



Innovation, Science and  
Economic Development Canada

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2020

# Biannual Survey of Suppliers of Business Financing

**Data Analysis, First Half 2020**

*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 first half of 2020 (January to June), supported by the policy response to the economic effects of the COVID-19 pandemic. Both lenders and borrowers, operating in a higher-risk economic environment, reported to the Bank of Canada a tightening in overall business lending conditions towards the end of the first half of 2020.*

According to data from *Biannual Survey of Suppliers of Business Financing*, the value of disbursements increased by 6.1 percent from the second half of 2020 (July to December) to \$153.3 billion at the end of the first half of 2020.

This increase was driven by new loans to large firms (those with loan authorization levels of \$5 million or more), which increased by 8.4 percent. The value of loan disbursements to small businesses (those with loan authorization levels of less than \$1 million) increased by 1.1 percent. In contrast, the value of loan disbursements to medium-sized businesses (those with loan authorization levels of \$1 million or more but less than \$5 million) decreased by 4.0 percent.

The policy response to the economic effects of the COVID-19 pandemic included monetary and fiscal policies that supported business lending. The Bank of Canada reduced the policy interest rate from 1.75 percent to 0.25 percent in March 2020, and launched a range of liquidity facilities and purchase programs. The Government of Canada introduced interest-free loans through the Canada Emergency Business Account, as well as other business financing programs.

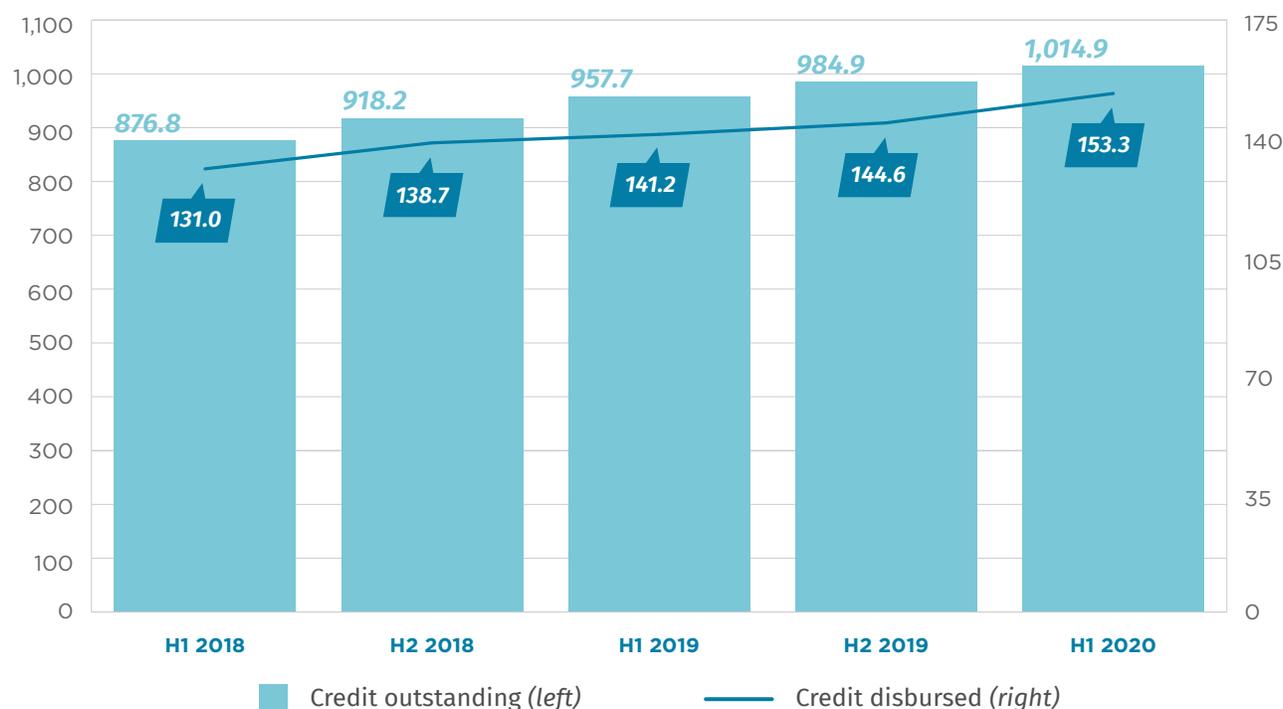
Bank of Canada survey results indicate that lenders reported that overall business lending conditions tightened towards the end of the first half of 2020. Borrowers also reported a tightening of credit conditions during the same period. Businesses mentioned that government programs and loan payment deferrals have helped to improve their access to 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 2020 (H1 2020). The value of new loans<sup>1</sup> extended to businesses totalled \$153.3 billion in H1 2020, compared to \$144.6 billion in new loans disbursed between July and December 2019 (H2 2019), an increase of 6.1 percent (Figure 1). Total credit outstanding in H1 2020 increased by 3.0 percent over H2 2019 levels to \$1,014.9 billion. Note that these figures exclude Canada Emergency Business Account (CEBA) lending, valued at roughly \$24 billion in June 2020, since those loans are considered by lenders to be off balance sheet items.<sup>2</sup>

The increases in new loans and credit outstanding were supported by the policy response to the economic effects of the COVID-19 pandemic. In particular, the Bank of Canada reduced the policy interest rate from 1.75 percent to 0.25 percent in March 2020, and launched a range of liquidity facilities and purchase programs, while the Government of Canada introduced interest-free loans through the CEBA, as well as loan guarantee, co-lending and bridge financing programs.<sup>3</sup> The average business prime rate was 3.1 percent during the first half of 2020, down from 3.5 percent during H2 2019.

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



Source: Statistics Canada, *Biannual Survey of Suppliers of Business Financing*, 2020.

