



Innovation, Science and
Economic Development Canada

Innovation, Sciences et
Développement économique Canada

2020

Biannual Survey of Suppliers of Business Financing

Data Analysis, Second Half 2019

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.

Canada 

Summary

Overall, lending extended to Canadian businesses continued to grow in the second half of 2019 (July to December). This growth in lending occurred in the context of an average business prime rate of 3.50 percent, over the course of the second half of 2019.

According to data from *Biannual Survey of Suppliers of Business Financing*, the value of disbursements increased by 2.4 percent from the first half of 2019 (January to June) to the second half of 2019.

This increase was driven by new loans to large firms (those with authorization levels of \$5 million or more) and medium-sized businesses (those with authorization levels of \$1 million or more but less than \$5 million), which increased by 2.7 percent and 2.6 percent, respectively. In contrast, the value of loan disbursements to small businesses (those with loan authorization levels of less than \$1 million) increased by 0.2 percent.

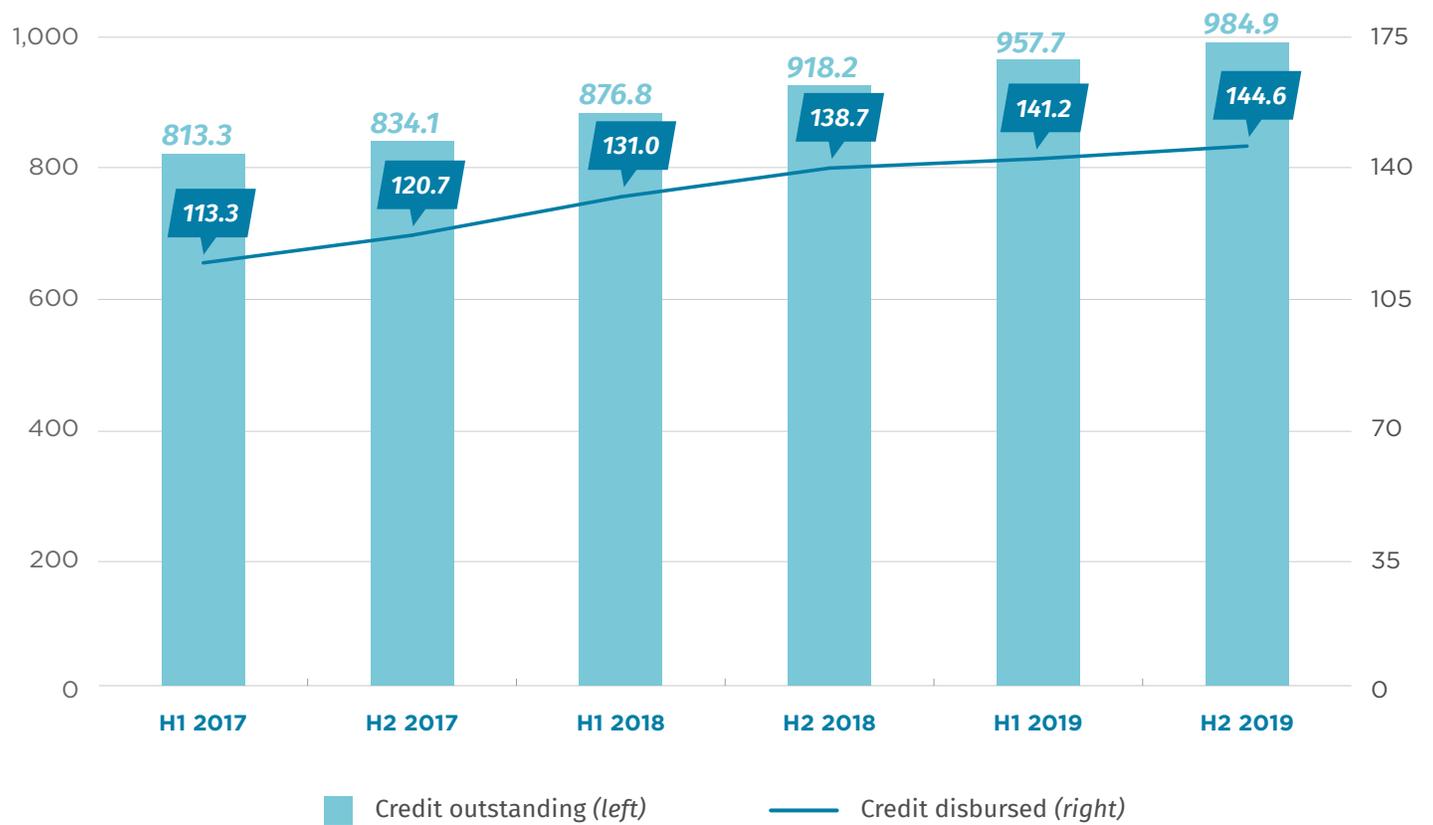
Bank of Canada survey results indicate that lenders reported that overall business lending conditions eased slightly towards the end of the second half of 2019. Borrowers, on balance, reported a marginal tightening of credit conditions from the beginning of 2019 to the end of 2019, and most businesses reported that credit conditions have changed little.

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 2019 (H2 2019). The value of new loans¹ extended to businesses totaled \$144.6 billion in H2 2019, compared to \$141.2 billion in new loans disbursed between January and June 2019 (H1 2019), an increase of 2.4 percent (Figure 1). Total credit outstanding in H2 2019 increased by 2.8 percent over H1 2019 levels to \$984.9 billion. These increases reflect the continuation of steady growth observed in disbursements and credit outstanding in recent years. The average business prime rate was 3.50 percent during the second half of 2019.

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

Figure 1: Value of credit outstanding (\$ billions) and disbursed (\$ billions) to all businesses

