous month to 4.3% at a seasonally adjusted rate (m/m saar), trend growth remains at elevated levels (chart 1). Both mortgage and consumer credit growth contributed to the 68 bps slowdown from the prior month (46 bps and 22 bps, respectively), but borrowing conditions remain favourable overall with trend growth still in strongly positive territory.

### RESIDENTIAL MORTGAGE CREDIT EXPANSION CONTINUES ITS ASCENT

Residential mortgage credit growth continued on its upward trajectory in September supported by favourable borrowing conditions and strong labour markets. Mortgage loan growth accelerated by 4.9% m/m saar in September, pushing the year-on-year trend growth rate to 4.2% y/y—the fastest pace since mid-2018, marking a well-pronounced recovery in the mortgage-borrowing market (chart 2).

Canada's real estate market looks to be rebounding following a turbulent couple of years due to various policy announcements from 2017 to 2018 designed to cool the market. Mortgage borrowing has picked up through the second half of 2019 with the uptick in demand following a reduction in the mortgage qualifying rate in July and a decline in 5-year mortgage rates (chart 3). With the Bank of Canada under pressure to continue to provide a stimulative environment following sustained levels of uncertainty, residential mortgage credit growth is expected to remain supported in the foreseeable-future.

Strength in Canadian labour markets has also been conducive to a favourable borrowing environment. September's surge in job gains contributed to a fall in the unemployment rate to 5.5%.

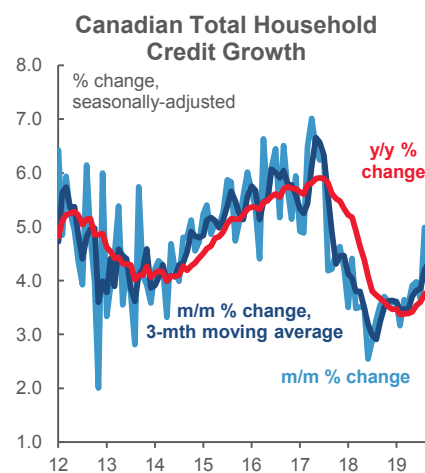
**Mortgage credit loan growth in chartered banks continued to accelerate while nonbank lending slowed further (chart 4).** Following more stringent borrowing conditions induced by tightened B-20 rules, nonbank borrowing began to outpace regulated banks. However, with borrowing conditions loosening, growth in bank lending appears to be returning to underlying trends. In terms of

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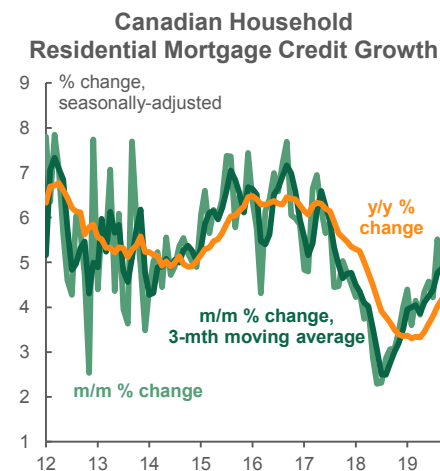
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Chart 1



Sources: Scotiabank Economics, Bank of Canada.

Chart 2



Sources: Scotiabank Economics, Bank of Canada.

volume, chartered banks continued to remain the primary source of borrowing in September, with almost 80% of home loans sourced from them—consistent with the five-year average.

**CONSUMER CREDIT PULLS BACK**

Consumer credit, which constitutes around one third of total household borrowing, decelerated from last month’s 10-month high. In September, consumer credit growth posted a 2.9% m/m saar expansion, driving down trend growth from the previous year to 2.9% y/y as well—the slowest expansion since the beginning of 2016 (chart 5). This overall slowing of consumer credit growth from the end of 2017 is consistent with the decline in household consumption of goods, and the recent softening in Canadian auto sales (charts 6,7).

