



Innovation, Science and  
Economic Development Canada

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2022

# Biannual Survey of Suppliers of Business Financing

**Data Analysis, Second Half 2022**

*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

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Overall, private sector lending extended to Canadian businesses continued to grow in the second half (H2) of 2022 (July to December). Lending growth was driven by loans to large businesses, with credit outstanding and new disbursements to large firms increasing by 6.4% and 7.4%, respectively from the first half (H1) of 2022 (January to June). In contrast, credit outstanding to small and medium-sized firms increased modestly, while new loans to small and medium-sized firms decreased for the first time since 2020. New lending was uneven across sectors, ranging from a decrease of 6.1% in the Primary sector to an increase of 60% in the Transportation and warehousing sector. These shifts occurred in the context of significant increases in the Bank of Canada's policy interest rate, which rose from 1.50% in June 2022 to 4.25% in December 2022.

According to data from the *Biannual Survey of Suppliers of Business Financing*, business sector lending continued to increase in the second half of 2022. The value of disbursements and credit outstanding increased by 4.9% and 4.9% from the first half of 2022 (January to June) to \$185.0 billion and \$1,235.8 billion respectively, during the second half of 2022 (July to December).

Lending to large firms (those with loan authorization levels of \$5 million or more) drove these increases, with new disbursements growing by 7.4% to \$145.0 billion from H1 2022 to H2 2022. In contrast, new lending to small firms (those with loan authorization levels of less than \$1 million) and medium-sized firms (those with loan authorization levels of \$1 million or more but less than \$5 million) decreased by 2.1% and 4.1%, respectively, to \$15.4 billion and \$24.6 billion over the same period.

Likewise, credit outstanding to large firms increased by 6.4% to \$892.4 billion, while credit outstanding to small and medium-sized firms increased modestly, by 1.8% and 0.7%, to \$140.4 billion and \$203.1 billion, respectively.

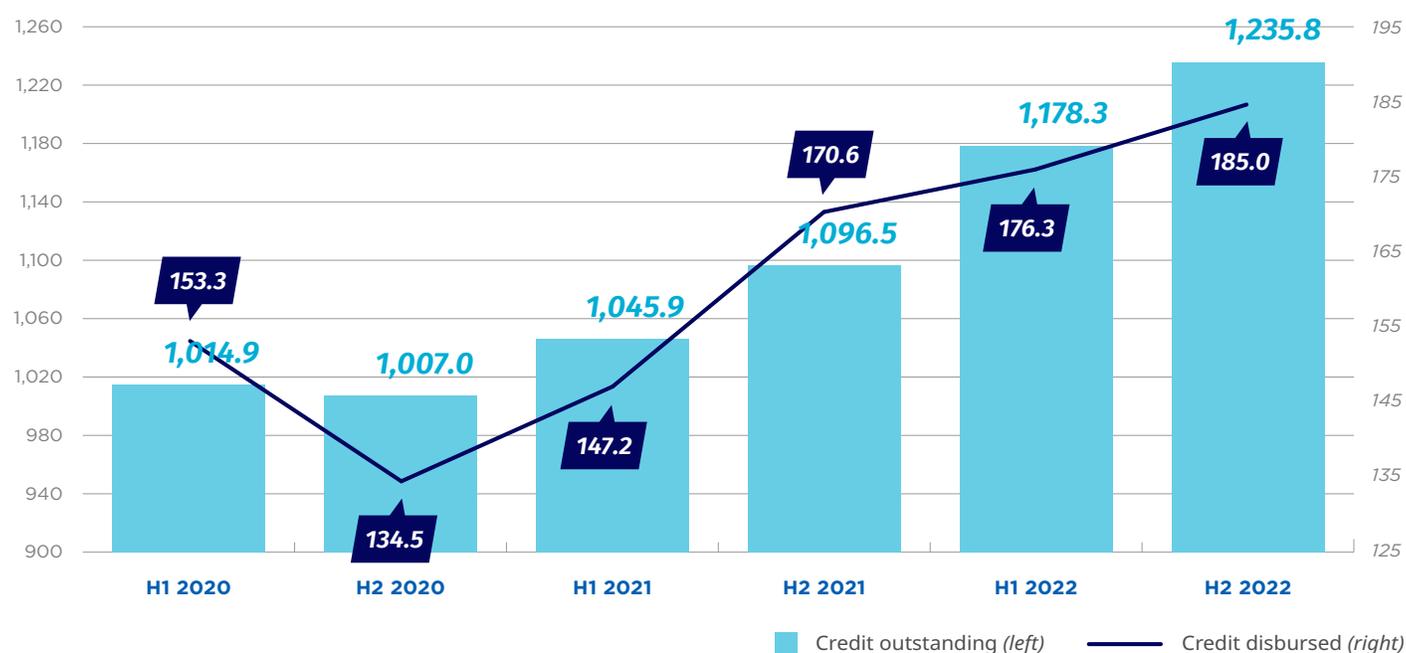
Bank of Canada survey results indicate that borrowers and lenders reported a continued tightening of credit conditions during the second half of 2022.

Overall, the lending environment during H2 2022 was impacted by a number of macroeconomic factors, including: continued growth in employment and moderating growth in GDP; high and broad-based inflation; the tightening of monetary policy (including both continued quantitative tightening and significant increases in the policy interest rate) by the Bank of Canada to curb inflation; sustained supply chain disruptions; and, the war in Ukraine.

## 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 H1 2022 and the H2 2022.<sup>1</sup> The value of new loans<sup>2</sup> extended to businesses totalled \$185.0 billion in H2 2022, compared to \$176.3 billion in new loans disbursed in H1 2022, an increase of 4.9% (Figure 1). Total credit outstanding in H2 2022 also increased by 4.9% over H2 2022 levels to \$1,235.8 billion.

**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.

Note that these figures exclude Canada Emergency Business Account (CEBA) lending, valued at roughly \$49.2 billion in January 2022, since lenders consider these loans to be off balance sheet items.<sup>3</sup>

These increases in business lending occurred as the significant fiscal and monetary policy support provided to businesses during the COVID-19 pandemic was largely withdrawn.

In particular, the Bank of Canada tightened monetary policy significantly in 2022, through quantitative tightening and rapid increases in its policy interest rate. The increases to the policy interest rate were the first increases since 2018 and raised the overnight rate from 0.25% in January 2022 to 4.25%, its highest level since before the 2007-2008 financial crisis, by the end of H2 2022.

<sup>1</sup> 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).

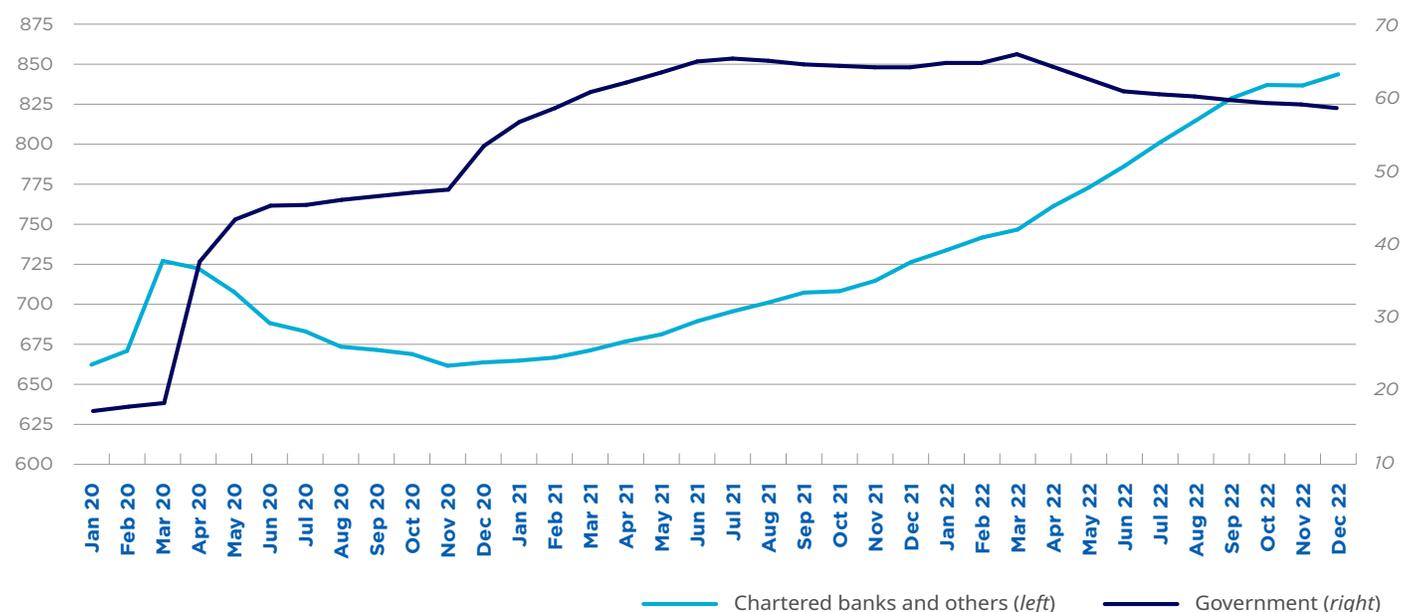
<sup>2</sup> New loans include term loans, non-residential mortgages, and credit provided under government guarantees that have a fixed repayment schedule of greater than one year.

