



Innovation, Science and
Economic Development Canada

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Développement économique Canada

2023

Biannual Survey of Suppliers of Business Financing

Data Analysis, Second Half 2023

This document presents data on the 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*, the value of credit outstanding increased by 5% to \$1,346.1 billion between the first half (H1) of 2023 (January to June) and the second half (H2) of 2023 (July to December). At the same time, the value of disbursements decreased by 1.5% to \$184 billion. This was the second decrease in the value of disbursements since 2011.

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 8% compared with H1 of 2023. 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) decreased by 5.1% and 1.5%, respectively.

The decrease in credit disbursements was driven by the decline in new loans to small and large borrowers, with new loans to small borrowers decreasing by 7.9% from the second half of 2023, while new loans to large borrowers decreased by 1.3%. Conversely, new loans to medium borrowers increased by 1.5%.

New lending was uneven across industries, ranging from a decrease of 15.2% in the manufacturing industry to an increase of 38.7% in the transportation and warehousing industry.

These changes took place against the backdrop of significant increases in the Bank of Canada's key interest rate, which moved from 4.25% in December 2022 to 5% in July 2023.

The macroeconomic conditions of the second half of 2023 were significantly impacted by a number of factors, including stagnating economic activity since mid-2023 caused in part by past increases in interest rates, continued decreases in inflation even though it remains above the 2% target, and easier credit conditions for Canadian businesses as yields on long-term government bonds declined.¹

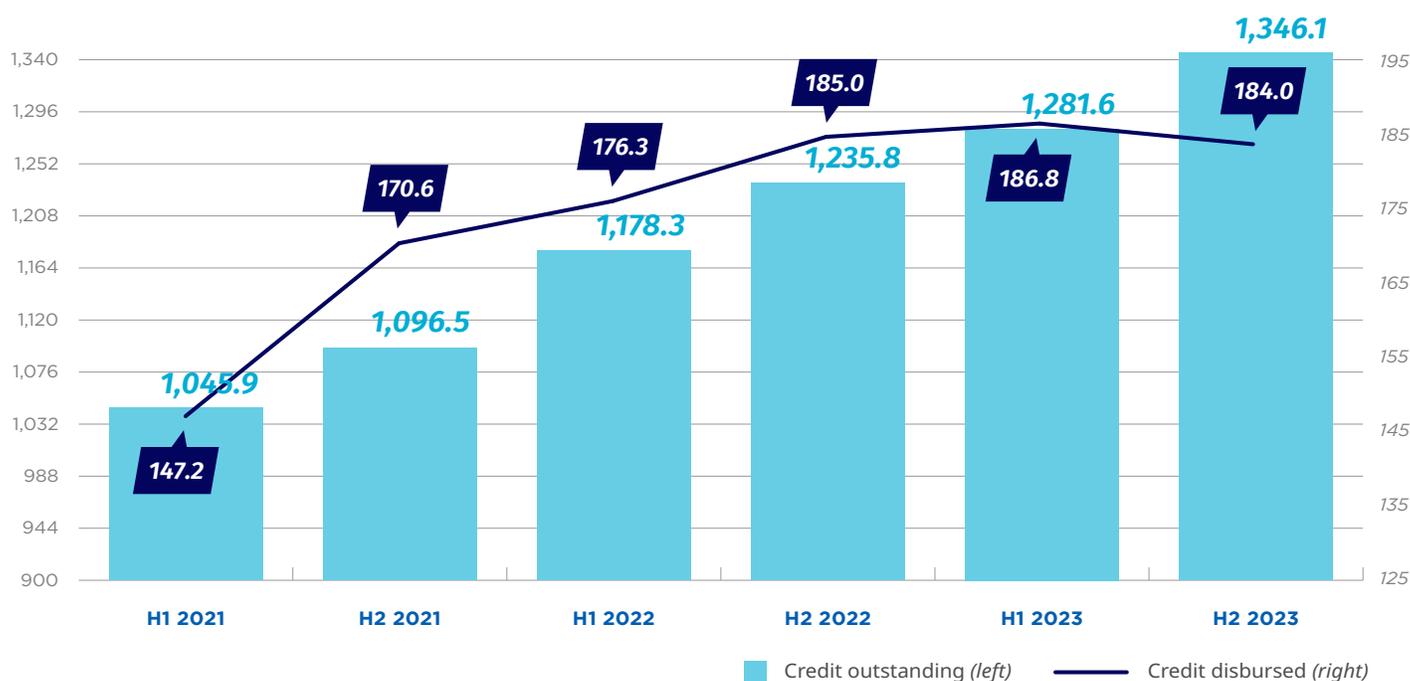
Bank of Canada surveys indicated an overall tightening of credit conditions for borrowers and lenders during the second half of 2023.

