

## Canada: Household Credit Growth Slows in November

- Total household credit growth decelerated in November, led by a marked slowing in mortgage borrowing as well as a continued decline in consumer credit growth. This followed October's rapid pickup in mortgage growth, which hit its fastest pace in three years.

### TOTAL HOUSEHOLD CREDIT GROWTH'S UPWARD TREND PAUSES

Total Canadian household credit slowed in November, halting the quickening trend that emerged earlier in 2019 (chart 1). Total household credit decelerated to 3.7% m/m saar in November off of October's two-year-high of 5.3% m/m saar. The slower rise in total borrowing put year-on-year trend growth at 3.9% y/y—unchanged from the prior month.

The overall slowing of total household credit growth in November was led by a marked month-on-month slowdown in mortgage borrowing (chart 2) as well as a continued ebbing of consumer credit growth (chart 3). November's curbed appetite for credit was consistent with the weaker-than-expected employment report in the month, when Canada incurred a loss of over 71,000 jobs.

Although hiring slowed in Q4, 2019 was overall a strong year for the Canadian job market. In fact, 2019 was the second best year for hiring since 2012 (chart 4), which induced strong wage gains through the year (chart 5).

### MORTGAGE GROWTH SLOWS, BUT HOUSING REMAINS ROBUST

Mortgage credit growth slowed in November following October's three-year-high, but remained on an upward trend. Despite a deceleration from 7.3% m/m saar in October to 4.7% m/m saar in November, the year-on-year trend picked up to 4.6% y/y, continuing the rebound in trend growth for the seventh month in a row (chart 2, again).

Despite the month-on-month slowing in mortgage growth, the housing market did not show signs of cooling in November. Though five-year mortgage rates were on hold in late-2019, they remained relatively low compared with earlier in the year (chart 6), and Canadians continued to take advantage of favourable borrowing conditions: home sales in November continued to climb (chart 7).

The demand for owned accommodation grew continuously throughout 2019 following some turbulence in the housing market in 2018 caused by the introduction of new taxes and tighter lending rules (chart 7, again). Affordability remains poor in many of Canada's major cities, but the recent spike in rental costs (chart 8) may be pushing some Canadians back into the real-estate market.

### CONSUMER CREDIT GROWTH CONTINUES TO FLAG

Consumer credit growth has been slowing since mid-2017 (chart 3, again), consistent with a broader decline in consumption growth. Slowing expansion of goods purchases has led the weakening in consumption growth (chart 9), which appears broadly consistent with the pause in real-estate markets we saw in 2018 and early 2019, as well as rising household debt burdens.

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Chart 1

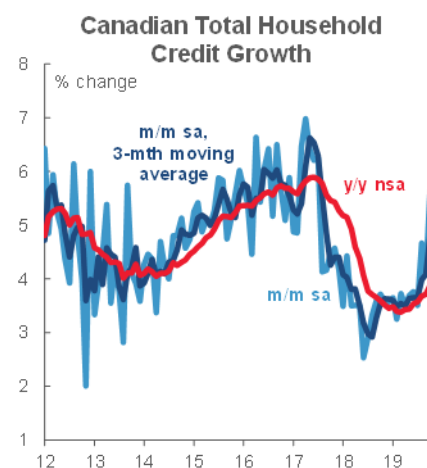
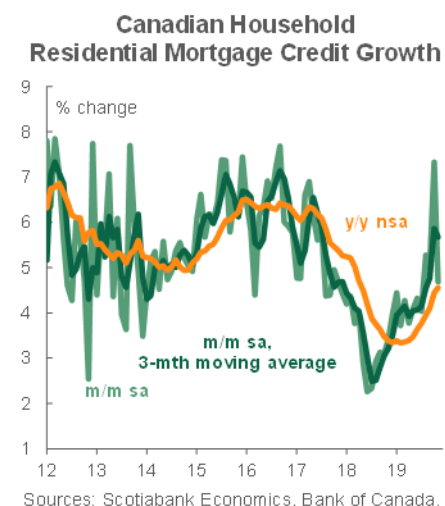


Chart 2



The average interest rates charged on consumer loans fell by about 50 bps during 2019, but the reduction was not large enough to stem slowing demand growth (chart 10). Rising household expenses and high debt levels may be outweighing strong wage growth in household-finance decisions.

