



Innovation, Science and
Economic Development Canada

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Développement économique Canada

2021

Biannual Survey of Suppliers of Business Financing

Data Analysis, Second Half 2021

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, private sector lending extended to Canadian businesses increased in the second half of 2021 (July to December). During that period, the Government of Canada and Bank of Canada continued to provide fiscal and monetary support to businesses in order to counter the economic effects of the COVID-19 pandemic. Borrowers reported to the Bank of Canada that overall business lending conditions slightly tightened in the second half of 2021.

The *Biannual Survey of Suppliers of Business Financing* covers the lending of banks, credit unions and other suppliers of financing in Canada and excludes government-funded lending such as the Canada Emergency Business Account (CEBA).

According to data from the *Biannual Survey of Suppliers of Business Financing*, the value of disbursements increased by 15.9 percent from the first half of 2021 (January to June) to \$170.6 billion at the end of the second half of 2021, while the value of credit outstanding increased by 4.8 percent to \$1,096.5 billion over the same period.

New loans to firms of all sizes increased. Disbursements to small firms (those with loan authorization levels of less than \$1 million), medium-sized firms (those with loan authorization levels of \$1 million or more but less than \$5 million) and large firms (those with loan authorization levels of \$5 million or more) increased by 5.5 percent, 12.8 percent and 17.8 percent, respectively, to \$14.9 billion, \$24.1 billion and \$131.6 billion, respectively.

The policy response to the economic effects of the COVID-19 pandemic introduced in the first half of 2020 was maintained during the second half of 2021. The Bank of Canada held the policy interest rate at 0.25 percent. The Government of Canada continued to extend interest-free loans through CEBA, as well as other business financing programs. The value of non-mortgage loans provided by the Government continued to increase, from \$59 billion at the end of the first half of 2021 to \$63 billion by the end of the second half of 2021.

Bank of Canada survey results indicate that borrowers reported a slight tightening of credit conditions during the second half of 2021. In contrast, lenders reported an easing of credit conditions during the same period.

Overall lending conditions

Survey results from the *Biannual Survey of Suppliers of Business Financing* indicate that the value of credit disbursements and credit outstanding increased between the first half of 2021 and the second half of 2021. The value of new loans¹ extended to businesses totalled \$170.6 billion between July and December 2021 (H2 2021), compared to \$147.2 billion in new loans disbursed between January and June 2021 (H1 2021), an increase of 15.9 percent (Figure 1). Total credit outstanding in H2 2021 increased by 4.8 percent over H1 2021 levels to \$1,096.5 billion.

Note that these figures exclude Canada Emergency Business Account (CEBA) lending, valued at roughly \$49.2 billion in December 2021, since lenders consider these loans to be off balance sheet items.²

Throughout H2 2021, programs introduced by the Government of Canada during the initial months of the COVID-19 pandemic continued, which includes programs like interest free loans through CEBA, as well loan guarantees, co-lending and bridge financing programs.³ The Government of Canada also launched programs that helped businesses in specific sectors such as in tourism.⁴ The Bank of Canada held the policy interest rate at 0.25 percent during the same period.

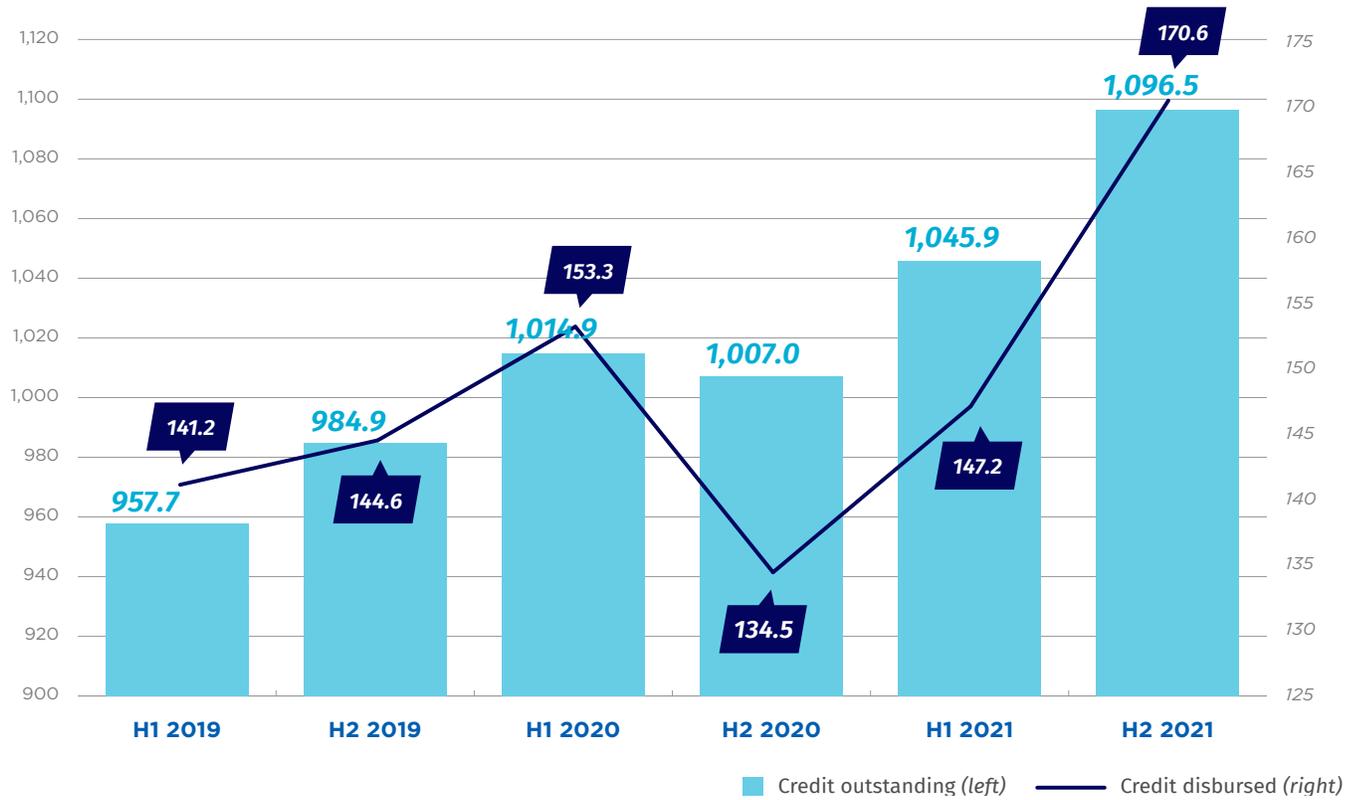
1 New loans include term loans, non-residential mortgages, and credit provided under government guarantees that have a fixed repayment schedule of greater than one year.

2 CEBA provided, as of June 2021, interest-free and partially forgivable loans of \$40,000 or \$60,000 to roughly 898,250 businesses. Statistics on CEBA lending are available [here](#) and [here](#). CEBA lending is excluded because it originates from the Government of Canada (rather than 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. The Highly Affected Sectors Credit Availability Program (HASCAP) is a loan guarantee program offering financing to small and medium-sized enterprises of up to \$1 million. The statistics presented in this report exclude HASCAP lending.