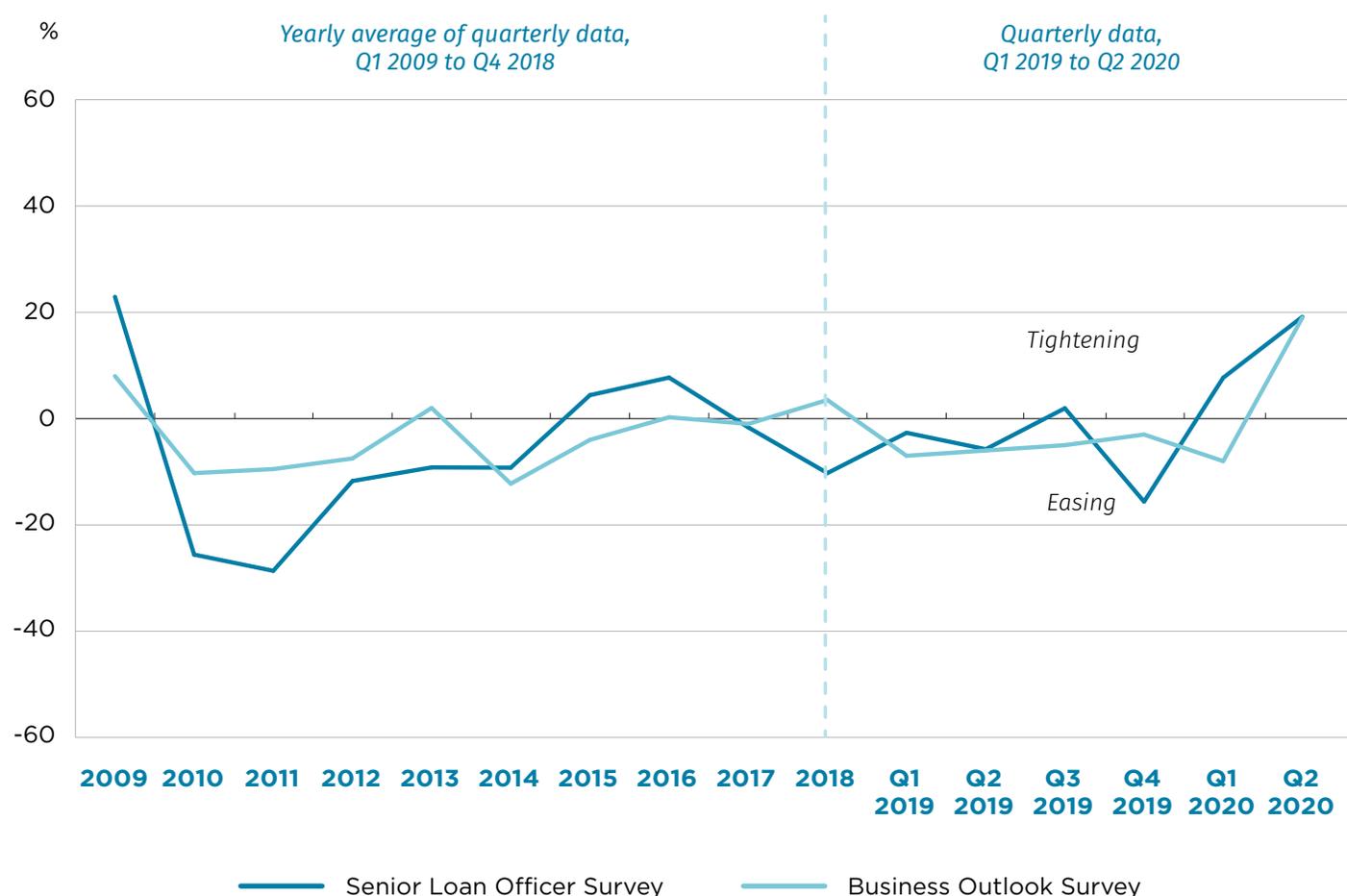
1 New loans include term loans, non-residential mortgages and credit provided under government guarantees that have a fixed repayment schedule of greater than one year.

2 CEBA provided, in H1 2020, interest-free and partially forgivable loans of \$40,000 to roughly 600,000 businesses. Statistics on CEBA lending are available [here](#) and [here](#). CEBA lending is excluded because it originates from the Government of Canada (rather than a bank or other business lender).

3 The Business Credit Availability Program (BCAP) is a co-lending and loan guarantee program offering financing to small and medium-sized enterprises of up to \$6.25 million. The Large Employer Emergency Financing Facility (LEEFF) provides bridge financing to large employer firms. The statistics presented in this report include BCAP lending but not LEEFF lending.

Results from the Bank of Canada’s *Senior Loan Officer Survey*<sup>4</sup> show that lenders reported that overall business lending conditions tightened from the end of H2 2019 and towards the end of H1 2020 (Figure 2). Similarly, results from the Bank of Canada’s *Business Outlook Survey* indicate that, on balance, the business lending indicator from this survey points to a tightening in credit conditions over the same period of time. This was attributed to higher borrowing costs or a decrease in the market’s receptiveness to new issuance of debt or equity. By the time of the survey, overall financial conditions had been eased by government programs, loan payment deferrals and Bank of Canada facilities. Some businesses mentioned that these government programs have helped to improve their access to credit.

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*, 2020; and *Business Outlook Survey*, 2020.

4 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 7.7 percent between the second half of 2019 and the first half of 2020 to \$87.4 billion. Likewise, new loans by other banks and finance companies increased by 5.8 percent and 14.1 percent respectively. However, credit unions and caisses populaires and insurance companies and portfolio managers decreased new lending by 0.4 percent and 21.4 percent respectively, over the same period.

**Table 1: Value of credit disbursed (\$ billions) to all businesses by supplier type**

Supplier type	2018		2019		2020
	H1	H2	H1	H2	H1
Domestic banks	72.2	76.2	79.2	81.2	87.4
Other banks	25.4	27.9	29.2	30.9	32.6
Credit unions and caisses populaires	12.1	12.0	11.5	11.7	11.6
Finance companies	15.2	16.1	15.2	14.8	16.9
Insurance companies and portfolio managers	6.2	6.4	6.1	6.1	4.8
All suppliers	131.0	138.7	141.2	144.6	153.3

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

Source: Statistics Canada, *Biannual Survey of Suppliers of Business Financing*, 2020.

## Lending conditions by business size

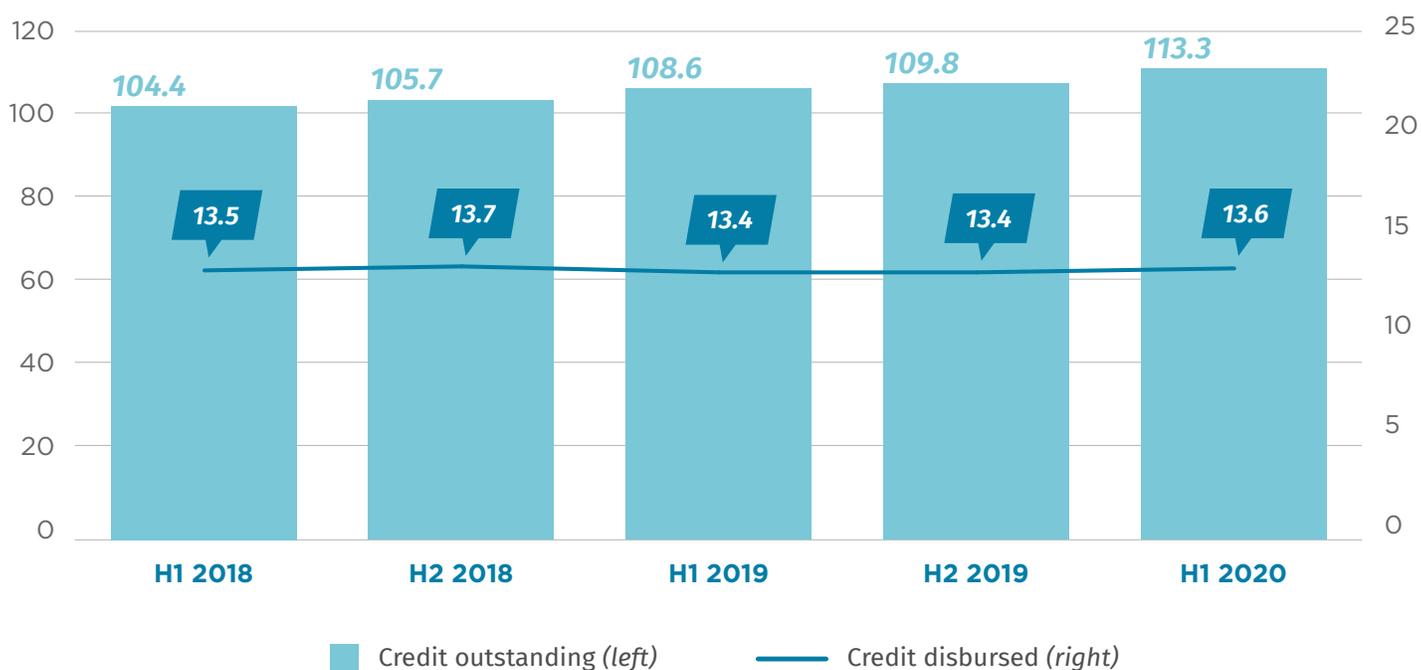
While the total value of disbursements to businesses increased from H2 2019 to H1 2020, according to the *Biannual Survey of Suppliers of Business Financing*, new loans to large businesses (those with authorization levels of \$5 million or more) drove the overall increase: disbursements to large firms increased by 8.4 percent to \$120.8 billion. New loans to small businesses (those with loan authorization levels of less than \$1 million) also increased, by 1.1 percent to \$13.6 billion. In contrast, new loans to medium-sized businesses (those with loan authorization levels of \$1 million or more but less than \$5 million) decreased by 4.0 percent to \$18.9 billion (Figure 3a to 3c).