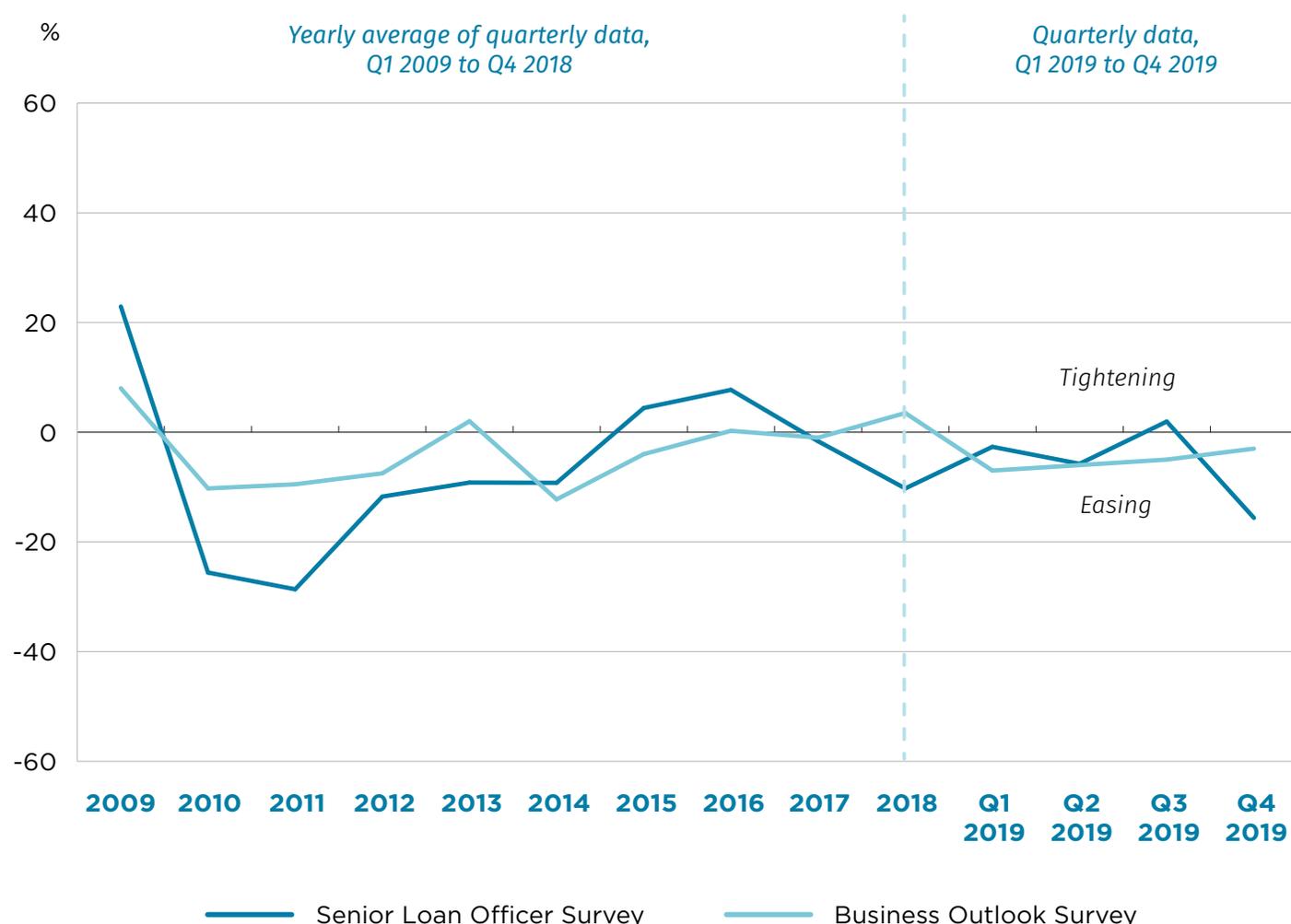


Source: Statistics Canada, *Biannual Survey of Suppliers of Business Financing*, 2019.

Results from the Bank of Canada's *Senior Loan Officer Survey*² show that lenders reported that overall business lending conditions eased slightly from the beginning of H1 2019 and towards the end of H2 2019 (Figure 2).

Results from the Bank of Canada's *Business Outlook Survey* indicate that most firms continued to report access to credit as unchanged during H2 2019. However, on balance, the business lending indicator from this survey points to a slight tightening in credit conditions from the beginning of H1 to the end of H2 2019, with most businesses reporting that credit conditions have changed little over that period.

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, where the weight is based on each respondent's relevant market share. 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.

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

2 As of January 1, 2020 the *Senior Loan Officer Survey* publication is no longer produced. The latest data will continue to be published quarterly.

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 2.5 percent between the first half of 2019 and the second half of 2019 to \$81.2 billion. Likewise, new loans by other banks and Credit unions and caisses populaires increased by 5.8 percent and 1.7 percent respectively. However, Finance companies and Insurance companies and portfolio decreased new lending by 2.6 percent and 0.3 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	H2
Domestic banks	60.4	64.9	72.2	76.2	79.2	81.2
Other banks	24.2	24.9	25.4	27.9	29.2	30.9
Credit unions and caisses populaires	11.1	11.9	12.1	12.0	11.5	11.7
Finance companies	12.3	13.3	15.2	16.1	15.2	14.8
Insurance companies and portfolio managers	5.3	5.6	6.2	6.4	6.07	6.05
All suppliers	113.3	120.7	131.0	138.7	141.2	144.6

Note: Figures may not add up to totals because of rounding.

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

Lending conditions by business size

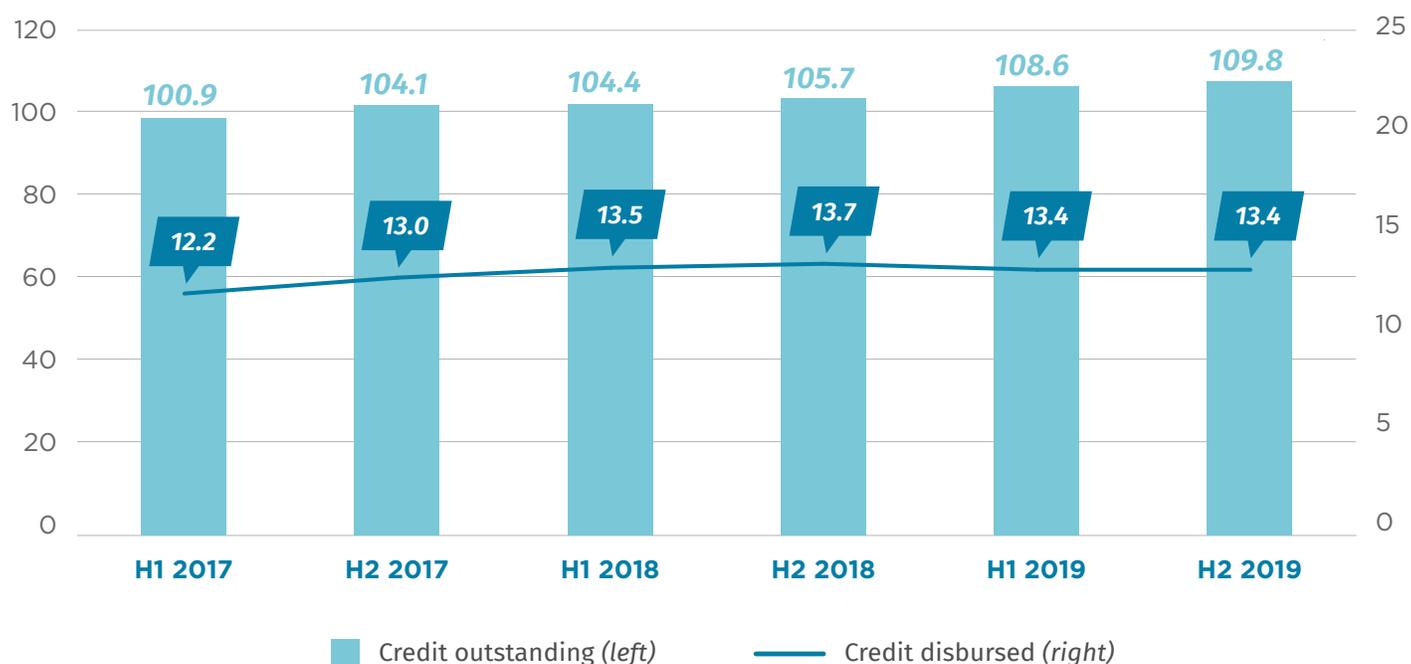
While the total value of disbursements to businesses increased from H1 2019 to H2 2019, according to the *Biannual Survey of Suppliers of Business Financing*, new loans to large businesses (those with authorization levels of \$5 million or more) and medium-sized businesses (those with authorization levels of \$1 million or more but less than \$5 million) drove the overall increase: disbursements to large firms increased by 2.7 percent to \$111.4 billion and disbursements for medium-sized businesses increased by 2.6 percent to \$19.7 billion. New loans to small businesses (those with authorization levels of less than \$1 million) also increased, by 0.2 percent to \$13.4 billion (Figure 3a to 3c).

