



Innovation, Science and
Economic Development Canada

Innovation, Sciences et
Développement économique Canada

2023

Biannual Survey of Suppliers of Business Financing

Data Analysis, First Half 2023

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

According to data from the *Biannual Survey of Suppliers of Business Financing*, business sector lending continued to increase in the first half of 2023. The value of disbursements and credit outstanding increased by 1% and 3.7% from the second half of 2022 (July to December) to \$186.8 billion and \$1,281.6 billion respectively, during the first half of 2023 (January to June).

Growth in credit outstanding was driven by lending to large borrowers (those with loan authorization levels of \$5 million or more), with credit outstanding to large borrowers increasing by 4.5% from the second half (H2) of 2022.

Credit outstanding to small (those with loan authorization levels of less than \$1 million) and medium borrowers (those with loan authorization levels of \$1 million or more but less than \$5 million) increased by 1.2% and 1.9%, respectively.

Growth in credit disbursements was driven by new loans to small borrowers, with new loans to small borrowers increasing by 2% from the second half (H2) of 2022 while new loans to large borrowers increased by 1.2%. In contrast, new loans to medium borrowers decreased by 1.1%.

New lending was uneven across industries, ranging from a decrease of 12.1% in the transportation and warehousing industry to an increase of 8.6% in the manufacturing industry.

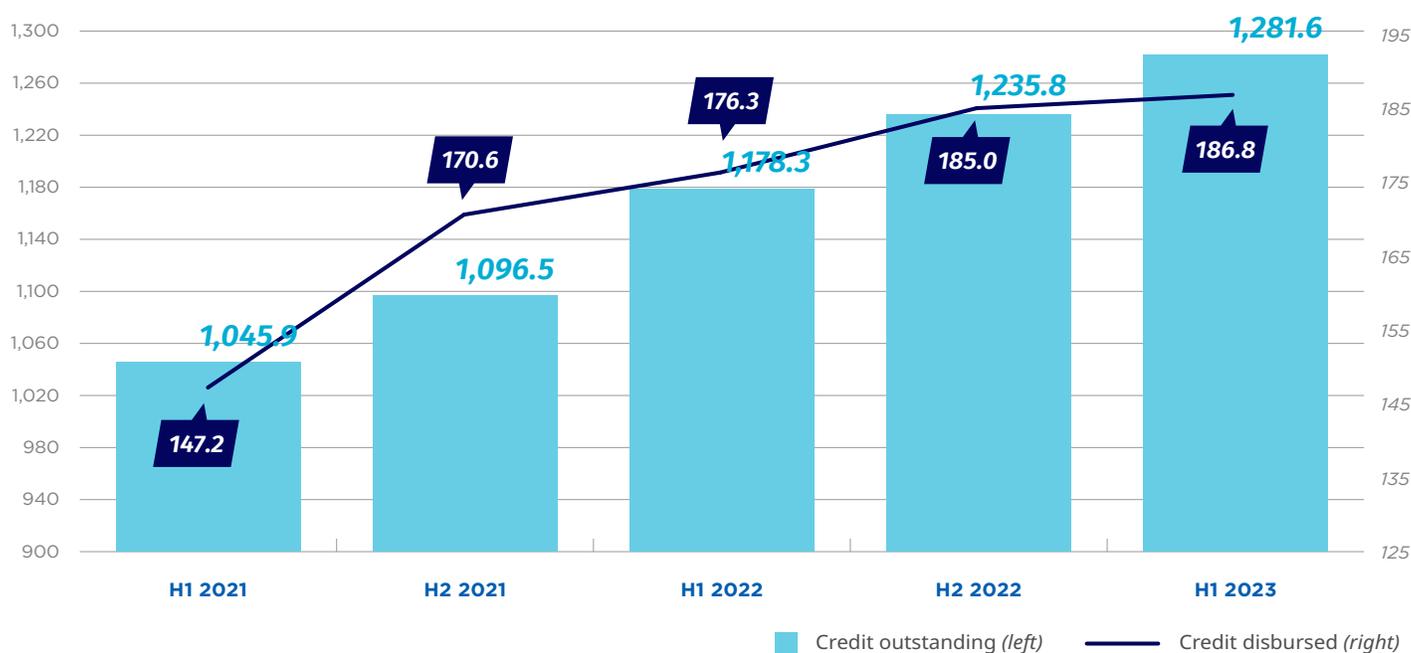
These shifts occurred in the context of significant increases in the Bank of Canada's policy interest rate, which rose from 4.25% in December 2022 to 4.75% in June 2023.

Bank of Canada survey results indicate that borrowers and lenders reported a continued tightening of credit conditions during the first half of 2023.

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 H2 2022 and the H1 2023.¹ The value of business credit disbursed² totalled \$186.8 billion in H1 2023, compared to \$185.0 billion in H2 2022, a modest increase of 1% (Figure 1). Total credit outstanding³ in H1 2023 increased by 3.7% over H2 2022 levels to \$1,281.6 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; and ISED calculations.

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.⁴ These increases in business lending occurred as the significant fiscal and monetary policy support provided to businesses during the COVID-19 pandemic continued to wind down.

In particular, the Bank of Canada tightened monetary policy significantly in 2022, through quantitative tightening and rapid increases in its policy interest rate. The Bank of Canada's policy interest rate rose from 0.25% in January 2022 to 5%, its highest level since before the 2007-2008 financial crisis, by the beginning of H1 2023.

¹ The *Biannual Survey of Suppliers of Business Financing* collects aggregate information on the financing of businesses in Canada. The survey 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).

² The value of disbursements is the total dollar value of all funds supplied to business accounts. See the *Biannual Survey of Suppliers of Business Financing* for more details.

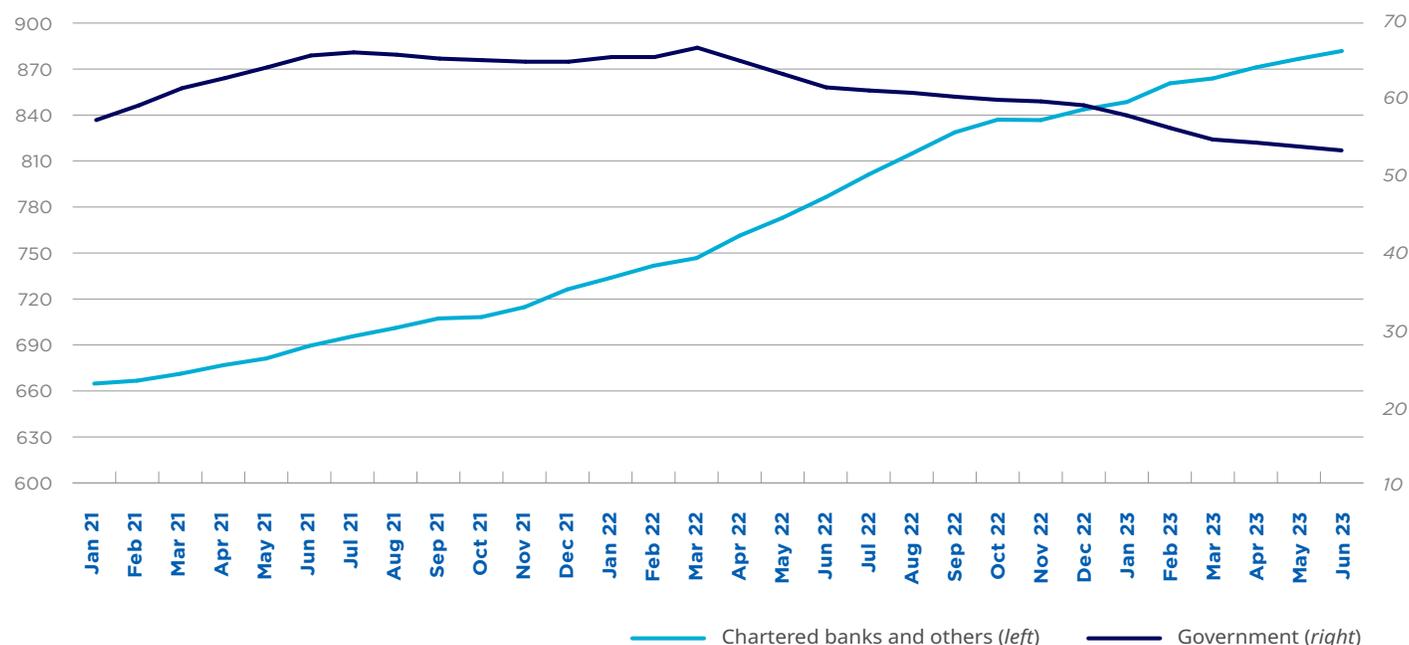
³ The value of credit outstanding is the principal amount of money that all business accounts have actually borrowed but not yet paid back. See the *Biannual Survey of Suppliers of Business Financing* for more details.