4 The Tourism Relief Fund (TRF) is a \$500-million national program to support the tourism sector in Canada.

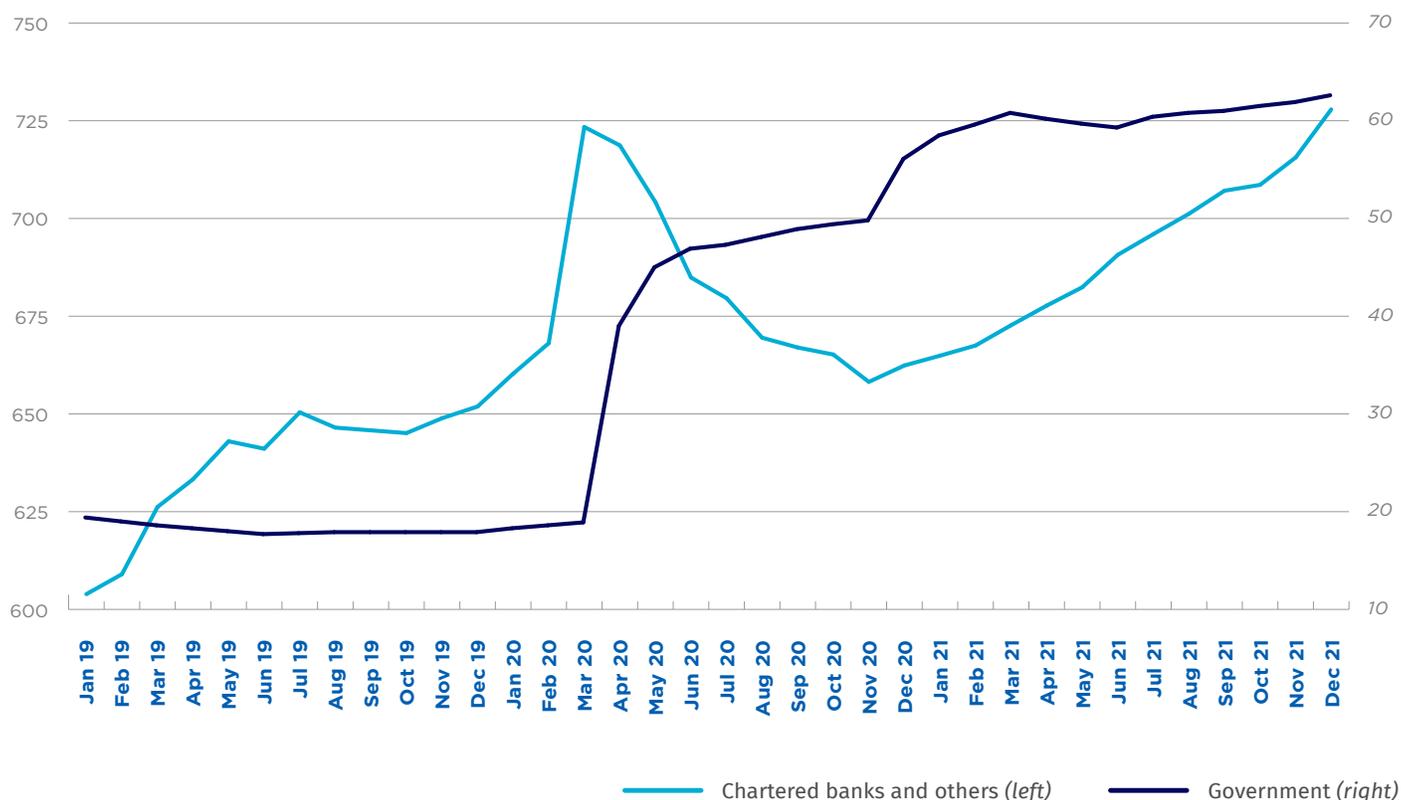
Figure 1: Value of credit outstanding (\$ billions) and disbursed (\$ billions) to all businesses



Source: Statistics Canada. Table 33-10-0013-01 Business credit outstanding, by supplier type and authorization level.

CEBA and other Government of Canada financing programs played a significant role in supporting business lending. Data from Statistics Canada’s National Balance Sheet Accounts show that as private sector lending declined beginning in March 2020 with the onset of the COVID-19 pandemic,⁵ the value of non-mortgage loans to private non-financial corporations by the Government nearly tripled between March 2020 and November 2020, from \$19 billion to \$50 billion (Figure 2). By the end of H2 2021, the value of non-mortgage loans from chartered banks and others reached its pre-pandemic levels of \$728 billion, while the value of non-mortgage loans by the Government totalled \$63 billion.

Figure 2: Non-mortgage loans to private non-financial corporations (\$ billions)

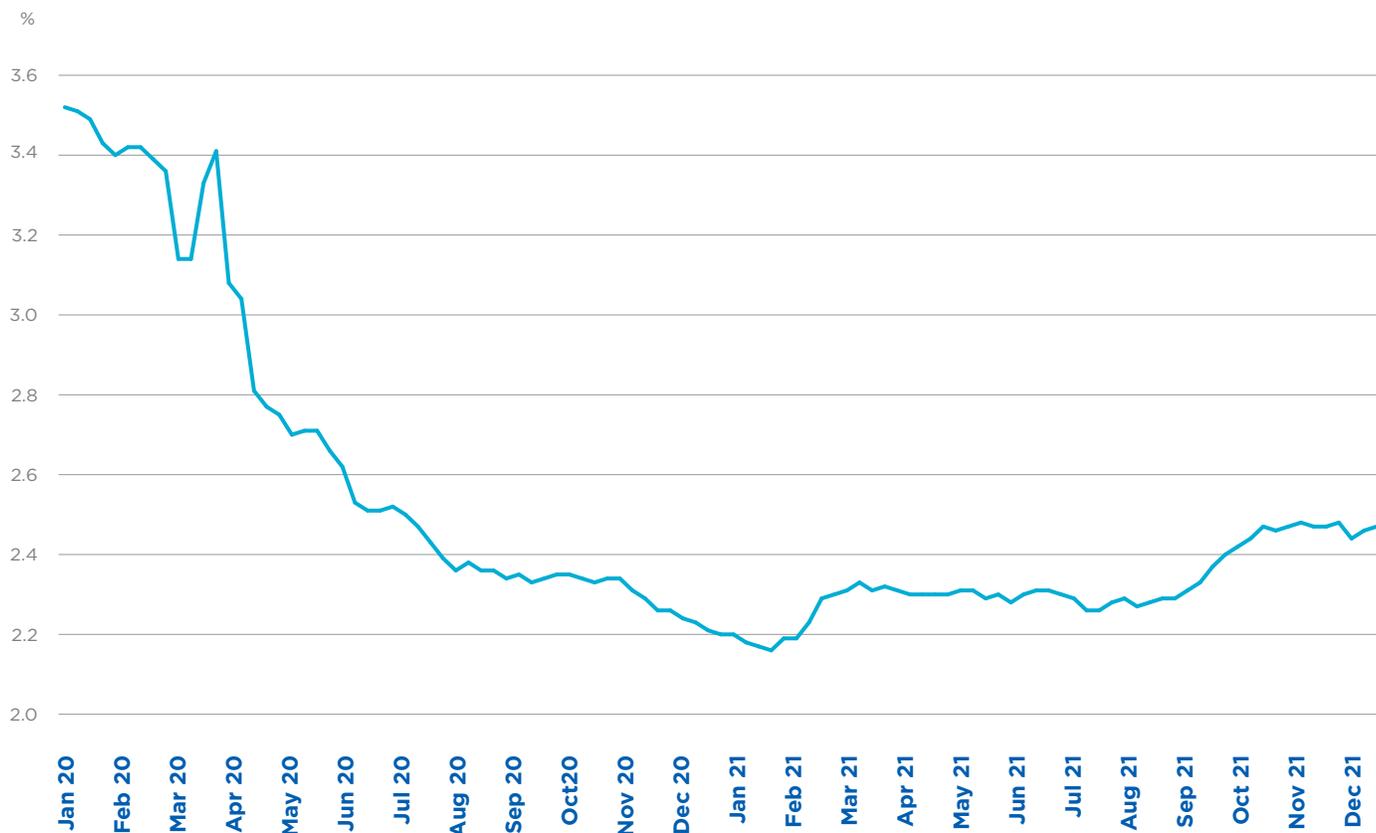


Source: Statistics Canada. Table 36-10-0640-01 Credit liabilities of private non-financial corporations.

⁵ Business lending markets were likely also impacted by other Government of Canada response programs, such as Canada Emergency Wage Subsidy (CEWS) and Canada Emergency Commercial Rent Assistance (CECRA). By directly subsidizing wages and rent, these programs likely reduced the demand for capital from businesses accessing these supports.

The weekly effective business interest rate, which proxies for the interest rate faced by businesses, slightly increased between September 2021 and December 2021 from 2.3 percent to 2.5 percent. The average weekly effective business interest rate was 2.4 percent during the second half of 2021 (Figure 3).