The value of credit outstanding for small businesses, medium-sized businesses and large businesses increased by 3.2 percent, 1.8 percent and 3.3 percent, respectively, from H2 2019 levels, to \$113.3, \$173.3 and \$728.2 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 H2 2019 and H1 2020 (Figure 4).<sup>5</sup> In contrast, the index values for medium-sized businesses have been going downwards since the second quarter of 2019, except between Q4 2019 and Q1 2020. 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 that the default rate for small businesses slightly increased from 1.65 percent to 1.73 percent between H2 2019 and H1 2020.<sup>6</sup> The default rate for medium-sized businesses increased markedly from 0.86 percent to 1.75 percent over this period.

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

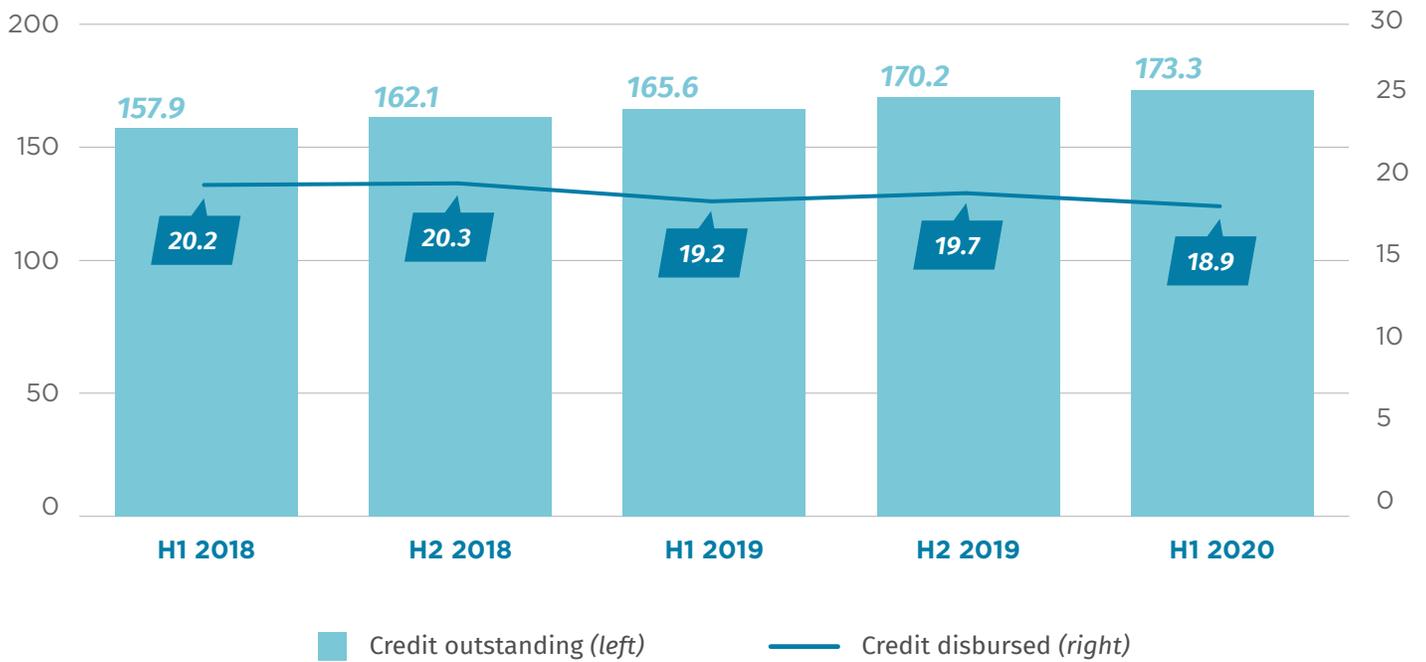


Source: Statistics Canada, *Biannual Survey of Suppliers of Business Financing*, 2020.

<sup>5</sup> Note that the CBLI base year used in this analysis is Q4 2007. The base year used in the previous editions was Q1 2005.

