



BIANNUAL SURVEY OF SUPPLIERS OF BUSINESS FINANCING

DATA ANALYSIS, SECOND HALF 2018

September 2019



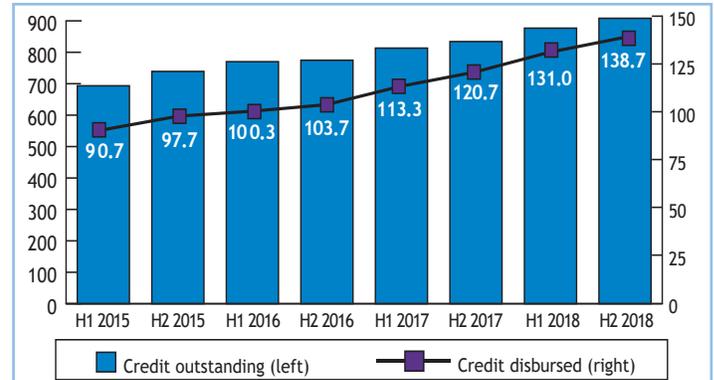
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This document presents data on business lending activities gathered from the Statistics Canada *Biannual Survey of Suppliers of Business Financing*, the Bank of Canada *Senior Loan Officer Survey* and *Business Outlook Survey*, and the PayNet *Canadian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

SUMMARY

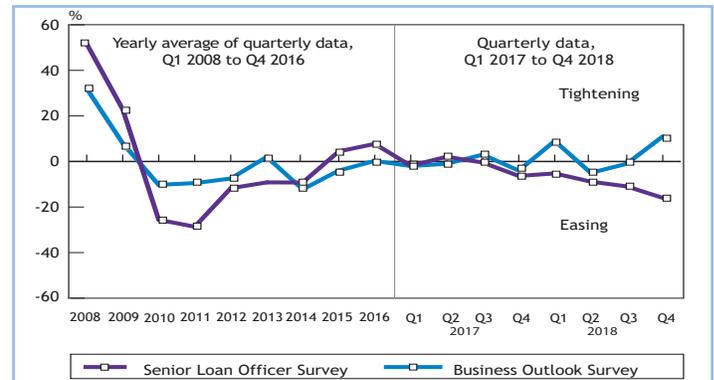
- Overall, lending extended to Canadian businesses of all sizes, and across industries, continued to grow in the second half of 2018 (July to December). This growth in lending occurred in the context of an increase in the business prime rate, from 3.45 percent to 3.95 percent, over the course of the second half of 2018.
- According to data from *Biannual Survey of Suppliers of Business Financing*, the value of disbursements increased by 5.8 percent from the first half of 2018 (January to June) to the second half of 2018. This increase was driven by new loans to large firms (those with authorization levels of \$5 million or more), which increased by 7.5 percent. The value of loan disbursements to small businesses (those with loan authorization levels of less than \$1 million) and medium-sized businesses (those with authorization levels of \$1 million or more but less than \$5 million) also increased, by 2.0 percent and 0.5 percent, respectively.
- Bank of Canada survey results indicate that lenders reported continued easing of credit conditions during second half of 2018. Borrowers, on balance, reported a slight tightening of credit conditions towards the end of 2018, even as the majority of firms reported having easy access to credit.

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



Source: Statistics Canada, *Biannual Survey of Suppliers of Business Financing*, 2018.

Figure 2: Credit Lending Conditions in Canada



Sources: Bank of Canada, *Senior Loan Officer Survey*, 2018; and *Business Outlook Survey*, 2018.

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.

Results from the Bank of Canada's *Business Outlook Survey* indicate that most firms continued to report access to credit as easy or relatively easy to obtain during H2 2018. However, on balance, the business lending indicator from this survey points to a slight tightening in credit conditions towards the end of 2018, with firms operating in commodity sectors or in the Prairies reporting some increased difficulty in accessing credit.

