



# BIANNUAL SURVEY OF SUPPLIERS OF BUSINESS FINANCING DATA ANALYSIS, FIST HALF 2015

January 2016

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This document presents data on business lending activities gathered from the Statistics Canada Biannual Survey of Suppliers of Business Financing, the Bank of Canada Senior Loan Officer Survey and Business Outlook Survey, and the PayNet Canadian Business Lending Index.

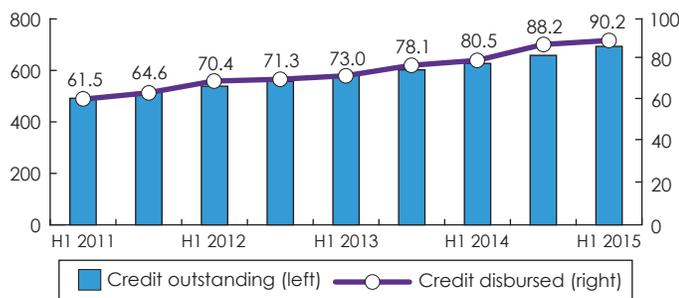
## SUMMARY

- Overall lending conditions in Canada slightly improved in the first half of 2015 (January to June) as suppliers continued to lend across all business size categories and sectors.
- Lending conditions improved the most for large businesses (those with loan authorization levels of \$5.0 million or more), with the value of loan disbursements increasing by 2.7-percent from second half of 2014 (July to December) to the first half of 2015.
- SMEs in professional, scientific and technical services and "other industries" sectors benefitted the most from increased lending.

## OVERALL LENDING CONDITIONS

Results from the *Survey of Suppliers of Business Financing* highlight a continued increase in value of credit disbursements in the first half of 2015. In total, lenders disbursed approximately \$90 billion in new loans<sup>1</sup> to Canadian businesses between January and June (H1 2015), compared with approximately \$88 billion in new loans disbursed between July and December 2014 (H2 2014) (Figure 1). This translates into a slight increase in new loan activity of 2.2-percent from H2 2014 to H1 2015 and reflects 5 years of straight increases in loans disbursements since 2011.

**Figure 1: Value of Credit Outstanding (\$ billions) and disbursed (\$ billions) to All Businesses**

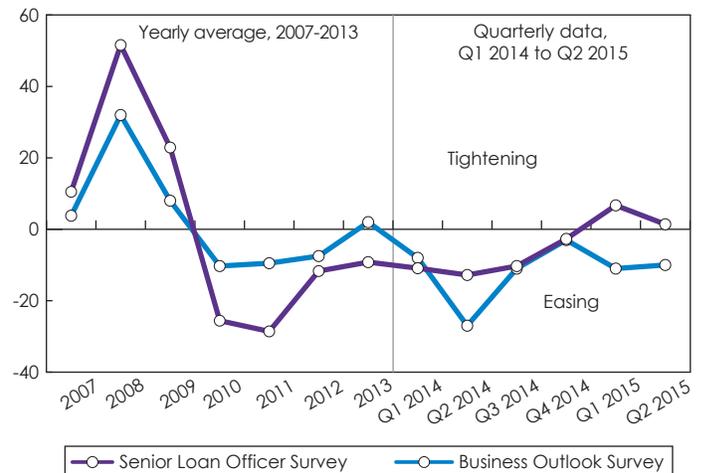


Source: Statistics Canada, *Biannual Survey of Suppliers of Business Financing*, 2015.

The total value of credit outstanding has also continued to increase since 2011 as growth in new loan disbursements has outpaced growth in loan repayments.

As can be seen in Figure 2, results from the *Survey of Suppliers of Business Financing* are consistent with a slight loosening in business lending conditions reported by the Bank of Canada. Although, the Bank of Canada's *Senior Loan Officer Survey* reported a slight tightening in H1 2015, overall credit conditions in Canada have generally been eased since 2010 including the *Business Outlook Survey* lending index which frequently reported an easing in credit conditions. This stands in sharp contrast to the financial crisis/recessionary period of 2007 to 2009 in which credit markets were clearly in a state of tightening.

**Figure 2: Credit Lending Conditions in Canada**



Note 1: The *Senior Loan Officer Survey* lending index shows the difference between the weighted percentage of financial institutions reporting tighter credit conditions and the weighted percentage reporting easier credit conditions in the preceding 3 months. The *Business Outlook Survey* lending index shows the percentage of firms reporting tighter lending terms and conditions minus the percentage reporting easier terms and conditions compared with the previous 3 months.  
 Note 2: Positive values indicate a tightening of credit. Negative values indicate a loosening of credit.  
 Source: Bank of Canada, *Senior Loan Officer Survey*; and *Business Outlook Survey*, 2015.