¹ For the state of macroeconomic conditions in the Canadian economy, see the [Monetary Policy Report—January 2024](#) from the Bank of Canada.

Overall lending conditions

Results from the Biannual Survey of Suppliers of Business Financing indicate that the value of disbursements decreased slightly, while the value of credit outstanding continued to increase between H1 2023 and H2 2023.² The value of disbursements³ to businesses totalled \$184 billion in H2 of 2023, compared with \$186.8 billion in H1 2023, a decrease of 1.5% (Figure 1), the second decrease in value of new loans since the survey was introduced in 2011. The total value of credit outstanding⁴ during H2 of 2023 increased 5% compared with H1 of 2023 to reach \$1,346.1 billion.⁵

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.

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% in July 2023, its highest level since before the 2007–2008 financial crisis.

From H1 2023 to H2 2023, non-mortgage loans to firms from chartered banks continued to grow (Figure 2). In contrast, the value of non-mortgage loans to firms from government levelled off during 2021, began trending down in 2022, and continued its decline in 2023.

² 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).

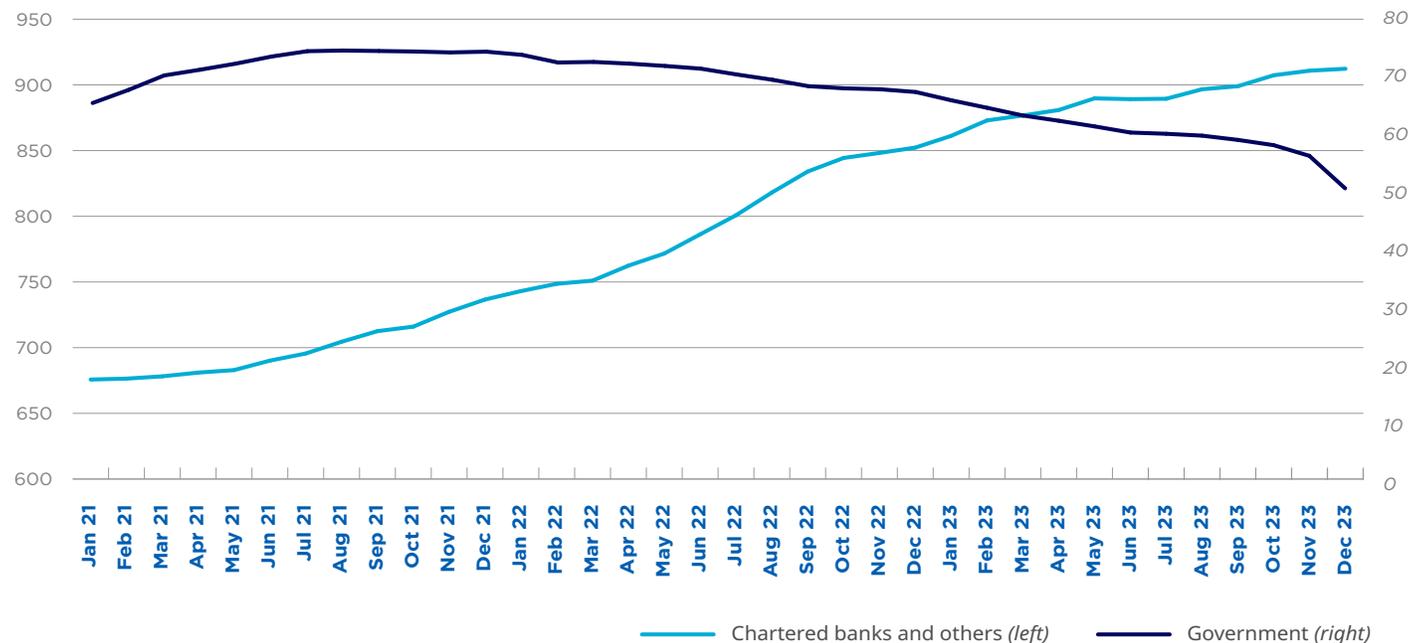
³ The value of disbursements is the total value in dollars of all funds provided to business accounts. See the *Biannual Survey of Suppliers of Business Financing* for more details.