The value of credit outstanding for small businesses, medium-sized businesses and large businesses increased by 1.1 percent, 2.8 percent and 3.1 percent, respectively, from H1 2019 levels, to \$109.8, \$170.2 and \$704.8 billion.

Data from PayNet's *Canadian Business Lending Index* (CBLI) point to a slight increase in the value of new lending to small businesses between H1 2019 and H2 2019 (Figure 4).³ In contrast, the index values for medium-sized businesses have been going downwards since the second quarter of 2019. 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 1.42 percent to 1.61 percent between H1 2019 to H2 2019.⁴ The default rate for medium-sized businesses increased from 0.65 percent to 0.70 percent over this period.

Figure 3a: Value of credit outstanding (\$ billions) and disbursed (\$ billions), small businesses

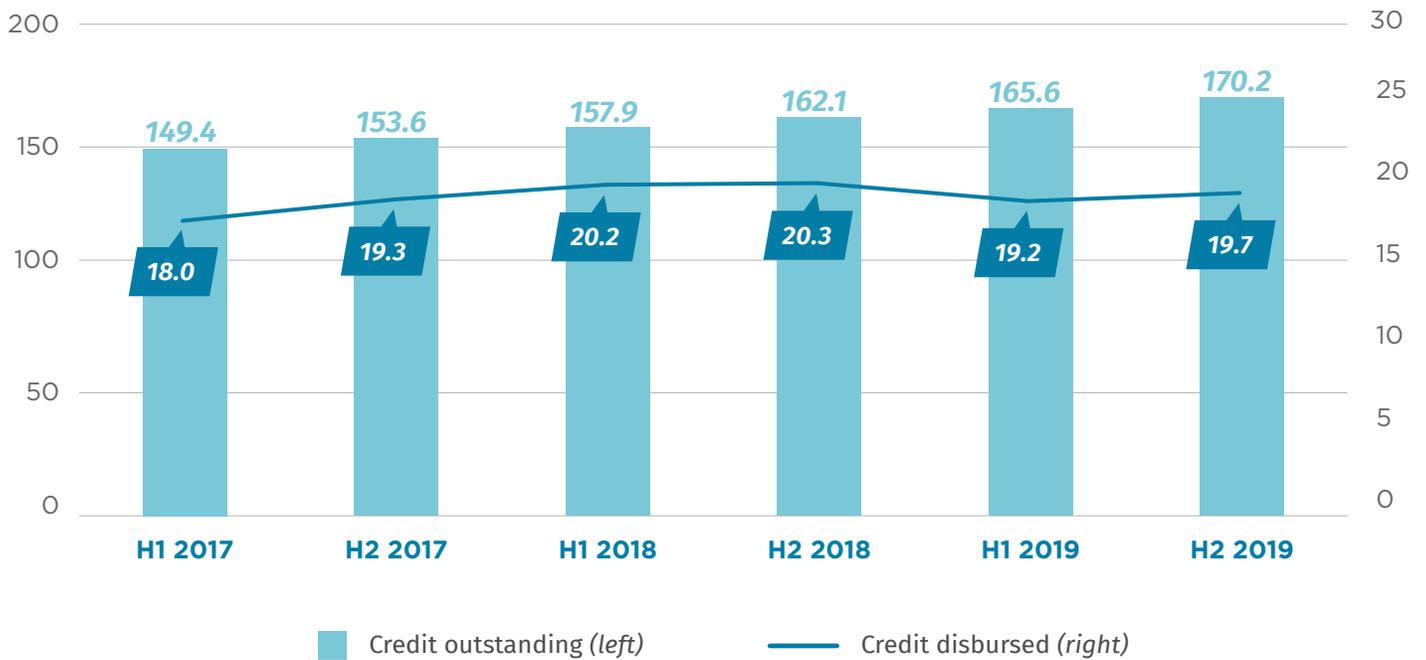


Source: Statistics Canada, *Biannual Survey of Suppliers of Business Financing*, 2019.

³ Note that the CBLI base year used in this analysis is Q1 2005.

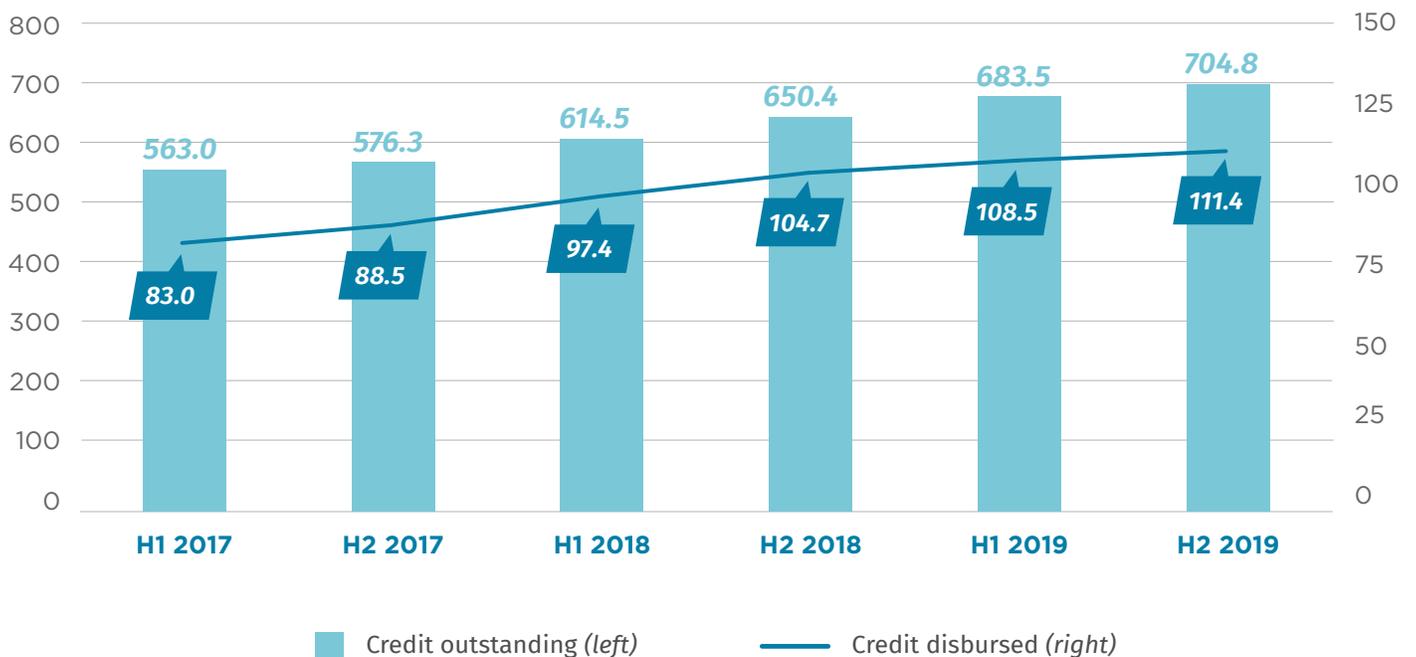
⁴ The default rate for H1 2019 is the average of the default rates in Q1 2019 and Q2 2019. Similarly, the default rate for H2 2019 is the average of the default rates in Q3 2019 and Q4 2019.

