



BIANNUAL SURVEY OF SUPPLIERS OF BUSINESS FINANCING DATA ANALYSIS, FIRST HALF 2019 February 2020



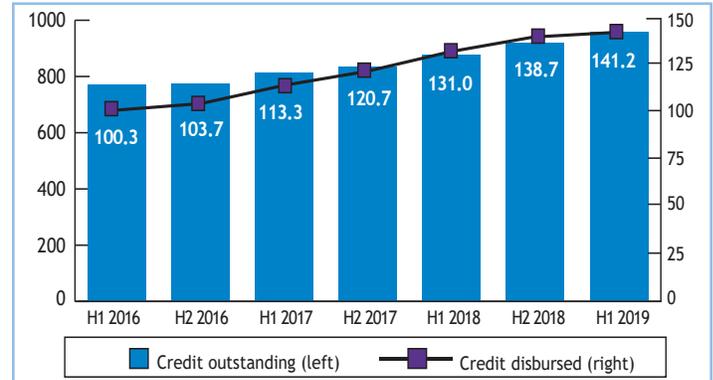
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This document presents data on business lending activities gathered from the Statistics Canada *Biannual Survey of Suppliers of Business Financing*, the Bank of Canada *Senior Loan Officer Survey* and *Business Outlook Survey*, and the PayNet *Canadian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

SUMMARY

- Overall, lending extended to Canadian businesses continued to grow in the first half of 2019 (January to June). This growth in lending occurred in the context of a constant business prime rate of 3.95 percent, over the course of the first half of 2019.
- According to data from *Biannual Survey of Suppliers of Business Financing*, the value of disbursements increased by 1.8 percent from the second half of 2018 (July to December) to the first half of 2019. This increase was driven by new loans to large firms (those with authorization levels of \$5 million or more), which increased by 3.7 percent. In contrast, 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) decreased, by 2.4 percent and 5.2 percent, respectively.
- Bank of Canada survey results indicate that lenders reported that overall business lending conditions were relatively unchanged in the beginning of H1 2019 and eased slightly towards the end of H1 2019. Borrowers, on balance, reported a marginal easing of credit conditions from the end of 2018 to the beginning of 2019, even as most businesses reported no change in credit conditions.

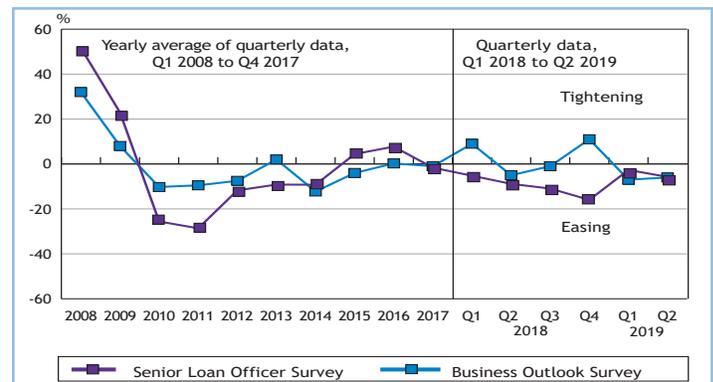
Figure 1: Value of Credit Outstanding (\$ billions) and Disbursed (\$ billions) to All Businesses



Source: Statistics Canada, *Biannual Survey of Suppliers of Business Financing*, 2019.

Results from the Bank of Canada's *Senior Loan Officer Survey* show that lenders reported that overall business lending conditions were close to unchanged in the beginning of H1 2019 and eased slightly towards the end of H1 2019 (Figure 2).

Figure 2: Credit Lending Conditions in Canada



Sources: Bank of Canada, *Senior Loan Officer Survey*, 2019; and *Business Outlook Survey*, 2019.

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.

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 January and June 2019 (H1 2019). The value of new loans¹ extended to businesses totalled \$141.2 billion in H1 2019, compared to \$138.7 billion in new loans disbursed between July and December 2018 (H2 2018), an increase of 1.8 percent (Figure 1). Total credit outstanding in H1 2019 increased by 4.3 percent over H2 2018 levels to \$957.7 billion. These increases reflect the continuation of steady growth observed in disbursements and credit outstanding in recent years. The business prime rate was steady at 3.95 percent during the first half of 2019.