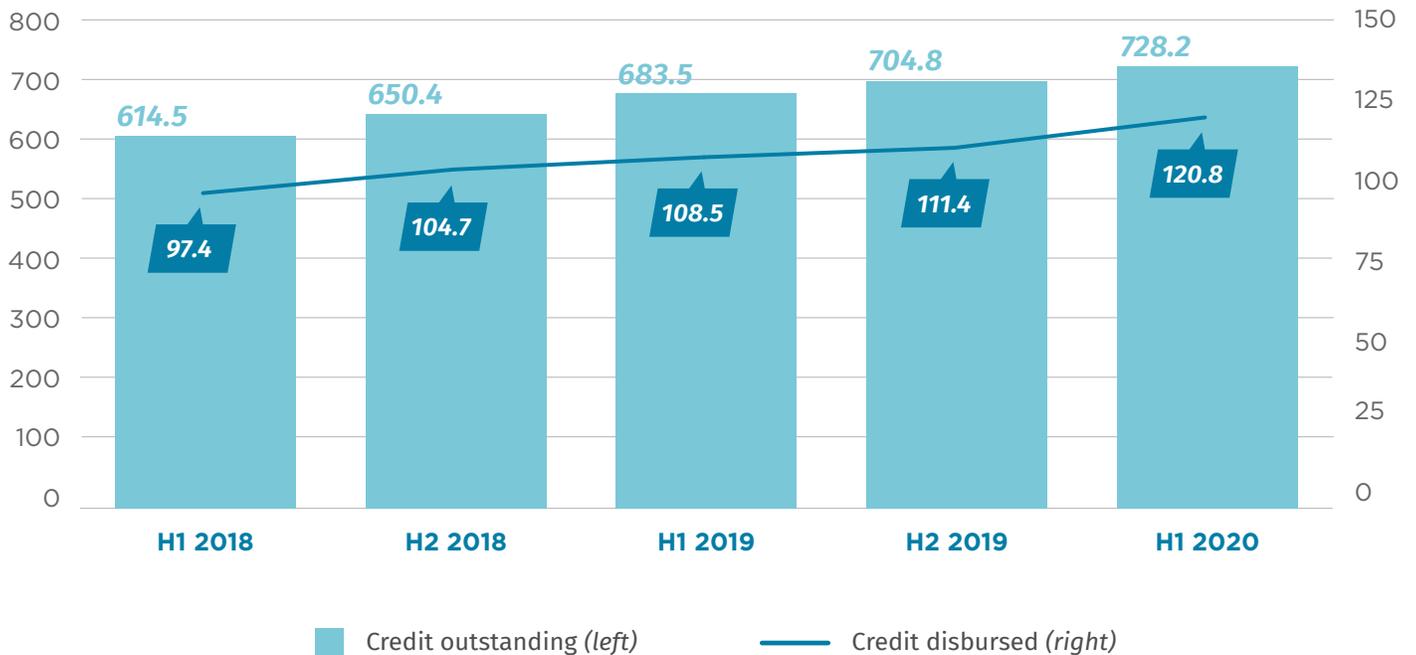
<sup>6</sup> The default rate for H2 2019 is the average of the default rates in Q3 2019 and Q4 2019. Similarly, the default rate for H1 2020 is the average of the default rates in Q1 2020 and Q2 2020.

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



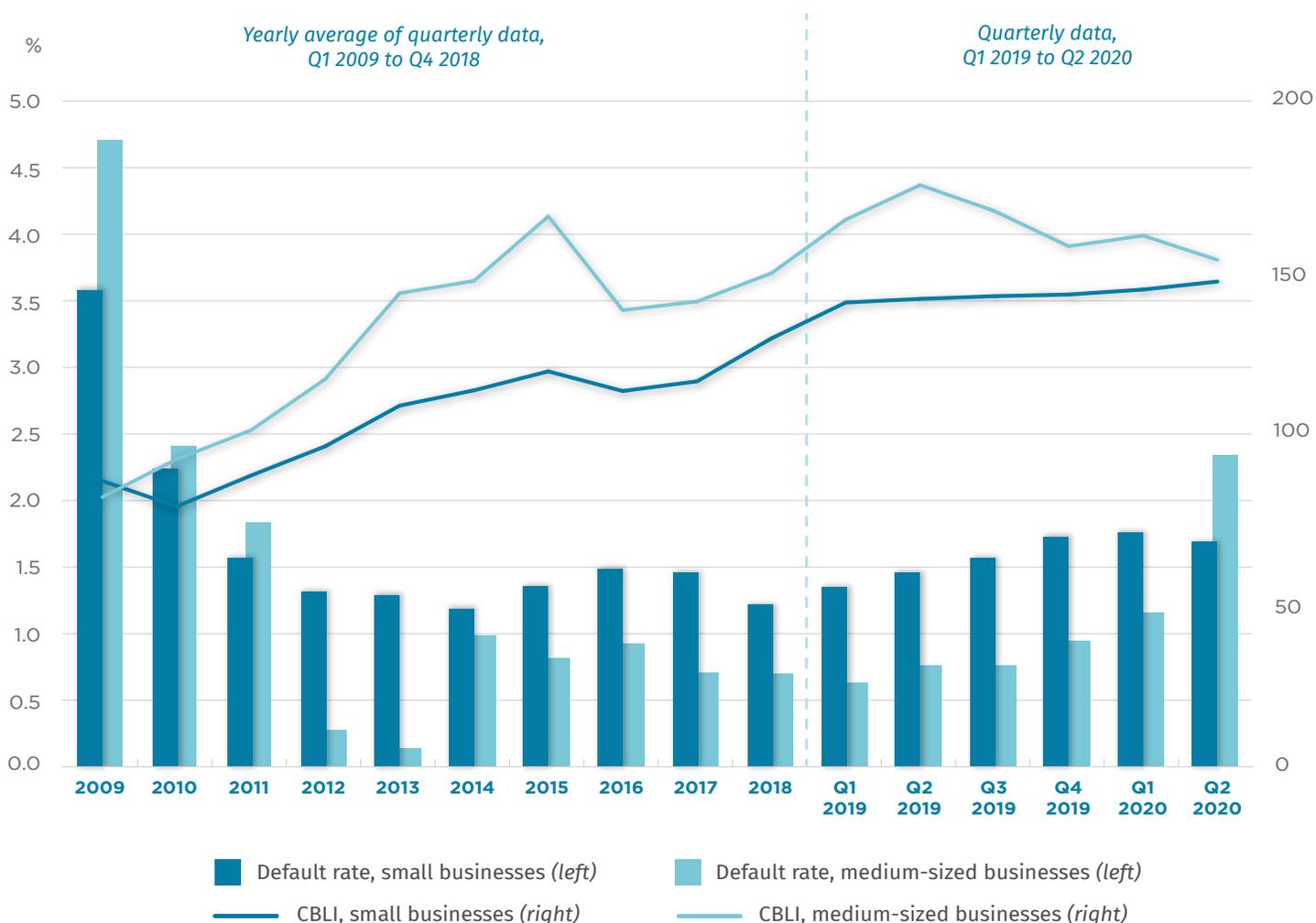
Source: Statistics Canada, *Biannual Survey of Suppliers of Business Financing*, 2020.

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



Source: Statistics Canada, *Biannual Survey of Suppliers of Business Financing*, 2020.

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 Q4 2007 equals 100.

Source: PayNet Inc., *Canadian Business Lending Index*, 2020.