⁴ 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.

⁵ 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. 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 can be found [here](#) and [here](#). CEBA lending is excluded because it originates from the Government of Canada (rather than banks or other business lenders).

Indeed, the Canada Emergency Business Account (CEBA) and other Government of Canada funding programs, which played a significant role in supporting business lending during COVID-19, were wound down in 2021 and 2022.⁶ However, the value of these government loans has remained well above pre-pandemic levels.⁷

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



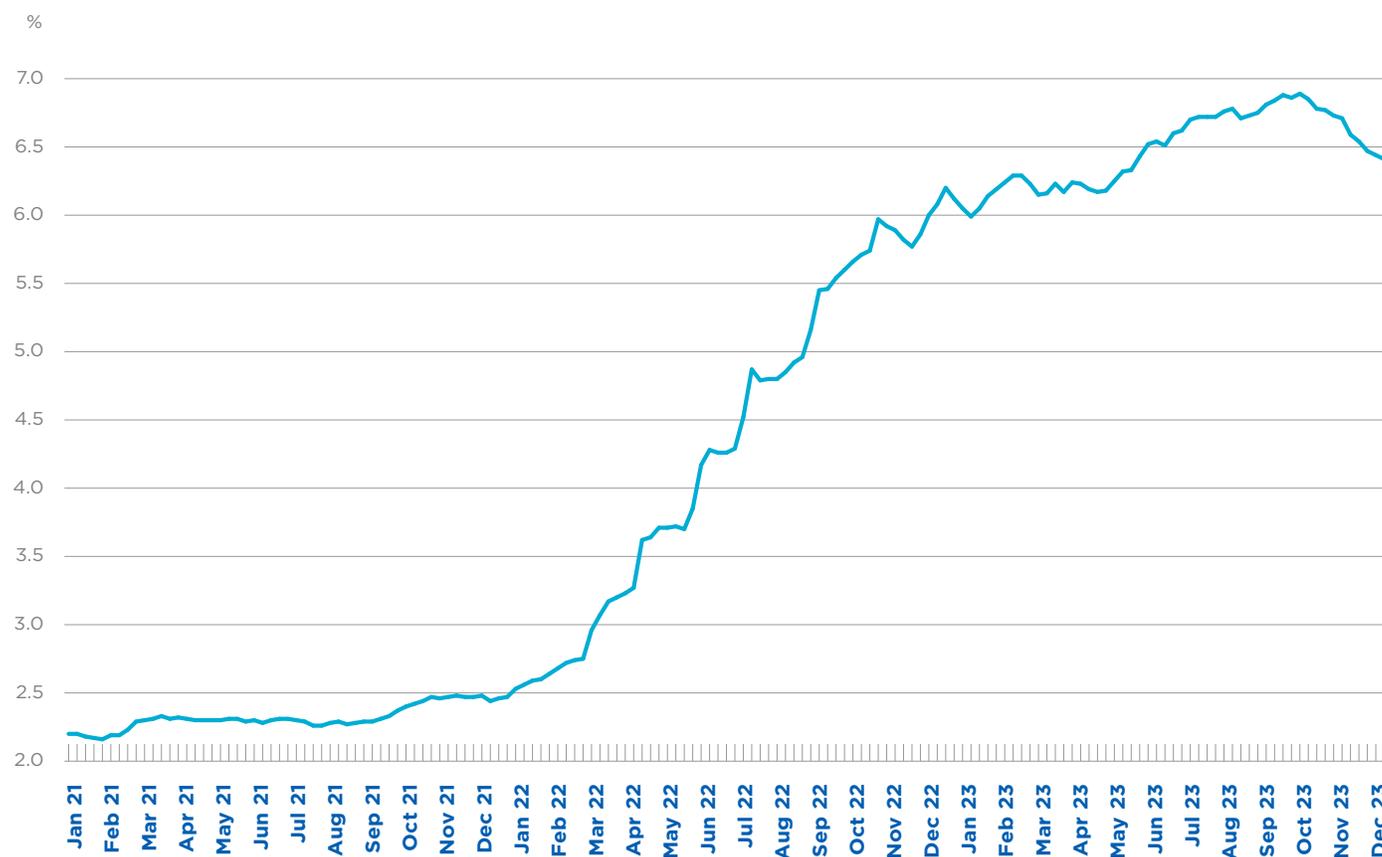
Source: Statistics Canada, Table 36-10-0640-01—Credit liabilities of private non-financial corporations; and ISED calculations.

