



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

## September 2016

[www.ic.gc.ca/surveys](http://www.ic.gc.ca/surveys)

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 continued to improve in the second half of 2015 (July to December) as suppliers continued to lend aggressively across all business size categories and most industry sectors.
- Lending conditions improved the most for large businesses (those with loan authorization levels of \$5.0 million or more) and medium-sized businesses (those with loan authorization levels between \$1 million and less than 5 million) with the value of loan disbursements increasing by 7.6 percent and 7.1 percent respectively, from first half of 2015 (January to June) to the second half of 2015.
- Small and medium-sized enterprises (SMEs) in the professional, scientific and technical services sector, and in "other sectors" benefitted the most from increased lending in the second half of 2015.

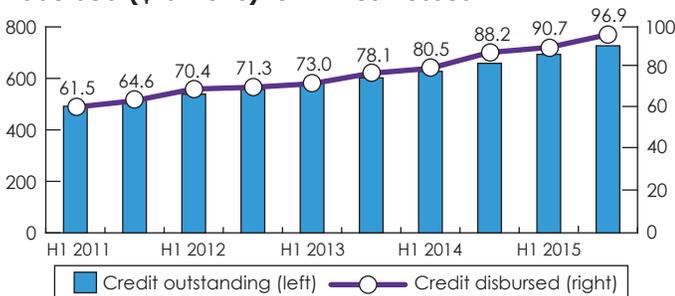
The total value of credit outstanding also continued to increase by 4.4 percent on average annually since 2011. Between H1 2015 and H2 2015, value of credit outstanding increased by 4.8 percent.

The financial crisis/recessionary period of 2007 to 2009 is quite evident in Figure 2, as Bank of Canada's *Senior Loan Officer* and *Business Outlook Survey* reported credit market conditions that were clearly in a state of tightening. Since 2010, overall credit conditions in Canada have been generally eased as both businesses and financial institutions reported easier lending terms and conditions. Results from the *Survey of Suppliers of Business Financing* were also somewhat consistent with results from Bank of Canada's *Senior Loan Officer Survey* and *Business Outlook Survey*, which indicated minimal change in H2 2015. As can be seen in Figure 2, both lending indices reported a slight increase in H2 2015 representing insignificant change in credit conditions in this period.

### OVERALL LENDING CONDITIONS

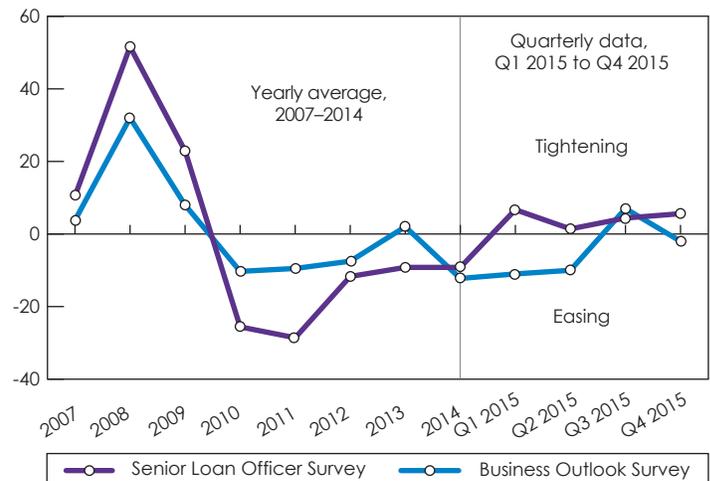
Results from the *Survey of Suppliers of Business Financing* highlight a continued increase in value of credit disbursements in the second half of 2015. In total, lenders disbursed approximately \$97 billion in new loans<sup>1</sup> to Canadian businesses between July and December 2015 (H2 2015), compared with approximately \$90 billion in new loans disbursed between January and June 2015 (H1 2015) (Figure 1). This translates into a slight increase in new loan activity of 6.8 percent from H1 2015 to H2 2015 and reflects five years of 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*, 2016.