⁴ 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 during the onset of the pandemic in 2020, coinciding with a substantial decline⁵ in the value of non-mortgage loans to private non-financial corporations from H1 2020 to H2 2020.⁶ 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 level by the end of H2 2021 (Figure 2).

In H2 2022 and H1 2023, non-mortgage loans to firms from chartered banks continued to grow. In contrast, the value of non-mortgage loans to firms from government leveled off during 2021 and began trending down in 2022, though the value remained well above pre-pandemic levels.⁷

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; and ISED calculations.

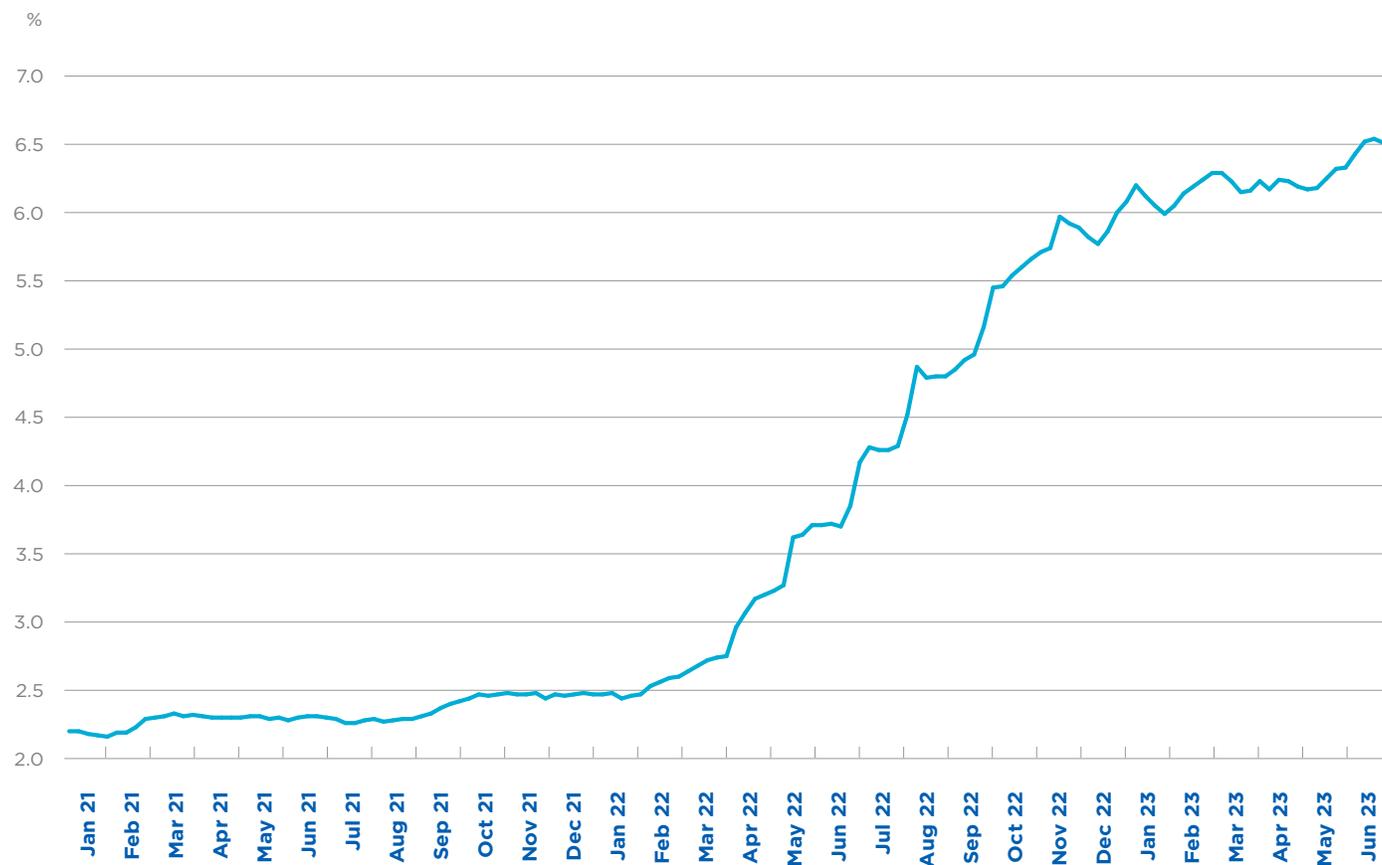
⁵ Business lending markets were likely also impacted by other Government of Canada response programs, such as Canada Emergency Wage Subsidy (CEWS) and Canada Emergency Commercial Rent Assistance (CECRA). By directly subsidizing wages and rent, these programs likely reduced the demand for capital from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

⁶ Innovation, Science and Development Economic Canada, *Biannual Survey of Suppliers of Business Financing—Data Analysis, Second Half 2022*.

⁷ For data covering the period before the COVID-19 pandemic, see Innovation, Science and Development Economic Canada, *Biannual Survey of Suppliers of Business Financing—Data Analysis, Second Half 2021*.

The weekly effective business interest rate, which is considered a proxy for the interest rate available to businesses, increased from 6.1% to 6.5% over the course of H1 2023 (Figure 3) as the Bank of Canada increased its target of the overnight rate.⁸

Figure 3: Weekly effective business interest rate, January 2021 to June 2023

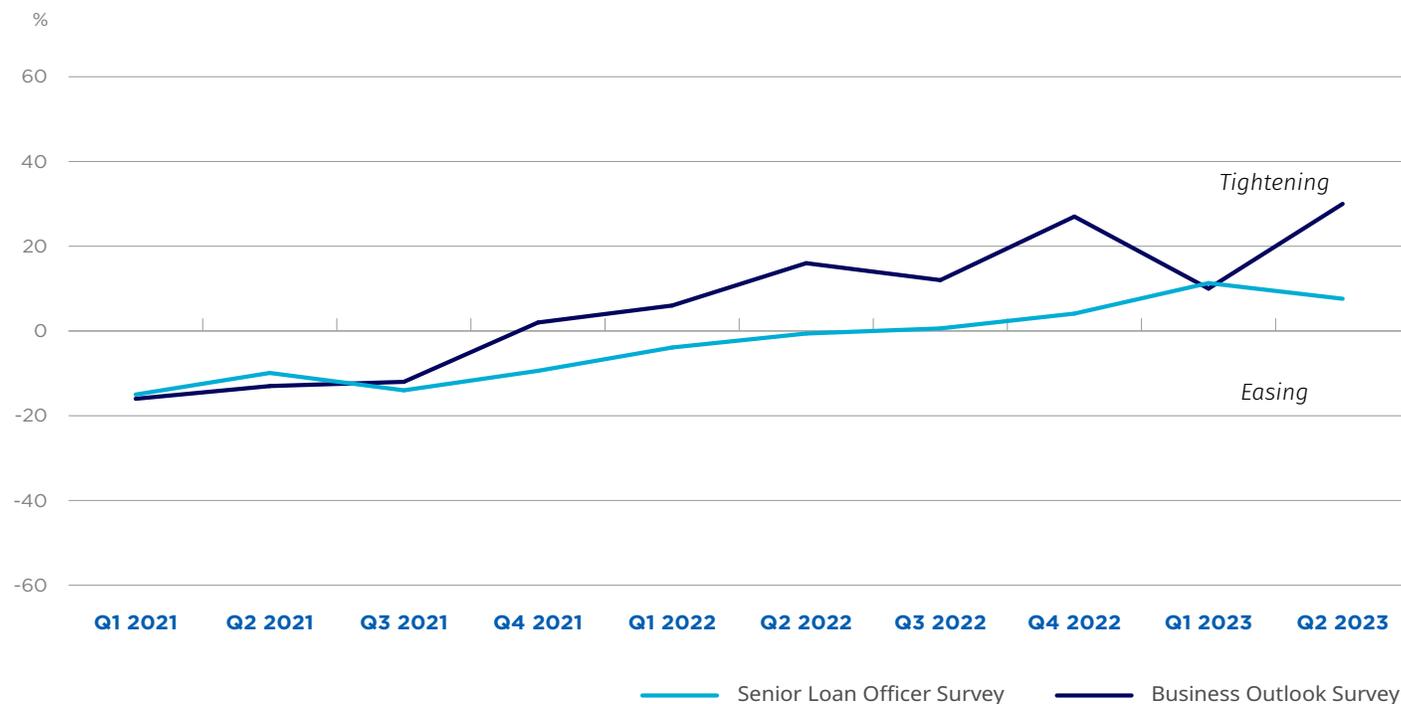


Source: Bank of Canada, Weekly effective business interest rate.