Figure 3b: Value of credit outstanding (\$ billions) and disbursed (\$ billions), medium-sized businesses



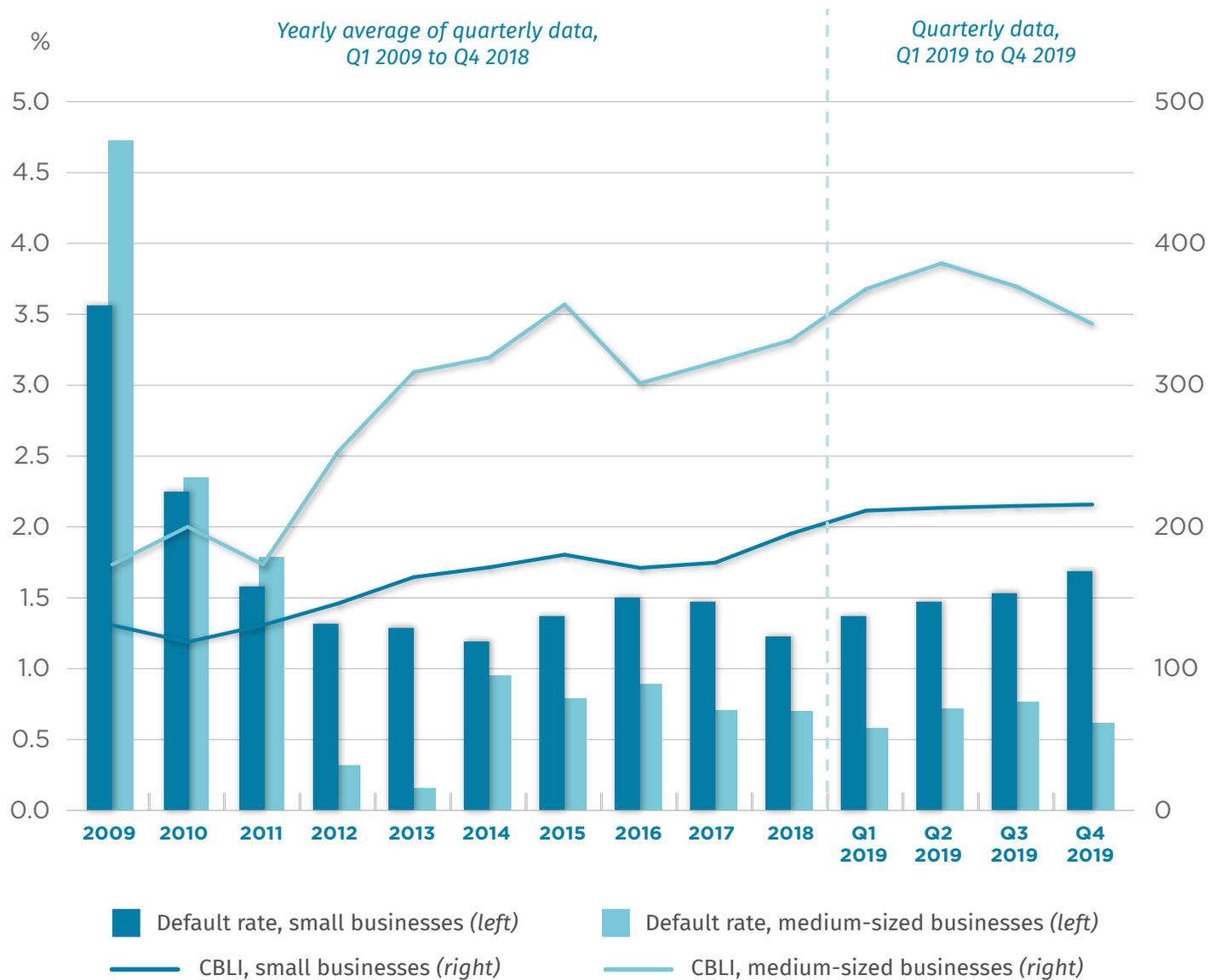
Source: Statistics Canada, *Biannual Survey of Suppliers of Business Financing*, 2019.

Figure 3c: Value of credit outstanding (\$ billions) and disbursed (\$ billions), large businesses



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

Figure 4: Loan default rate (percentage) and Canadian Business Lending Index (CBLI) for small and medium-sized businesses



Note 1: The CBLI is a measure of the volume of new commercial loans and leases 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.

Source: PayNet Inc., *Canadian Business Lending Index*, 2019.