Chart 3

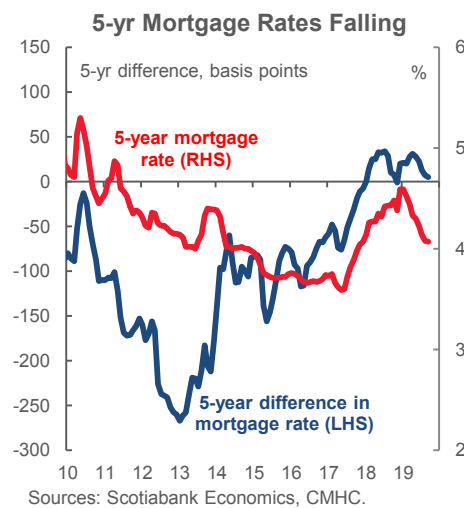


Chart 4

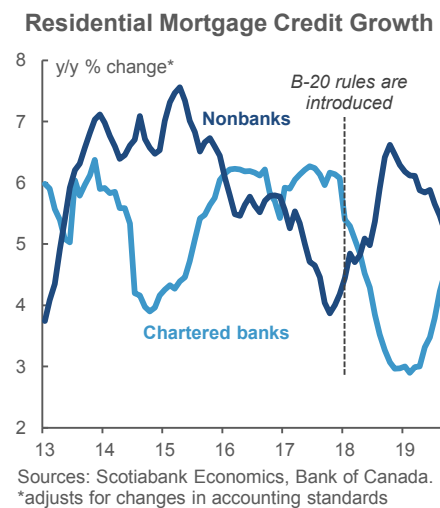


Chart 5

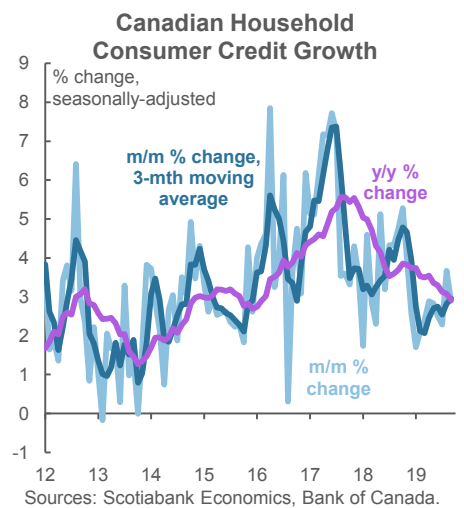


Chart 6

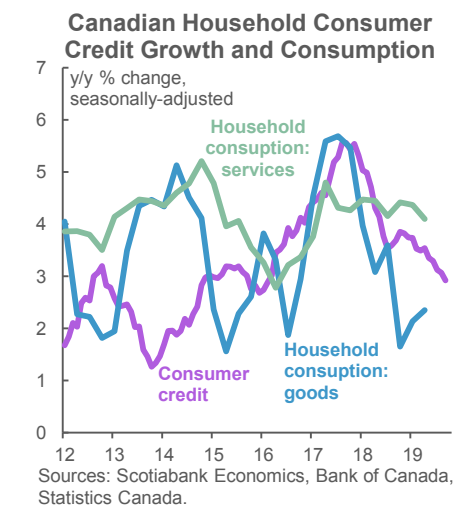
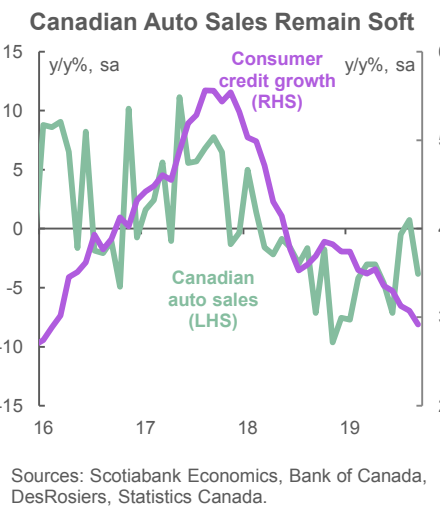


Chart 7



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