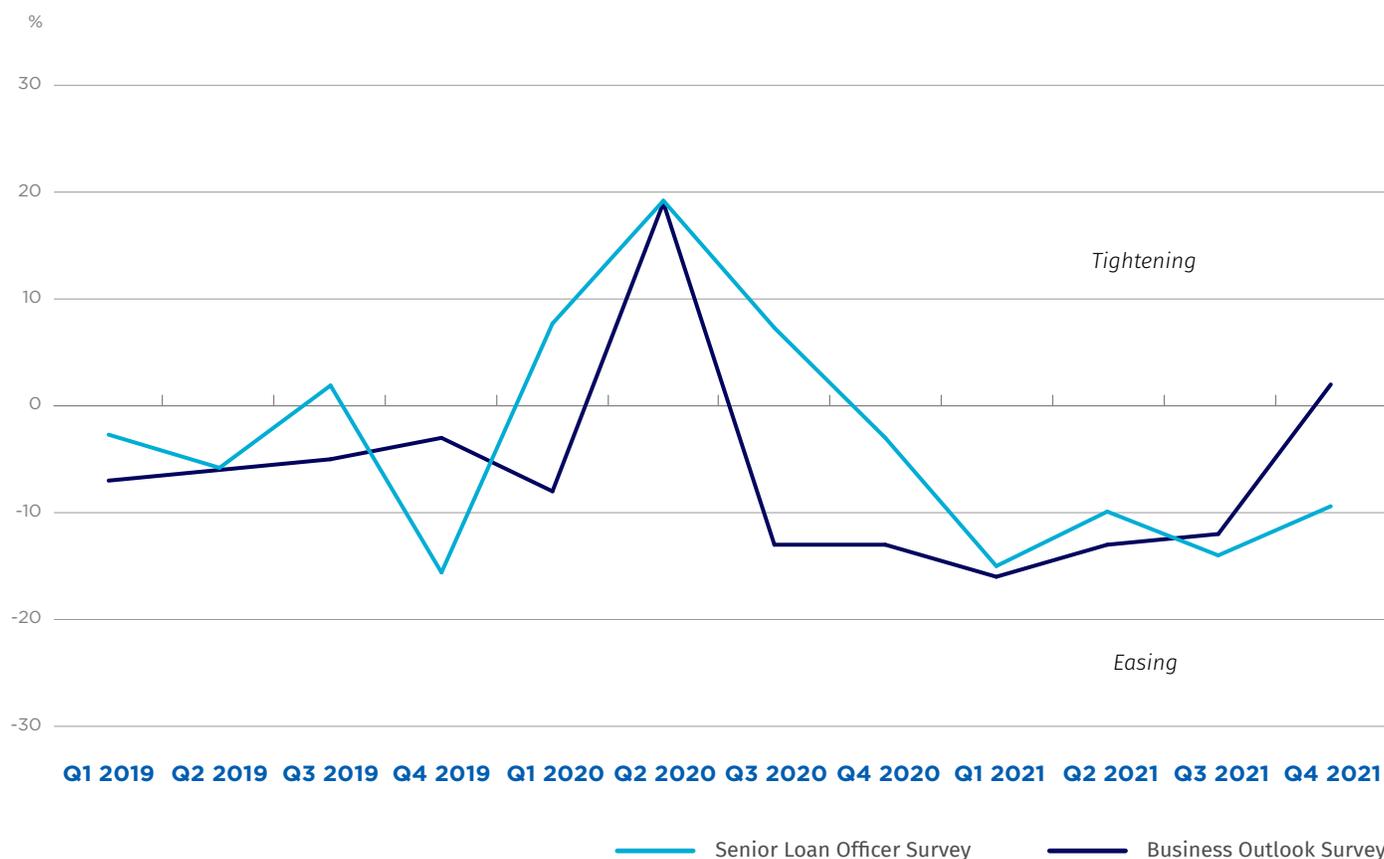
Figure 3: Weekly effective business interest rate, January 2020 to December 2021



Source: Bank of Canada, Weekly effective business interest rate.

Results from the Bank of Canada's *Senior Loan Officer Survey* show that lenders reported an overall easing in business lending conditions during H2 2021 (Figure 4).⁶ In contrast, the business lending indicator from the Bank of Canada's *Business Outlook Survey* pointed to slight tightening credit conditions by the end of H2 2021.

Figure 4: 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.

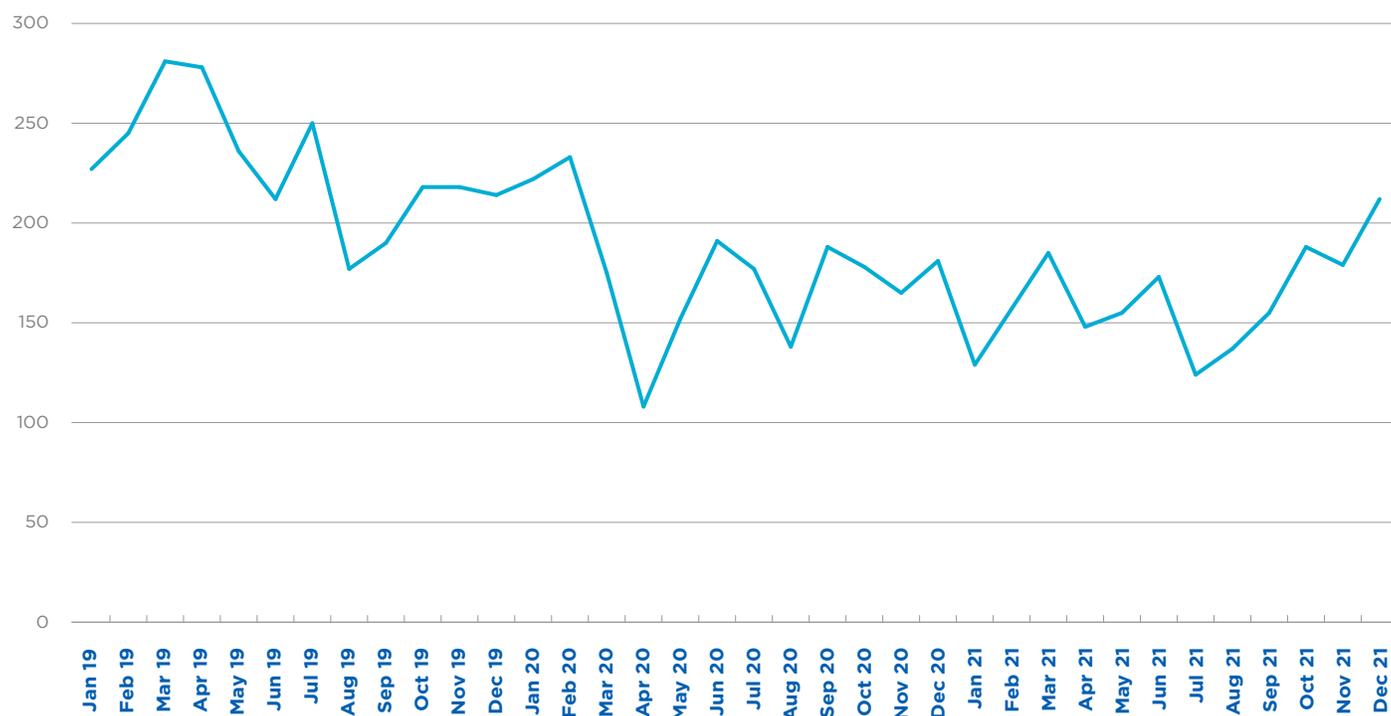
Note 2: Positive values indicate a tightening of credit. Negative values indicate a loosening of credit.

Sources: Bank of Canada, *Senior Loan Officer Survey*, 2021; and *Business Outlook Survey*, 2021.

6 Disaggregating the data, the non-price lending component of the survey's business credit conditions indicator pointed to easing throughout H2 2021, while the price lending component also suggested an easing of conditions towards the end of H2 2021.

During H2 2021, monthly bankruptcies increased between July 2021 and December 2021, from 124 to 212. This is closed to the pre-pandemic levels (233 in February 2020). Bankruptcies in the years and months leading up to the pandemic were relatively low, having declined steadily over the past decade. The number of bankruptcies should be interpreted with caution. In particular, the ongoing pandemic support programs such as CEBA and Canada Emergency Wage Subsidy (CEWS) introduced by the Government of Canada likely helped some businesses avoid or delay bankruptcy. Furthermore, bankruptcy figures do not comprise all closures, since they do not include businesses that terminated operations without filing for bankruptcy.

Figure 5: Number of bankruptcies for businesses



Source: Office of the Superintendent of Bankruptcy Canada, Insolvency Statistics in Canada.