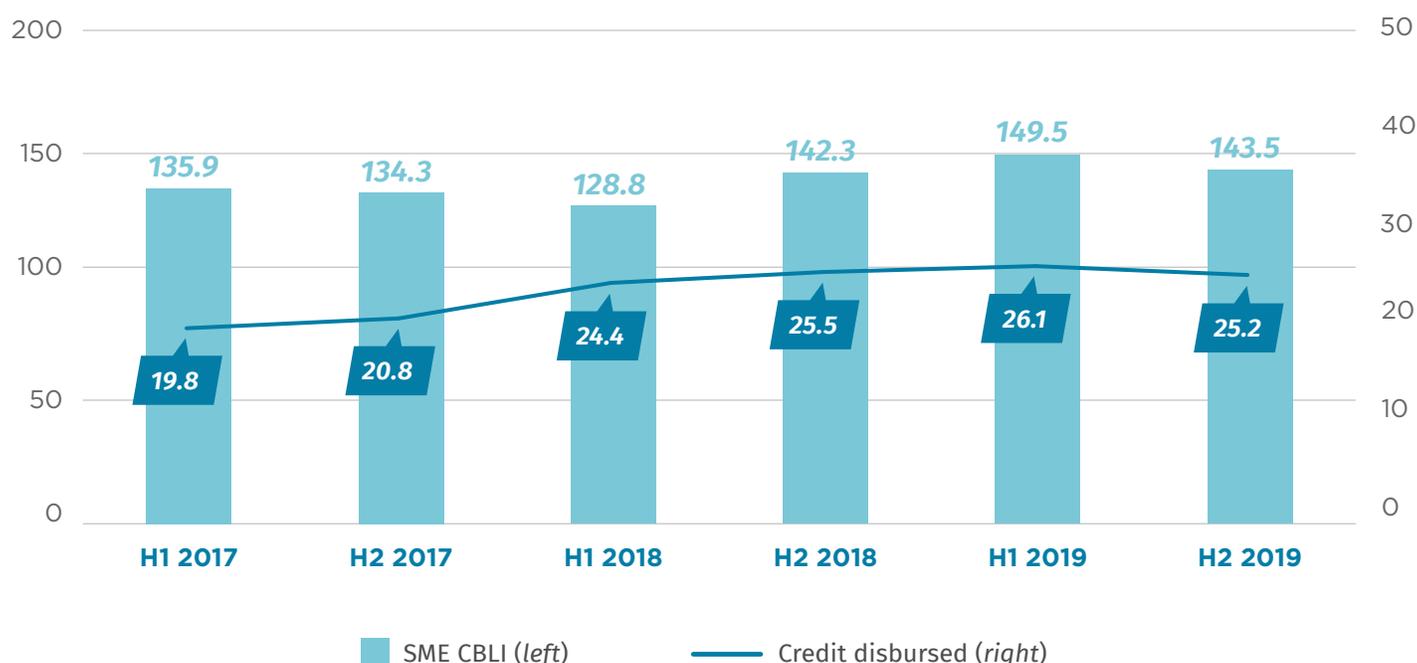
Lending conditions by sector

Results⁵ from the *Biannual Survey of Suppliers of Business Financing* indicate new lending increased for the construction, manufacturing, transportation and warehousing, professional, scientific and technical services and accommodation and food services sectors, from H1 2019 to H2 2019 (Figure 5a to 5h). The value of disbursements increased by 4.2 percent, 1.5 percent, 5.6 percent, 1.8 percent and 6.9 percent to \$12.4 billion, \$13.6 billion, \$7.5 billion, \$5.8 billion and \$3.1 billion, respectively for these sectors.

By contrast, new lending decreased from H1 2019 to H2 2019 (Figure 5a to 5h) for the primary, wholesale and retail trade and other industries sectors. The value of disbursements decreased between the first half of 2019 and the second half of 2019 by 3.4 percent, 6.1 percent and 1.0 percent to \$25.2 billion, \$13.8 billion and \$19.7 billion, respectively.

PayNet's CBLI shows increases in new lending activity across all sectors from H1 2019 to H2 2019, except for the professional, scientific and technical services, accommodation and food services and other industries sectors. The CBLI points to significant increase of 10.6 percent in new loans to the wholesale and retail trade sectors.

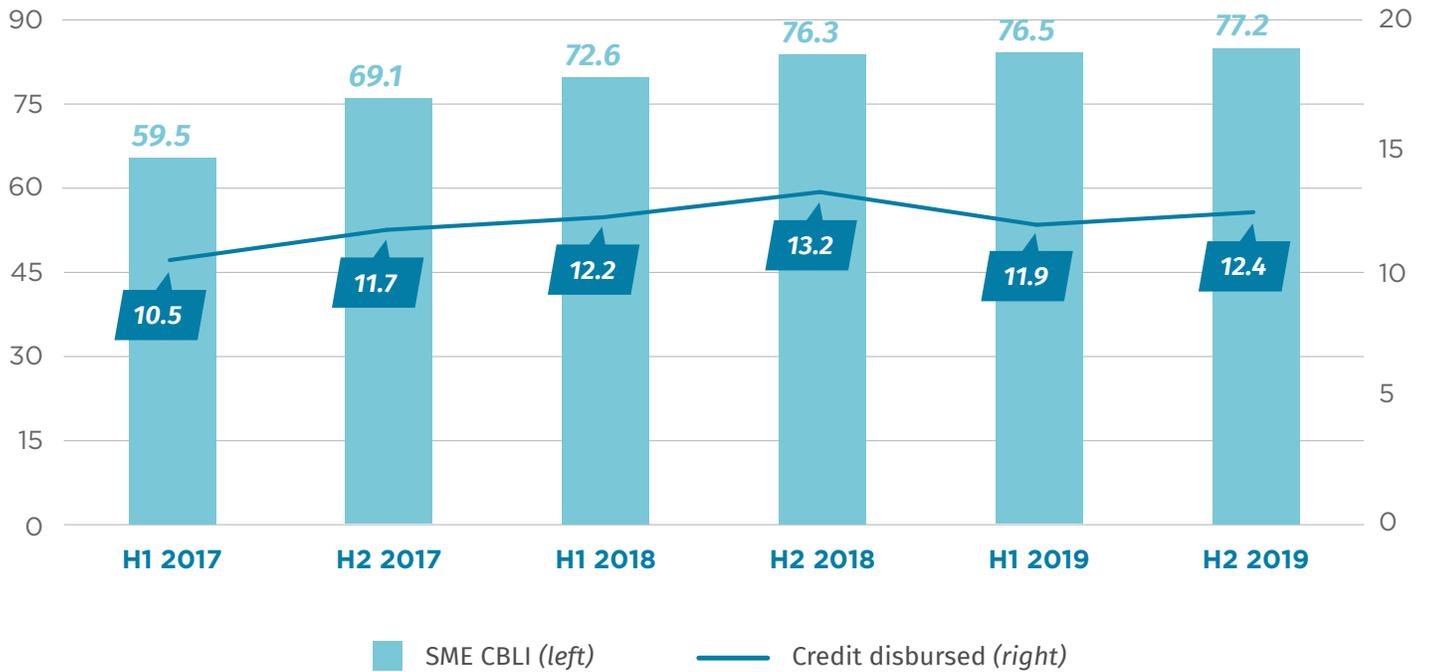
Figure 5a: SME Canadian Business Lending Index and value of credit disbursed (\$ billions), primary sector



Sources: PayNet Inc., *Canadian Business Lending Index*, 2019; and Statistics Canada, *Biannual Survey of Suppliers of Business Financing*, 2019.