⁶ For more details, see Innovation, Science and Economic Development Canada, *Biannual Survey of Suppliers of Business Financing — Data Analysis, first half 2023*.

⁷ For data covering the period before the COVID-19 pandemic, see Innovation, Science and Economic Development Canada, *Biannual Survey of Suppliers of Business Financing – Data analysis, second half of 2021*.

The weekly effective business interest rate,⁸ which is considered a proxy for the interest rate available to businesses, moved from 6.6% to 6.4% over the course of H2 2023 (Figure 3).⁹

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



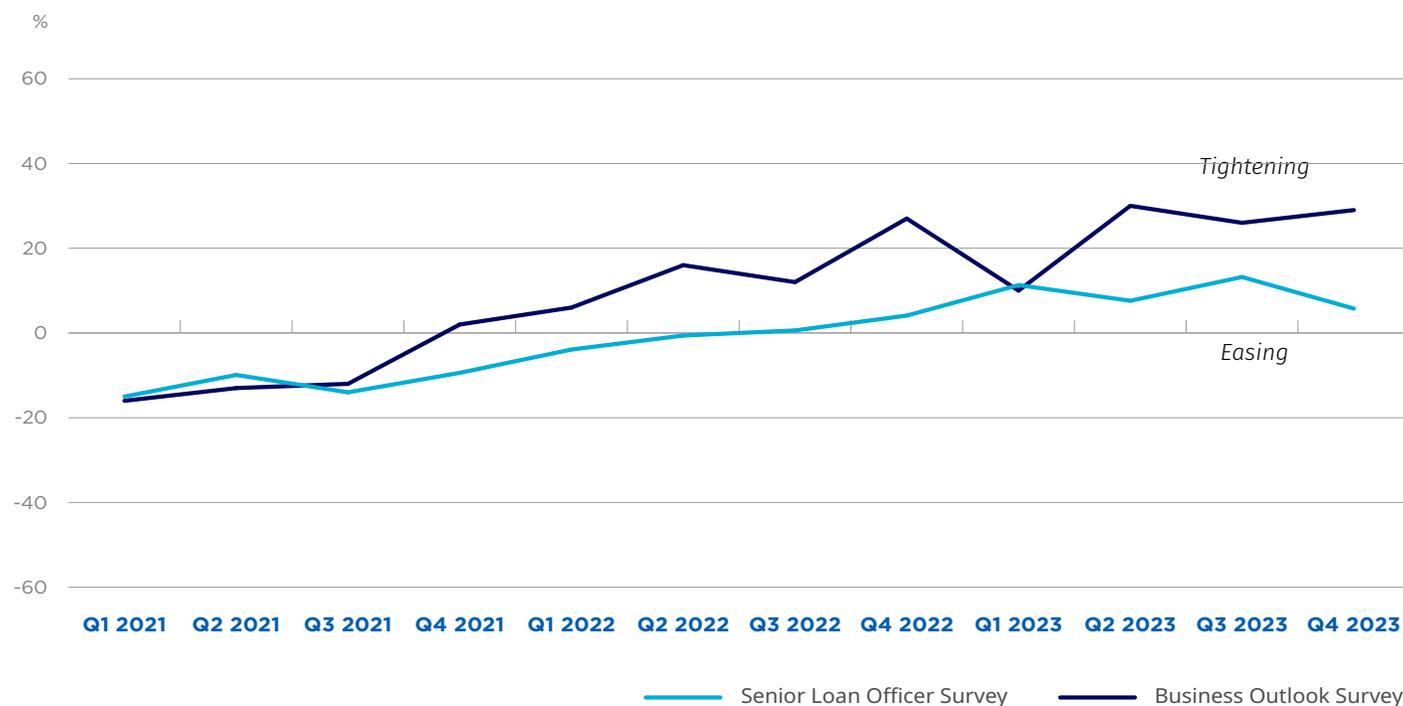
Source: Bank of Canada, Weekly effective business interest rate.