Results from the Bank of Canada’s *Senior Loan Officer Survey* indicate lender sentiment regarding business lending shifted from mixed towards tightening since the end of H2 2022, with a slight decrease in the proportion of financial institutions that reported tighter credit conditions by the end of H1 2023 (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 since the end of H2 2021. However, unlike financial institutions, the proportion of firms reporting tighter credit conditions increased by the end of H1 2023.

⁸ The target for the overnight rate, also called “policy interest rate”, is the interest rate the Bank of Canada wants financial institutions to charge each other when they make overnight loans. Over the course of H1 2023, the target of the overnight rate increases from 4.25% to 4.75% (see data [here](#)).

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.

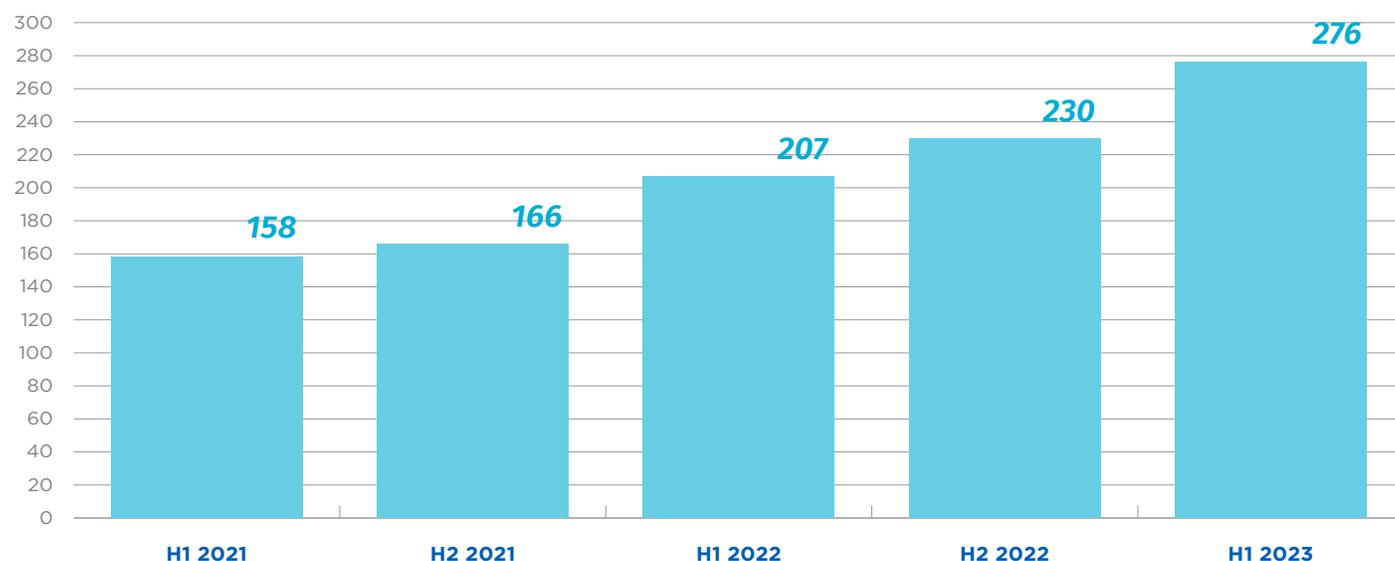
Sources: Bank of Canada, *Senior Loan Officer Survey*, *Business Outlook*; and ISED calculations.

During H1 2023, monthly bankruptcies averaged 276 bankruptcies, compared to a monthly average of 230 during H2 2022 (Figure 5). This 20% increase brought bankruptcies in H1 2023 above pre-pandemic levels⁹ (average of 247 monthly during H1 2019). The increase in bankruptcies 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.¹⁰

⁹ Innovation, Science and Economic Development Canada, *Biannual Survey of Suppliers of Business Financing—Data Analysis, Second Half 2021*.

¹⁰ Bankruptcy figures do not comprise all closures, since they do not include businesses that terminated operations without filing for bankruptcy.

Figure 5: Average monthly bankruptcies for businesses



Source: Office of the Superintendent of Bankruptcy Canada, Insolvency Statistics in Canada; and ISED calculations.

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 in H1 2023, increased their disbursement of credit by 5% between the H2 2022 and H1 2023 to \$117.6 billion. Likewise, between the H2 2022 and H1 2023, new loans by credit unions and caisses populaires (which represent 8.6% of new lending in H1 2023) and insurance companies and portfolio managers (which represent 2.4% of new lending in H1 2023) increased by 3.5% and 3.2% to \$16.1 billion and \$4.5 billion, respectively. In contrast, new loans from other banks (which represent 18% of new lending in H1 2023) and finance companies (which represent 8% of new lending in H1 2023) decreased by 9.3% and 6.9% to \$33.6 billion and \$15 billion, respectively.

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

Supplier type	2021		2022		2023
	H1	H2	H1	H2	H1
Domestic banks	83.9	100.6	105.6	112.0	117.6
Other banks	29.6	33.7	34.7	37.0	33.6
Credit unions and caisses populaires	14.1	14.8	15.0	15.6	16.1
Finance companies	14.8	15.6	16.6	16.1	15.0
Insurance companies and portfolio managers	4.9	5.8	4.4	4.3	4.5
All suppliers	147.2	170.6	176.3	185.0	186.8

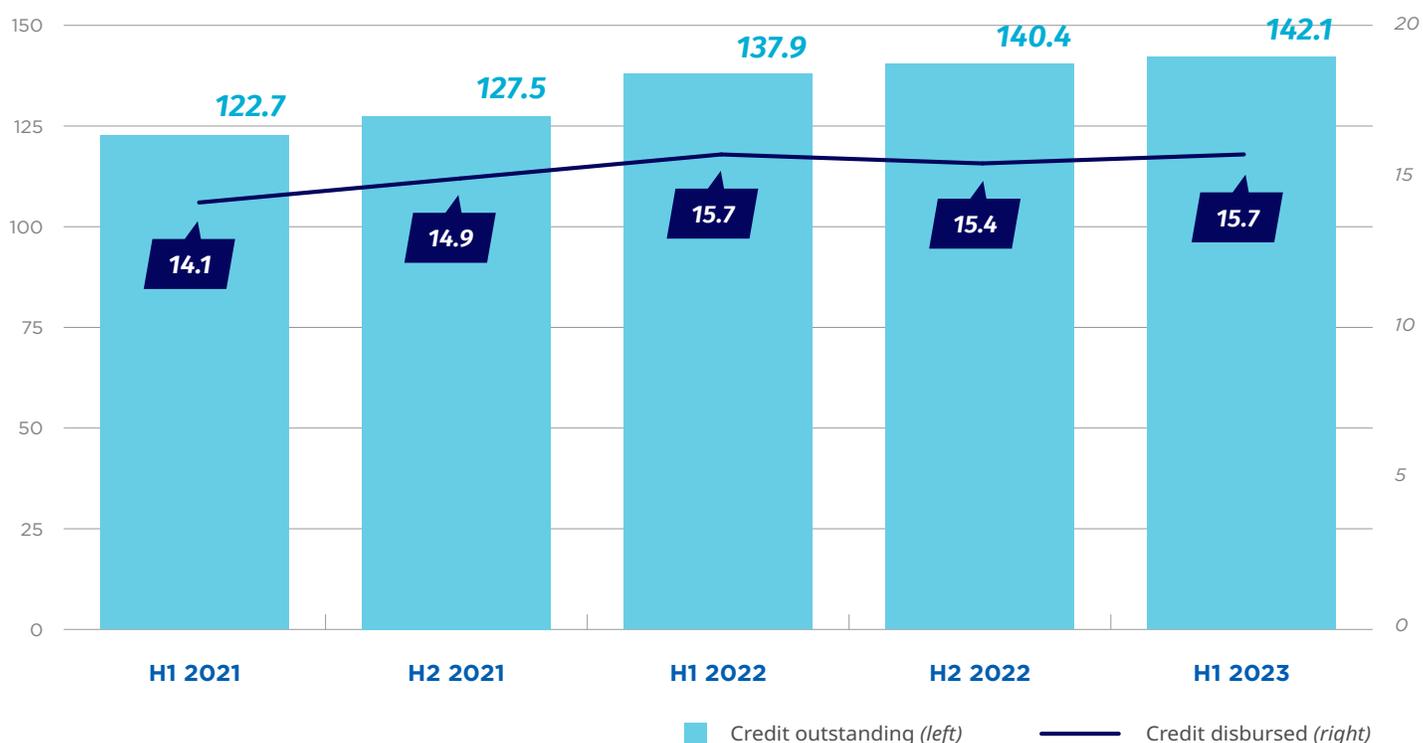
Source: Statistics Canada. Table 33-10-0013-01—Business credit outstanding, by supplier type and authorization level.