**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*, 2016; and Bank of Canada, *Business Outlook Survey*, 2016.

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

Table 1 presents data from the *Survey of Suppliers of Business Financing* on total loan disburseals to businesses by supplier type. Domestic banks, which account for 49.2 percent of Canada's new loans market, continued lending aggressively in H2 2015 (Table 1), increasing loan disburseals to businesses by 7.8 percent from H1 2015 to H2 2015. This followed a 2.7 percent increase in disburseals in H1 2015. In H2 2015, "other banks", finance companies, and Credit Unions and Caisses populaires, which account for 21.3 percent, 11.0 percent and 11.1 percent of Canada's new loans market respectively. These financial institutions increased their lending by 3.3 percent, 6.1 percent and 7.5 percent respectively, in H2 2015. Loan disburseals by insurance companies and portfolio managers rebounded by 11.5 percent in H2 2015. This compared with a 15.3 percent drop in disburseals in H1 2015.

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

Supplier Type	2013		2014		2015	
	H1	H2	H1	H2	H1	H2
Domestic banks	34.1	36.6	37.5	43.1	44.2	47.7
Other banks	15.1	17.2	18.3	18.6	20.0	20.7
Credit unions and Caisses populaires	8.9	9.4	8.6	9.5	10.0	10.7
Finance companies	9.6	8.5	9.4	9.5	10.1	10.8
Insurance companies and portfolio managers	5.3	6.4	6.6	7.5	6.3	7.1
All suppliers	73.0	78.1	80.5	88.2	90.7	96.9

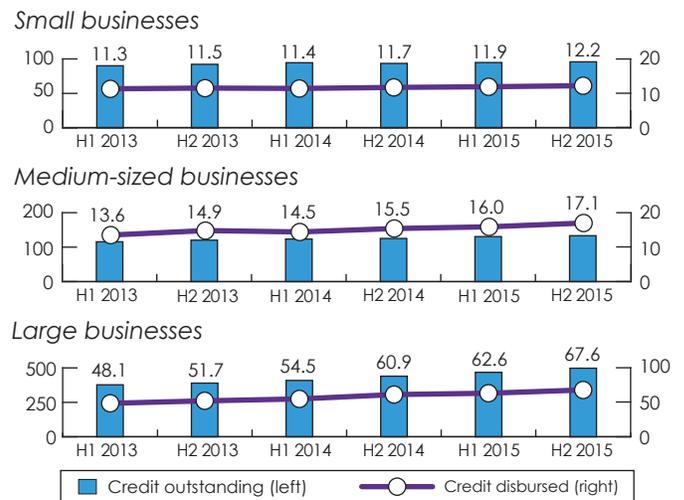
Source: Statistics Canada, *Biannual Survey of Suppliers of Business Financing*, 2016.

## LENDING CONDITIONS BY BUSINESS SIZE

Findings from the *Survey of Suppliers of Business Financing* showed an overall increase in lending activity in H2 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 \$17.1 billion and \$67.6 billion in new loans respectively. This represents a 7.1 percent increase in new loans to medium-sized businesses and 7.6 percent increase in new loans to large businesses. Lending to small businesses (those with loan authorization levels less than \$1 million) slightly increased to \$12.2 billion, representing a total increase of 2.7 percent between H1 2015 and H2 2015 (Figure 3).

Unlike the findings from the *Survey of Suppliers of Business Financing*, findings from PayNet's *Canadian Business Lending Index* (CBLI) suggest a slowdown in lending to medium-sized businesses in H2 2015 (Figure 4). Particularly, in H2 2015, lending index for medium-sized businesses dropped by 6.6 percent. The slowdown in lending to medium-sized businesses in H2 2015 can partly be explained by soaring default rates in 2014. Specifically, default rates for medium-sized businesses between Q1 2014 and Q4 2014 increased by 0.26 percentage points from 0.54 percent to 0.80 percent.