Table 1 presents data from the *Survey of Suppliers of Business Financing* on total loan disbursements to businesses by supplier type. Domestic banks, which account for 49-percent of Canada's new loans market, continued lending aggressively in H1 2015 (Table 1), increasing loan disbursements to businesses by 2.7-percent from H2 2014 to H1 2015. This followed a 15.0-percent increase in disbursements in the H2 2014. Loan

<sup>1</sup> New loans include term loans and non residential mortgages that generally have a fixed repayment schedule of greater than one year.

disbursals by “other banks” and finance companies, which account for 22-percent and 11-percent respectively, of Canada’s new loans market, increased their lending moderately by 5.3-percent and 6.2-percent, respectively, in H1 2015. In contrast, disbursals by insurance companies and portfolio managers experienced a notable decline of 15.3-percent in H1 2015 as compared to 13.6-percent increase in disbursals in H2 2014.

**Table 1: Value of Credit Disbursed (\$ billions) to All Businesses by Supplier Type**

Supplier Type	2012		2013		2014		2015
	H1	H2	H1	H2	H1	H2	H1
Domestic banks	30.6	32.0	34.1	36.6	37.5	43.1	44.2
Other banks	16.6	16.0	15.1	17.2	18.3	18.6	19.6
Credit unions and Caisses populaires	8.0	8.9	8.9	9.4	8.6	9.5	9.8
Finance companies	9.4	9.2	9.6	8.5	9.4	9.5	10.1
Insurance companies and portfolio managers	5.9	5.2	5.3	6.4	6.6	7.5	6.3
All suppliers	70.4	71.3	73.0	78.1	80.5	88.2	90.2

Source: Statistics Canada, *Biannual Survey of Suppliers of Business Financing*, 2015.

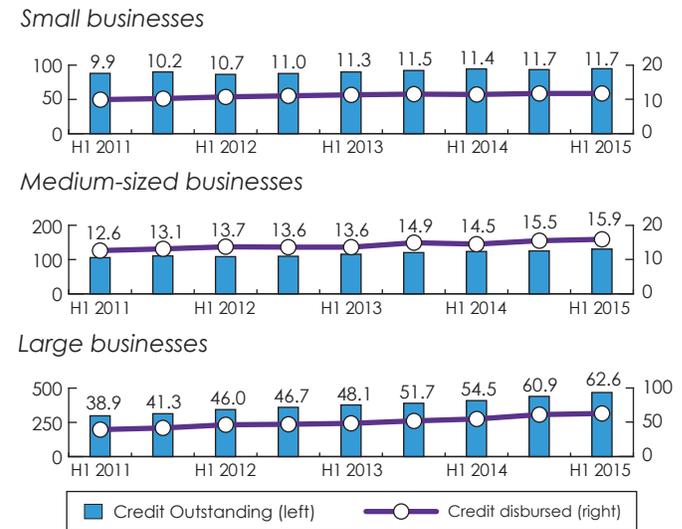
## LENDING CONDITIONS BY BUSINESS SIZE

Findings from the *Survey of Suppliers of Business Financing* showed an overall increase in lending activity in H1 2015. However, the increase was more pronounced among medium-sized businesses (those with loan authorization levels between \$1 million and less than 5 million) and large businesses (those with loan authorization levels of \$5 million or more), to which lenders disbursed approximately \$15.9 and \$62.6 billion, respectively in new loans. This represents a 2.4-percent and 2.7-percent increase, respectively in disbursals as compared to H2 2014. In contrast, lending to small businesses (those with loan authorization levels less than \$1 million) remained unchanged at \$11.7 billion between H2 2014 and H1 2015 (Figure 3).

In general, results from the *Survey of Suppliers of Business Financing* have been consistent with findings from the *PayNet Canadian Business Lending Index (CBLI)* since 2011. As can be seen in Figure 4, index values for small and medium-sized businesses have been trending upwards since 2011 which coincided with increase in lending reported by the *Survey of Supplier of Business Financing*. The upward trends also coincided with declining trends in business loan defaults over the period.