<sup>3</sup> Applications for CEBA funding were accepted up to June 30, 2021. CEBA had provided, as of January 2022, interest-free and partially forgivable loans of \$40,000 or \$60,000 to roughly 885,527 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).

CEBA and other Government of Canada financing programs, which played a significant role in supporting business lending during COVID, were also wound-down in 2021 and 2022. These initiatives were particularly important over the first year of the pandemic as the value of non-mortgage loans to private non-financial corporations declined significantly from H1 2020 to H2 2020 (Figure 2).<sup>4</sup> Throughout 2021, while government financing programs were wound down, private business lending recovered with the value of non-mortgage lending to businesses from chartered banks and other sources reaching pre-pandemic levels by the end of H2 2021.

In H1 2022 and H2 2022, non-mortgage loans to firms from chartered banks continued to grow. In contrast, the value of non-mortgage loans to firms from government, in contrast, leveled off during 2021 and began trending down in 2022, though the value remained well above pre-pandemic levels.

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

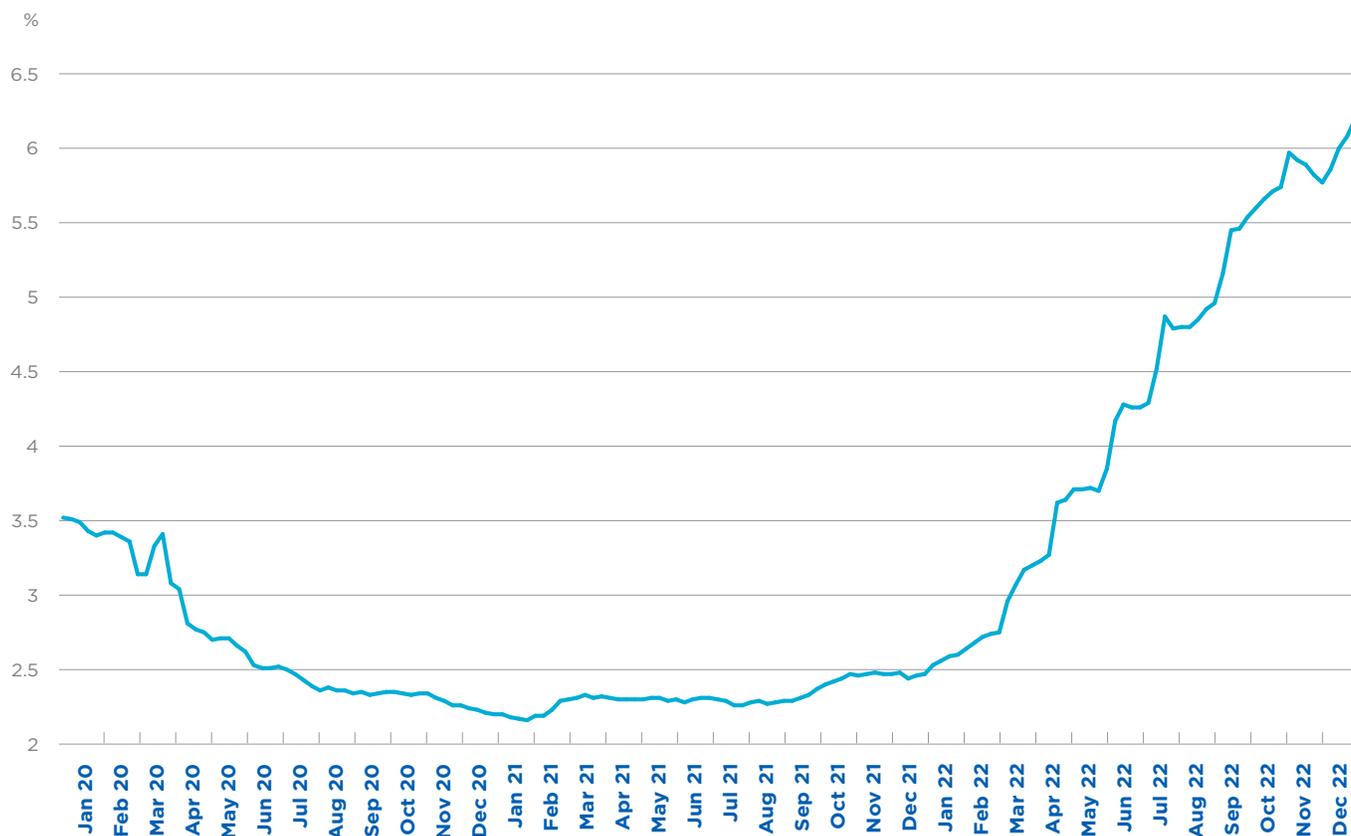


Source: Statistics Canada, Table 36-10-0640-01 — Credit liabilities of private non-financial corporations.

<sup>4</sup> 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 is considered a proxy for the interest rate available to businesses, increased from 4.3% to 6.2% over the course of H2 2022 as the Bank of Canada increased its overnight rate (Figure 3).

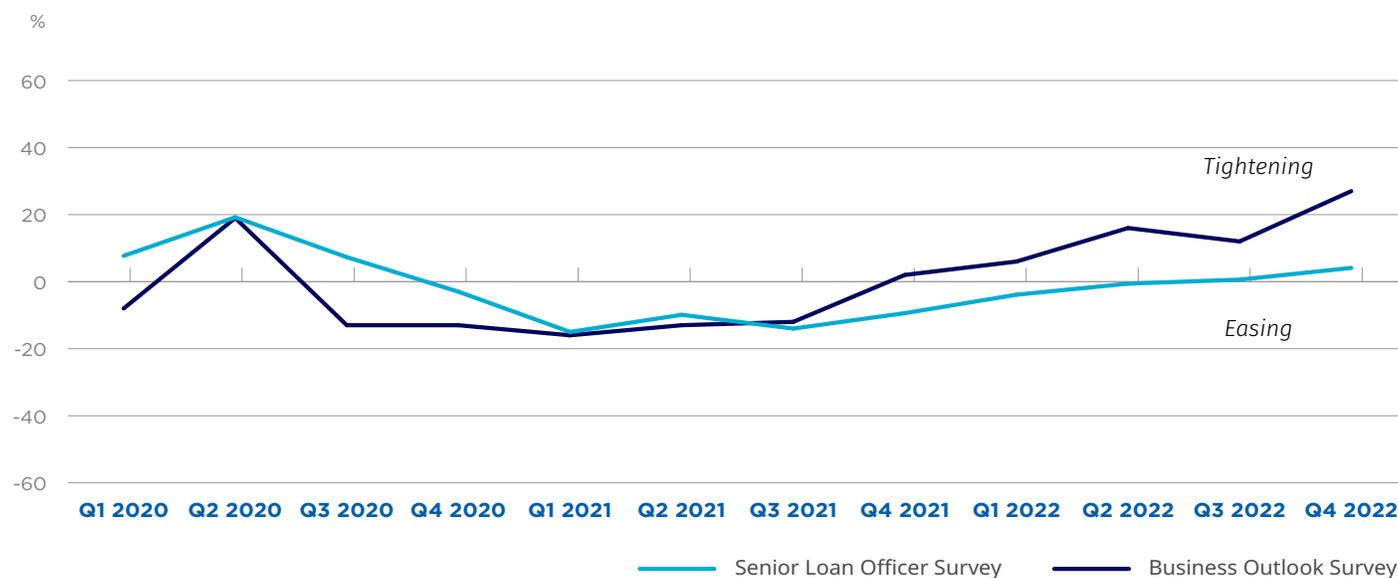
**Figure 3: Weekly effective business interest rate, January 2020 to December 2022**



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

Results from the Bank of Canada's *Senior Loan Officer Survey* indicate lender sentiment regarding business lending shifted from mixed in H1 2022 towards tightening during H2 2022 (Figure 4). Similarly, the business lending indicator from the Bank of Canada's *Business Outlook Survey* indicated that businesses reported a tightening in lending conditions over the course of H2 2022.