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

Results from the Bank of Canada's *Business Outlook Survey* indicate that most firms continued to report access to credit as unchanged during H1 2019. However, on balance, the business lending indicator from this survey points to a slight easing in credit conditions from the end of 2018 to the beginning of 2019, with most businesses reporting no change in credit conditions.

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 3.9 percent between the second half of 2018 and the first half of 2019 to \$79.2 billion. Likewise, new loans by Other banks increased by 4.7 percent. However, Credit unions and Caisses populaires, Finance companies and Insurance companies and portfolio decreased new lending by 4.2 percent, 5.9 percent and 5.1 percent respectively, over the same period.

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

Supplier Type	2017		2018		2019
	H1	H2	H1	H2	H1
Domestic banks	60.4	64.9	72.2	76.2	79.2
Other banks	24.2	24.9	25.4	27.9	29.2
Credit unions and Caisses populaires	11.1	11.9	12.1	12.0	11.5
Finance companies	12.3	13.3	15.2	16.1	15.2
Insurance companies and portfolio managers	5.3	5.6	6.2	6.4	6.1
All suppliers	113.3	120.7	131.0	138.7	141.2

Source: Statistics Canada, *Biannual Survey of Suppliers of Business Financing*, 2019.

LENDING CONDITIONS BY BUSINESS SIZE

While the total value of disbursements increased from H2 2018 to H1 2019, 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 3.7 percent to \$108.5 billion. In contrast, 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) decreased, by 2.4 percent and 5.2 percent, respectively, to \$13.4 and \$19.2 billion (Figure 3).

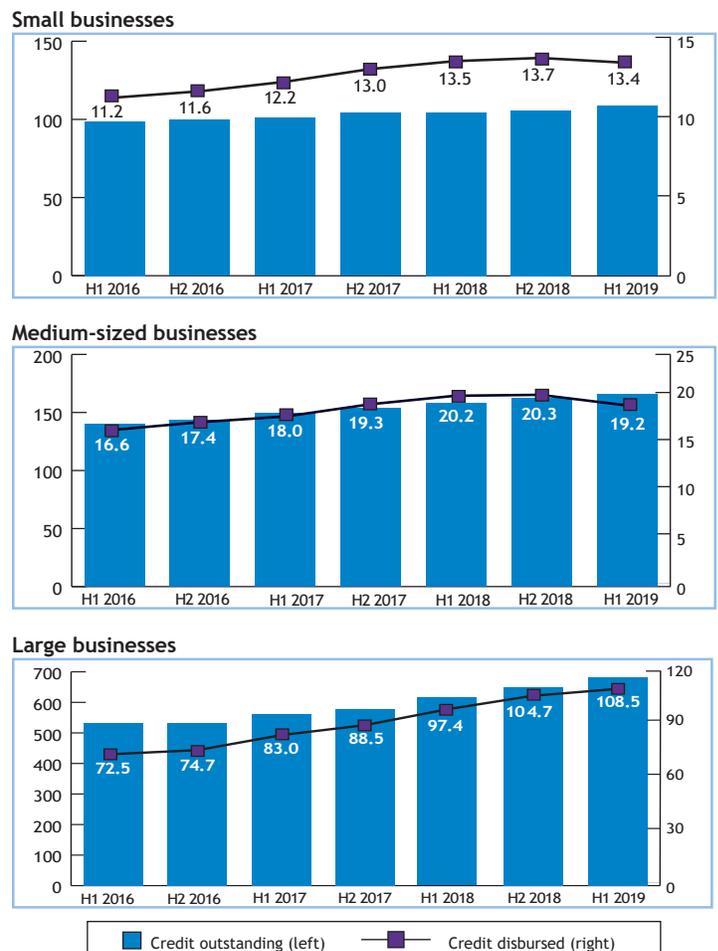
The value of credit outstanding for small businesses, medium-sized businesses and large businesses increased by 2.8 percent, 2.1 percent and 5.1 percent, respectively, from H2 2018 levels, to \$108.6, \$165.6 and \$683.5 billion.