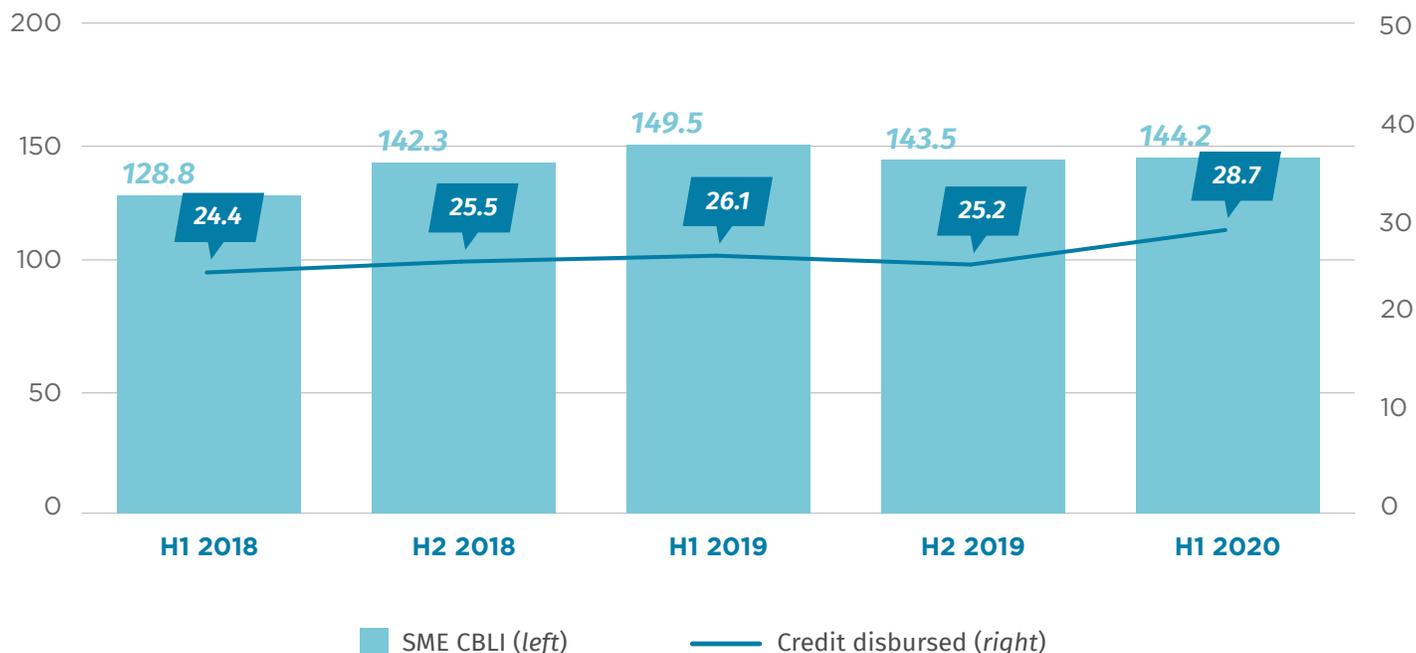
## Lending conditions by sector

Results<sup>7</sup> from the *Biannual Survey of Suppliers of Business Financing* indicate new lending increased for the primary (13.8 percent, \$28.7 billion), construction (4.1 percent, \$12.9 billion), manufacturing (9.0 percent, \$14.8 billion), transportation and warehousing (18.6 percent, \$8.9 billion), professional, scientific and technical services (12.1 percent, \$6.5 billion) and other industries sectors (9.4 percent, \$21.6 billion), from H2 2019 to H1 2020 (Figure 5a to 5h).

By contrast, new lending decreased from H2 2019 to H1 2020 for the wholesale and retail trade (-0.4 percent, \$13.8 billion) and accommodation and food services sectors (-6.3 percent, \$2.9 billion).

PayNet's CBLI shows increases in new lending activity for the professional, scientific and technical services (5.9 percent), wholesale and retail trade (4.7 percent), construction (2.7 percent) and the manufacturing (0.4 percent) sectors from H2 2019 to H1 2020. The CBLI points to significant decrease of 10.5 percent in new loans to the other industries sector and of 2.0 percent to the accommodation and food services sector. Over the same period, the primary and transportation and warehousing sectors experienced a slight drop in lending by 0.5 percent and 0.1 percent, respectively.

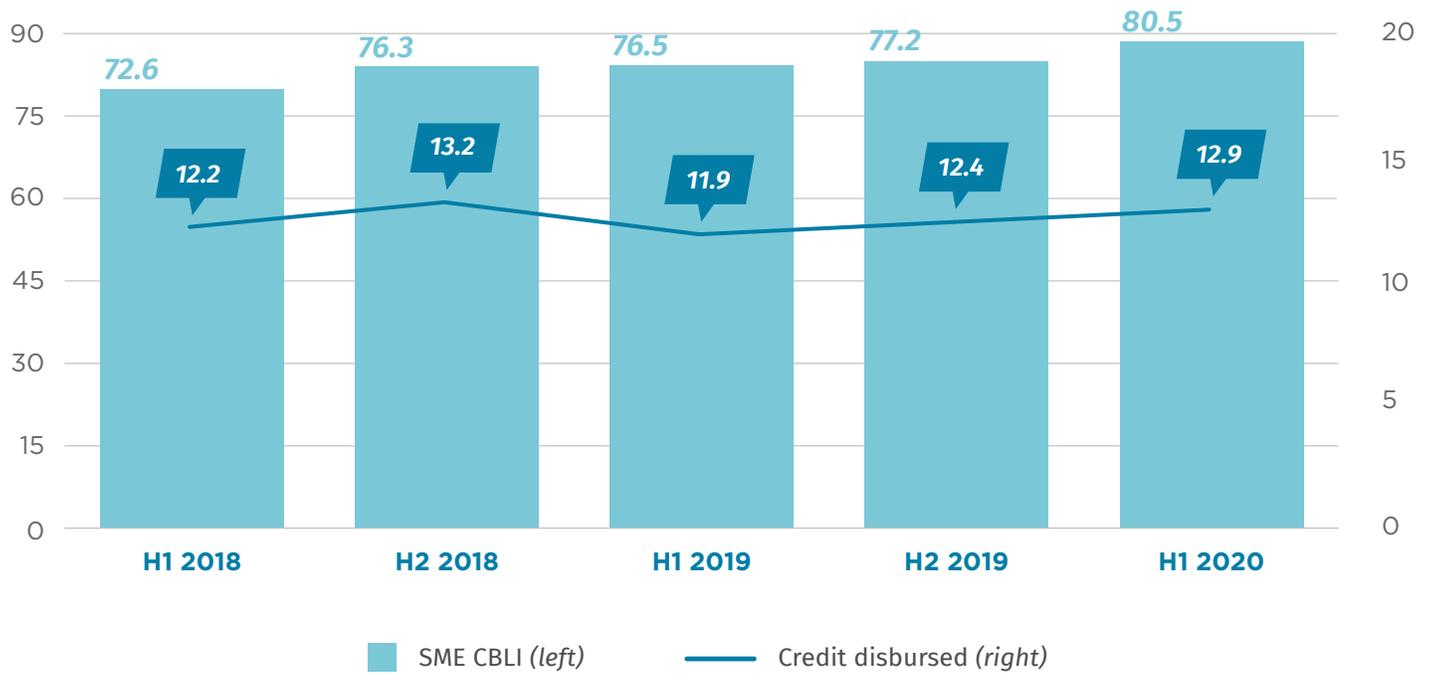
**Figure 5a: SME Canadian Business Lending Index and value of credit disbursed (\$ billions), primary sector**



Sources: PayNet Inc., *Canadian Business Lending Index*, 2020; and Statistics Canada, *Biannual Survey of Suppliers of Business Financing*, 2020.