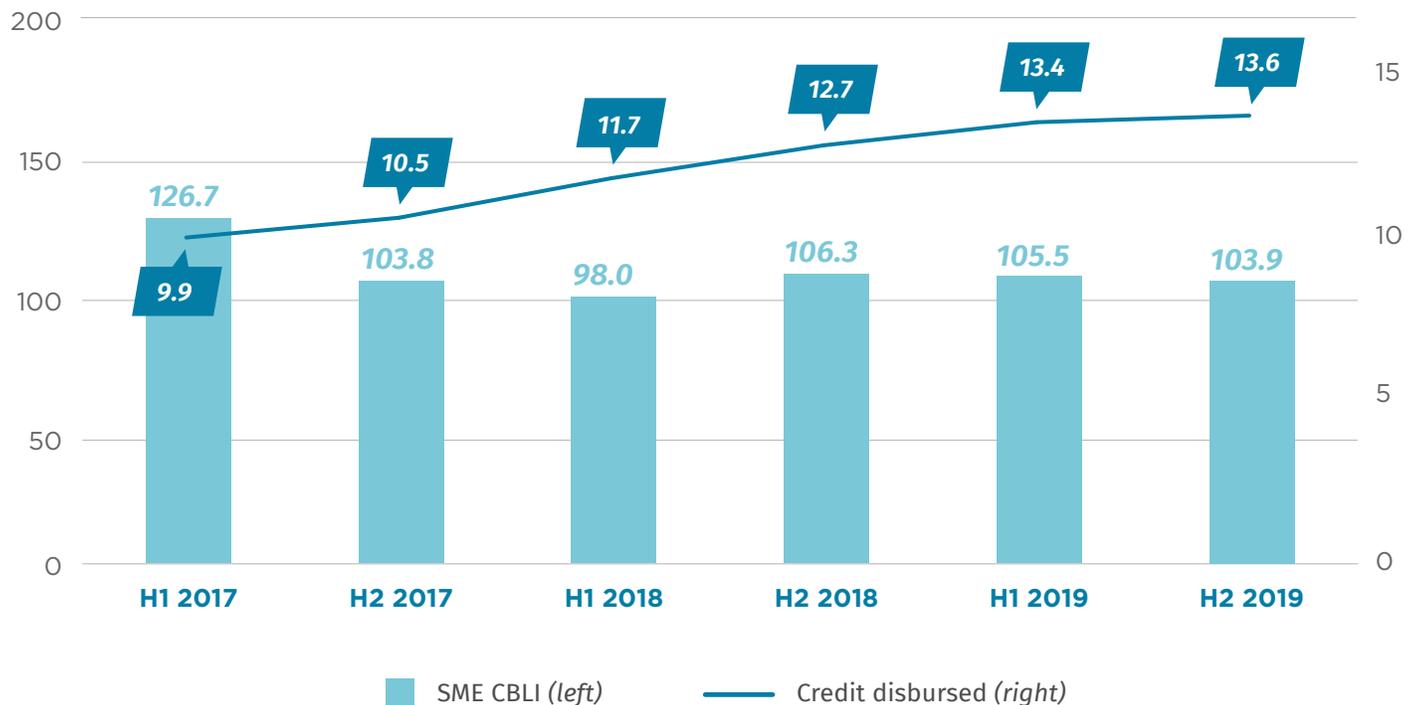
⁵ Not shown in Figures 5a to 5h are disbursements for the finance and insurance and the real estate and rental and leasing sectors, which are major borrowing sectors and wherein disbursements increased by 10.4 percent and 9.1 percent respectively, between H1 2019 and H2 2019.

Figure 5b: SME Canadian Business Lending Index and value of credit disbursed (\$ billions), construction sector



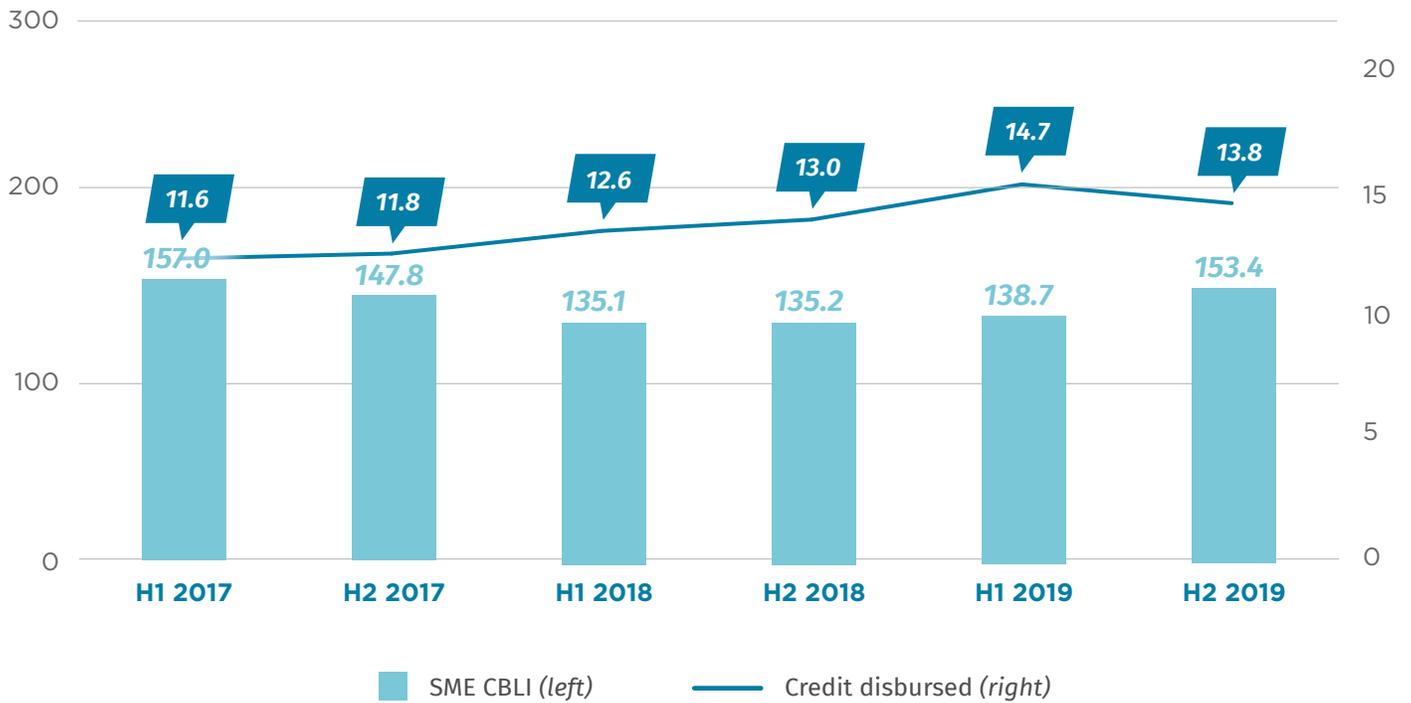
Sources: PayNet Inc., *Canadian Business Lending Index*, 2019; and Statistics Canada, *Biannual Survey of Suppliers of Business Financing*, 2019.