**Figure 4: Credit lending conditions in Canada**



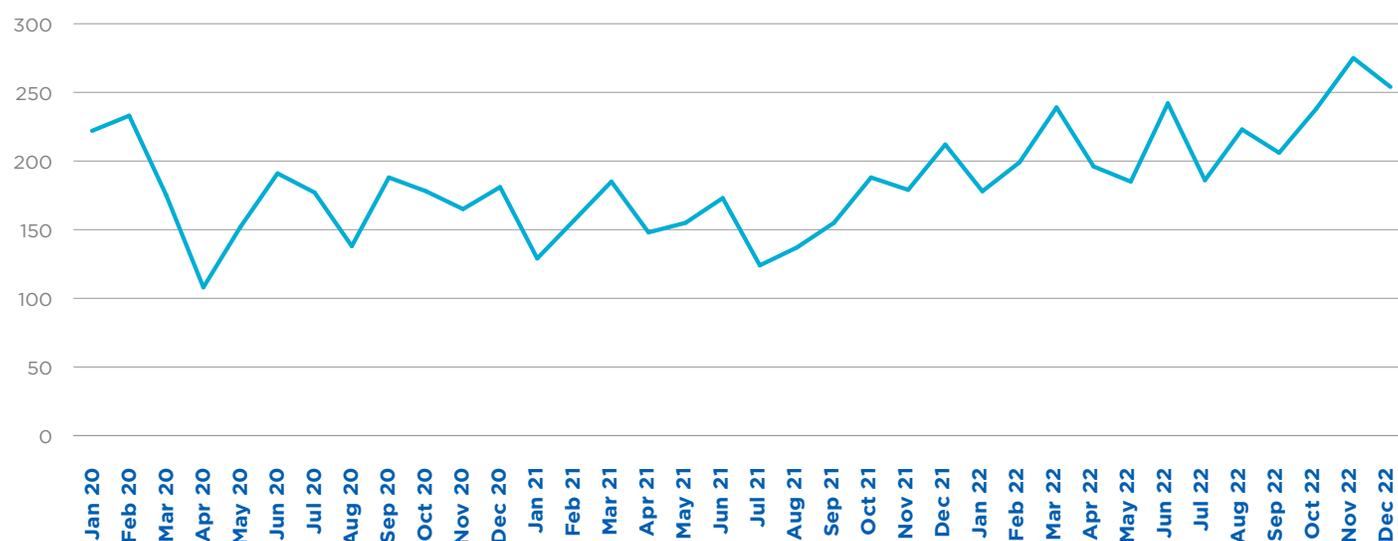
Note 1: The *Senior Loan Officer Survey* lending index shows the difference between the weighted percentage of financial institutions reporting tighter credit conditions and the weighted percentage reporting easier credit conditions in the preceding 3 months, where the weight is based on each respondent's 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*, Q3 2022 and Q4 2022; and *Business Outlook Survey*, Q3 2022 and Q4 2022.

During H2 2022, monthly bankruptcies averaged 230 bankruptcies, compared to a monthly average of 207 during H1 2022 (Figure 5). This increase brought H2 2022 close to pre-pandemic levels ( average of 247 monthly during H1 2019).<sup>5</sup> The modest increase in bankruptcies, while still relatively low historically, occurred in the context of the withdrawal of significant fiscal supports, such as the Canada Emergency Wage Subsidy (CEWS) and CEBA, as well as a number of other challenging macroeconomic factors, including rising interest rates and high inflation.<sup>6</sup>

**Figure 5: Number of bankruptcies for businesses**



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

<sup>5</sup> Pre-pandemic levels were relatively low due to a steady decline in the number of bankruptcies during the years leading up to 2020.

<sup>6</sup> Bankruptcy figures do not comprise all closures, since they do not include businesses that terminated operations without filing for bankruptcy.

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 6.1% between the H1 2022 and H2 2022 to \$112.0 billion. Likewise, new loans by other banks and credit unions and caisses populaires increased by 6.6% and 3.7% to \$37.0 billion and \$15.6 billion, respectively. In contrast, new loans from finance companies, insurance companies, and portfolio managers decreased by 3.1% and 2.7% to \$16.1 billion and \$4.3 billion, respectively.

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

Supplier type	2020		2021		2022	
	H1	H2	H1	H2	H1	H2
Domestic banks	87.4	74.0	83.9	100.6	105.6	112.0
Other banks	32.6	28.1	29.6	33.7	34.7	37.0
Credit unions and caisses populaires	11.6	12.0	14.1	14.8	15.0	15.6
Finance companies	16.9	15.1	14.8	15.6	16.6	16.1
Insurance companies and portfolio managers	4.8	5.3	4.9	5.8	4.4	4.3
All suppliers	153.3	134.5	147.2	170.6	176.3	185.0

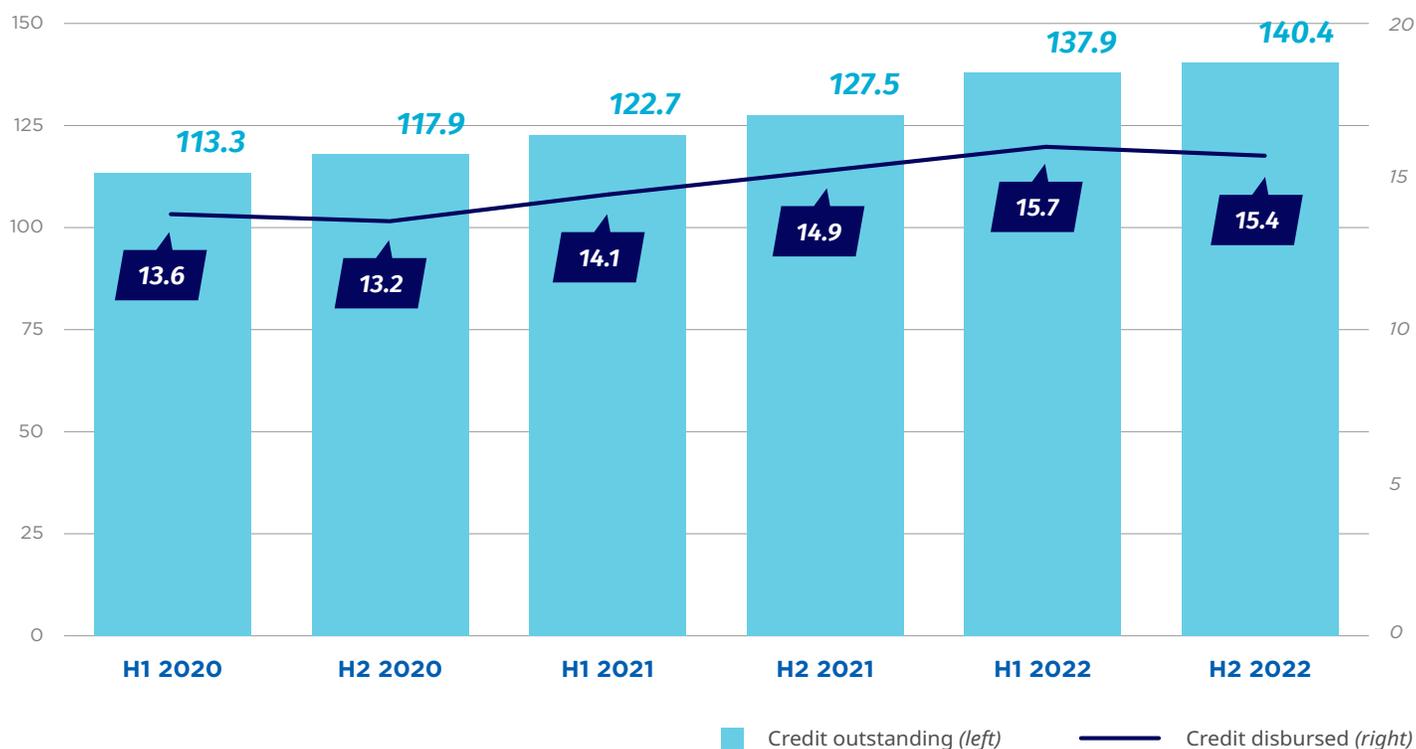
Source: Statistics Canada, Table 33-10-0013-01 — Business credit outstanding, by supplier type and authorization level.

## Lending conditions by business size

Results from the *Biannual Survey of Suppliers of Business Financing* indicate that new lending (Figures 6a to 6c) to small firms (those with loan authorization levels of less than \$1 million) and medium-sized firms (those with loan authorization levels of \$1 million or more but less than \$5 million) decreased from H1 2022 to H2 2022 by 2.1% and 4.1% to \$15.4 billion and \$24.6 billion, respectively.