Data from PayNet's *Canadian Business Lending Index* (CBLI) point to increases in the value of new lending to small and medium-sized businesses between H2 2018 and H1 2019 (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 small businesses slightly increased from 1.28 percent to 1.32 percent between H2 2018 to H1 2019. The default rate for medium-sized businesses increased from 0.60 percent to 0.77 percent over this period.

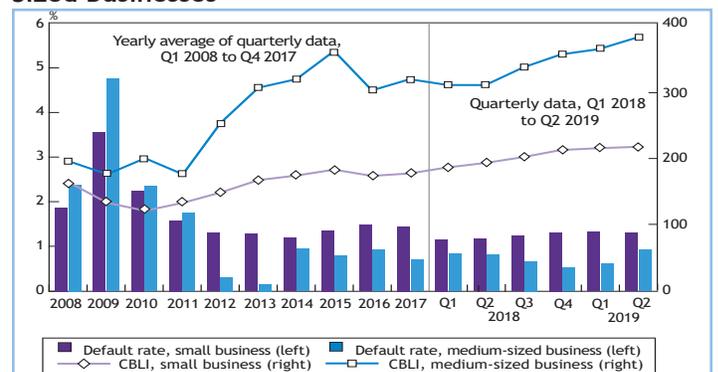
² Note that the CBLI base year used in this analysis is Q1 2005.

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



Source: Statistics Canada, *Biannual Survey of Suppliers of Business Financing*, 2019.

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*, 2019.

Note 1: The CBLI is a measure of the net volume of loans to small and medium-sized businesses. The CBLI uses a different definition of small and medium businesses than the one used in the *Biannual Survey of Suppliers of Business Financing*. Borrower size classification is based on the most current High Credit (H/C)—defined as the highest total balance outstanding in the PayNet Database for any given borrower. Small borrowers are those with a H/C of less than \$2.5 million and medium borrowers are those with a H/C of more than \$2.5 million but less than \$14 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 Q1 2005 equals 100.

LENDING CONDITIONS BY SECTOR

Results³ from the *Biannual Survey of Suppliers of Business Financing* indicate new lending increased for primary and agriculture, professional, scientific and technical services, manufacturing and wholesale and retail sectors, from H2 2018 to H1 2019 (Figure 5). The value of disbursements increased by 2.5 percent, 18.4 percent, 5.3 percent and 13.2 percent to \$26.1 billion, \$5.7 billion, \$13.4 billion and \$14.7 billion, respectively for these sectors.

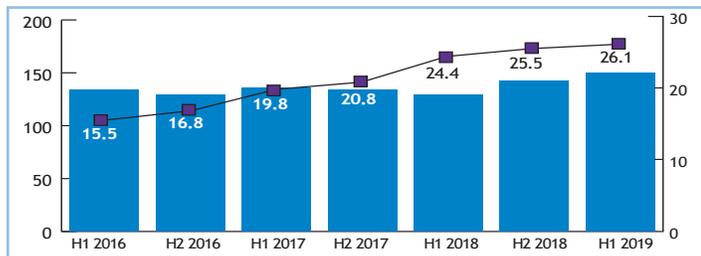
By contrast, new lending decreased from H2 2018 to H1 2019 (Figure 5) for the transportation and warehousing, construction,

accommodation and food services and other industries sectors. The value of disbursements decreased between the second half of 2018 and first half of 2019 by 3.5 percent, 9.8 percent, 6.8 percent and 2.5 percent to \$7.1 billion, \$11.9 billion, \$2.9 billion and \$19.9 billion, respectively.

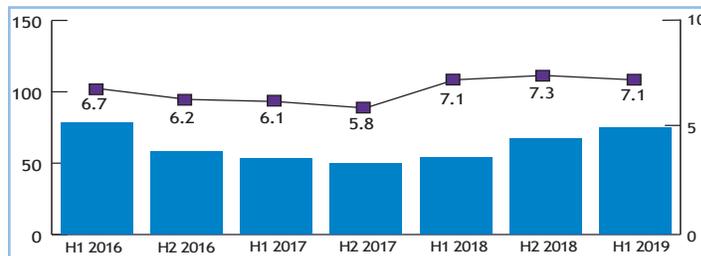
PayNet's CBLI shows increases in new lending activity across all sectors from H2 2018 to H1 2019, excepted for the manufacturing sector. The CBLI points to significant increases of 13.3 percent, 11.4 percent and 8.6 percent, respectively, in new loans to the accommodation and food services, the transportation and warehousing and the professional, scientific and technical services sectors.