Lending conditions by loan authorization levels

Results from the *Biannual Survey of Suppliers of Business Financing* indicate that the value of business credit disbursed (Figures 6a to 6c) to small borrowers (those with loan authorization levels of less than \$1 million) and to large borrowers (those with loan authorization levels of \$5 million or more) increased from H2 2022 to H1 2023 by 2% and 1.2% to \$15.7 billion and \$146.8 billion, respectively.

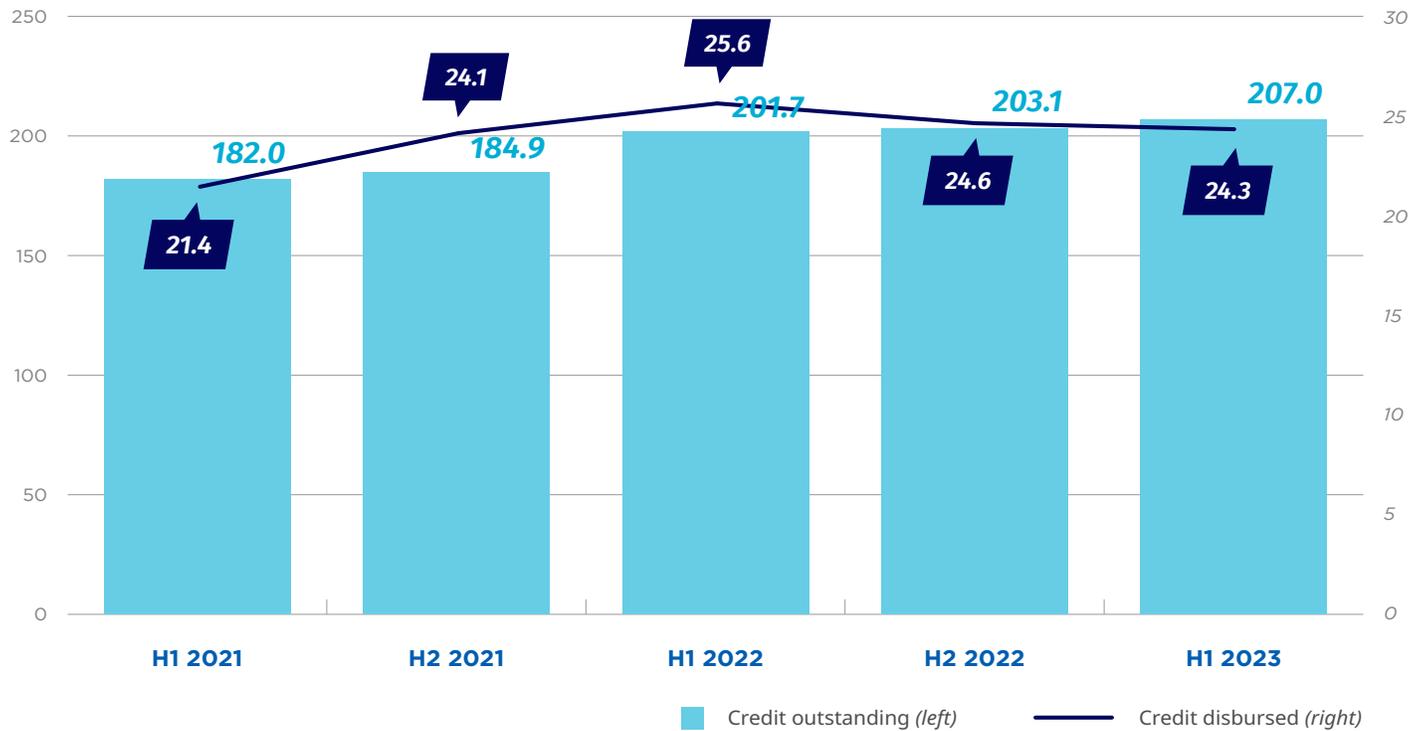
In contrast, new loans to medium borrowers (those with loan authorization levels of \$1 million or more but less than \$5 million) decreased from H2 2022 to H1 2023 by 1.1% to \$24.3 billion. Overall, the value of credit outstanding for small, medium and large borrowers increased by 1.2%, 1.9% and 4.5%, respectively, from H2 2022 levels, to \$142.1 billion, \$207 billion and \$932.5 billion.

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



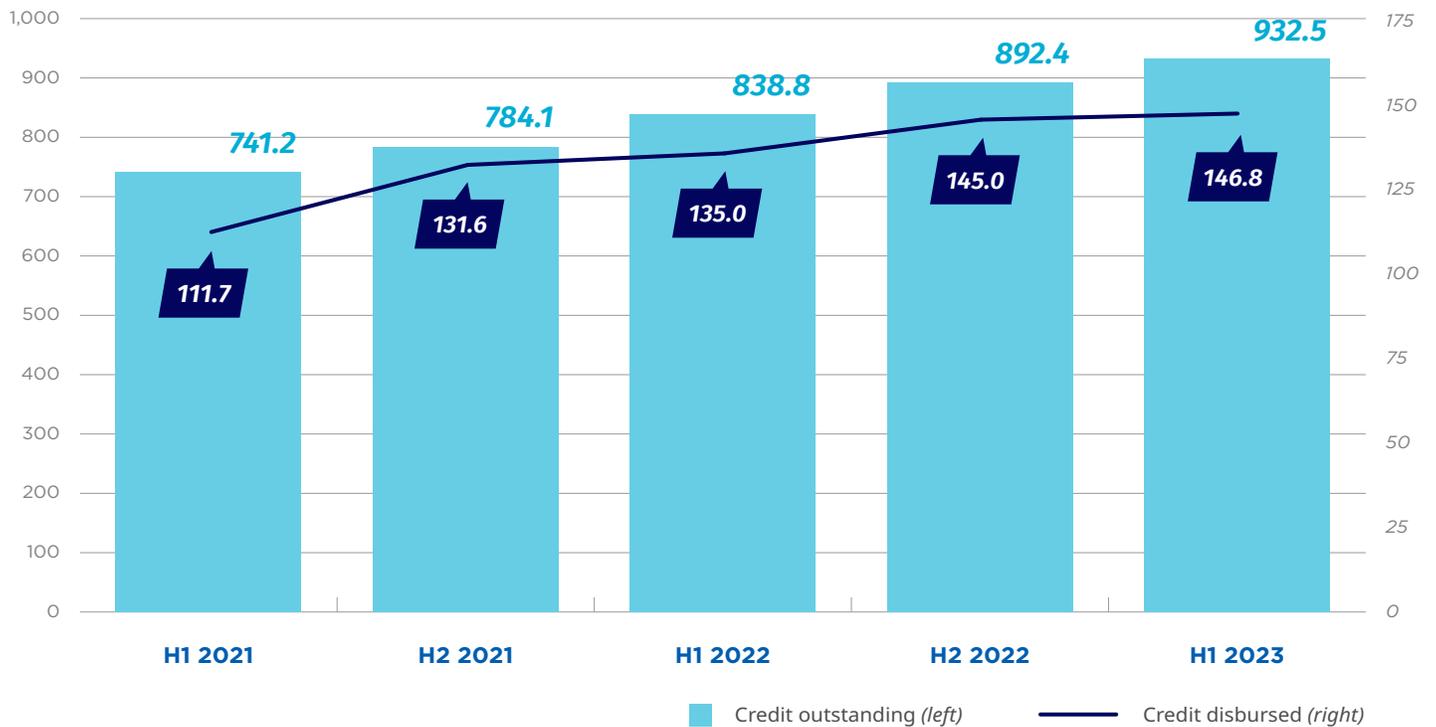
Source: Statistics Canada, Table 33-10-0013-01—Business credit outstanding, by supplier type and authorization level.