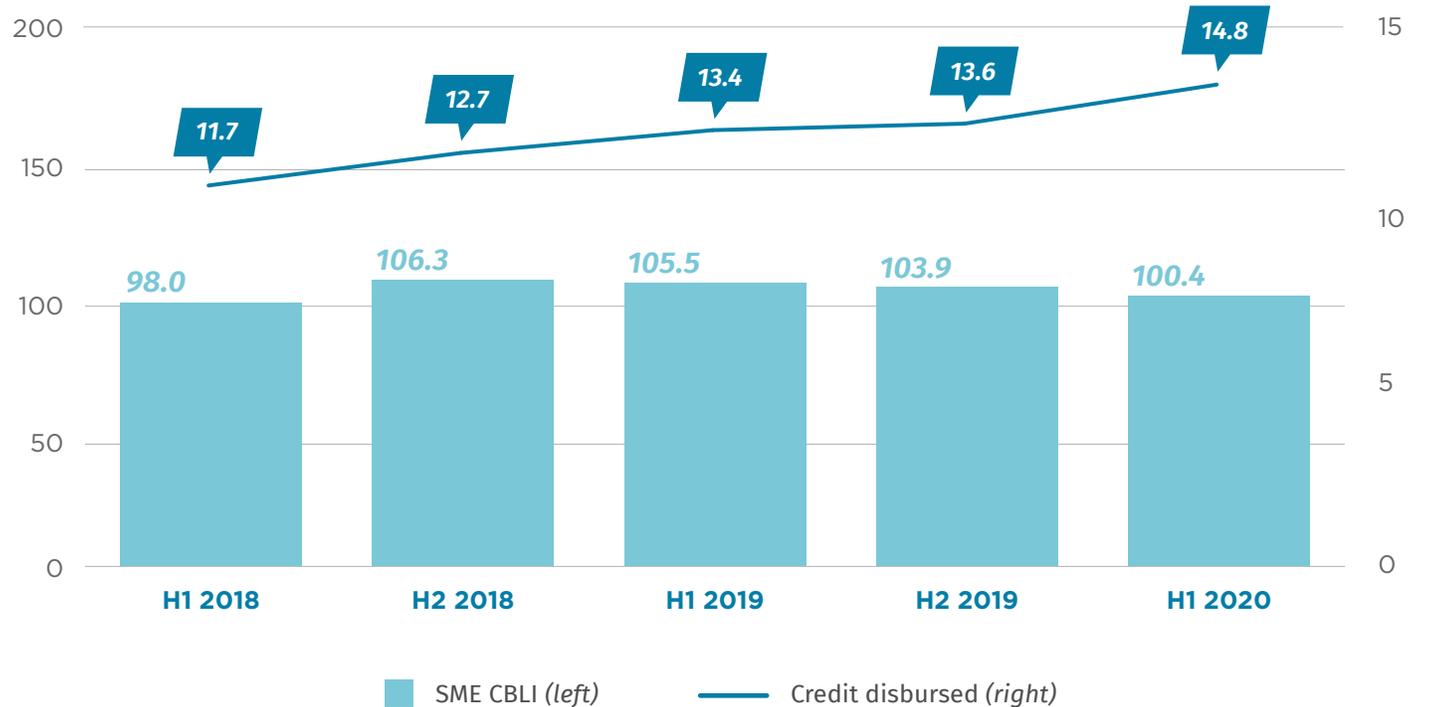
<sup>7</sup> Not shown in Figures 5a to 5h are disbursements for the finance and insurance and the real estate and rental and leasing sectors, which are major borrowing sectors and wherein disbursements increased by 3.7 percent and decreased by 4.5 percent respectively, between H2 2019 and H1 2020.

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



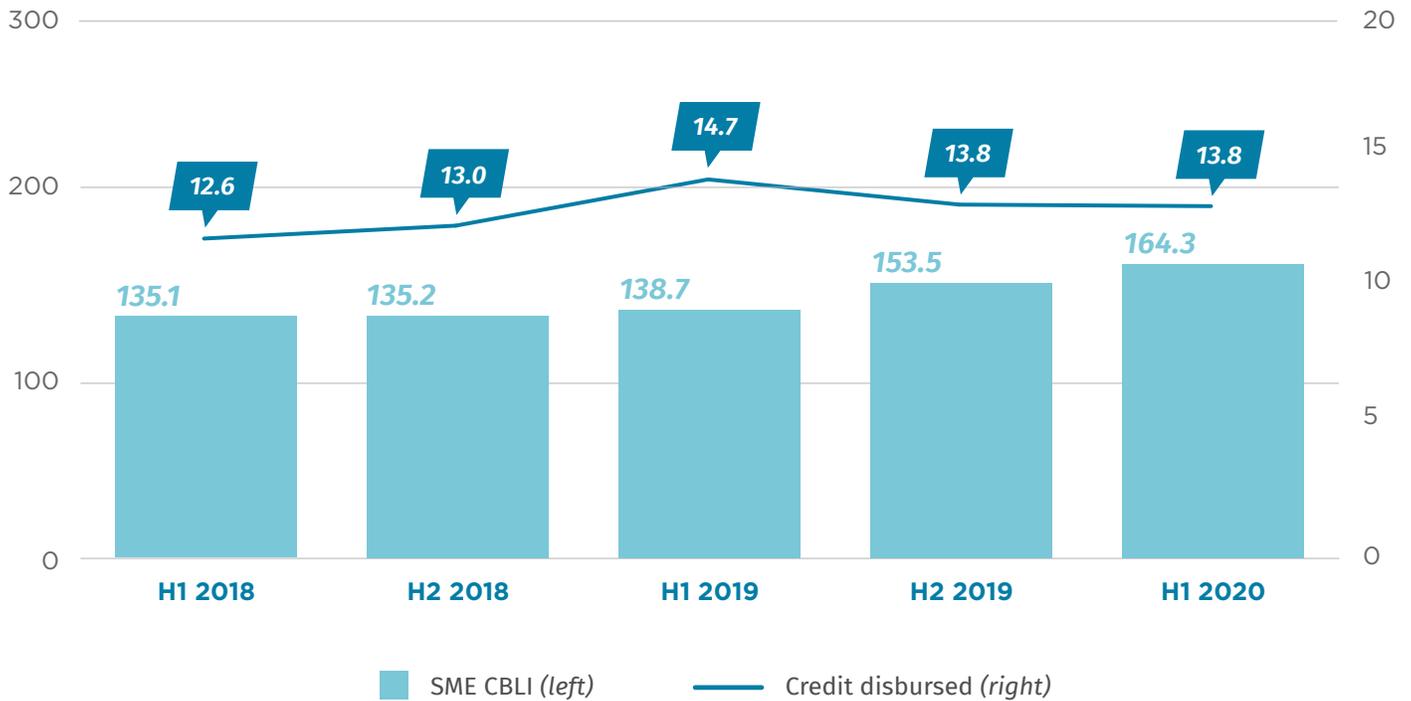
Sources: PayNet Inc., *Canadian Business Lending Index*, 2020; and Statistics Canada, *Biannual Survey of Suppliers of Business Financing*, 2020.