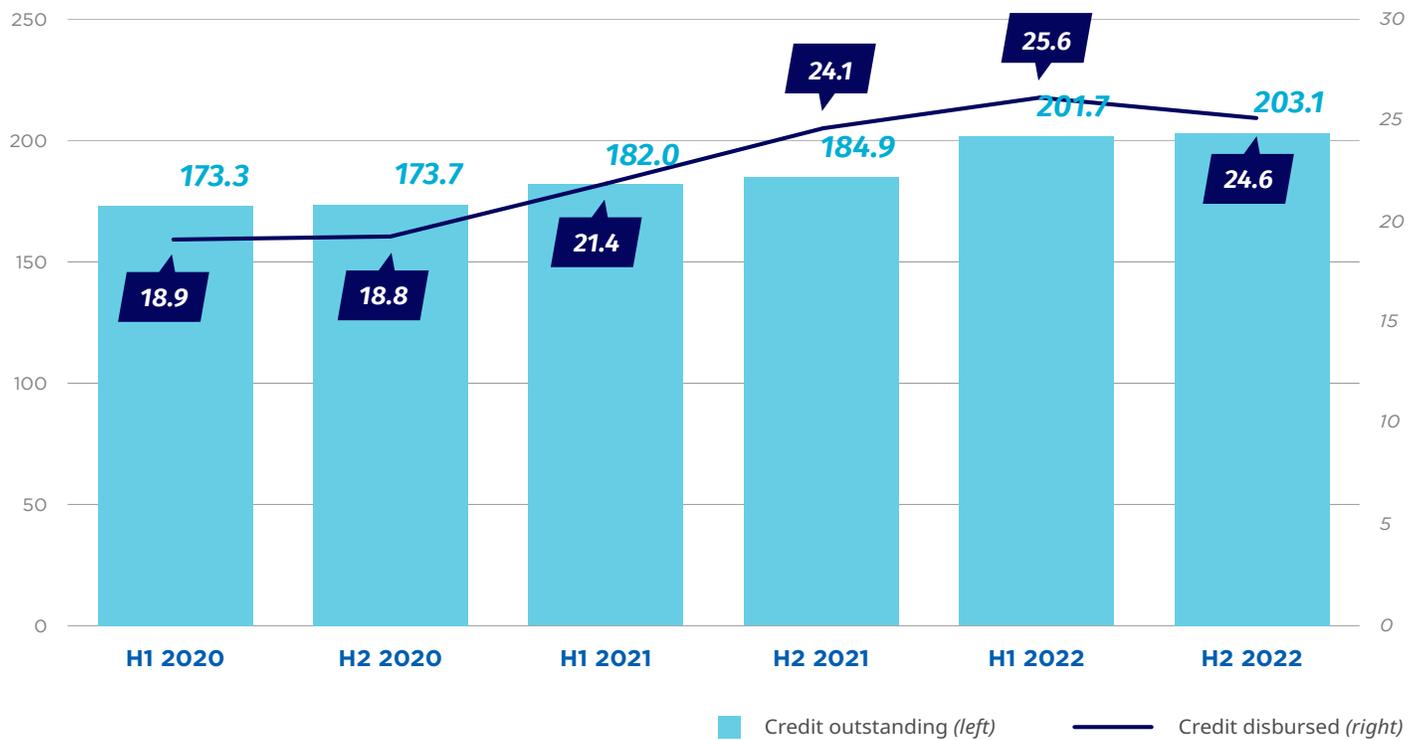
In contrast, new loans to large firms (those with loan authorization levels of \$5 million or more) increased from H1 2022 to H2 2022 by 7.4% to \$145.0 billion. Overall, the value of credit outstanding for small, medium-sized and large firms increased by 1.8%, 0.7% and 6.4%, respectively, from H1 2022 levels, to \$140.4 billion, \$203.1 billion and \$892.4 billion.

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



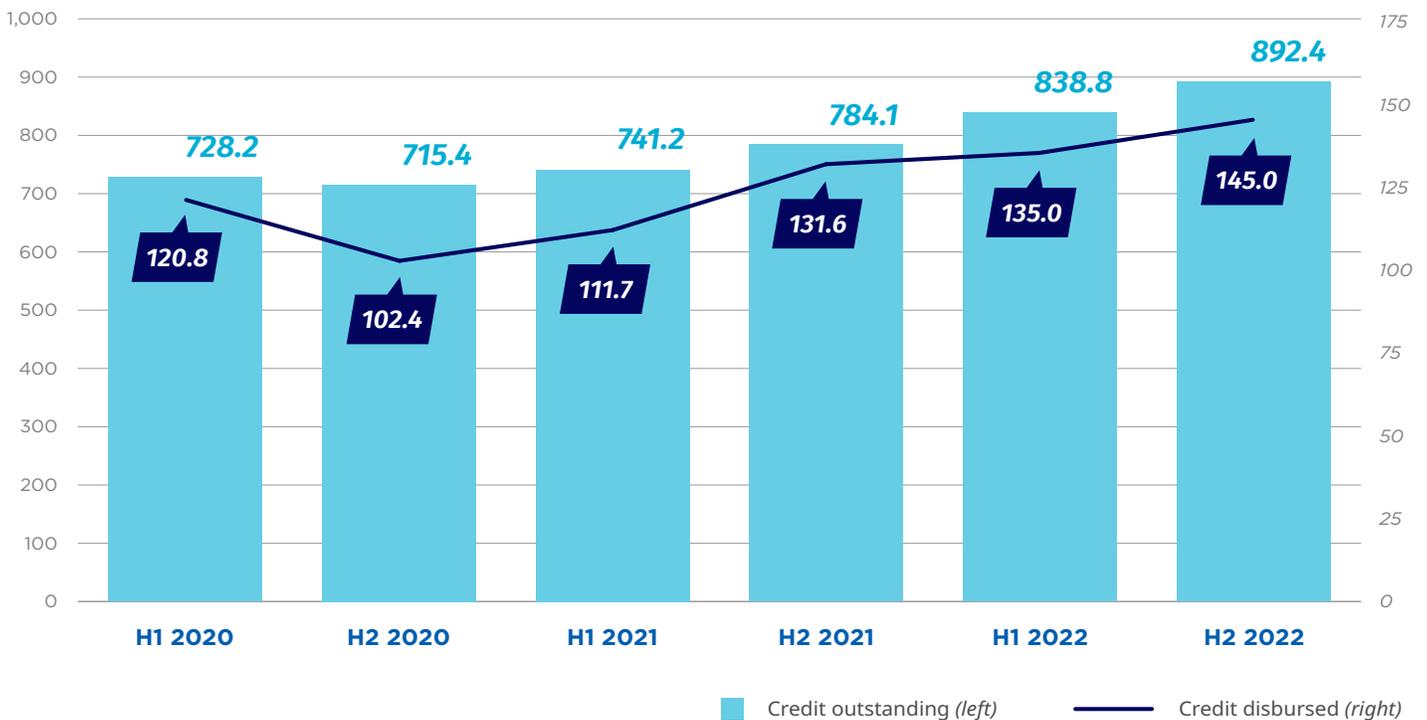
Source: Statistics Canada, Table 33-10-0013-01 — Business credit outstanding, by supplier type and authorization level.