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



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 borrowers



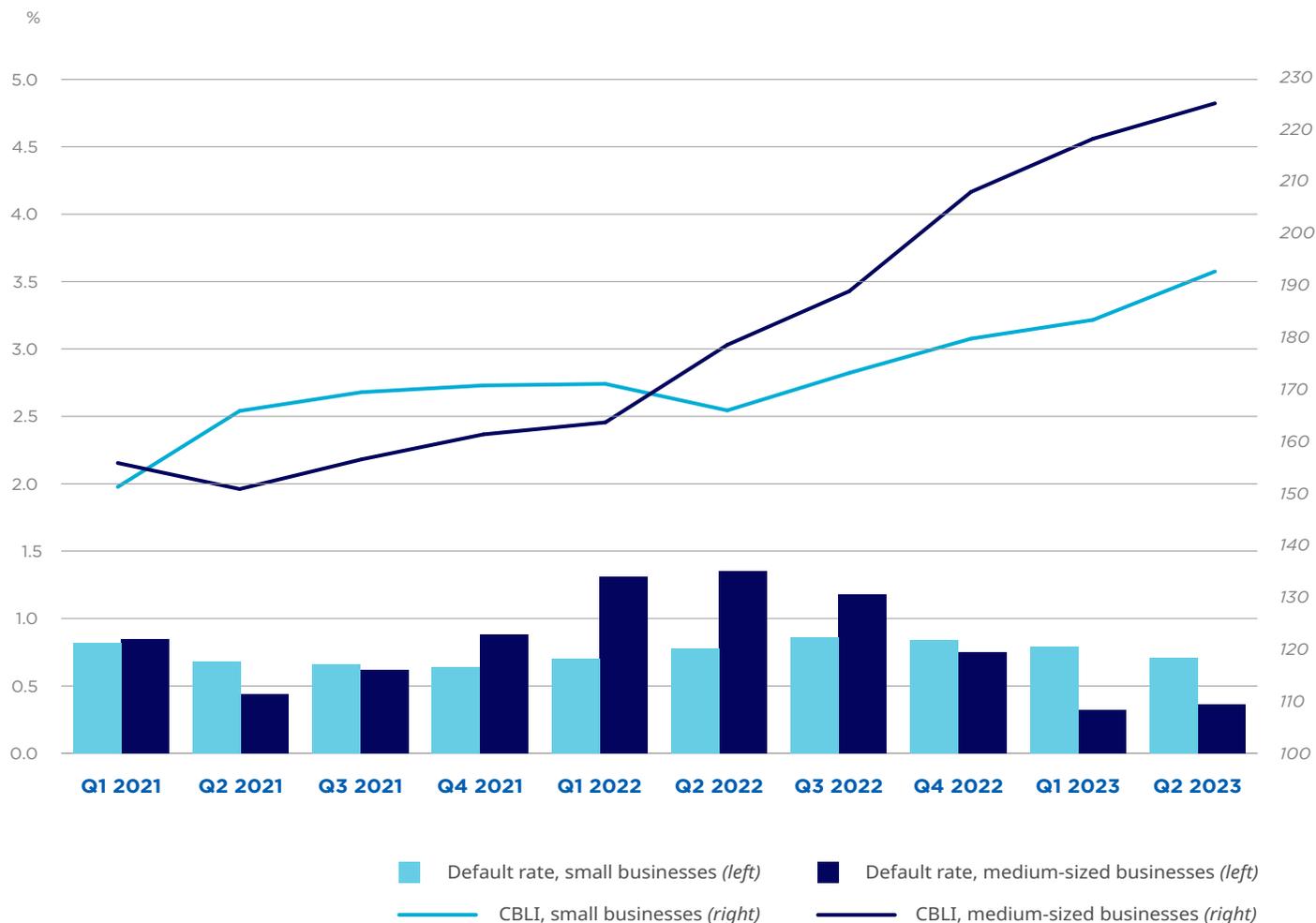
Source: Statistics Canada, Table 33-10-0013-01—Business credit outstanding, by supplier type and authorization level.

Data from PayNet’s Canadian Business Lending Index (CBLI) further suggests that new lending to medium-sized businesses increased throughout H1 2023 (Figure 7). Similarly, the CBLI indicates that lending to small businesses increased over the course of H1 2023.¹¹

Based on PayNet data, small and medium-sized businesses defaults remained relatively unchanged over H1 2023.

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: 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.

Note 2: Since Paynet data is updated retroactively, there may be differences between the figures presented in this report and those in past reports for the same periods.

Source: PayNet Inc., *Canadian Business Lending Index*, 2023.

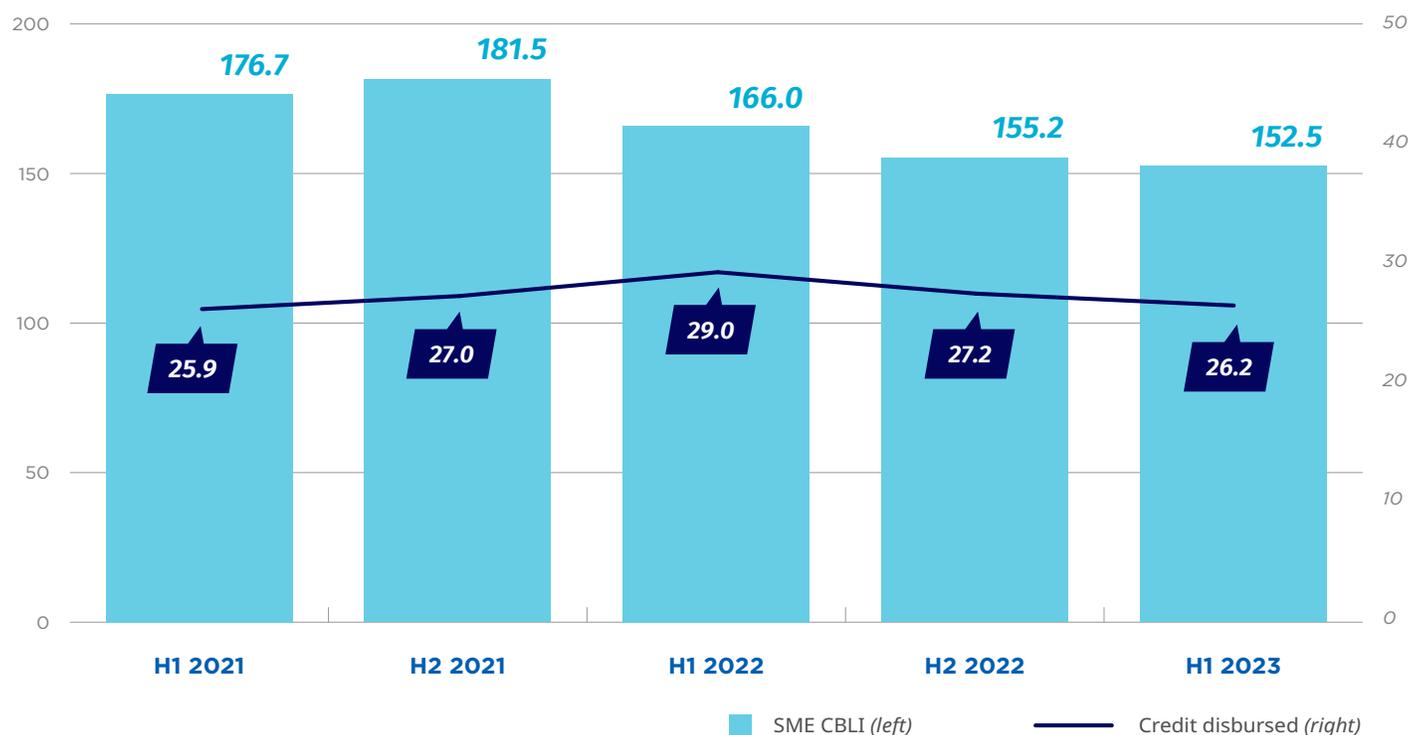
¹¹ The CBLI is a measure of the volume of new commercial loans and leases to small and medium-sized businesses. The CBLI uses a specific definition of small and medium-sized business. Borrower size classification is based on the most current High Credit (H/C)—defined as the highest total balance outstanding in the PayNet Database for any given borrower. Small borrowers are those with a H/C of less than \$3.8 million and medium borrowers are those with a H/C of more than \$3.8 million but less than \$19 million.