OVERALL LENDING CONDITIONS

Survey results from the *Biannual Survey of Suppliers of Business Financing* indicate that the value of credit disbursements and credit outstanding continued to increase between July and December 2018 (H2 2018). The value of new loans¹ extended to businesses increased by \$138.7 billion in H2 2018, compared to \$131.0 billion in new loans disbursed between January and June 2018 (H1 2018), an increase of 5.8 percent (Figure 1). Total credit outstanding in H2 2018 increased by 4.7 percent over H1 2018 levels to \$918.2 billion. These increases reflect the continuation of steady growth observed in disbursements and credit outstanding since 2011, and occurred in the context of an increase in the business prime rate from 3.45 percent to 3.95 percent during the second half of 2018.

Results from the Bank of Canada's *Senior Loan Officer Survey* show that lenders reported a continued easing of business lending conditions in H2 2018, as lenders continued to compete for corporate borrowers (Figure 2). Lending conditions for small and medium-sized businesses remained unchanged.

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

Table 1 shows data on new lending from the *Biannual Survey of Suppliers of Business Financing*, with total loan disbursements distributed by supplier type. Domestic banks, which account for more than half of new lending in Canada, increased their disbursement of credit by 5.6 percent between the first and second halves of 2018 to \$76.2 billion. Likewise, new loans by Other banks, Finance Companies and Insurance companies and portfolio managers increased by 10.2 percent, 6.2 percent and 3.2 percent, respectively, over the same period. Disbursements by Credit unions and Caisses populaires decreased slightly from H1 2018 to H2 2018, by 1.1 percent.

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

Supplier Type	2016		2017		2018	
	H1	H2	H1	H2	H1	H2
Domestic banks	52.1	55.3	60.4	64.9	72.2	76.2
Other banks	22.8	21.4	24.2	24.9	25.4	27.9
Credit unions and Caisses populaires	10.9	10.6	11.1	11.9	12.1	12.0
Finance companies	9.3	11.8	12.3	13.3	15.2	16.1
Insurance companies and portfolio managers	5.2	4.6	5.3	5.6	6.2	6.4
All suppliers	100.3	103.7	113.3	120.7	131.0	138.7

Source: Statistics Canada, *Biannual Survey of Suppliers of Business Financing*, 2018.

LENDING CONDITIONS BY BUSINESS SIZE

While the value of disbursements to businesses of all sizes increased from H1 2018 to H2 2018, according to the *Biannual Survey of Suppliers of Business Financing*, new loans to large businesses (those with authorization levels of \$5 million or more) drove the overall increase: disbursements to large firms increased by 7.5 percent to \$104.7 billion. New loans to small businesses (those with authorization levels of less than \$1 million) and medium-sized businesses (those with authorization levels of \$1 million or more but less than \$5 million) also increased, by 2.0 percent and 0.5 percent, respectively, to \$13.7 and \$20.3 billion (Figure 3).

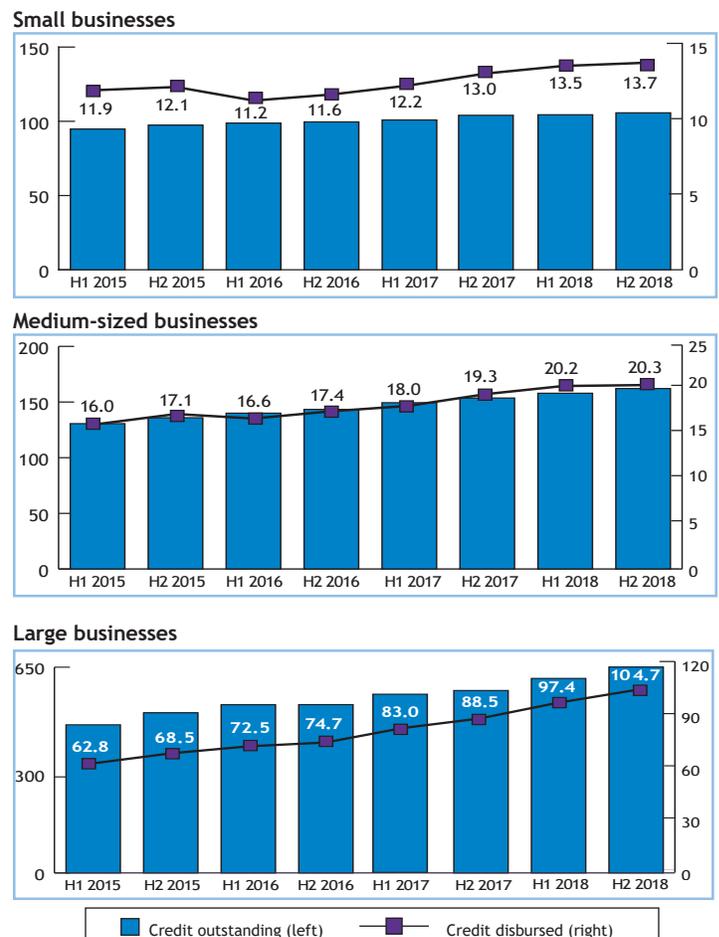
The value of credit outstanding for small businesses, medium-sized businesses and large businesses increased by 1.2 percent, 2.7 percent and 5.9 percent, respectively, from H1 2018 levels, to \$105.7, \$162.1 and \$650.4 billion.