**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**



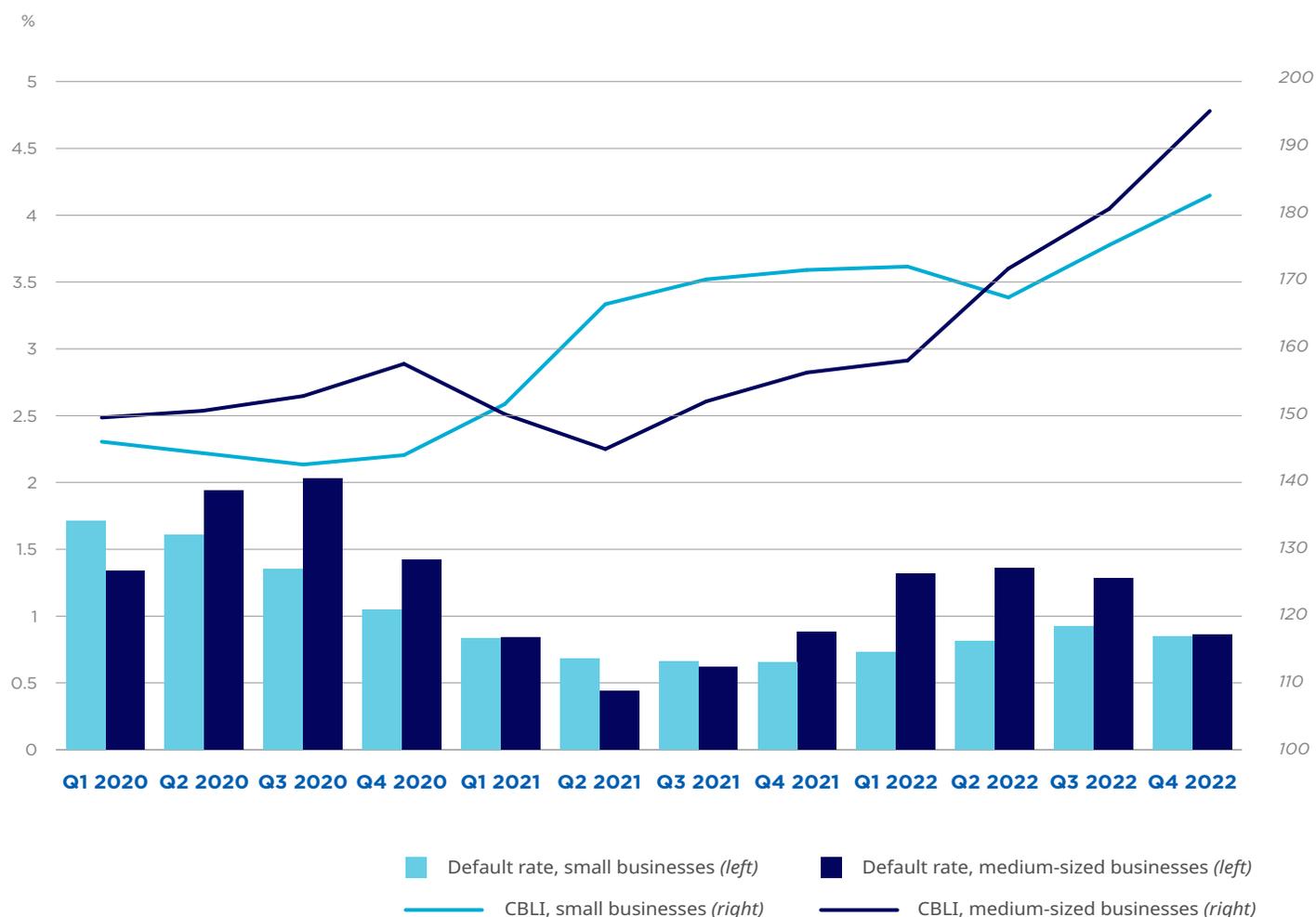
Source: Statistics Canada, Table 33-10-0013-01 — Business credit outstanding, by supplier type and authorization level.

Data from PayNet’s Canadian Business Lending Index (CBLI) further suggests that new lending to medium-sized businesses increased throughout H2 2022 (Figure 7). Similarly, the CBLI indicates that lending to small businesses increased over the course of H2 2022.

Based on PayNet data, small business defaults remained relatively unchanged over H2 2022. In contrast, defaults by medium-sized businesses trended down moderately over this period.

Although PayNet’s CBLI represents a useful source to measure business lending, direct comparisons between CBLI and the *Biannual Survey of Suppliers of Business Financing* should be limited due to methodological differences.

**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 *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 \$3.6 million and medium borrowers are those with a H/C of more than \$3.6 million but less than \$19 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*, 2022.

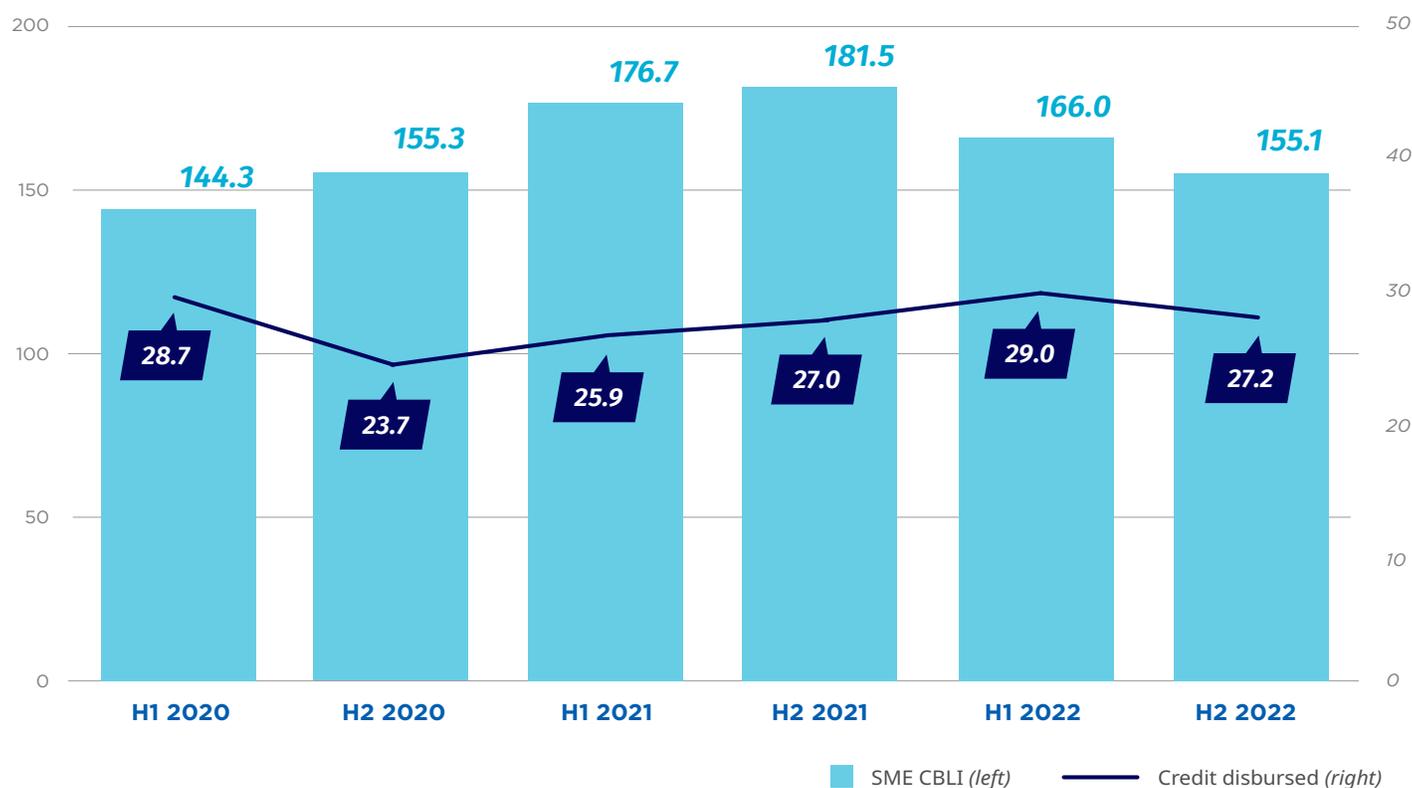
## Lending conditions by sector

Results<sup>7</sup> from the *Biannual Survey of Suppliers of Business Financing* indicate substantial sectoral differences in new lending during H2 2022. From H1 2022 to H2 2022, new loans increased in the transportation and warehousing (60.0%, \$11.4 billion), manufacturing (15.9%, \$19.6 billion), other industries (15.9%, \$33.6 billion), accommodation and food services (8.0%, \$4.9 billion), professional, scientific and technical services (7.8%, \$5.6 billion) and wholesale and retail trade (1.8%, \$16.6 billion) sectors. In contrast, new lending decreased from H1 2022 to H2 2022 in the primary sector (-6.1%, \$27.2 billion). New loans in the construction sector were roughly unchanged (-0.3%, \$17.9 billion).

PayNet's CBLI reported increases during H2 2022 across nearly every sector, with the exceptions of for the primary and the accommodation and food services sectors. From H1 2022 to H2 2022, new business lending activity increased in construction (9.4%), other industries (8.5%), wholesale and retail trade (7.7%), transportation and warehousing (6.3%), manufacturing (2.6%) and in the professional, scientific and technical services (2.4%) sectors.