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 20.0 percent between the first half of 2021 and the second half of 2021 to \$100.6 billion. Likewise, new loans by insurance companies and portfolio managers, other banks, finance companies, and credit unions and caisses populaires increased by 19.4 percent, 14.0 percent, 6.0 percent and 5.0 percent respectively.

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

Supplier type	2019		2020		2021	
	H1	H2	H1	H2	H1	H2
Domestic banks	79.2	81.2	87.4	74.0	83.9	100.6
Other banks	29.2	30.9	32.6	28.1	29.6	33.7
Credit unions and caisses populaires	11.5	11.7	11.6	12.0	14.1	14.8
Finance companies	15.2	14.8	16.9	15.1	14.8	15.6
Insurance companies and portfolio managers	6.07	6.05	4.8	5.3	4.9	5.8
All suppliers	141.2	144.6	153.3	134.5	147.2	170.6

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

Source: Statistics Canada. Table 33-10-0015-01 Business credit outstanding, by supplier type and credit instrument type.

Lending conditions by business size

According to the *Biannual Survey of Suppliers of Business Financing*, lending to businesses of all sizes increased from H1 2021 to H2 2021. New loans to small firms (those with loan authorization levels of less than \$1 million), medium firms (those with loan authorization levels of \$1 million or more but less than \$5 million) and large firms (those with loan authorization levels of \$5 million or more) increased by 5.5 percent, 12.8 percent and 17.8 percent, respectively, to \$14.9 billion, \$24.1 billion and \$131.6 billion (Figures 6a to 6c).

Likewise, the value of credit outstanding for small, medium-sized and large firms increased by 4.0 percent, 1.6 percent and 5.8 percent, respectively, from H1 2021 levels, to \$127.5 billion, \$184.9 billion and \$784.1 billion.

Data from PayNet's *Canadian Business Lending Index* (CBLI) suggests new lending to small businesses and medium-sized businesses increased throughout H2 2021 (Figure 7). Note that, in general, readers should be cautious in making direct comparisons between the two sources due to methodological differences.

PayNet data on defaults points to fewer defaults during H2 2021. The default rate for small businesses decreased from 0.71 percent to 0.56 percent between H1 2021 and H2 2021.⁷ Similarly, the default rate for medium-sized businesses decreased from 0.85 percent to 0.56 percent over this period.

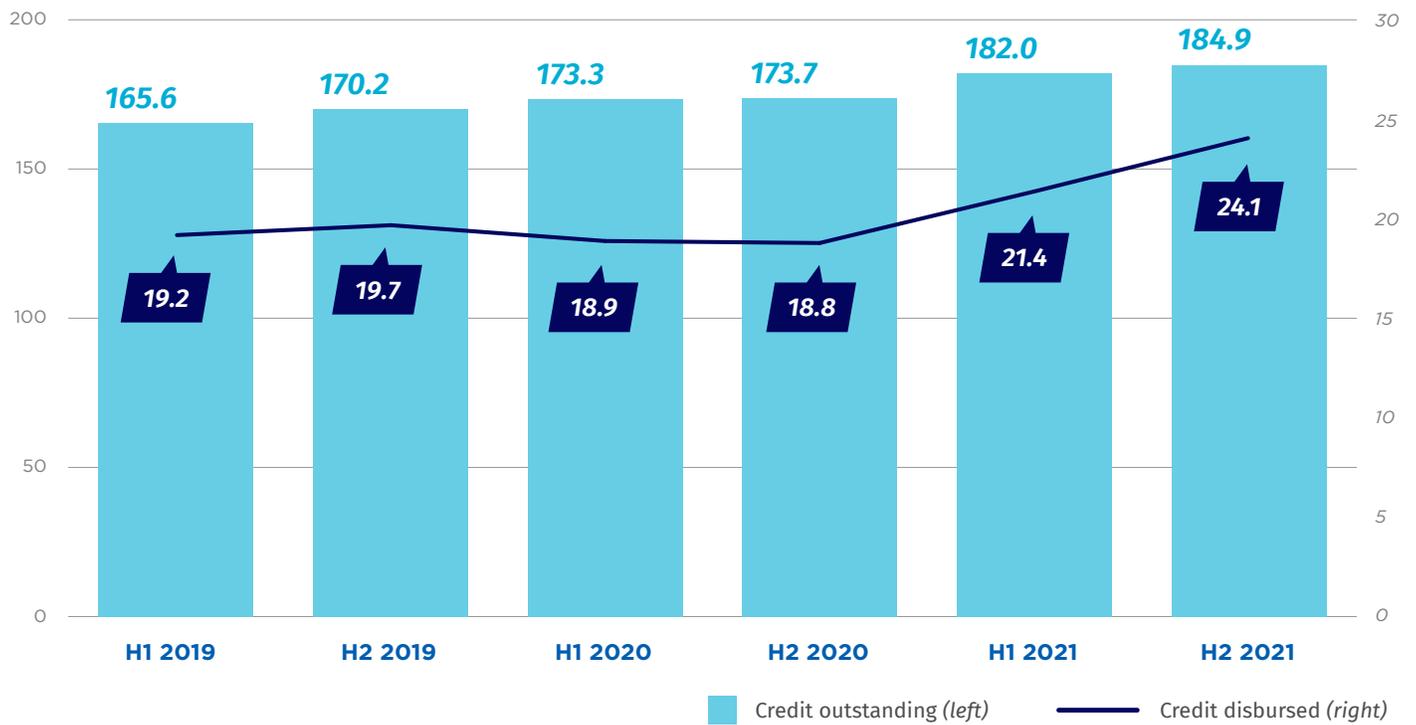
Figure 6a: Value of credit outstanding (\$ billions) and disbursed (\$ billions), small businesses



Source: Statistics Canada. Table 33-10-0013-01 Business credit outstanding, by supplier type and authorization level.

⁷ The default rate for H1 2021 is the average of the default rates in Q1 2021 and Q2 2021. Similarly, the default rate for H2 2021 is the average of the default rates in Q3 2021 and Q4 2021.

Figure 6b: Value of credit outstanding (\$ billions) and disbursed (\$ billions), medium-sized businesses



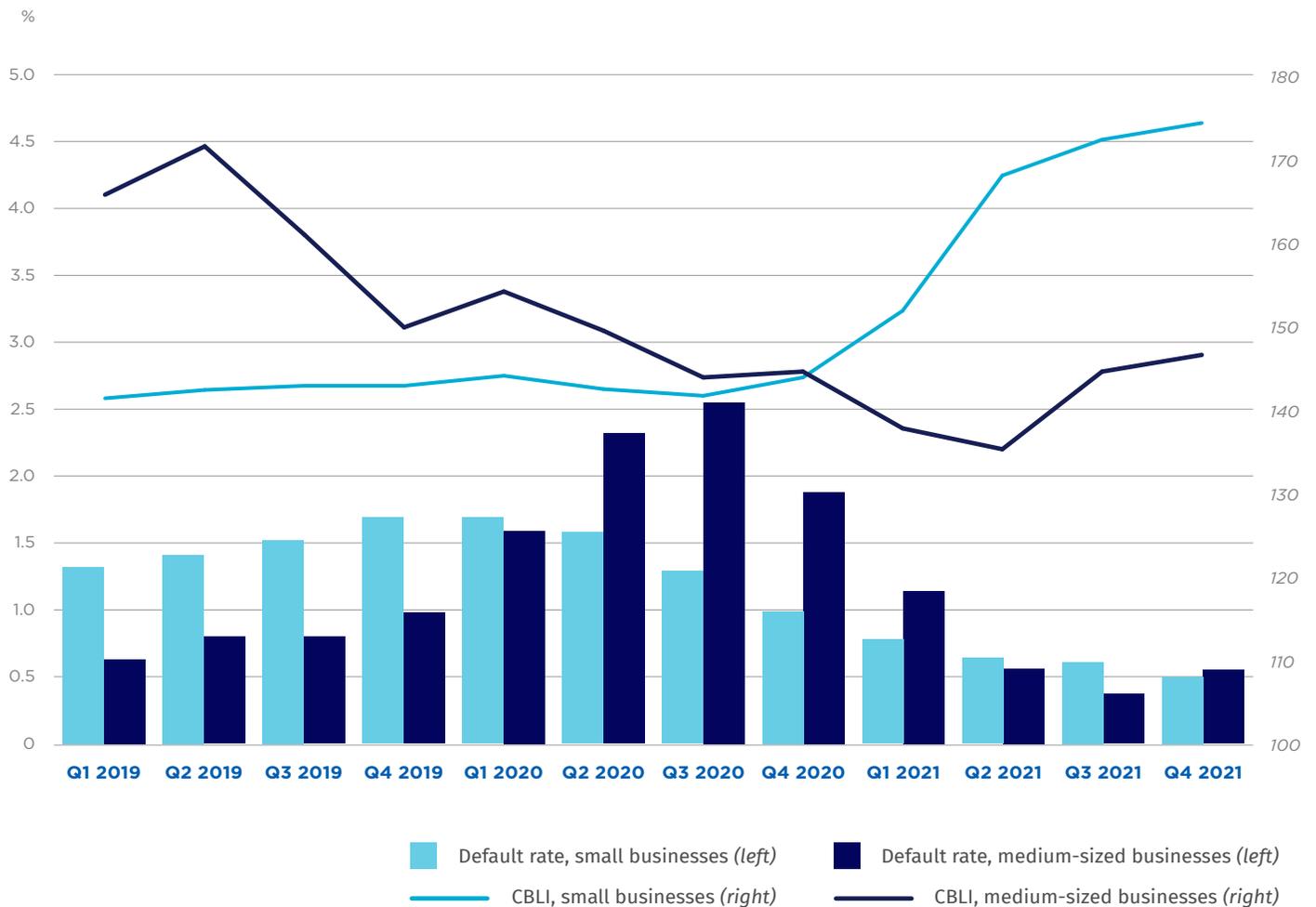
Source: Statistics Canada. Table 33-10-0013-01 Business credit outstanding, by supplier type and authorization level.