Data from PayNet's *Canadian Business Lending Index* (CBLI) also point to increases in the value of new lending to small and medium-sized businesses between H1 2018 and H2 2018 (Figure 4).² Note that, in general, readers should be cautious in making direct comparisons between the two sources due to methodological differences.

PayNet data on defaults indicate the default rate for medium-sized businesses decreased 0.89 percent to 0.50 percent over this period. The default rate for small businesses was essentially unchanged from H1 2018 to H2 2018, at 1.15 percent.

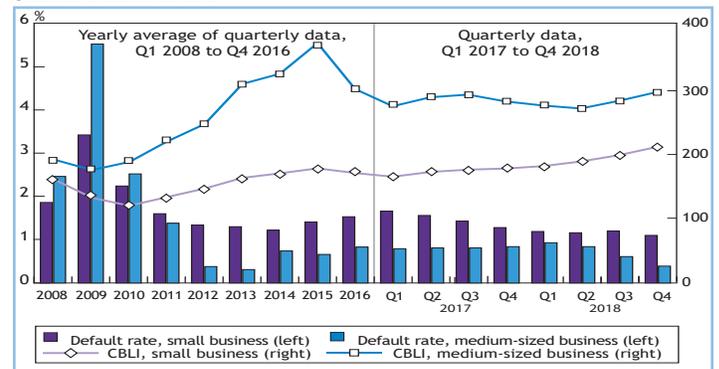
² Note that the CBLI base year used in this analysis is 2007, rather than the 2005 base year used for the CBLI in the H1 2017 data analysis.

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



Source: Statistics Canada, *Biannual Survey of Suppliers of Business Financing*, 2018.

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



Source: PayNet Inc., *Canadian Business Lending Index*, 2018.

Note 1: The CBLI is a measure of the net volume of loans to small and medium-sized businesses. The CBLI uses the same definition of small businesses as does the *Biannual Survey of Suppliers of Business Financing*, its definition of medium-sized businesses is broader, including those with loans of between \$1 million and \$10 million.

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 2007 (rather than 2005, as in previous reports) equals 100.