However, according to results from the Bank of Canada’s Senior Loan Officer Survey, lenders reported an overall tightening of business lending conditions during H2 2023, with a slight decrease in the proportion of lenders reporting tighter credit conditions relative to the proportion of lenders who reported easing in late H2 2023 (Figure 4). Additionally, indicators of business lending conditions in the Bank of Canada’s *Business Outlook Survey* clearly pointed to tighter lending conditions in late H2 2023. Contrary to financial institutions, the gap between the proportion of businesses that reported tighter lending conditions and those that reported easing lending conditions increased.

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 H2 2023, the target of the overnight rate increased from 4.75% to 5% (see data [here](#)).

⁹ Despite a high policy interest rate, this decrease may be explained by the drop in long-term government bonds linked to a reduction in risk affecting growth and inflation outlooks, and a decrease in market expectations regarding policy interest rates.

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.

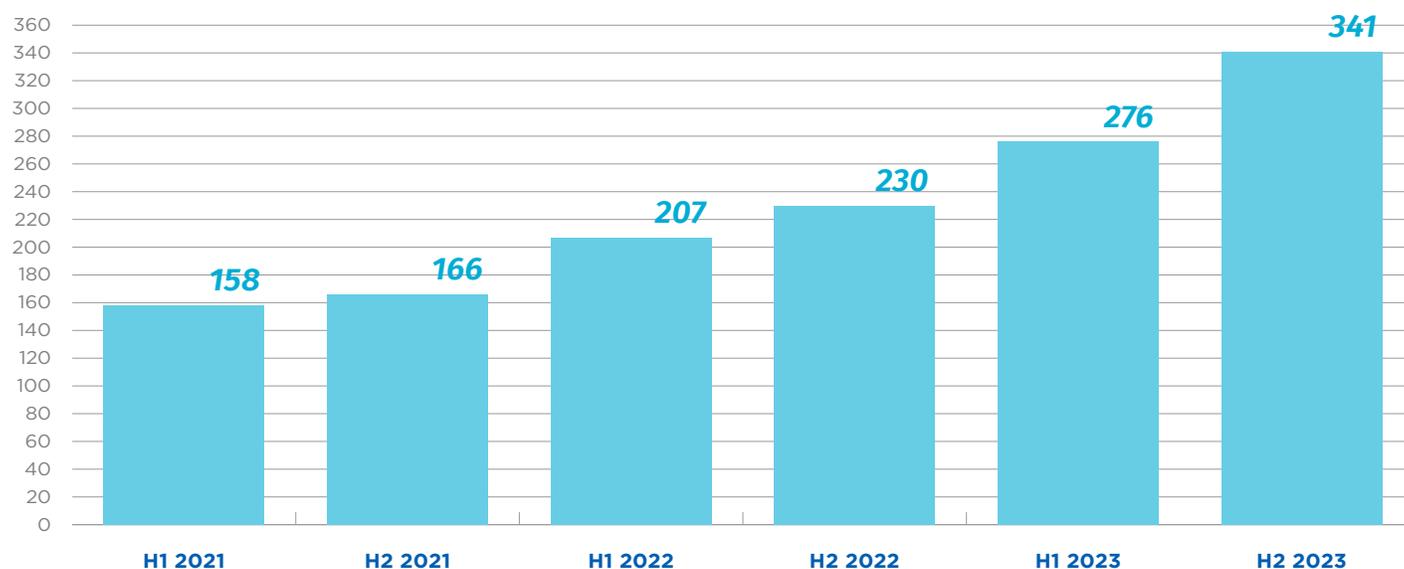
During H2 2023, bankruptcies averaged 341 per month, compared with a monthly average of 276 during H1 2023, an increase of 23.6% (Figure 5).¹⁰ The increase in the average number of bankruptcies mainly occurred during the fourth quarter of 2023, with an average of 401 bankruptcies per month, compared with 281 in the third quarter of 2023.

The increase in bankruptcies occurred in the context of the withdrawal of significant fiscal supports, such as the CEBA, as well as a number of other challenging macroeconomic factors, including high interest rates, high inflation and stagnant economic activity since 2023.¹¹

¹⁰ The number of bankruptcies in H2 2023 was greater than pre-pandemic levels (average of 247 monthly in H1 2019).