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



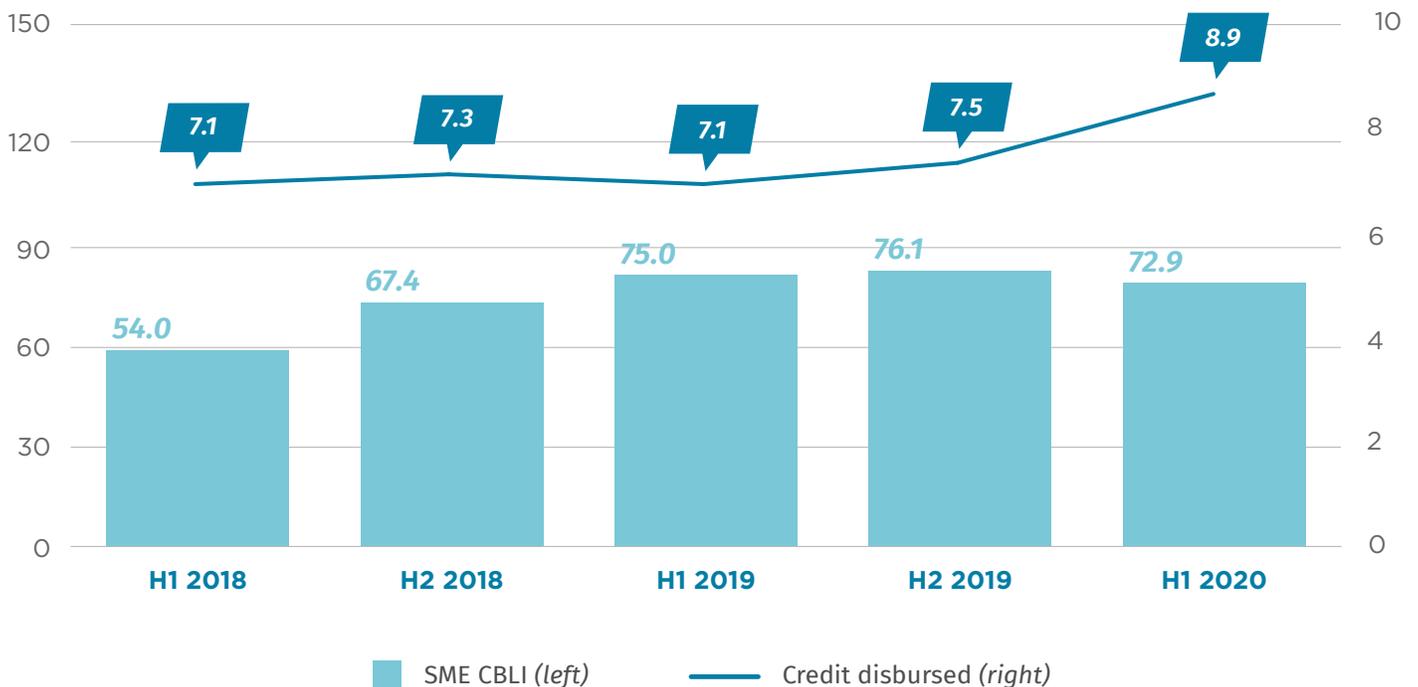
Sources: PayNet Inc., *Canadian Business Lending Index*, 2020; and Statistics Canada, *Biannual Survey of Suppliers of Business Financing*, 2020.

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



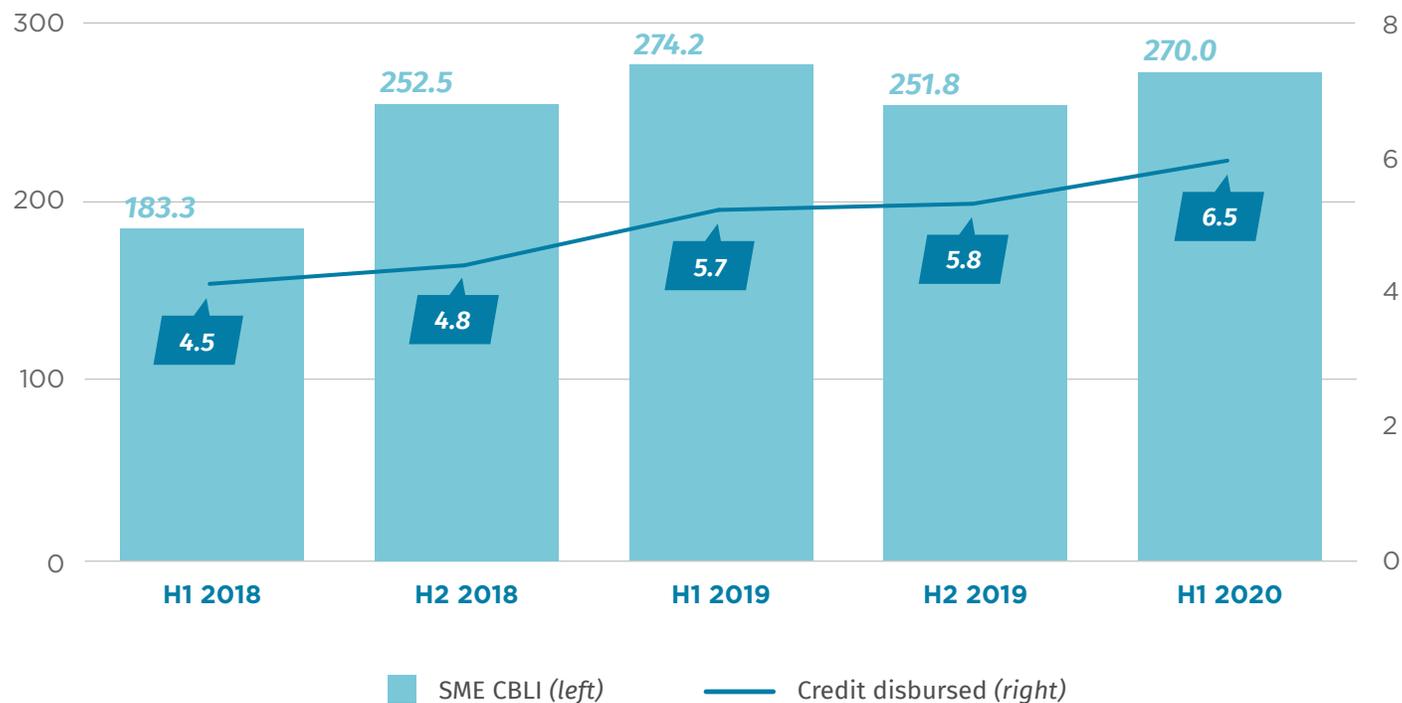
Sources: PayNet Inc., *Canadian Business Lending Index*, 2020; and Statistics Canada, *Biannual Survey of Suppliers of Business Financing*, 2020.