Figure 5c: SME Canadian Business Lending Index and value of credit disbursed (\$ billions), manufacturing sector



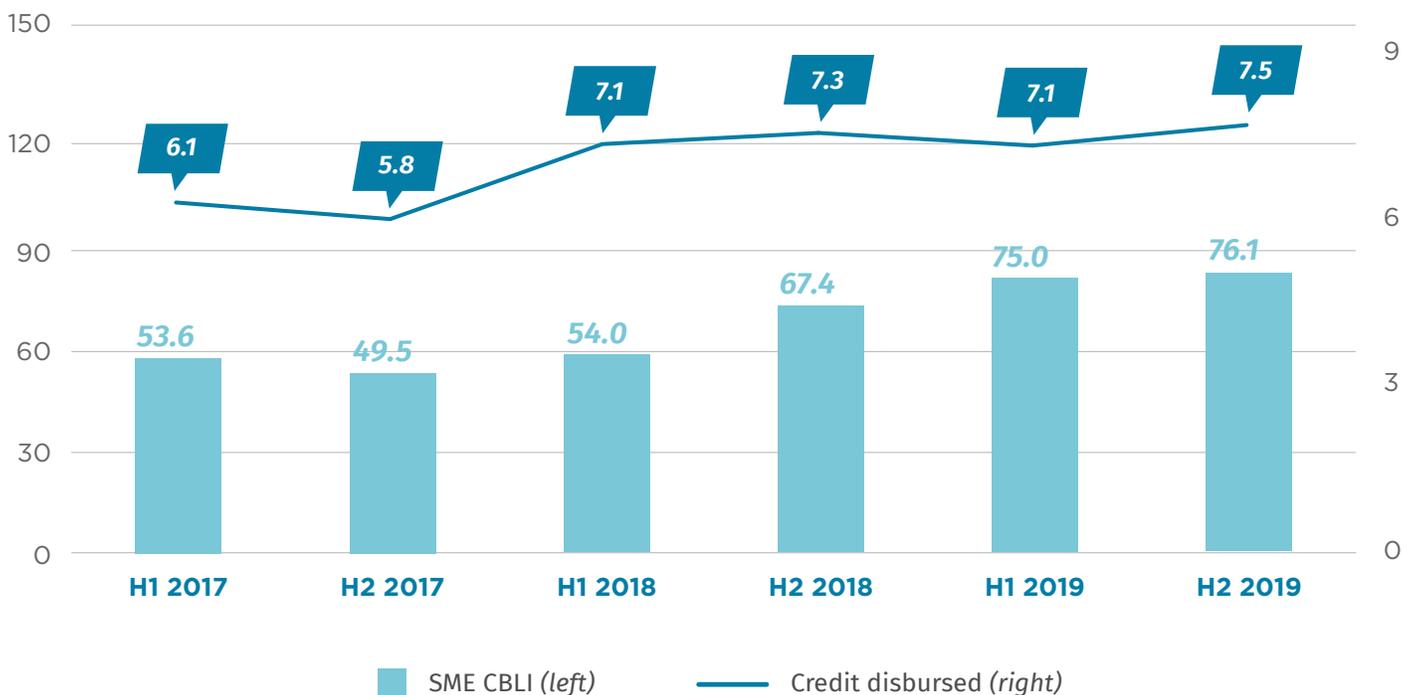
Sources: PayNet Inc., *Canadian Business Lending Index*, 2019; and Statistics Canada, *Biannual Survey of Suppliers of Business Financing*, 2019.

Figure 5d: SME Canadian Business Lending Index and value of credit disbursed (\$ billions), wholesale and retail trade sectors



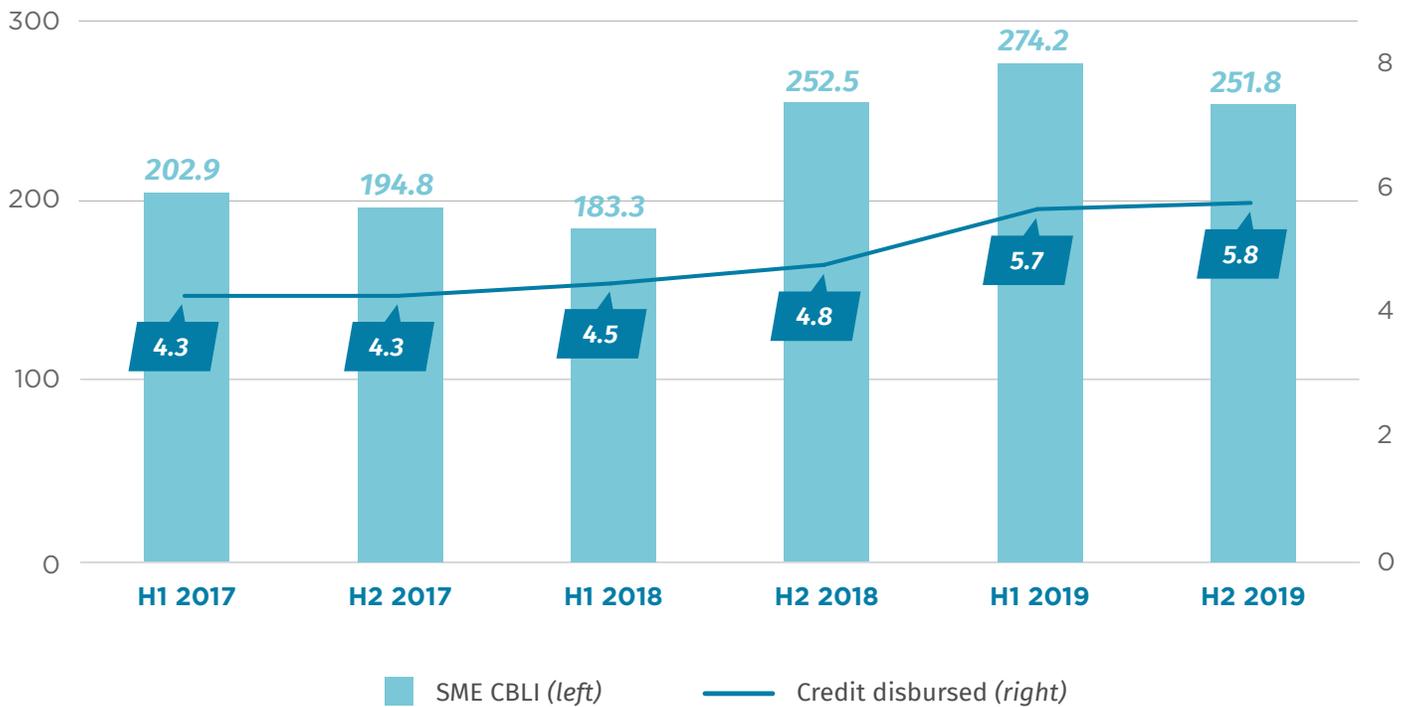
Sources: PayNet Inc., *Canadian Business Lending Index*, 2019; and Statistics Canada, *Biannual Survey of Suppliers of Business Financing*, 2019.