Conversely, the CBLI indicates that lending decreased from H1 2022 to H2 2022 in the primary sector (-6.5%) and in the accommodation and food services (-2.3%).<sup>8</sup>

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

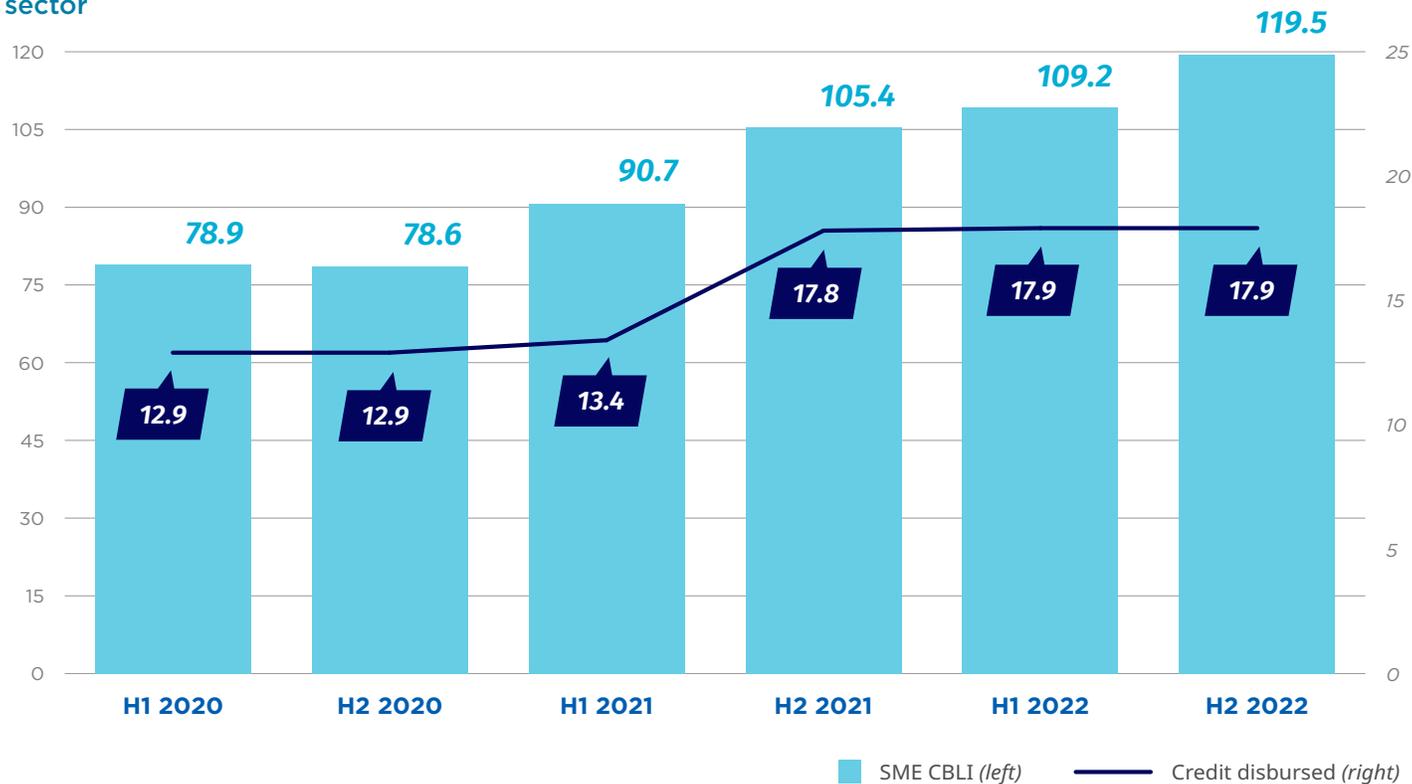


Sources: PayNet Inc., *Canadian Business Lending Index*, 2022; and Statistics Canada, Table 33-10-0014-01 — Business credit outstanding, by supplier type and industry.

<sup>7</sup> 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 decreased by 3.0% and by 4.5% respectively, between H1 2022 and H2 2022.

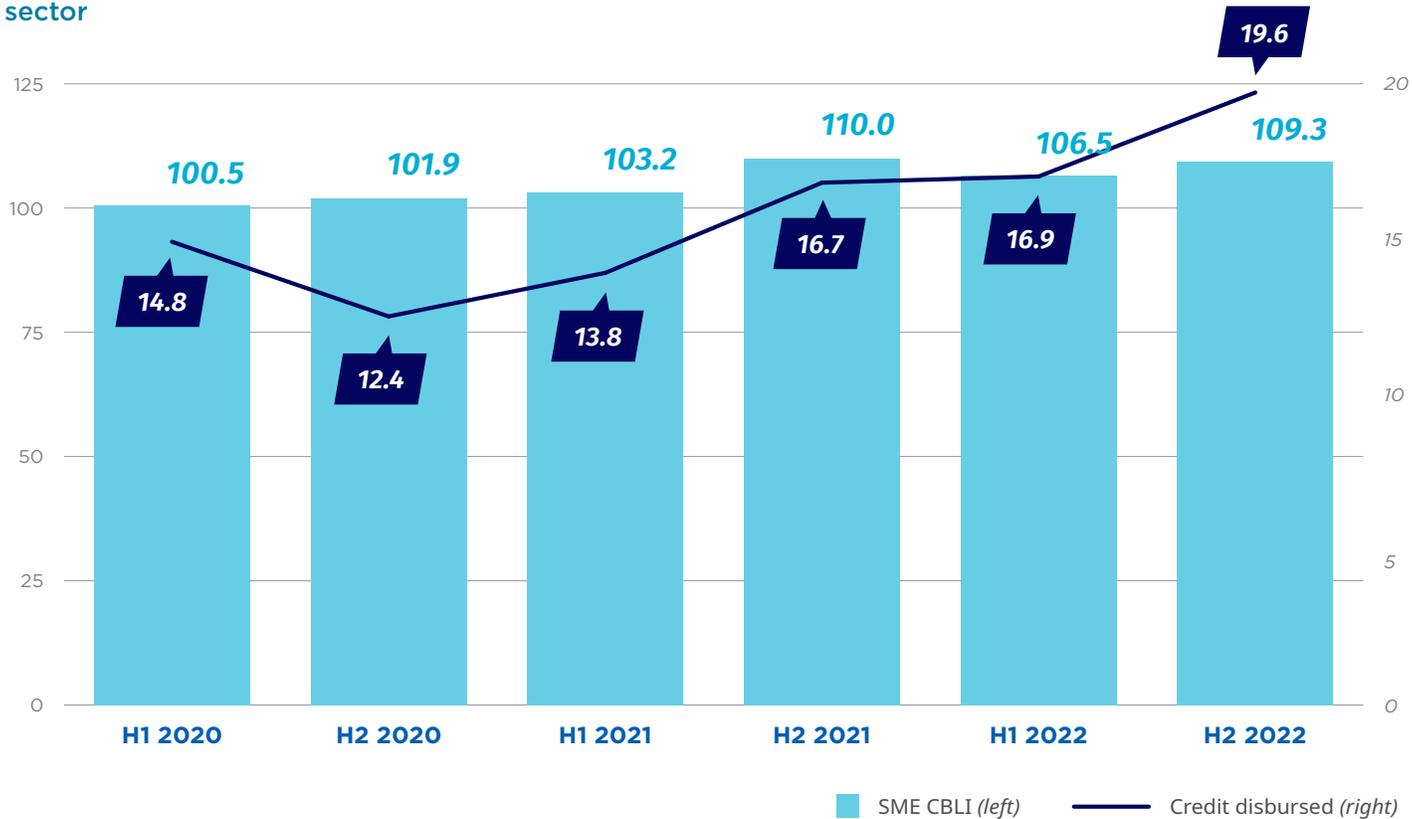
<sup>8</sup> As noted above, direct comparisons between CBLI and the *Biannual Survey of Suppliers of Business Financing* should be limited due to methodological differences.