Figure 6c: Value of credit outstanding (\$ billions) and disbursed (\$ billions), large businesses



Source: Statistics Canada. Table 33-10-0013-01 Business credit outstanding, by supplier type and authorization level.

Figure 7: 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 \$3.1 million and medium borrowers are those with a H/C of more than \$3.1 million but less than \$16 million.

Note 2: Defaults are totalled 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*, 2021.

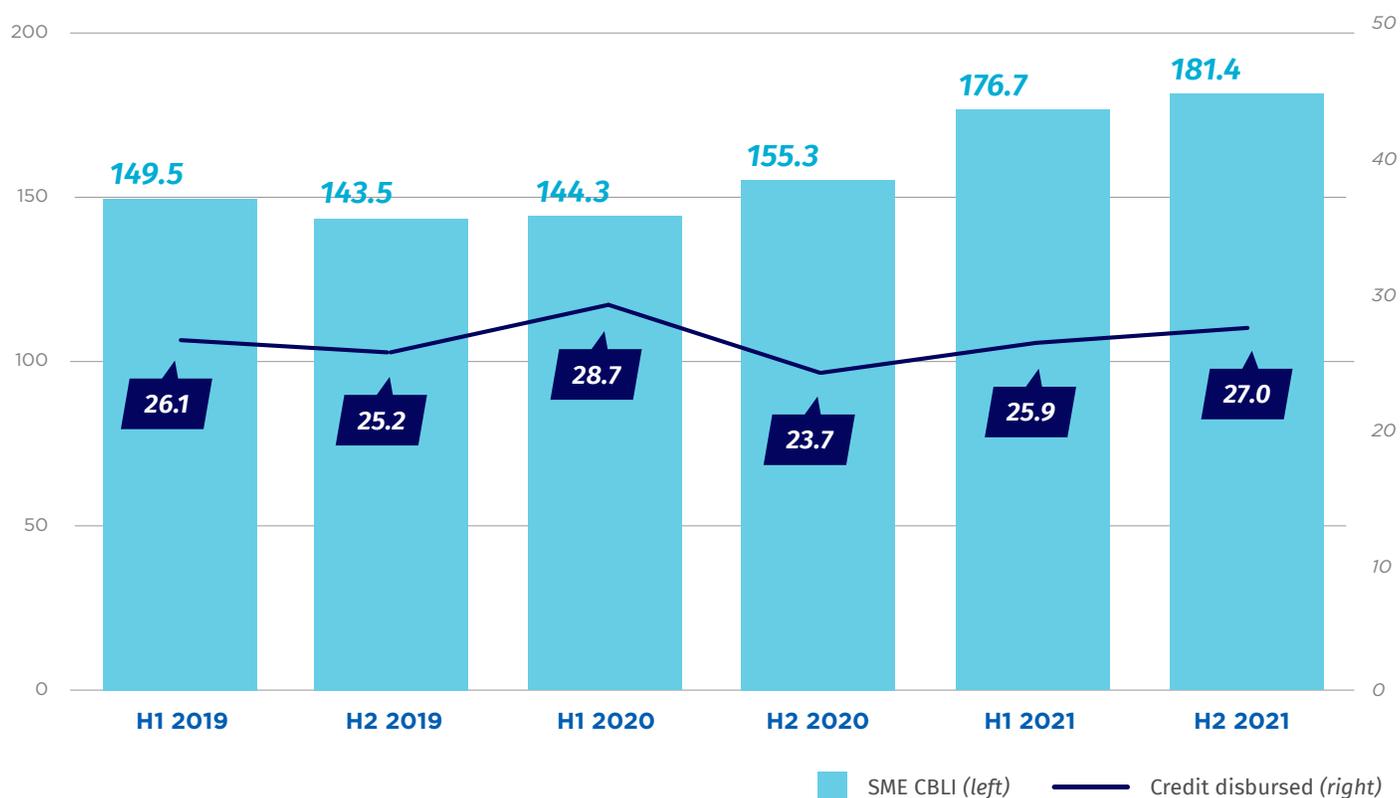
Lending conditions by sector

Results⁸ from the *Biannual Survey of Suppliers of Business Financing* indicate new lending increased in the other industries (48.1 percent, \$29.8 billion), construction (33.2 percent, \$17.2 billion), accommodation and food services (28.8 percent, \$4.2 billion), manufacturing (21.3 percent, \$16.7 billion), wholesale and retail trade (13.9 percent, \$15.3 billion), and primary (4.1 percent, \$27.0 billion) sectors, from H1 2021 to H2 2021 (Figures 8a to 8h).

By contrast, new lending from H1 2021 to H2 2021 decreased in the professional, scientific and technical services (-22.9 percent, \$4.3 billion), transportation and warehousing (-5.4 percent, \$7.0 billion) sectors.

PayNet's CBLI shows increases in new lending activity for the construction (16.3 percent), transportation and warehousing (8.1 percent), manufacturing (6.5 percent), accommodation and food services (5.0 percent), professional, scientific and technical services (2.4 percent) and primary (2.7 percent) sectors from H1 2021 to H2 2021. The CBLI decreased by 20.7 percent and 6.7 percent, respectively, for the other industries and wholesale and retail trade sectors.