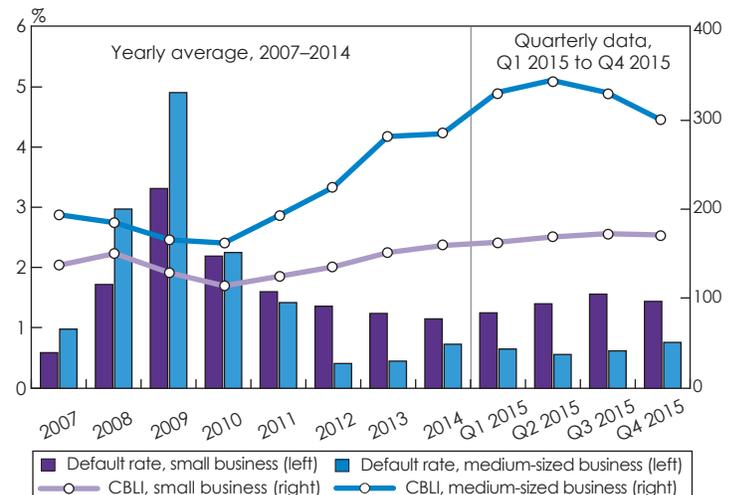
**Figure 3 : Value of Credit Outstanding (\$ billions) and Disbursed (\$ billions) by Size of Business**



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

In contrast to the slowdown in lending to medium-sized businesses, the CBLI for small business increased by 3.6 percent in H2 2015, as reported by PayNet. This is consistent with the findings of the *Survey of Supplier of Business Financing*, which also reported a slight increase in lending to small businesses in H2 2015. The default rate for small businesses continued to rise in H2 2015. Specifically, in H2 2015, the default rate for small businesses increased slightly by 0.18 percentage points, on average quarterly, as compared with H1 2015.

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



Note 1: The CBLI 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.