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



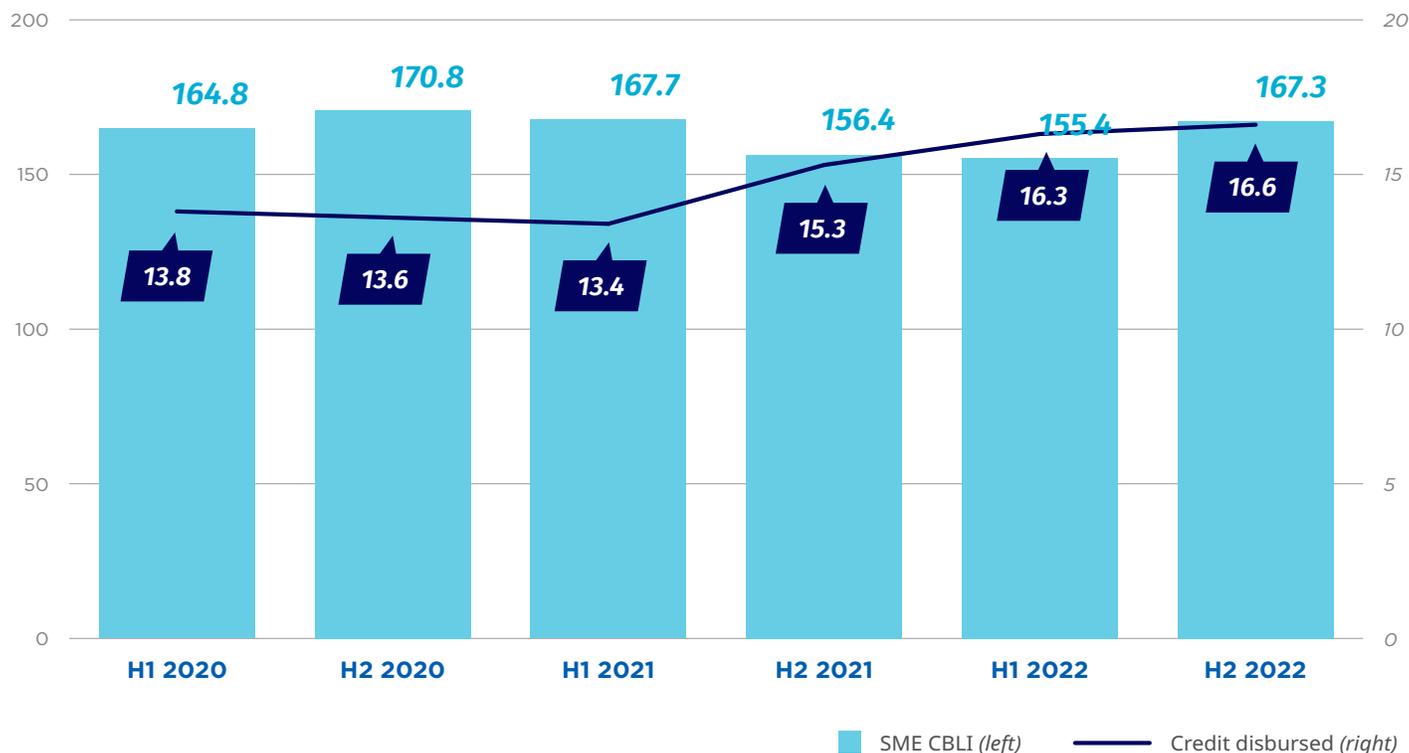
Sources: PayNet Inc., *Canadian Business Lending Index*, 2022; and Statistics Canada, Table 33-10-0014-01 — Business credit outstanding, by supplier type and industry.

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



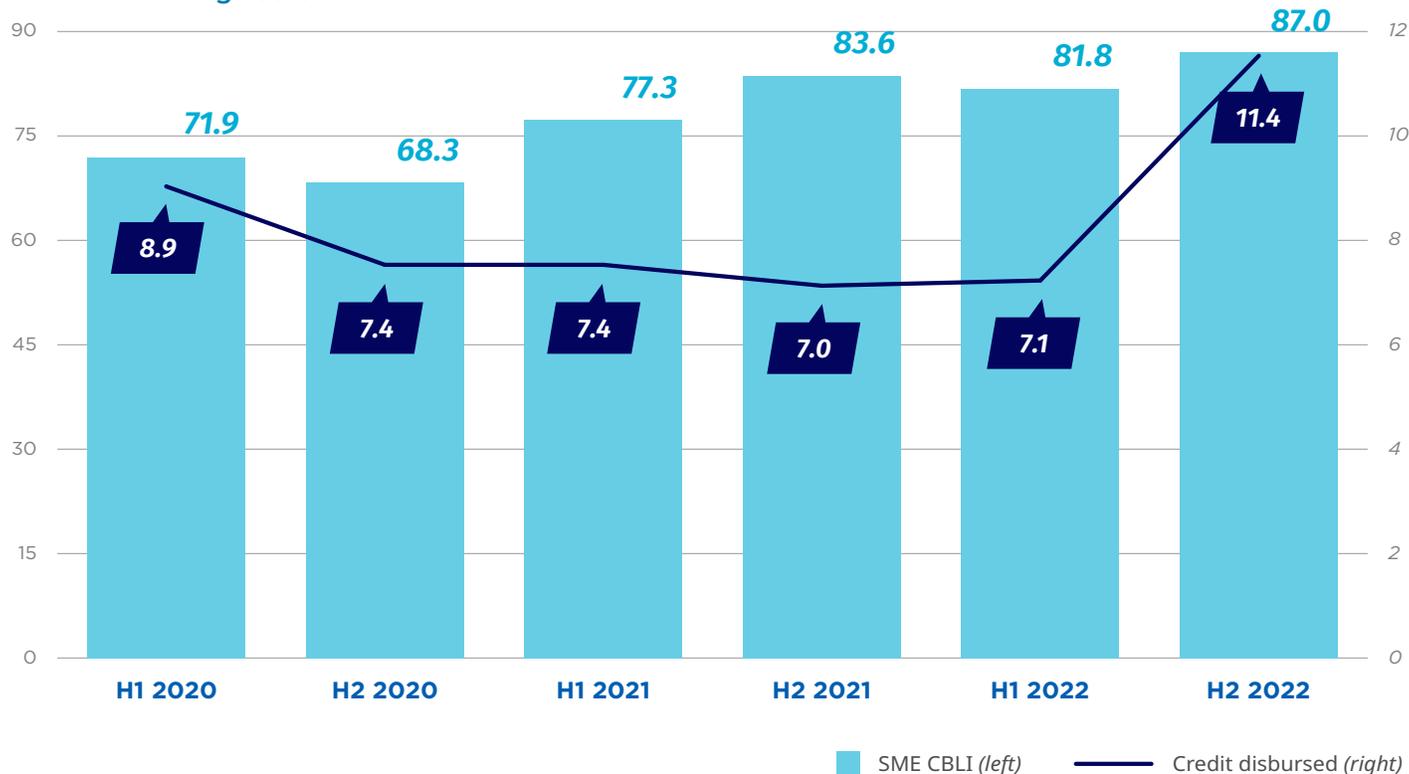
Sources: PayNet Inc., *Canadian Business Lending Index*, 2022; and Statistics Canada, Table 33-10-0014-01 — Business credit outstanding, by supplier type and industry.

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



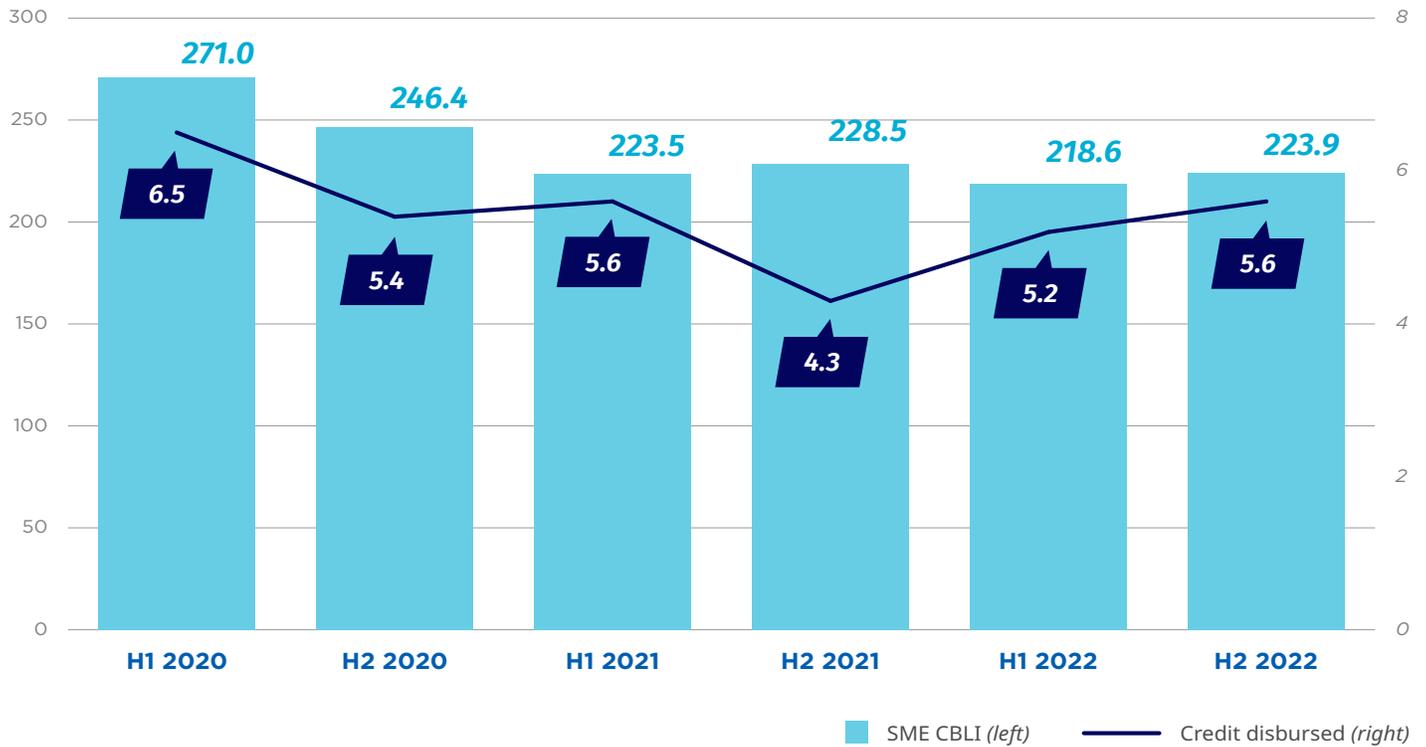
Sources: PayNet Inc., *Canadian Business Lending Index*, 2022; and Statistics Canada, Table 33-10-0014-01 — Business credit outstanding, by supplier type and industry.