Lending conditions by sector

Results¹² from the *Biannual Survey of Suppliers of Business Financing* indicate substantial sectoral differences in the value of business credit disbursements during H1 2023. From H2 2022 to H1 2023, new loans to businesses increased in the manufacturing (8.6%, \$21.3 billion), other industries (5.9%, \$35.5 billion), accommodation and food services (7.1%, \$5.3 billion), professional, scientific and technical services (4.4%, \$5.8 billion) and wholesale and retail trade (1.2%, \$16.8 billion) sectors. In contrast, new lending decreased from H2 2022 to H1 2023 in the primary sector (-3.9%, \$26.2 billion), transportation and warehousing (-12.1%, \$10 billion), and the construction industry (-1.4%, \$17.6 billion).

PayNet's CBLI reported increases during H1 2023 across nearly every industry, with the exceptions of for the primary sector and other industries. From H2 2022 to H1 2023, new business lending activity increased in construction (5.6%), accommodation and food services (14.4%), wholesale and retail trade (14.4%), transportation and warehousing (9.3%), manufacturing (27.1%) and in the professional, scientific and technical services (17.5%) sectors. Conversely, the CBLI indicates that lending decreased from H2 2022 to H1 2023 in the primary sector (-1.7%) and other industries (-2.2%).¹³

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

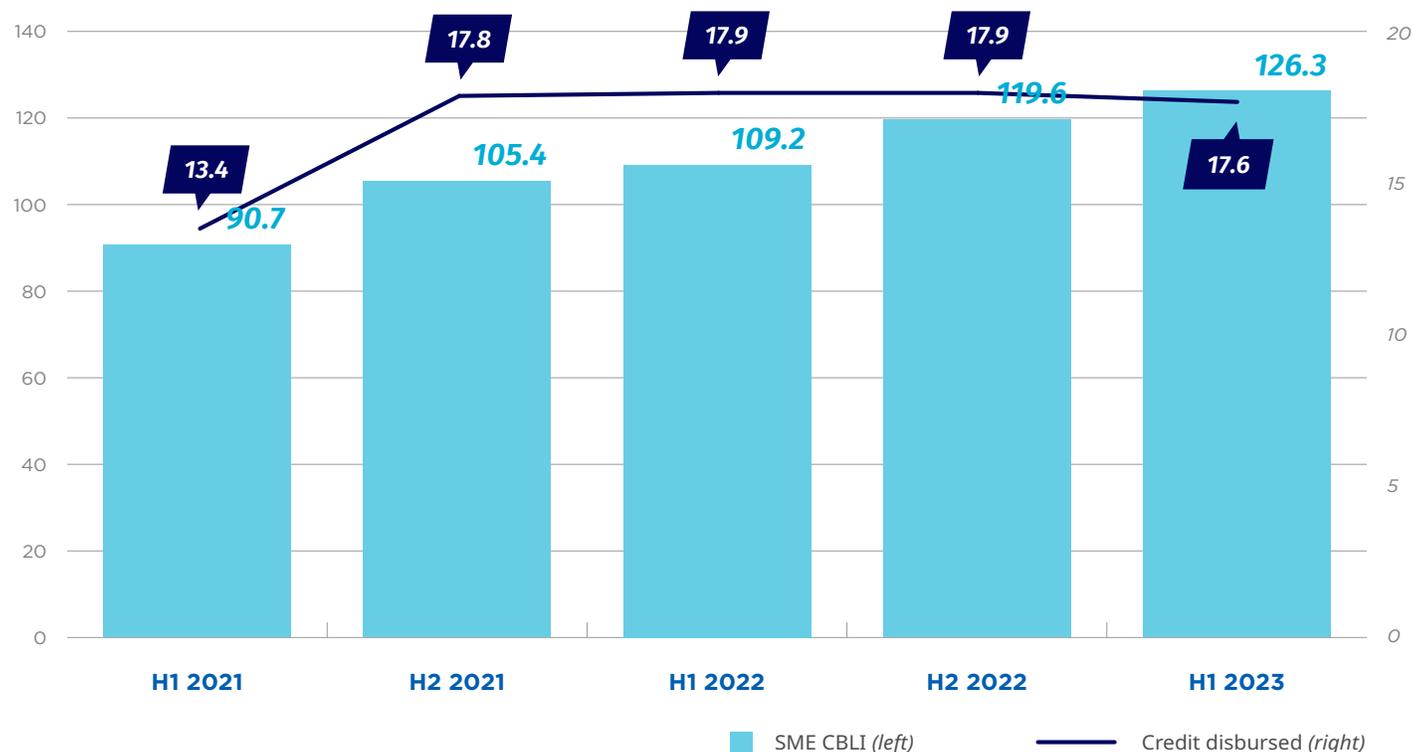


Sources: PayNet Inc., *Canadian Business Lending Index*, 2023; and Statistics Canada, Table 33-10-0014-01—Business credit outstanding, by supplier type and industry.

¹² Not shown in Figures 8a to 8h are disbursements for the finance and insurance, and the real estate and rental and leasing industries, which are major borrowing sectors. Between H2 2022 and H1 2023, disbursements decreased by 1.2% in the finance and insurance industry and increased by 0.2% in the real estate and rental and leasing industry.

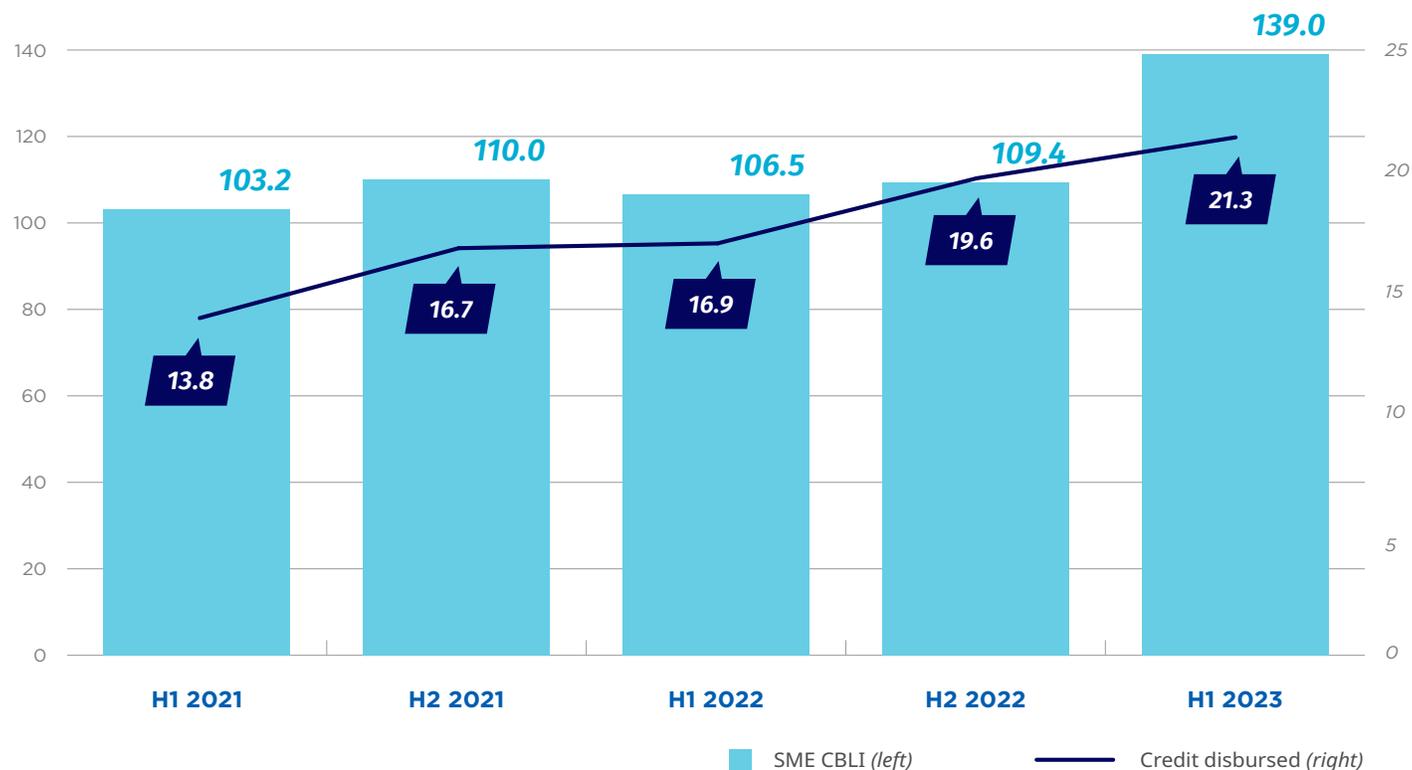
¹³ As noted above, direct comparisons between CBLI and the *Biannual Survey of Suppliers of Business Financing* should be limited due to methodological differences.