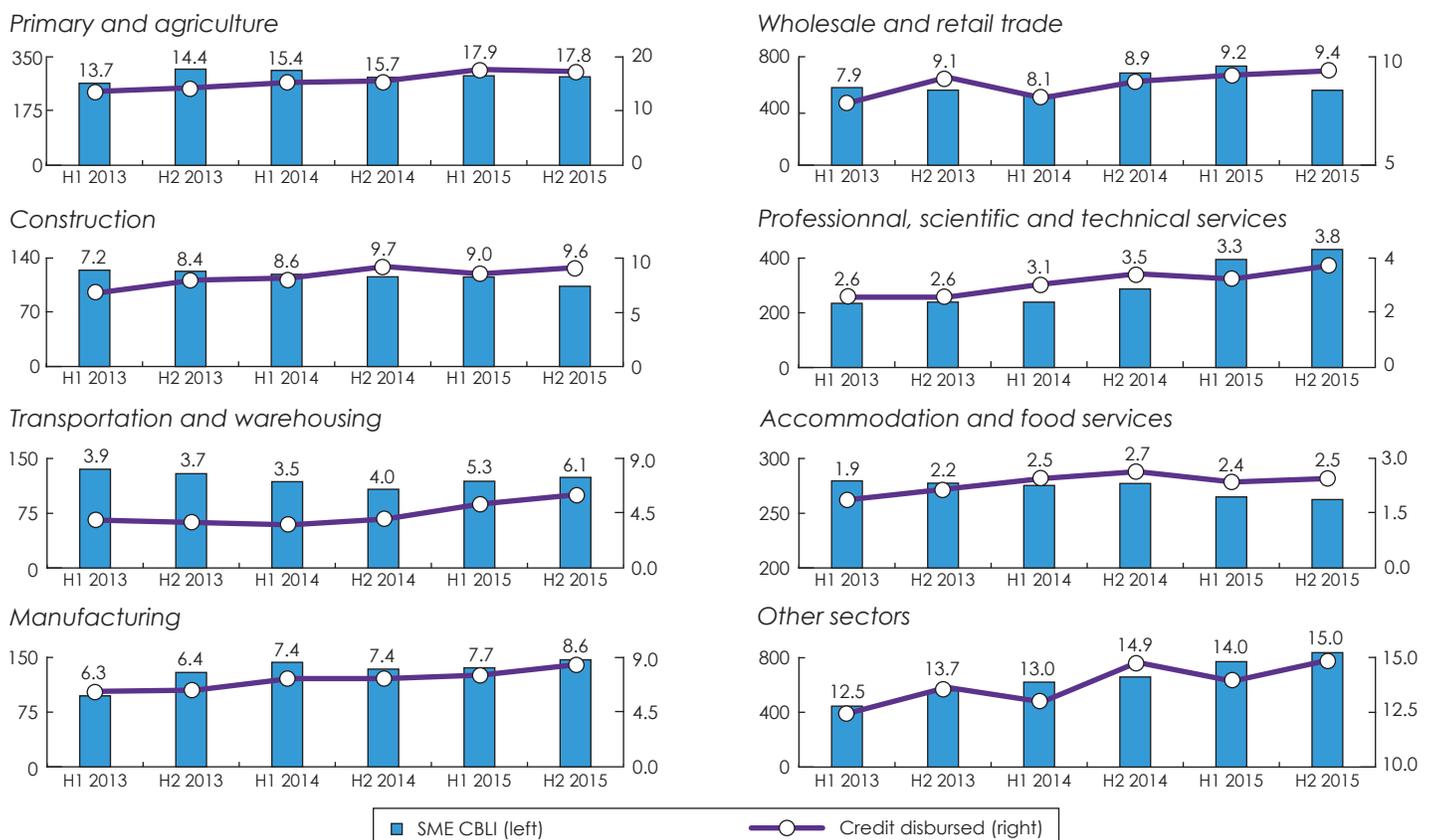
## LENDING CONDITIONS BY SECTOR

Findings from the *Survey of Suppliers of Business Financing* show that with the exception of the primary and agriculture sector, there was an increase in total lending across all sectors in H2 2015, with the increase in lending most pronounced among large businesses. Sectors experiencing the strongest increases in disbursements were transportation and warehousing, and professional, scientific and technical services, to which lenders disbursed approximately \$6.1 billion and \$3.8 billion in new loans respectively, in H2 2015 (Figure 5). This represents an increase in disbursements of 15.9 percent in the transportation and warehousing sector and a 14.6 percent increase in the professional, scientific and technical services sector from H1 2015 to H2 2015. Firms in manufacturing, construction and "other sectors" experienced a moderate growth as lenders increased their disbursements by approximately 11.2 percent, 7.6 percent and 7.2 percent respectively, in H2 2015. On the other hand, lending to primary and agriculture sector experienced a slight decline from \$17.9 billion to \$17.8 billion between H1 2015 and H2 2015.

This translates into a net decline of 2.1 percent. Over the same period, SMEs within professional, scientific and technical services, transportation and warehousing, "other sectors", and manufacturing sectors experienced increases in lending activities in H2 2015. Specifically, the increase in lending was most prominent among SMEs in professional, scientific and technical services sector, and "other sectors" to which lenders increased their disbursements by 11.71 percent and 8.5 percent respectively, in H2 2015, as evidenced by PayNet's CBLI.

On the other hand, SMEs within wholesale and retail trade, primary and agriculture, accommodation and food, and construction sectors experienced a decline in lending in H2 2015. The decline was most noticeable among SMEs in wholesale and retail trade, and construction sectors, which experienced a drop in lending by 24.4 percent and 10.4 percent respectively, between H1 2015 and H2 2015.

**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.

---

## 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](#) consists 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.