Figure 5e: SME Canadian Business Lending Index and value of credit disbursed (\$ billions), transportation and warehousing sector



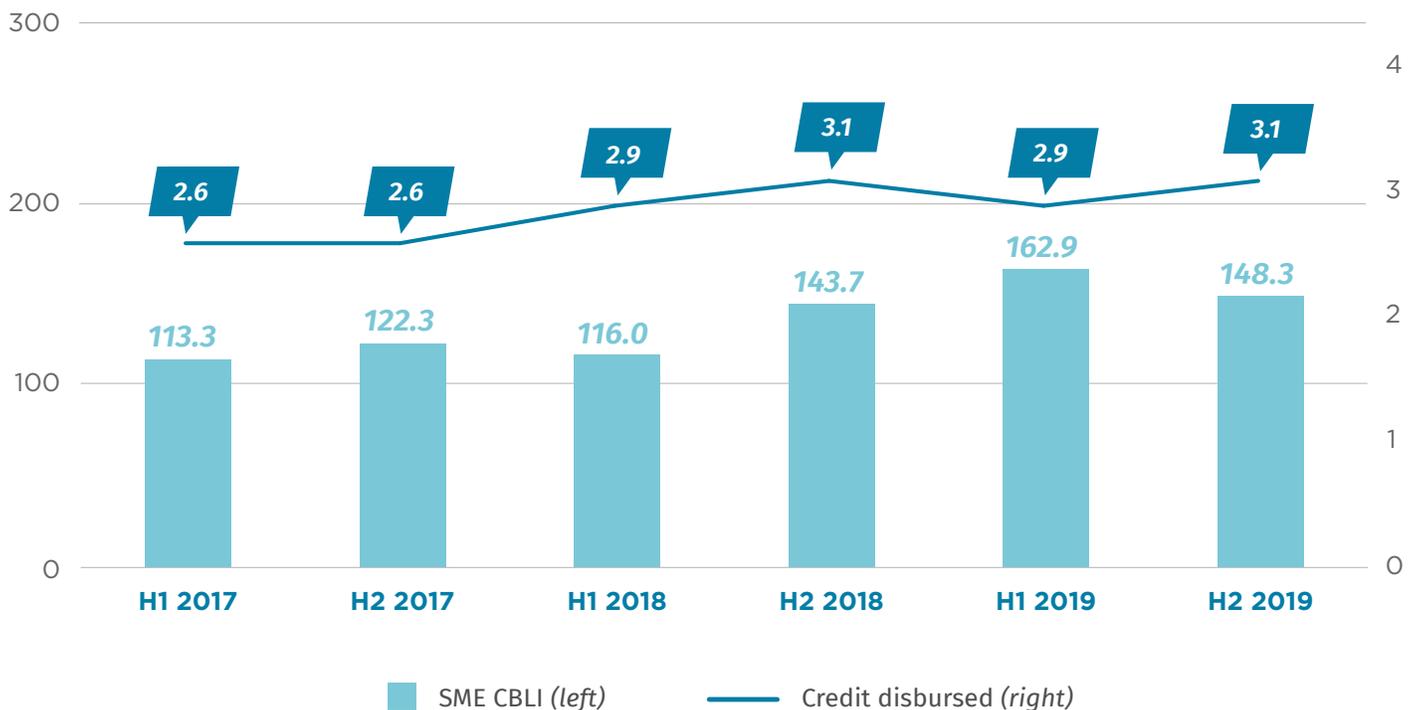
Sources: PayNet Inc., *Canadian Business Lending Index*, 2019; and Statistics Canada, *Biannual Survey of Suppliers of Business Financing*, 2019.

Figure 5f: SME Canadian Business Lending Index and value of credit disbursed (\$ billions), professional, scientific and technical services sector



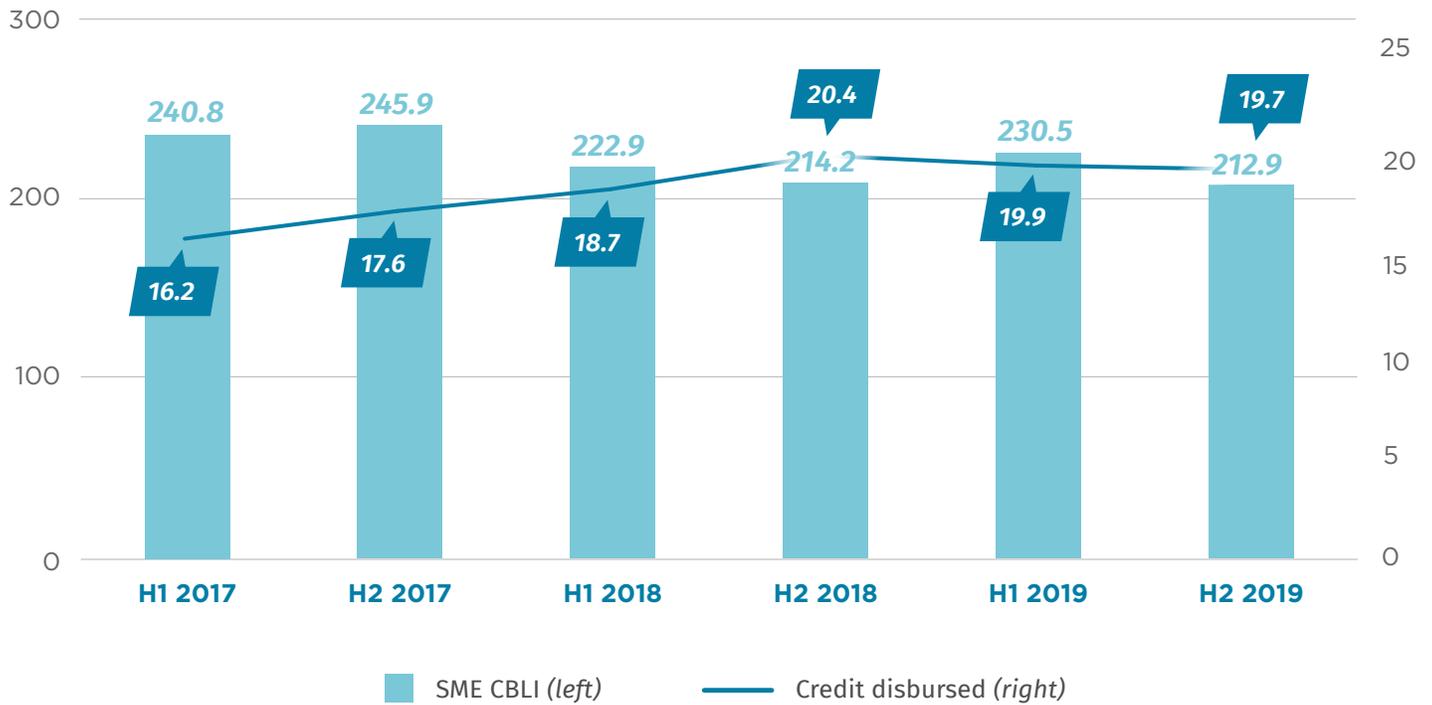
Sources: PayNet Inc., *Canadian Business Lending Index*, 2019; and Statistics Canada, *Biannual Survey of Suppliers of Business Financing*, 2019.

Figure 5g: SME Canadian Business Lending Index and value of credit disbursed (\$ billions), accommodation and food services sector



Sources: PayNet Inc., *Canadian Business Lending Index*, 2019; and Statistics Canada, *Biannual Survey of Suppliers of Business Financing*, 2019.

Figure 5h: SME Canadian Business Lending Index and value of credit disbursed (\$ billions), other industries sector



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

About the sources

The Statistics Canada *Biannual Survey of Suppliers of Business Financing*, the result of a commitment by the Government of Canada to improve the availability of information about financing of businesses in Canada, collects data 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 1 million reported contracts worth over \$92 billion.