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



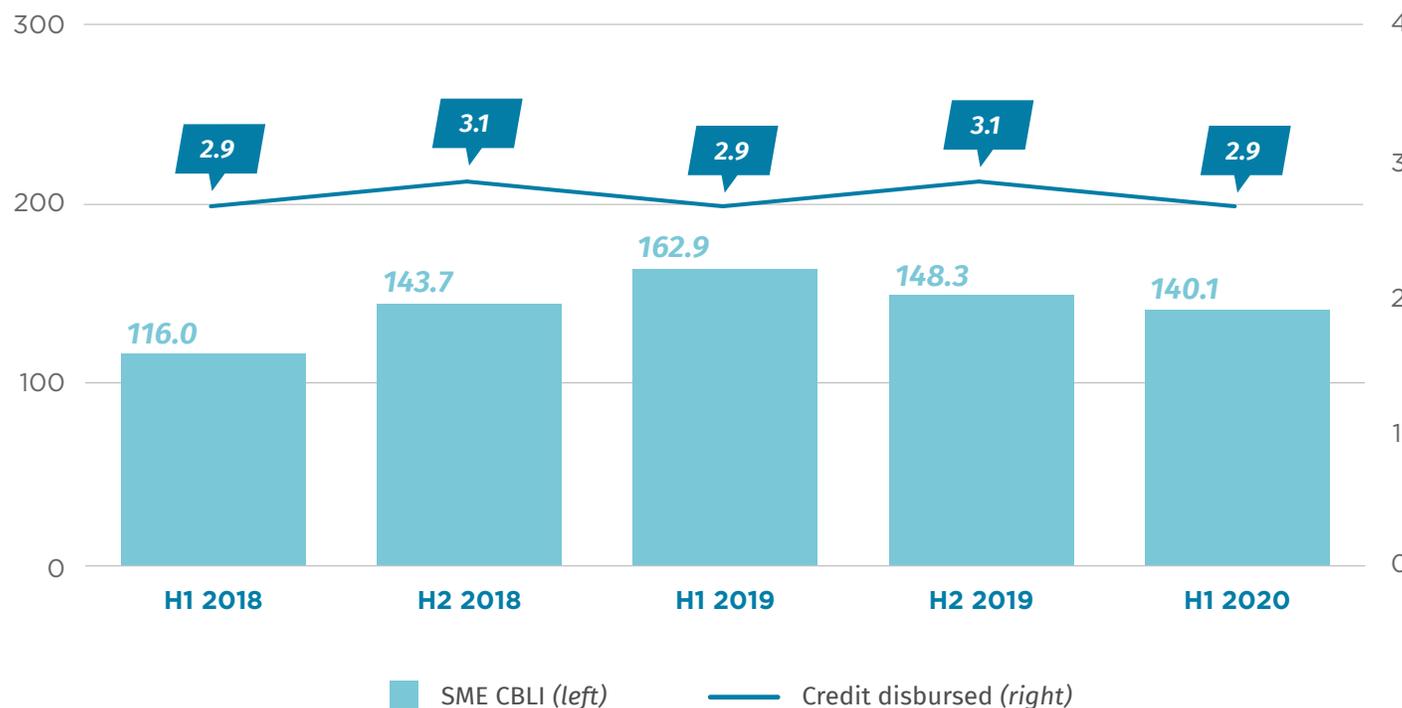
Sources: PayNet Inc., *Canadian Business Lending Index*, 2020; and Statistics Canada, *Biannual Survey of Suppliers of Business Financing*, 2020.

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



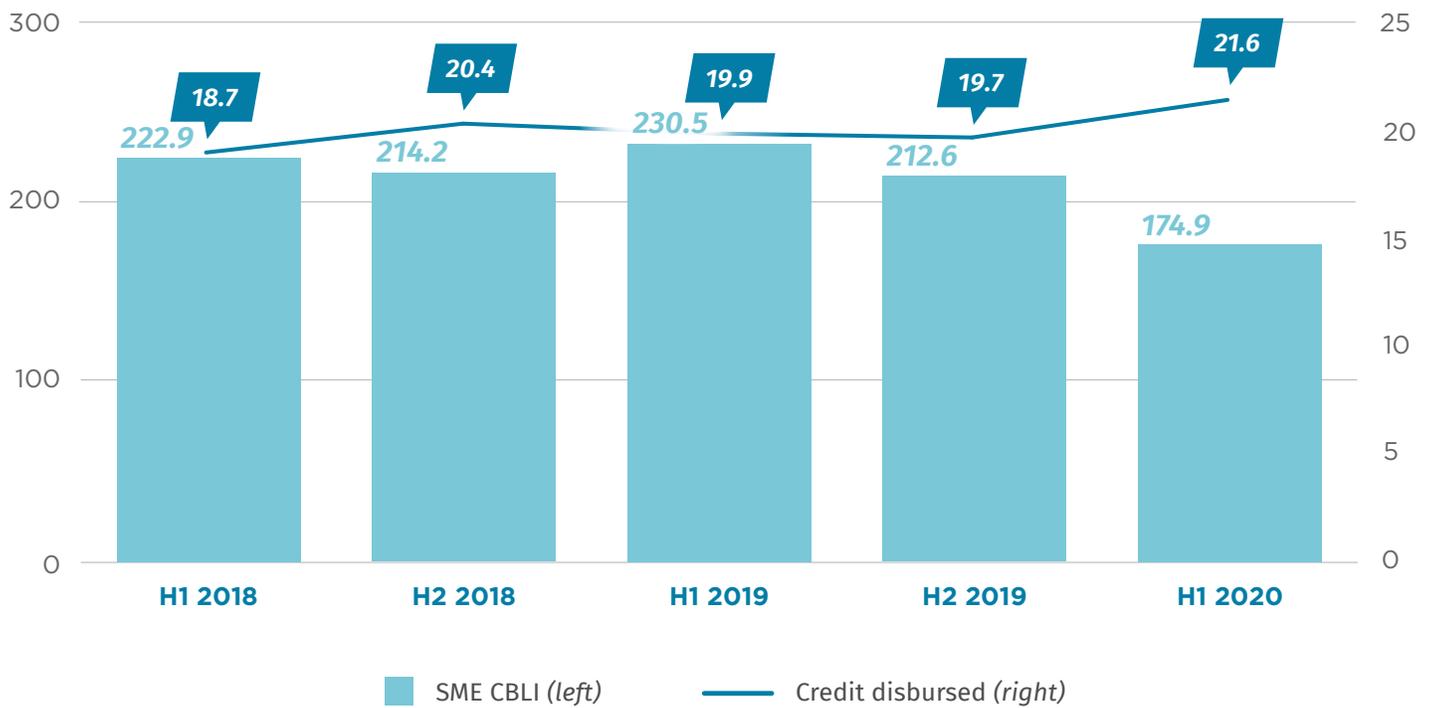
Sources: PayNet Inc., *Canadian Business Lending Index*, 2020; and Statistics Canada, *Biannual Survey of Suppliers of Business Financing*, 2020.

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*, 2020; and Statistics Canada, *Biannual Survey of Suppliers of Business Financing*, 2020.

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*, 2020; and Statistics Canada, *Biannual Survey of Suppliers of Business Financing*, 2020.

## About the sources

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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.