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



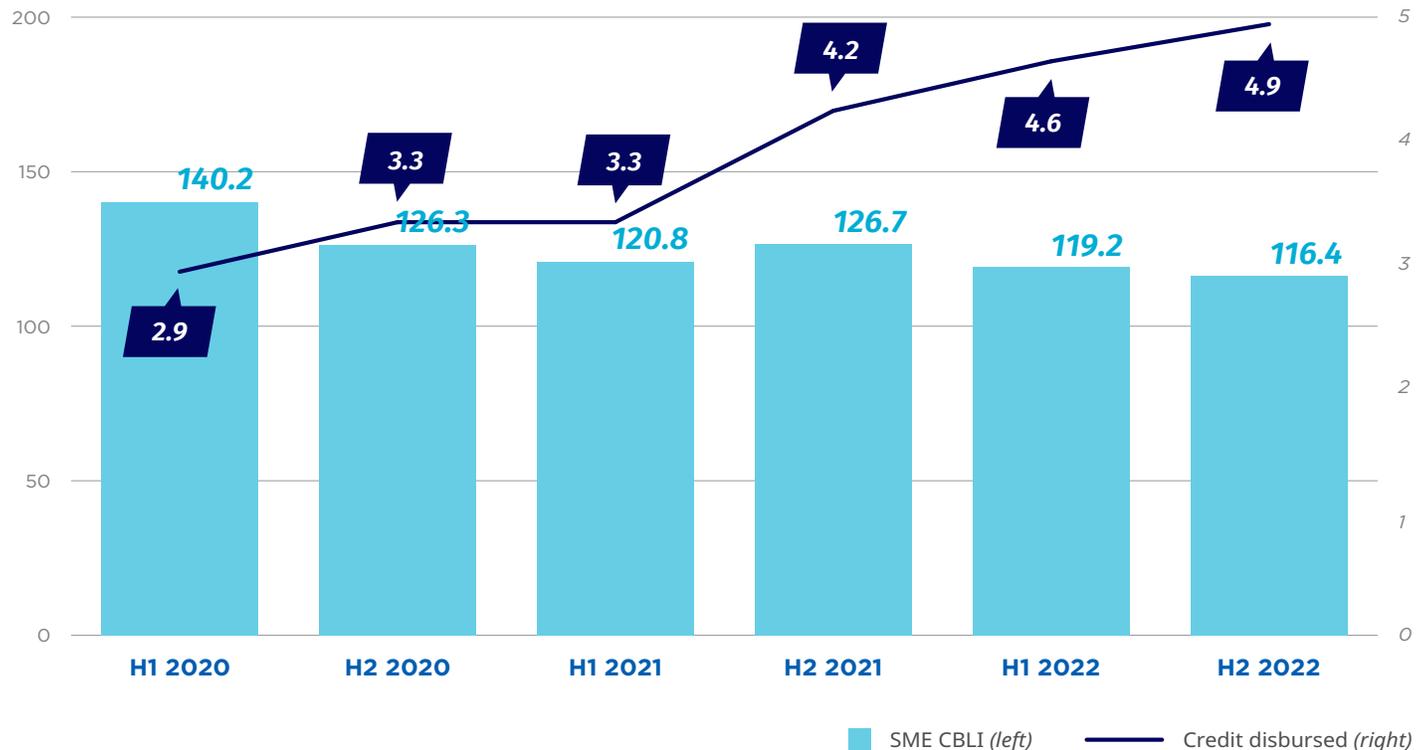
Sources: PayNet Inc., *Canadian Business Lending Index*, 2022; and Statistics Canada, Table 33-10-0014-01 — Business credit outstanding, by supplier type and industry.

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



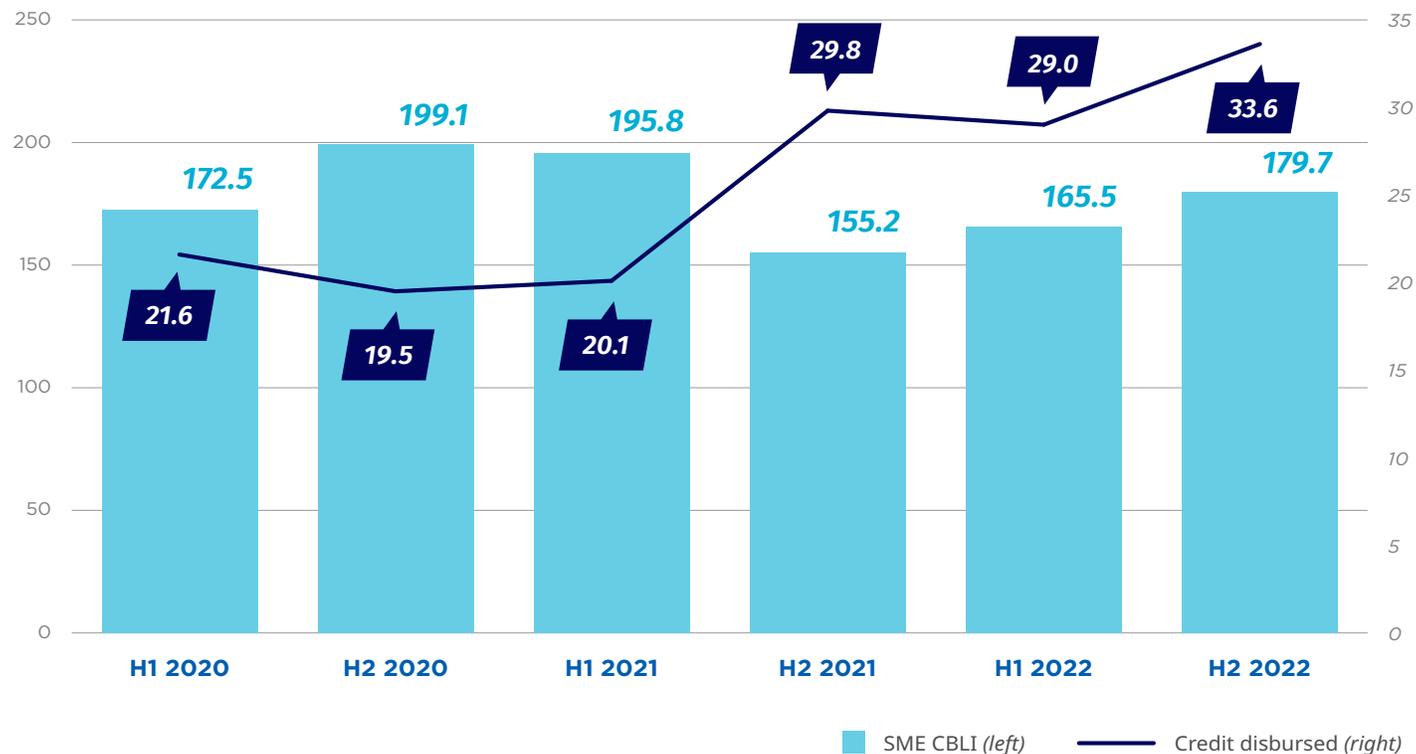
Sources: PayNet Inc., *Canadian Business Lending Index*, 2022; and Statistics Canada, Table 33-10-0014-01 — Business credit outstanding, by supplier type and industry.

**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*, 2022; 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*, 2022; and Statistics Canada, Table 33-10-0014-01 — Business credit outstanding, by supplier type and industry.

## About the main sources

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The Statistics Canada *Biannual Survey of Suppliers of Business Financing* is designed 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% 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.