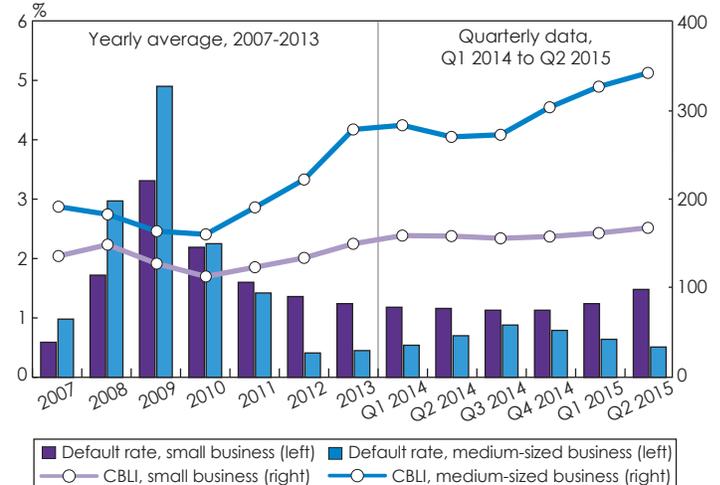
Further consistencies in results from both sources were observed as findings from PayNet CBLI also confirmed that increases in loan disbursals were more pronounced for medium-sized businesses. Specifically, between Q2 2014 and Q2 2015, the loan default rate for small businesses increased slightly by 0.32-percentage points, from 1.16% to 1.48%, while at the same time the lending index increased by 5.9-percent. In contrast, the loan default rate for medium-sized businesses decreased by 0.19-percentage points from 0.70% to 0.51%, while at the same time the lending index increased significantly by 26.8-percent.

**Figure 3 : Value of Credit Outstanding (\$ billions) and Disbursed (\$ billions) by Size of Business**



Source: Statistics Canada, *Biannual Survey of Suppliers of Business Financing*, 2015.

**Figure 4: Loan Default Rate (percentage) and Canadian Business Lending Index for Small and Medium-Sized Businesses**



Note 1: This indicator measures the net volume of loans to small and medium-sized businesses.

Note 2: Defaults are totaled for each quarter and are divided by the average current balance outstanding for the quarter. The result is then annualized. The CBLI is calculated based on the dollar weighted percentage change in qualifying new originations from the prior quarter to the current quarter, for qualifying lenders with data in both quarters. It is then presented on an absolute index basis, indexed so that January 2005 equals 100.

Source: PayNet Inc., *Canadian Business Lending Index*, 2015.