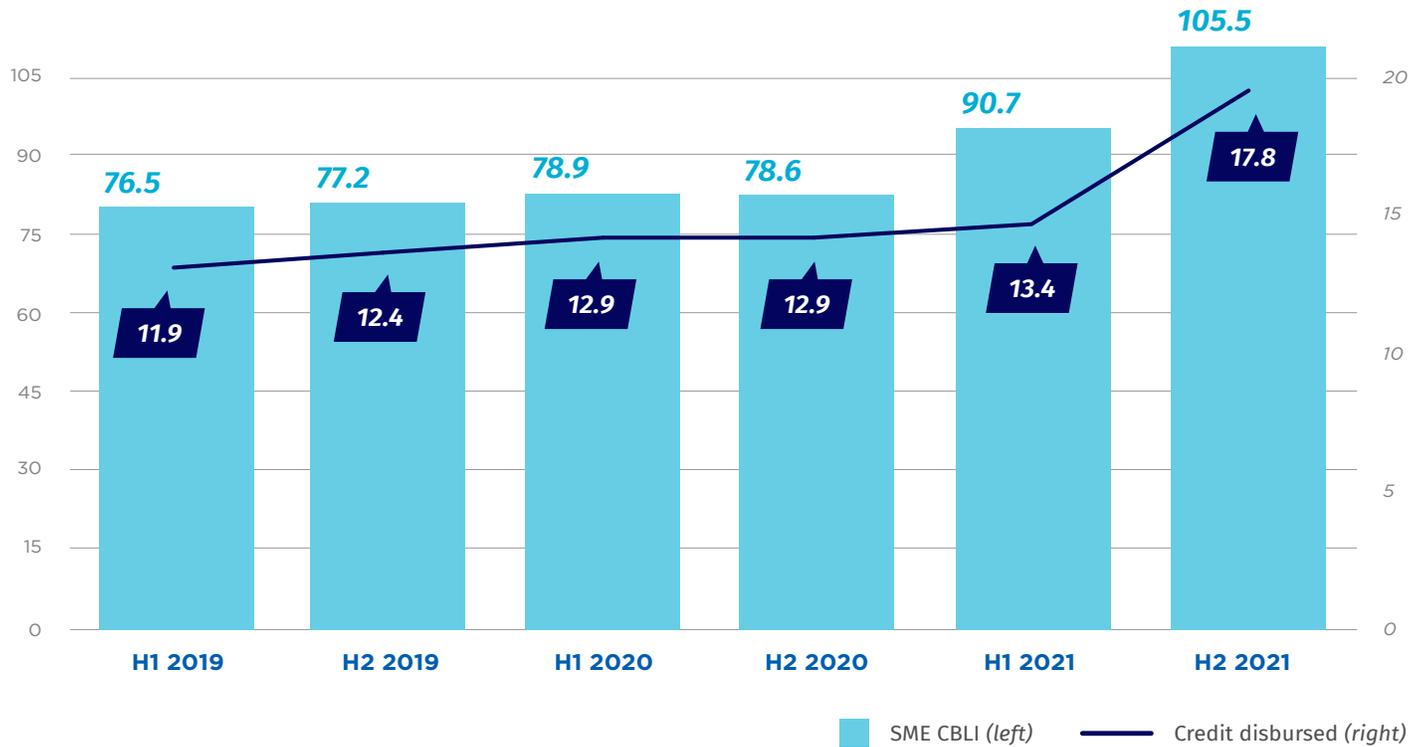
Figure 8a: SME Canadian Business Lending Index and value of credit disbursed (\$ billions), primary sector



Sources: PayNet Inc., *Canadian Business Lending Index*, 2021; and Statistics Canada. Table 33-10-0014-01 Business credit outstanding, by supplier type and industry.

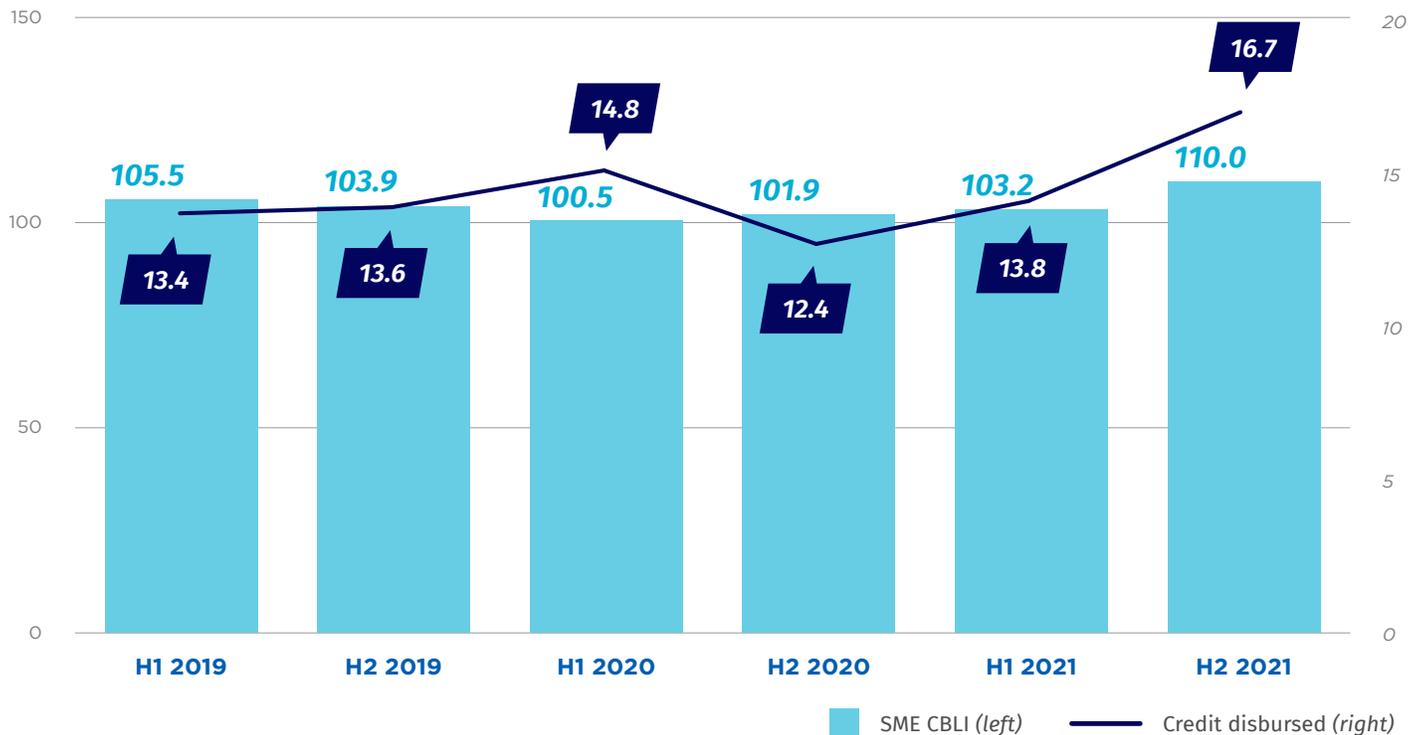
⁸ Not shown in Figures 8a to 8h are disbursements for the finance and insurance, and the real estate and rental and leasing sectors, which are major borrowing sectors and wherein disbursements increased by 11.0 percent and by 7.7 percent respectively, between H1 2021 and H2 2021.

Figure 8b: SME Canadian Business Lending Index and value of credit disbursed (\$ billions), construction sector



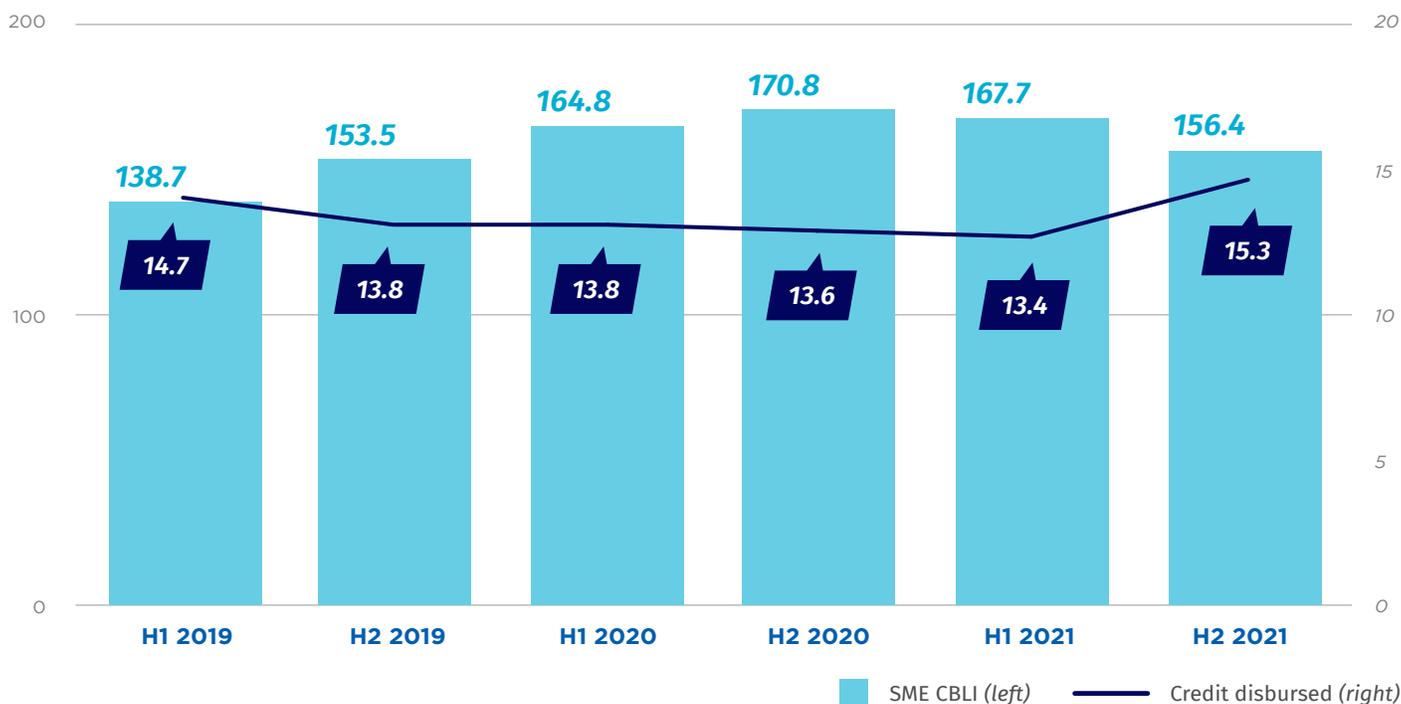
Sources: PayNet Inc., *Canadian Business Lending Index*, 2021; and Statistics Canada. Table 33-10-0014-01 Business credit outstanding, by supplier type and industry.