¹¹ 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 62.7% of new lending in Canada in H2 2023, slightly decreased their disbursements by 1.9% between H1 2023 and H2 2023 to \$115.4 billion. Between H1 2023 and H2 2023, new loans by credit unions and caisses populaires (which represent 5.7% of new lending in H2 2023) dropped by 34.7% to \$10.5 billion. In contrast, new loans from other financial institutions (which represent 8.5% of new lending in H2 2023) and other banks (which represent 19.9% of new lending in H2 2023) increased by 3.9% and 8.9% to \$15.6 billion and \$36.6 billion, respectively. Loans by insurance companies and portfolio managers (which represent 3.2% of new lending in H1 2023) increased 33.3% to \$6 billion.

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

Supplier type	2021		2022		2023	
	H1	H2	H1	H2	H1	H2
Domestic banks	83.9	100.6	105.6	112.0	117.6	115.4
Other banks	29.6	33.7	34.7	37.0	33.6	36.6
Credit unions and caisses populaires	14.1	14.8	15.0	15.6	16.1	10.5
Finance companies	14.8	15.6	16.6	16.1	15.0	15.6
Insurance companies and portfolio managers	4.9	5.8	4.4	4.3	4.5	6.0
All suppliers	147.2	170.6	176.3	185.0	186.8	184.0

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

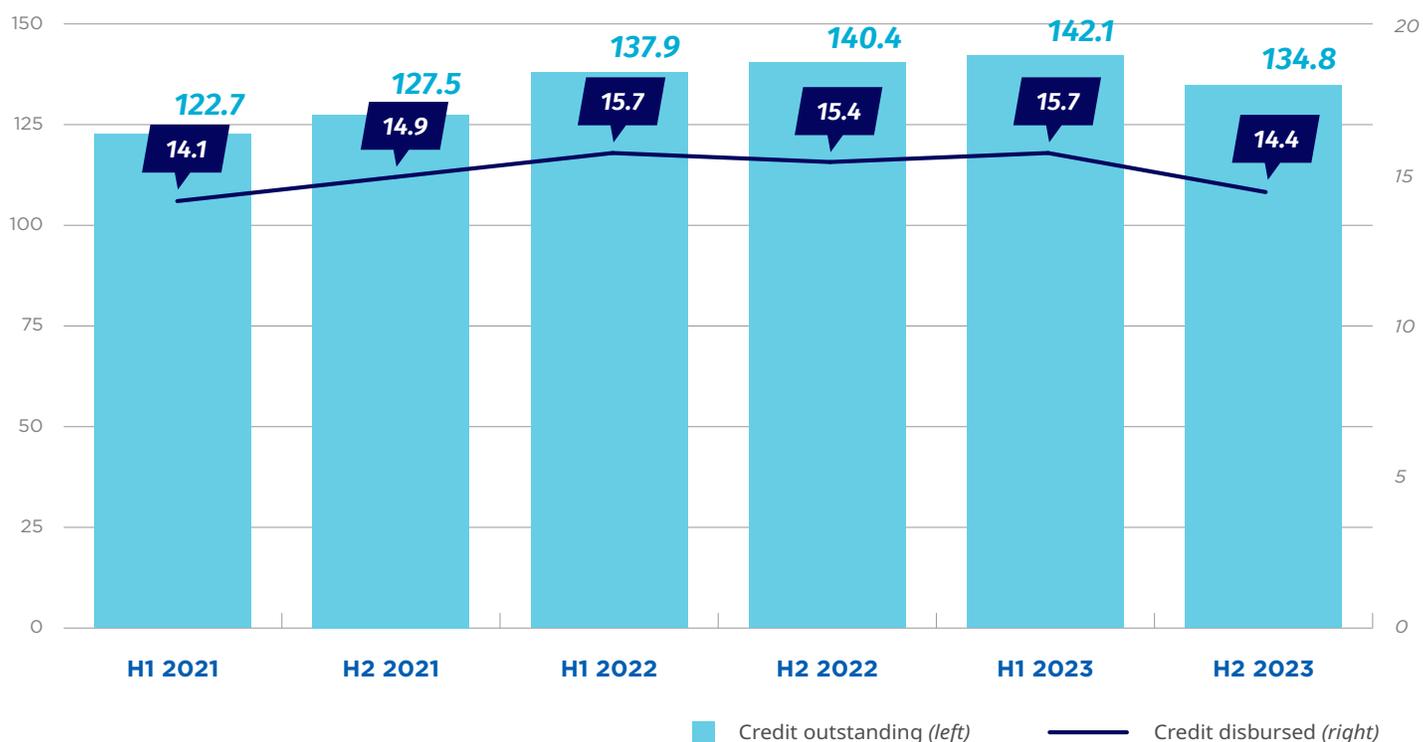
Lending conditions by loan authorization levels

