

## Growth in Canadian HELOC Borrowing Continued to Slow in February 2020

- Growth in HELOC borrowing continued to trend down in February, even as total Canadian household credit growth picked up—mainly fueled by acceleration in mortgage and consumer credit.
- Impacts of COVID-19 are expected to slow mortgage credit borrowing in coming months.

### TOTAL CANADIAN HOUSEHOLD CREDIT PICKS UP

Canadian total chartered bank household credit growth as reported by OSFI (Office of the Superintendent of Financial Institutions) continued to accelerate before the effects of COVID-19 stalled the economy in the following month. Total household borrowing expanded by 4.9% y/y, pulled up by mortgage and non-mortgage consumer credit growth while HELOC (home equity line of credit) borrowing continued to trend lower (chart 1).

### HELOC BORROWING TRENDS DOWN FURTHER

HELOC growth continued to decelerate on a year-on-year basis for the 15th consecutive month, reaching a pace of 1.6% y/y.

HELOC borrowing took off in 2016 on the back of rapid appreciation of home prices in Canada (chart 2). As home prices were pushed higher and home equity built up faster, extracting this equity became more accessible to Canadian households. The cost of relocation through this period was rapidly rising with home prices and households may have been pushed to favour renovation instead.

Despite the overall stabilization of home prices in recent years, HELOC borrowing has been persistently slowing since the start of 2019. [Newly released data](#) from a survey conducted by *Mortgage Professionals Canada* reported that fewer Canadians took out a HELOC in 2019 in comparison to the previous year (chart 3). It is unclear if borrowing has been actively declining due to a change of consumer preferences or due to limited ease of accessing these funds.

### MORTGAGE CREDIT REMAINED STRONG

Canadian mortgage credit growth from chartered banks picked up by 5.8% y/y in February. This rapid acceleration was fueled by mortgage rates which remained steady near their two-year low, as well as a robust labour market up until March.

While mortgage growth in February remained strong, recent economic turmoil will likely lead to weaker mortgage credit growth in the months ahead. In March, the Canadian labour market lost over 1 million jobs and home sales [rapidly declined](#) in the month. Mortgage credit growth is expected to stall in the coming months as the Canadian economy remains impacted by the pandemic (chart 4).

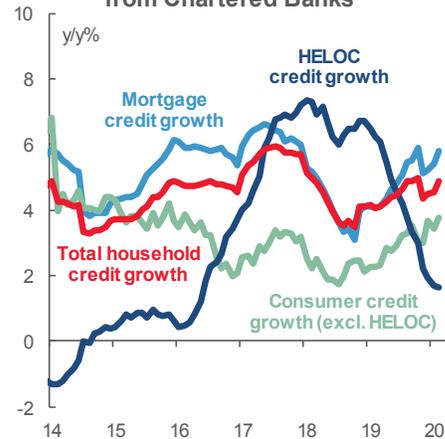
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Chart 1

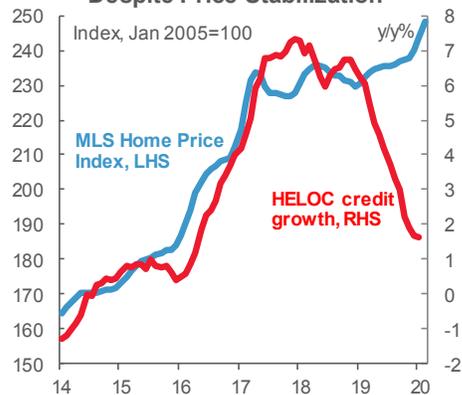
Canadian Household Credit Growth from Chartered Banks



Sources: Scotiabank Economics, OSFI.

Chart 2

HELOC Growth Has Not Recovered Despite Price Stabilization

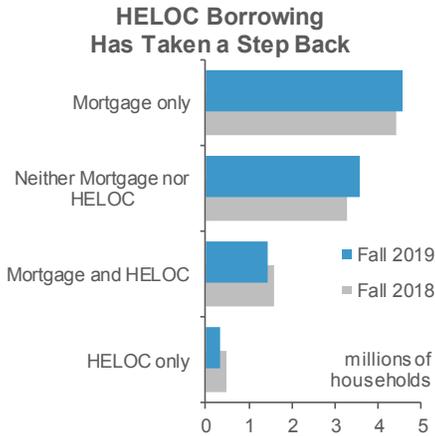


Sources: Scotiabank Economics, OSFI, CREA.

**CONSUMER CREDIT CLIMBS HIGHER**

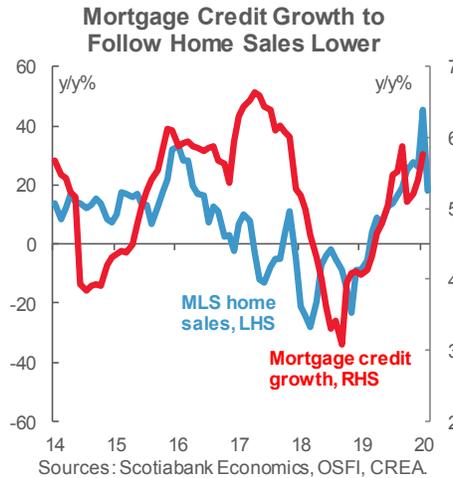
**Canadian consumer credit picked up to 3.8% y/y—its fastest pace of expansion in four years.** Consumer credit growth remains relatively weak in comparison to mortgage credit growth as Canadian consumption remains anaemic (chart 5). The impact on consumer borrowing of an increase in spending on essential items in March (at the expense of other spending), as well as lower employment incomes, remains to be seen.

Chart 3



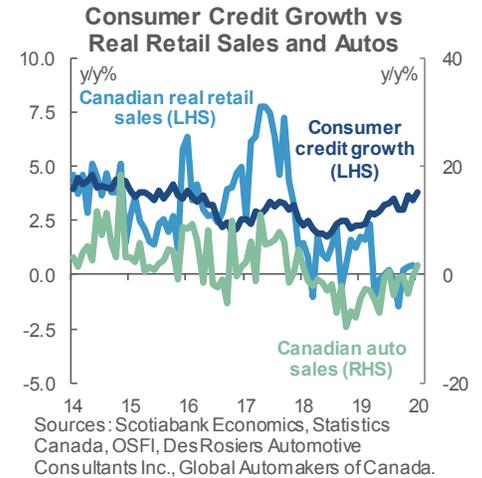
Sources: Scotiabank Economics, Mortgage Professionals Canada.

Chart 4



Sources: Scotiabank Economics, OSFI, CREA.

Chart 5



Sources: Scotiabank Economics, Statistics Canada, OSFI, DesRosiers Automotive Consultants Inc., Global Automakers of Canada.

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