Figure 8c: SME Canadian Business Lending Index and value of credit disbursed (\$ billions), manufacturing sector



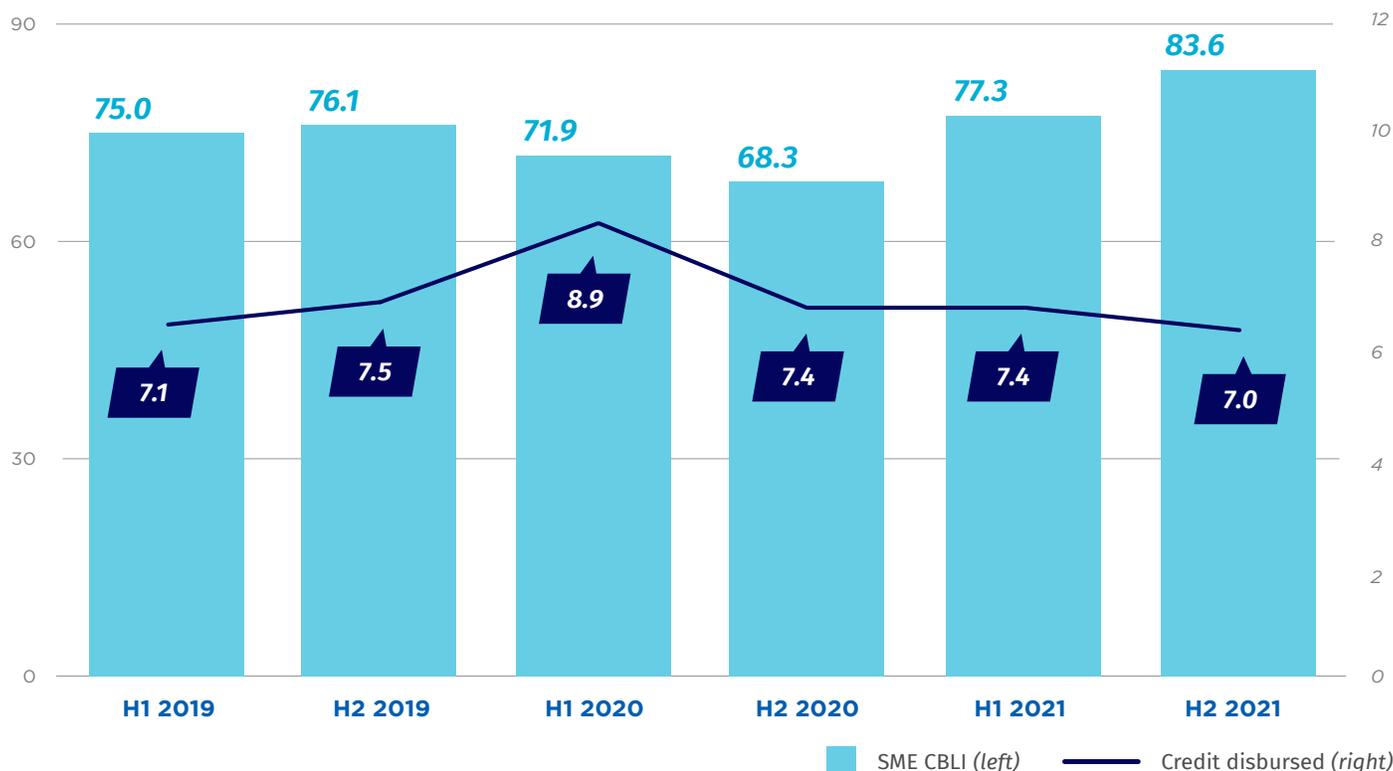
Sources: PayNet Inc., *Canadian Business Lending Index*, 2021; and Statistics Canada. Table 33-10-0014-01 Business credit outstanding, by supplier type and industry.

Figure 8d: SME Canadian Business Lending Index and value of credit disbursed (\$ billions), wholesale and retail trade sectors



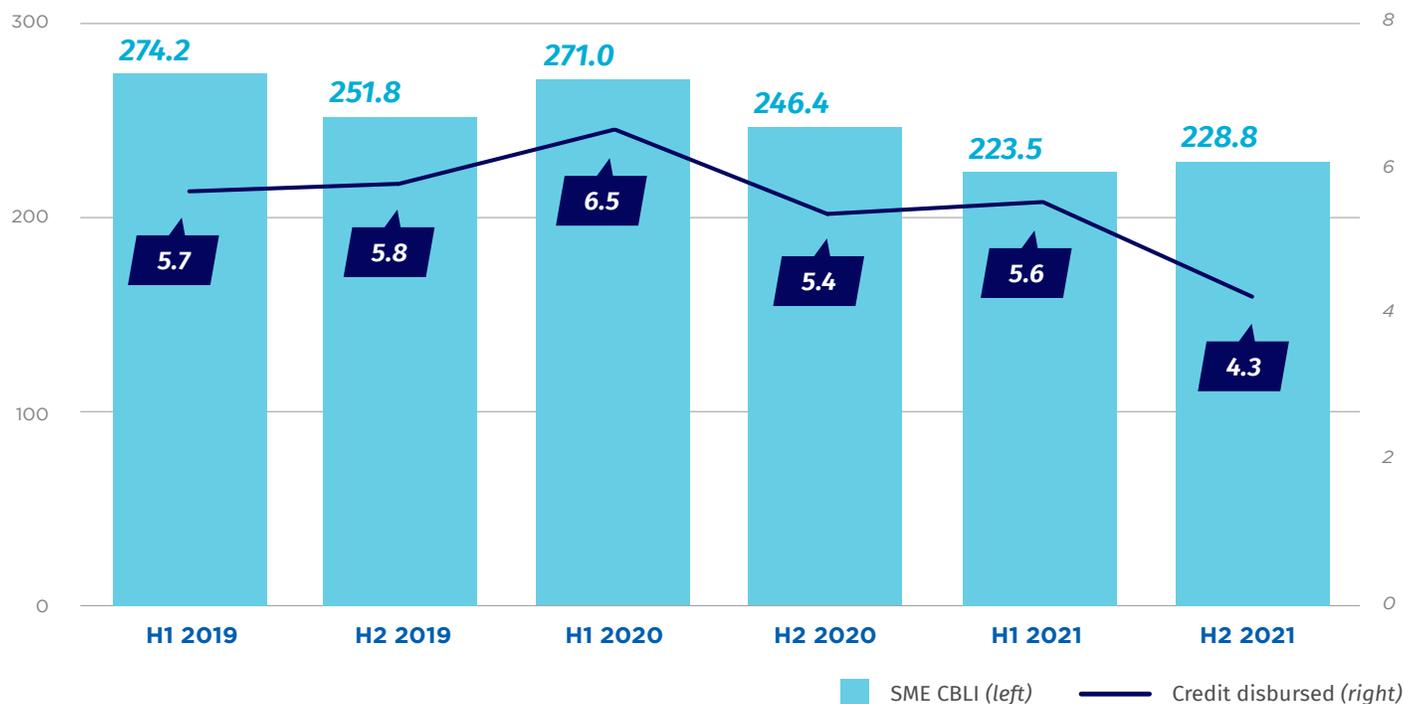
Sources: PayNet Inc., *Canadian Business Lending Index*, 2021; and Statistics Canada. Table 33-10-0014-01 Business credit outstanding, by supplier type and industry.