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) decreased by 7.9% and 1.3% to \$14.4 billion and \$145 billion, respectively.¹²

In contrast, new loans to medium borrowers (those with loan authorization levels of \$1 million or more but less than \$5 million) increased by 1.5% from H1 2023 to H2 2023 to \$24.7 billion.

Overall, the value of credit outstanding for small and medium borrowers decreased by 5.1% and 1.5%, respectively, compared with H1 2023 levels, to \$134.8 billion and \$203.8 billion. In contrast, the value of credit outstanding for large borrowers increased by 8% to \$1,007.8 billion.

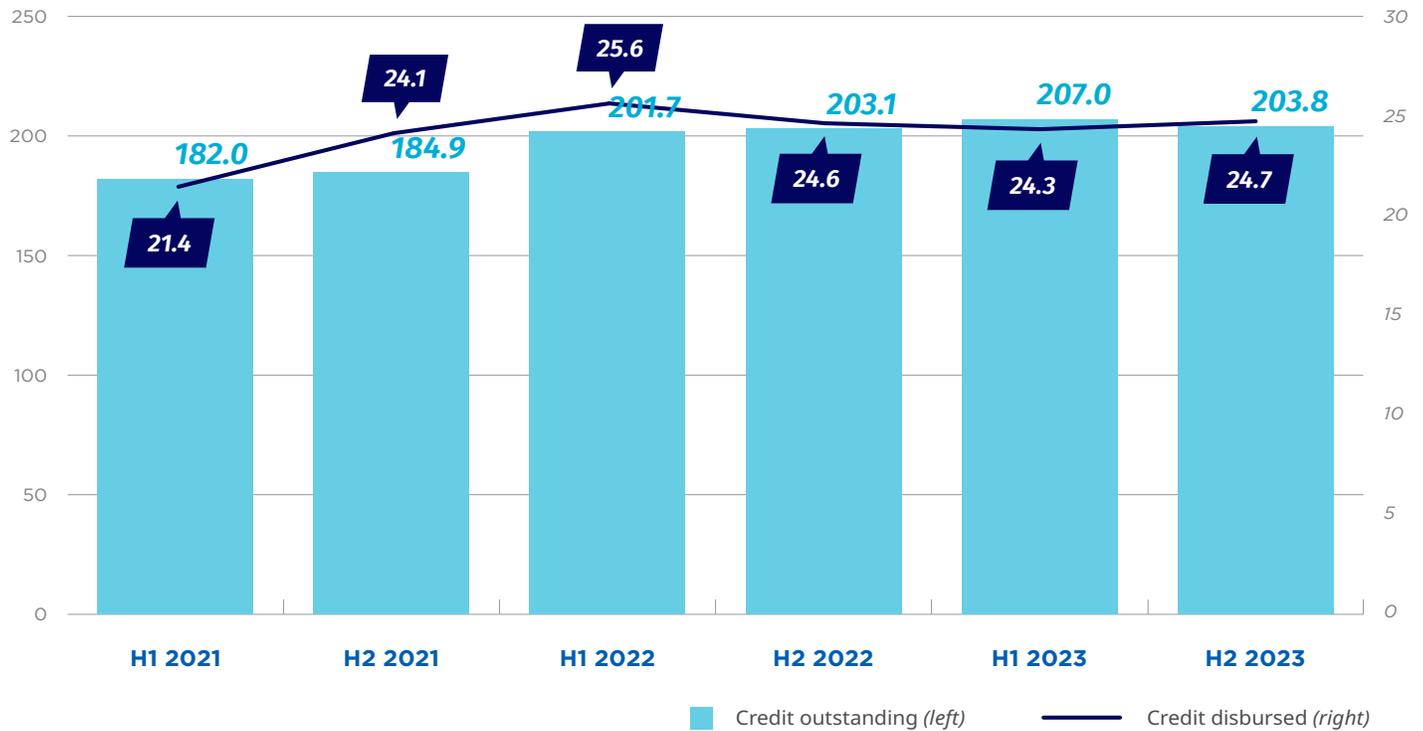
Figure 6a: Value of credit outstanding (\$ billions) and disbursed (\$ billions), small borrowers