Chart 3

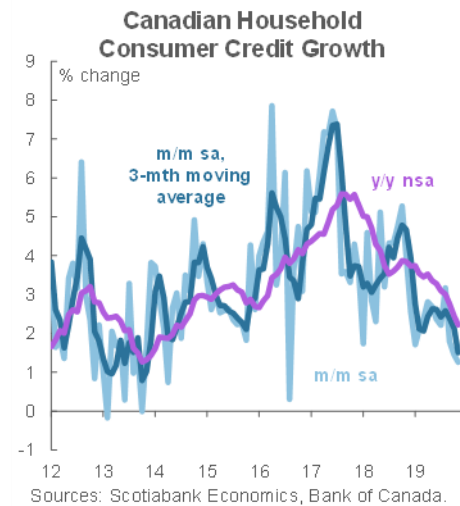


Chart 4

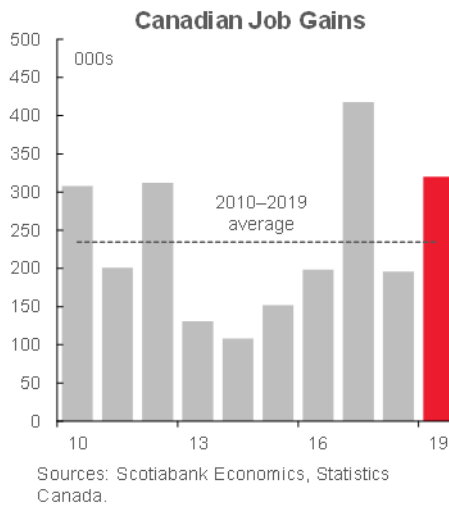


Chart 5



Chart 6

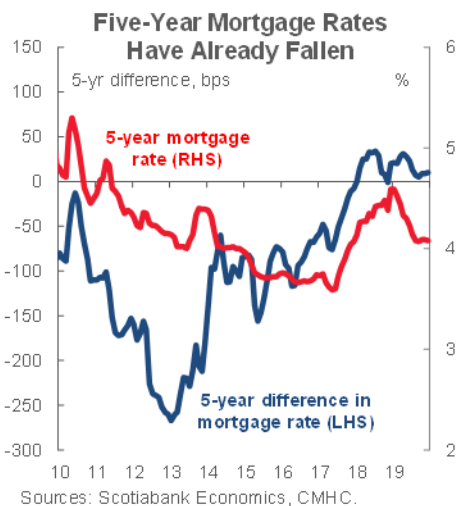


Chart 7

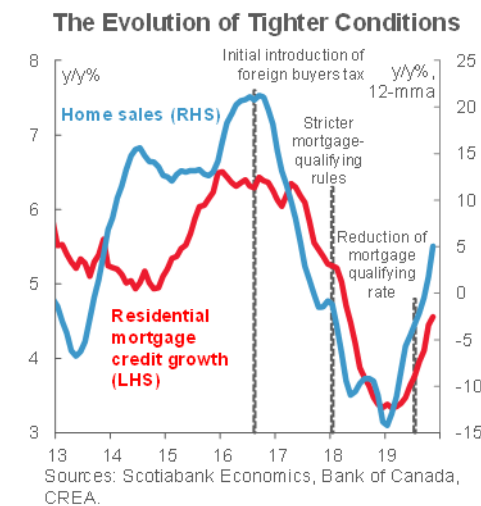


Chart 8

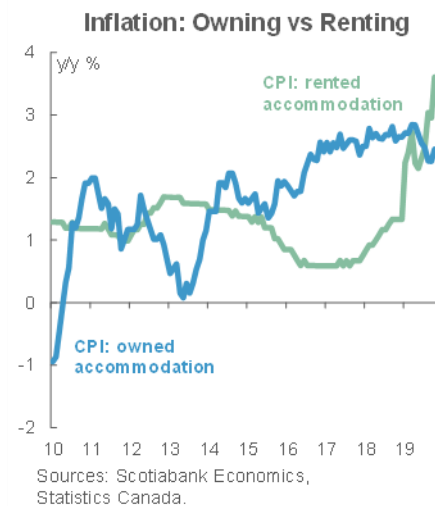


Chart 9

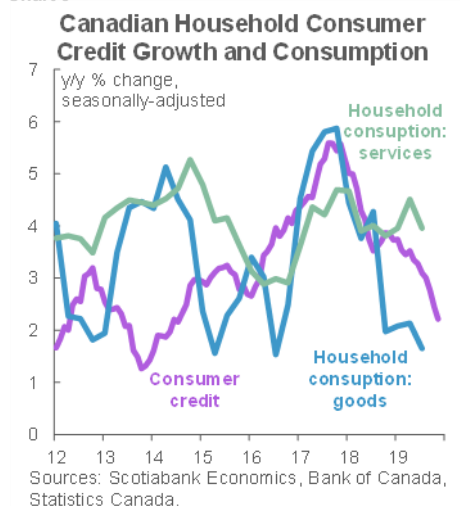
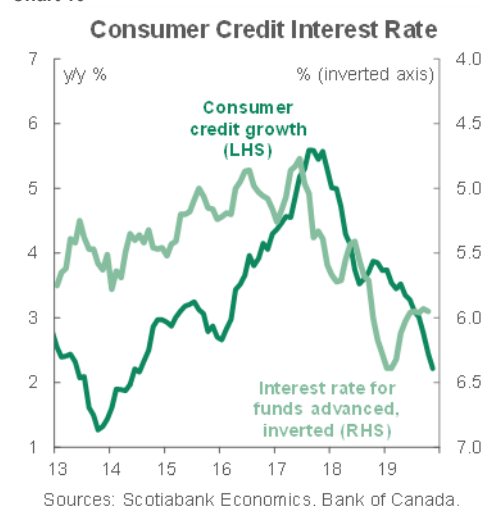


Chart 10



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