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



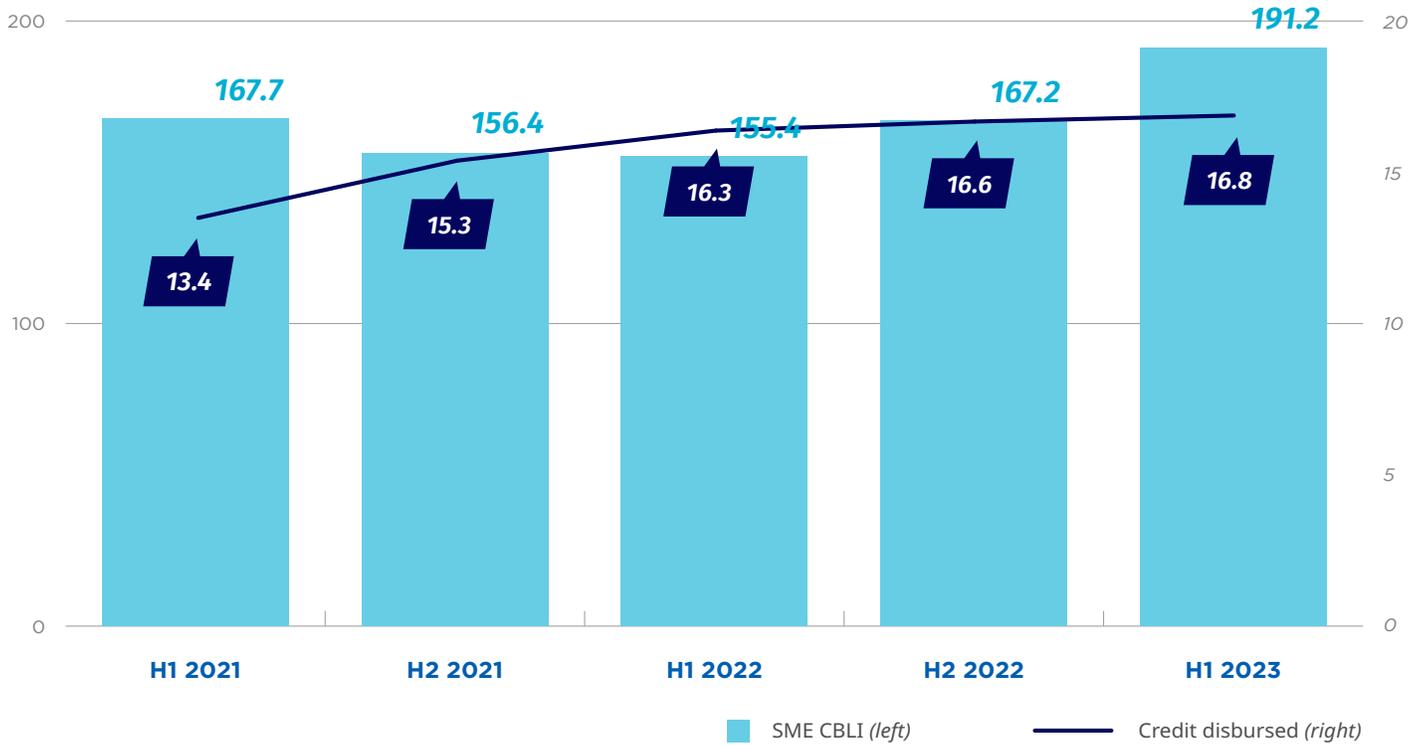
Sources: PayNet Inc., *Canadian Business Lending Index*, 2023; and Statistics Canada, Table 33-10-0014-01—Business credit outstanding, by supplier type and industry.

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



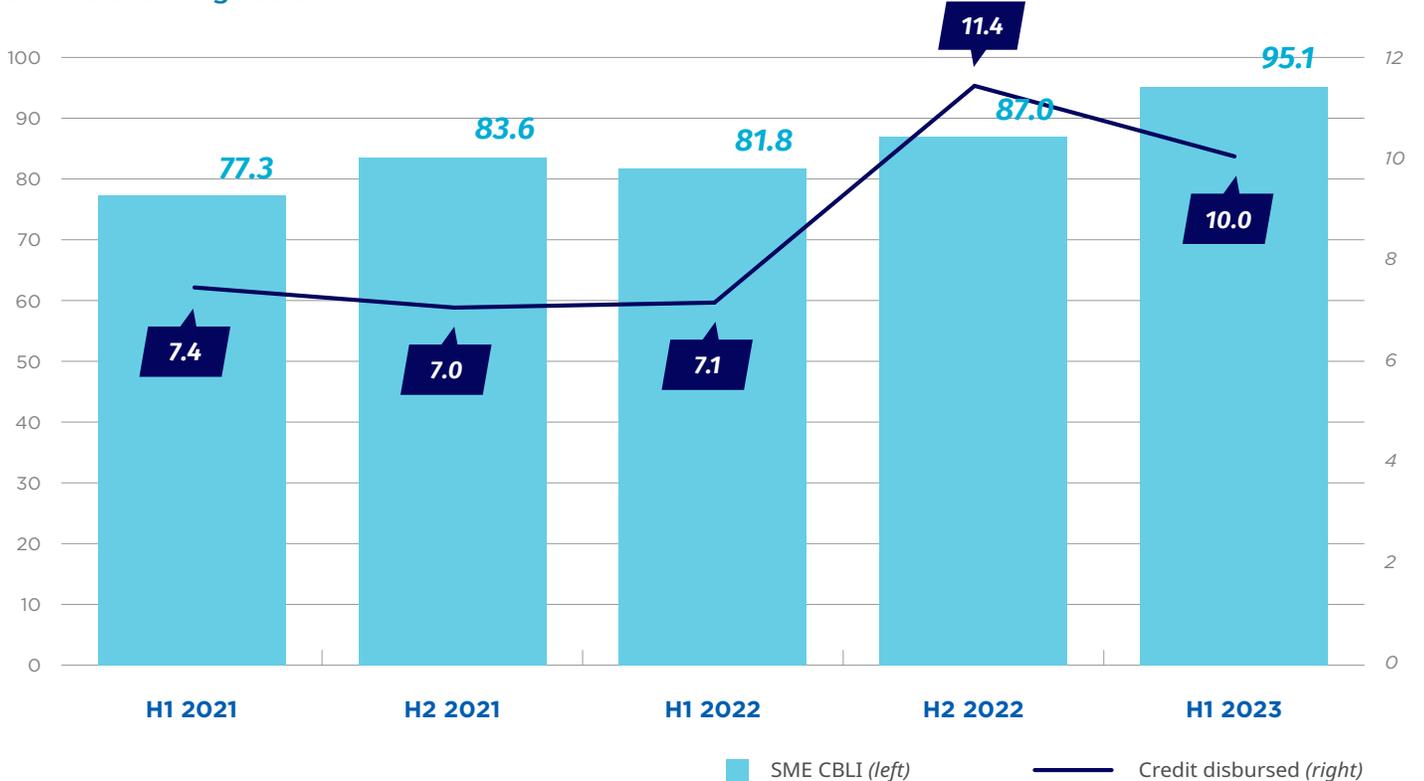
Sources: PayNet Inc., *Canadian Business Lending Index*, 2023; and Statistics Canada, Table 33-10-0014-01—Business credit outstanding, by supplier type and industry.