Figure 8e: SME Canadian Business Lending Index and value of credit disbursed (\$ billions), transportation and warehousing sector



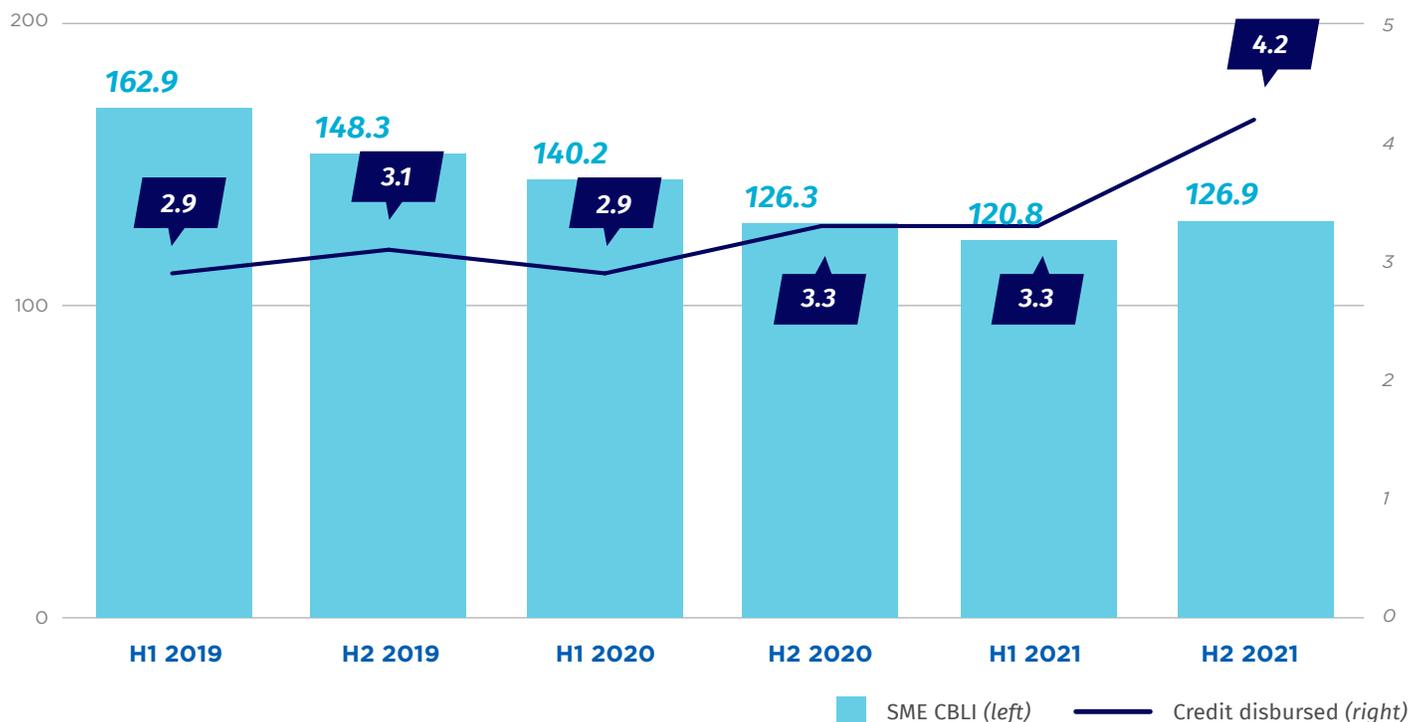
Sources: PayNet Inc., *Canadian Business Lending Index*, 2021; and Statistics Canada. Table 33-10-0014-01 Business credit outstanding, by supplier type and industry.

Figure 8f: SME Canadian Business Lending Index and value of credit disbursed (\$ billions), professional, scientific and technical services sector



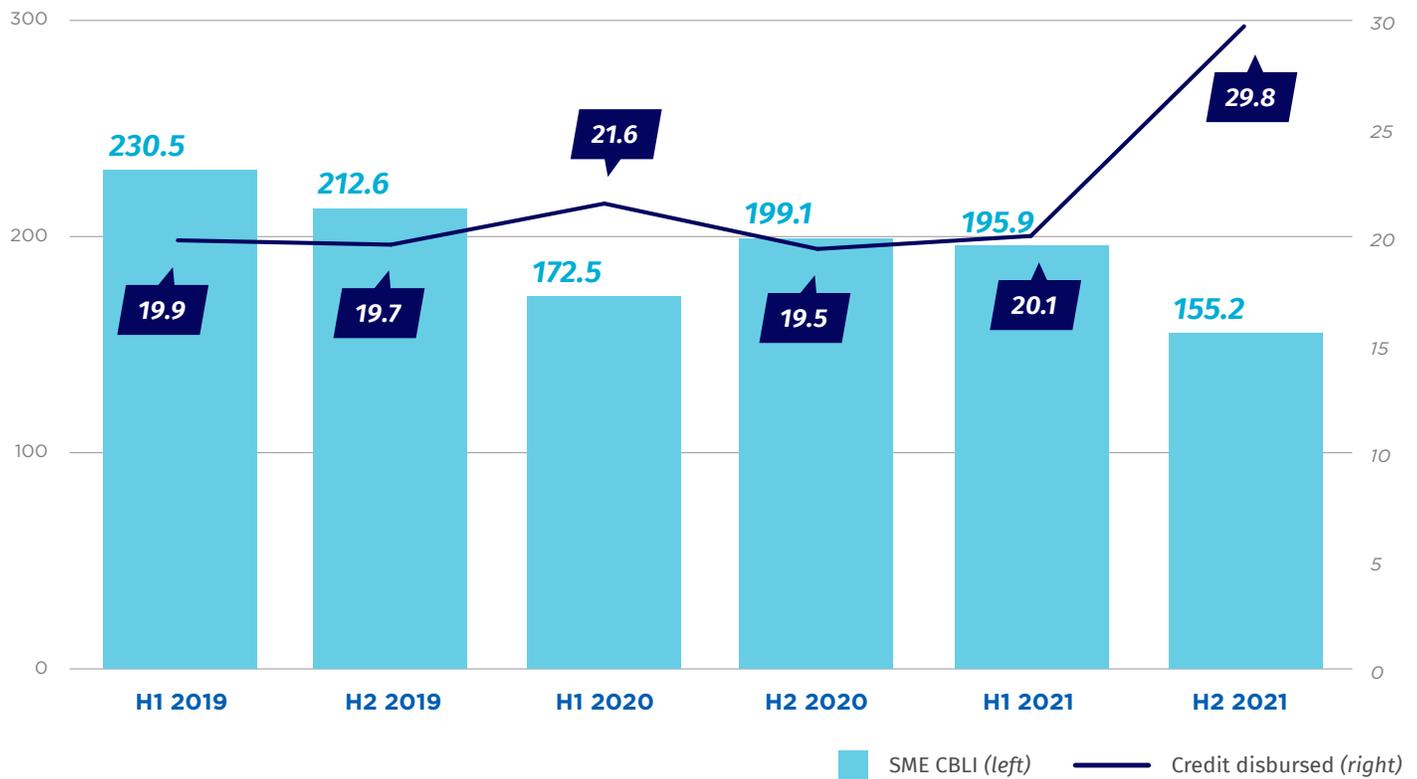
Sources: PayNet Inc., *Canadian Business Lending Index*, 2021; and Statistics Canada. Table 33-10-0014-01 Business credit outstanding, by supplier type and industry.

Figure 8g: SME Canadian Business Lending Index and value of credit disbursed (\$ billions), accommodation and food services sector



Sources: PayNet Inc., *Canadian Business Lending Index*, 2021; and Statistics Canada. Table 33-10-0014-01 Business credit outstanding, by supplier type and industry.

Figure 8h: SME Canadian Business Lending Index and value of credit disbursed (\$ billions), other industries 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*, 2021; and Statistics Canada. Table 33-10-0014-01 Business credit outstanding, by supplier type and industry.

About the main sources

The Statistics Canada *Biannual Survey of Suppliers of Business Financing* is the result of a commitment by the Government of Canada to improve the availability of information about on business financing in Canada. This survey 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 \$102 billion.