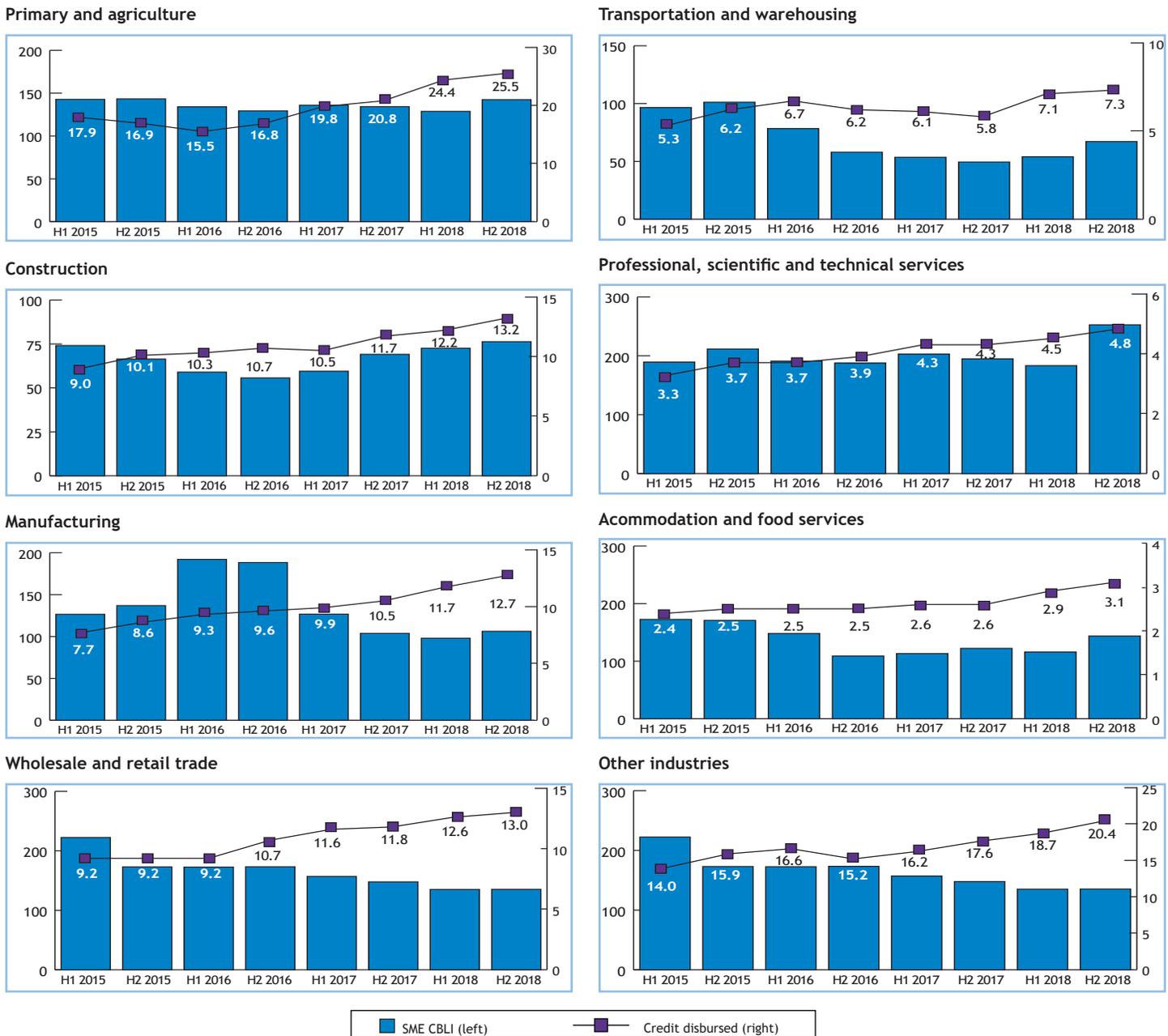
LENDING CONDITIONS BY SECTOR

Results from the *Biannual Survey of Suppliers of Business Financing* indicate new lending increased in all sectors of the economy, from H1 2018 to H2 2018 (Figure 5). The value of disbursements increased in all major borrowing industries³ between the first and second halves of 2018, with sizable increases of 9.5 percent, 8.2 percent, 7.8 percent, 7.4 percent and 6.4 percent in the other industries, the manufacturing, the construction, the professional, scientific and technical services and the accommodation and food services sectors, respectively, to \$20.4 billion, \$12.7 billion,

\$13.2 billion, \$4.8 billion and \$3.1 billion. Modest increases were observed in the primary and agriculture, the wholesale and retail trade and the transportation and warehousing sectors.

Similarly, PayNet's CBLI shows increases in new lending activity across all sectors from H1 to H2 2018. The CBLI points to significant increases of 37.8 percent, 24.4 percent and 23.9 percent, respectively, in new loans to the professional, scientific and technical services, the transportation and warehousing and the accommodation and food services sectors.

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



Note: Value of credit disbursed to firms in finance, insurance, real estate, and rental sector was excluded from "other industries".

Sources: PayNet Inc., *Canadian Business Lending Index*, 2018; and Statistics Canada, *Biannual Survey of Suppliers of Business Financing*, 2018.

³ Not shown in Figure 5 are disbursements for the finance and insurance and the real estate and rental and leasing sectors, which are major borrowing sectors and wherein disbursements increased by 5.2 percent between H1 and H2 2018.

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 is 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.