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



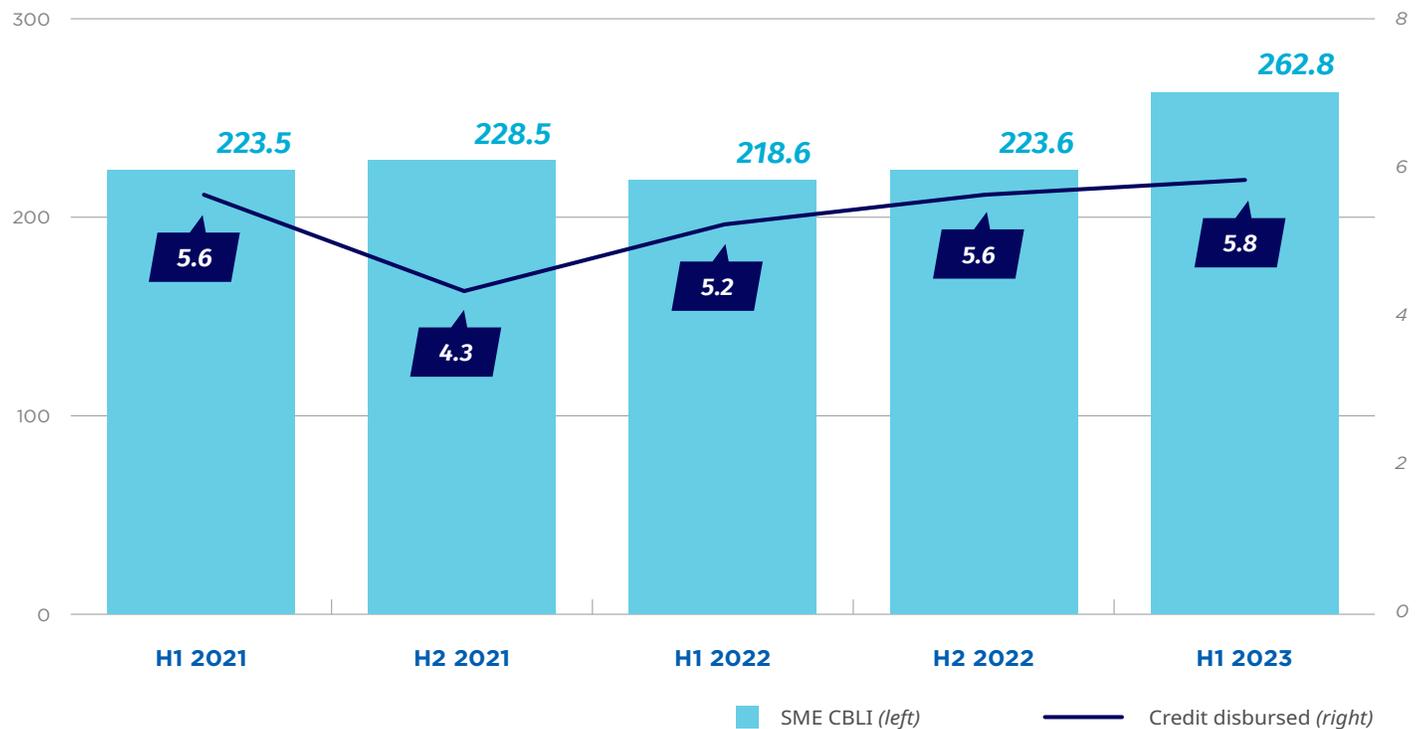
Sources: PayNet Inc., *Canadian Business Lending Index*, 2023; and Statistics Canada, Table 33-10-0014-01—Business credit outstanding, by supplier type and industry.

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



Sources: PayNet Inc., *Canadian Business Lending Index*, 2023; 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



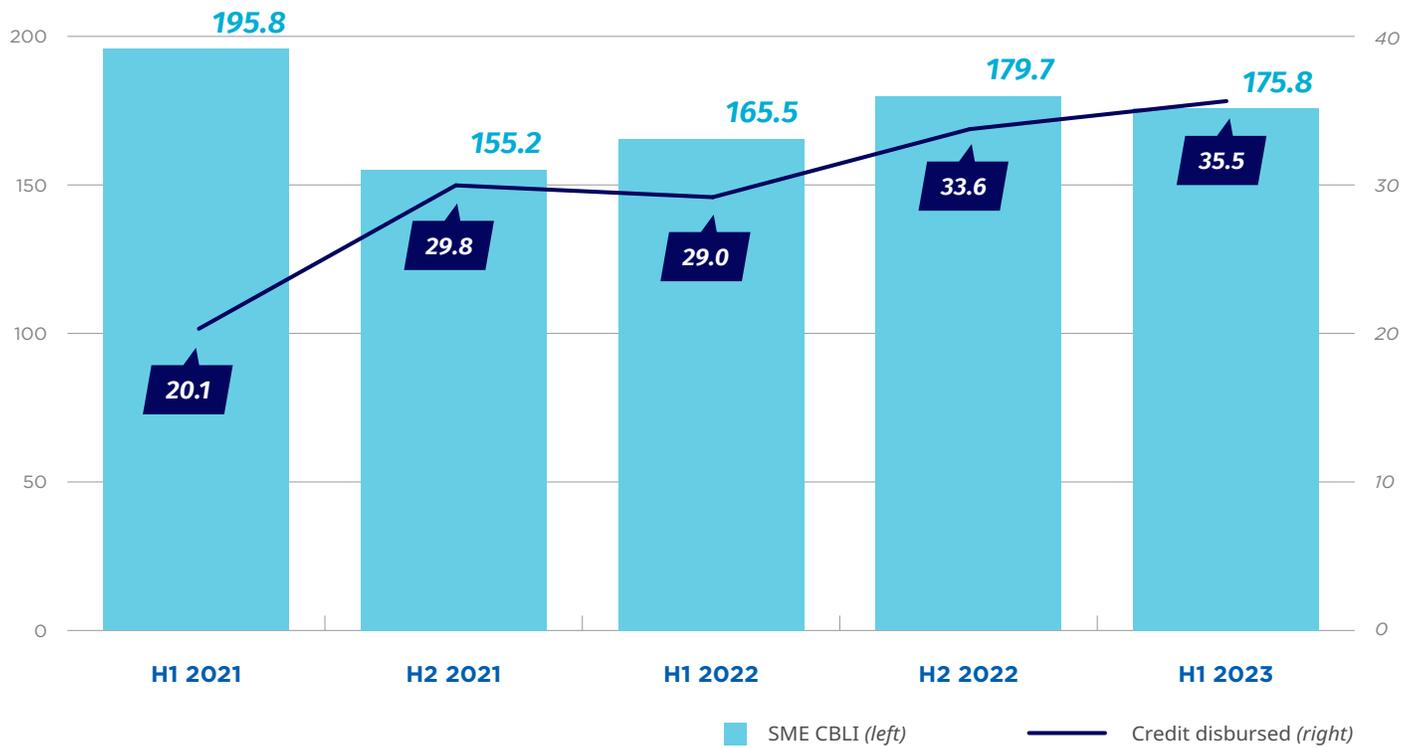
Sources: PayNet Inc., *Canadian Business Lending Index*, 2023; and Statistics Canada, Table 33-10-0014-01—Business credit outstanding, by supplier type and industry.

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*, 2023; 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*, 2023; 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 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.