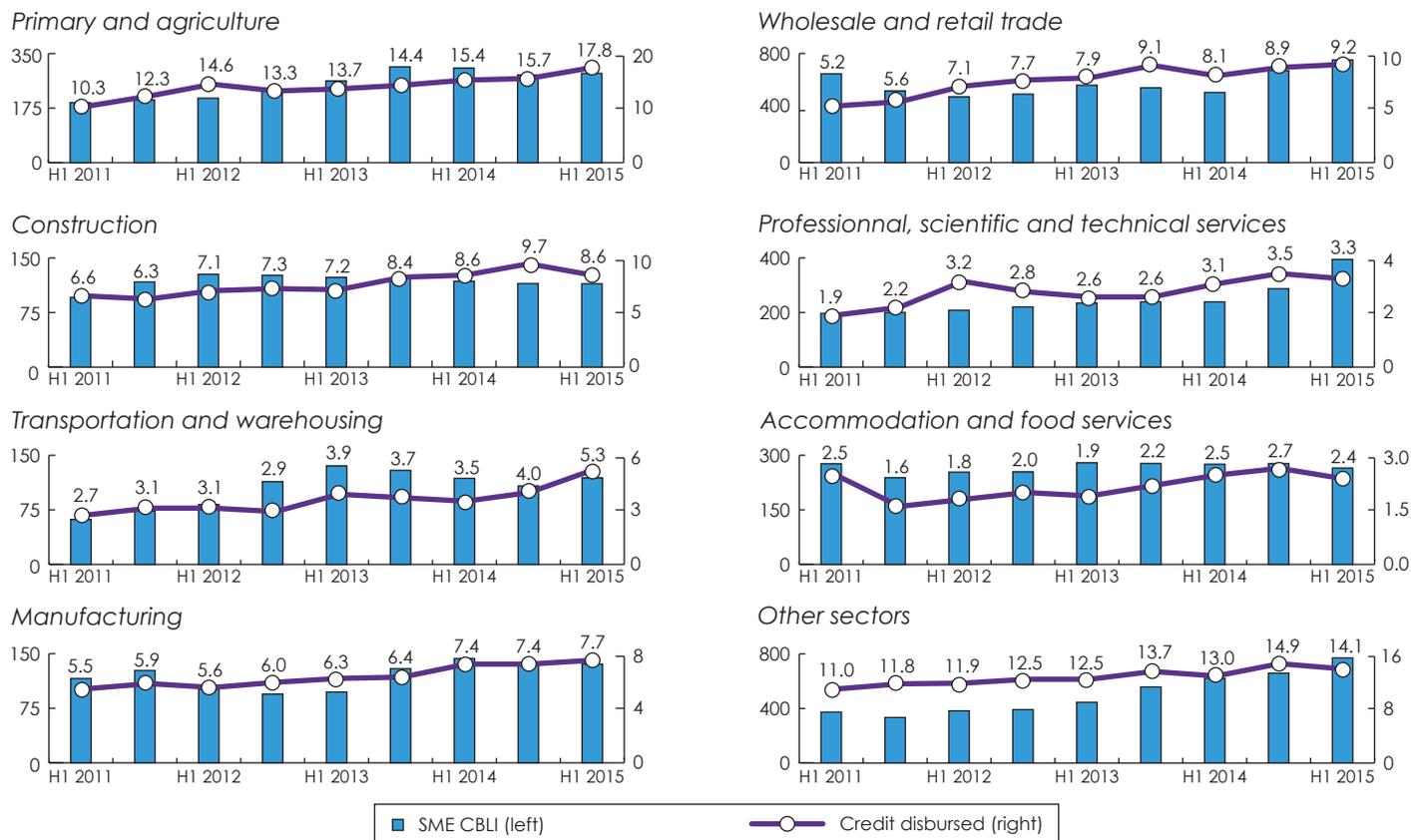
## LENDING CONDITIONS BY SECTOR

Findings from the *Survey of Suppliers of Business Financing* show that there was an increase in total lending across some sectors in H1 2015, with the increase in lending more pronounced among large businesses. Sectors experiencing the strongest increases in disbursals were the transportation and warehousing and primary and agriculture sectors, to which lender disbursed

approximately \$5.3 and \$17.8 billion respectively in new loans in H1 2015. This represents an increase in disbursements of 32.4-percent and 13.6-percent respectively from H2 2014 to H1 2015. In contrast, firms in "other industries", construction, accommodation and food services, and professional, scientific

and technical services sectors experienced a decline in H1 2015 as compared to H2 2014. Specifically, a sharp decline was observed by firms in construction and accommodation and food services sectors for which lending declined by 11.8-percent and 13.2-percent respectively from H2 2014 to H1 2015 (Figure 5).

**Figure 5: SME Canadian Business Lending Index and Value of Credit Disbursed (\$ billions) by Sector to All Businesses**



Note: Value of credit disbursed to firms in finance, insurance, real estate, and rental sector was excluded from "other sectors".  
Source: PayNet Inc., *Canadian Business Lending Index*, 2015; and Statistics Canada, *Biannual Survey of Suppliers of Business Financing*, 2015.

In the same period, SMEs within "other industries" and professional, scientific and technical services sectors experienced notable increases in lending activities, with lending index rising to 770.5 and 394.6 respectively, as evidenced by PayNet *Canadian Business Lending Index (SME)*. This represents an increase in lending to SMEs by 17-percent and 37-percent respectively between H2 2014 and H1 2015. In contrast, SMEs within accommodation and food services and construction sectors experienced a slight decrease in lending by 4.5-percent and 0.13-percent in the same period.

## ABOUT THE SOURCES

The Statistics Canada *Biannual Survey of Suppliers of Business Financing* is the result of commitment by the Government of Canada to improve the availability of information about financing of businesses in Canada. Data are collected from 120 major suppliers of financing, including domestic banks and credit unions and Caisses populaires, representing over 90-percent of all lending to businesses in Canada.

The Bank of Canada *Senior Loan Officer Survey* collects information on the business-lending practices of Canadian financial institutions. In particular, the survey gathers the perspectives of respondents on price and non-price terms of business lending and on topical issues of interest to the Bank of Canada. The survey is conducted quarterly, near the end of the quarter for which the results are reported. The Bank of Canada *Business Outlook Survey* consist of interviews conducted by the bank's regional offices with the senior management of about 100 firms, selected in accordance with the composition of Canada's gross domestic product. The survey's purpose is to gather the perspectives of these businesses on topics of interest to the Bank of Canada (such as demand and capacity pressures) and their forward-looking views on economic activity.

The PayNet *Canadian Business Lending Index* is built using PayNet's proprietary database, which is updated weekly, and represents a growing collection of commercial loans and leases encompassing more than 909 thousand reported contracts worth over \$70 billion.