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

Primary and agriculture



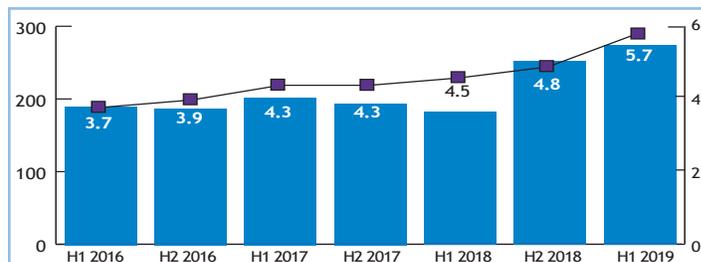
Transportation and warehousing



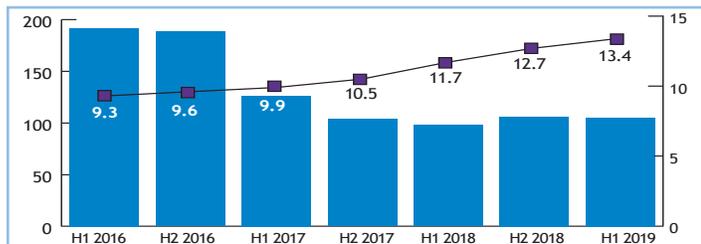
Construction



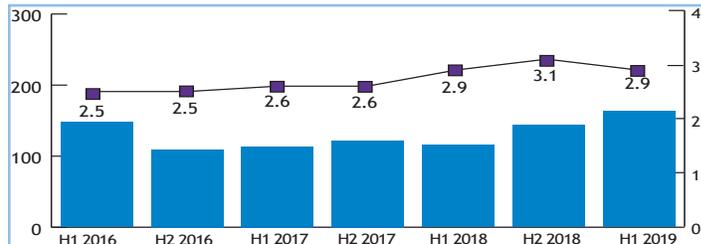
Professional, scientific and technical services



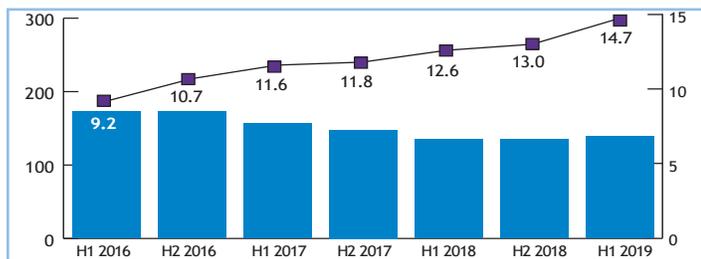
Manufacturing



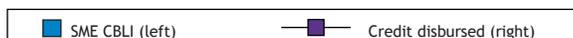
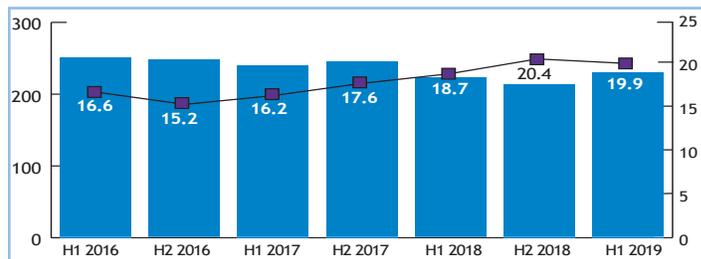
Accommodation and food services



Wholesale and retail trade



Other industries



Source: PayNet Inc., *Canadian Business Lending Index*, 2019; and Statistics Canada, *Biannual Survey of Suppliers of Business Financing*, 2019. Note: Value of credit disbursed to firms in finance, insurance, real estate, and rental sector was excluded from "other industries".

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 H2 2018 and H1 2019.

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 than 1 million reported contracts worth over \$92 billion.