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

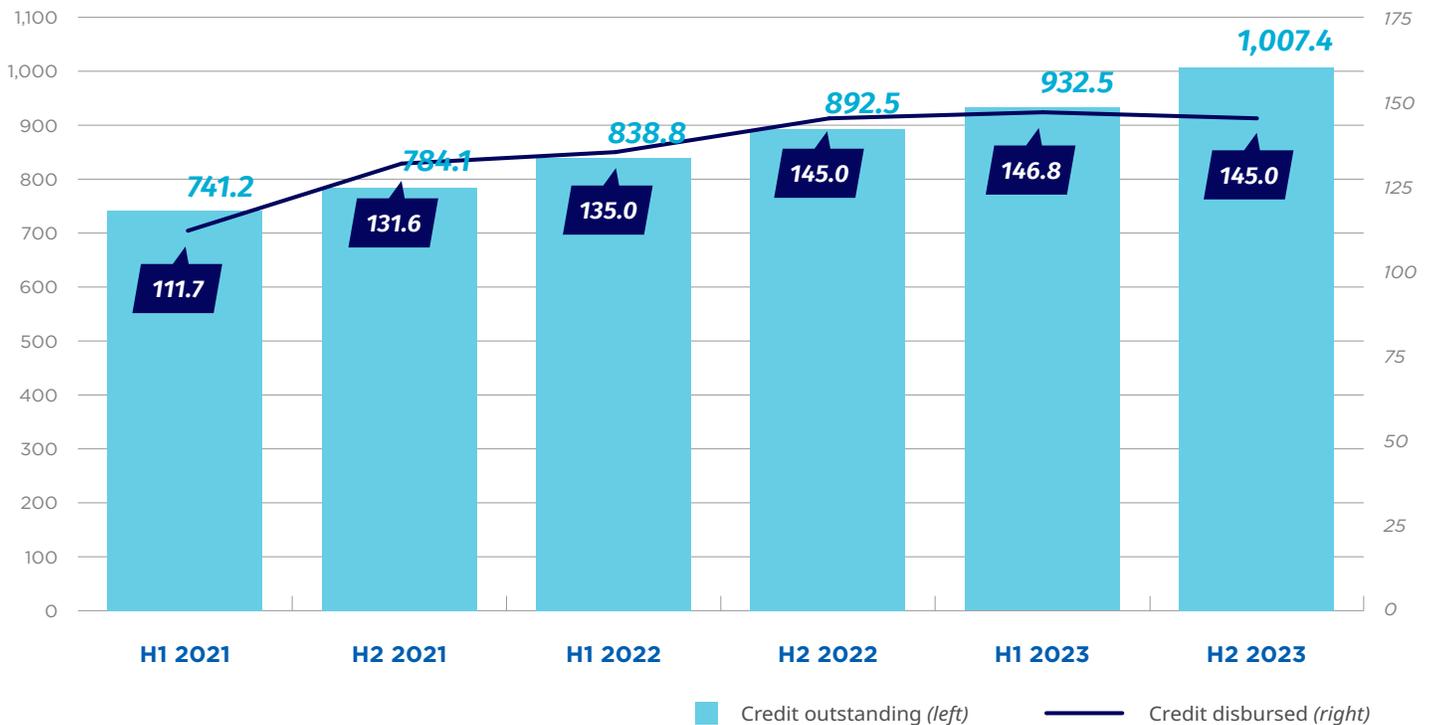
¹² Despite the decline in the value of disbursements for small borrowers during H2 2023, the number of disbursements for small borrowers (those with loan authorization levels of \$50,000 or more, but lower than \$99,999) increased greatly, from 34,096 in H1 2023 to 52,780 in H2 2023. This increase may be linked to the repayment deadline to receive a partial forgiveness of CEBA loans. The repayment deadline to receive partial forgiveness was December 31 (postponed to January 18, 2024).

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



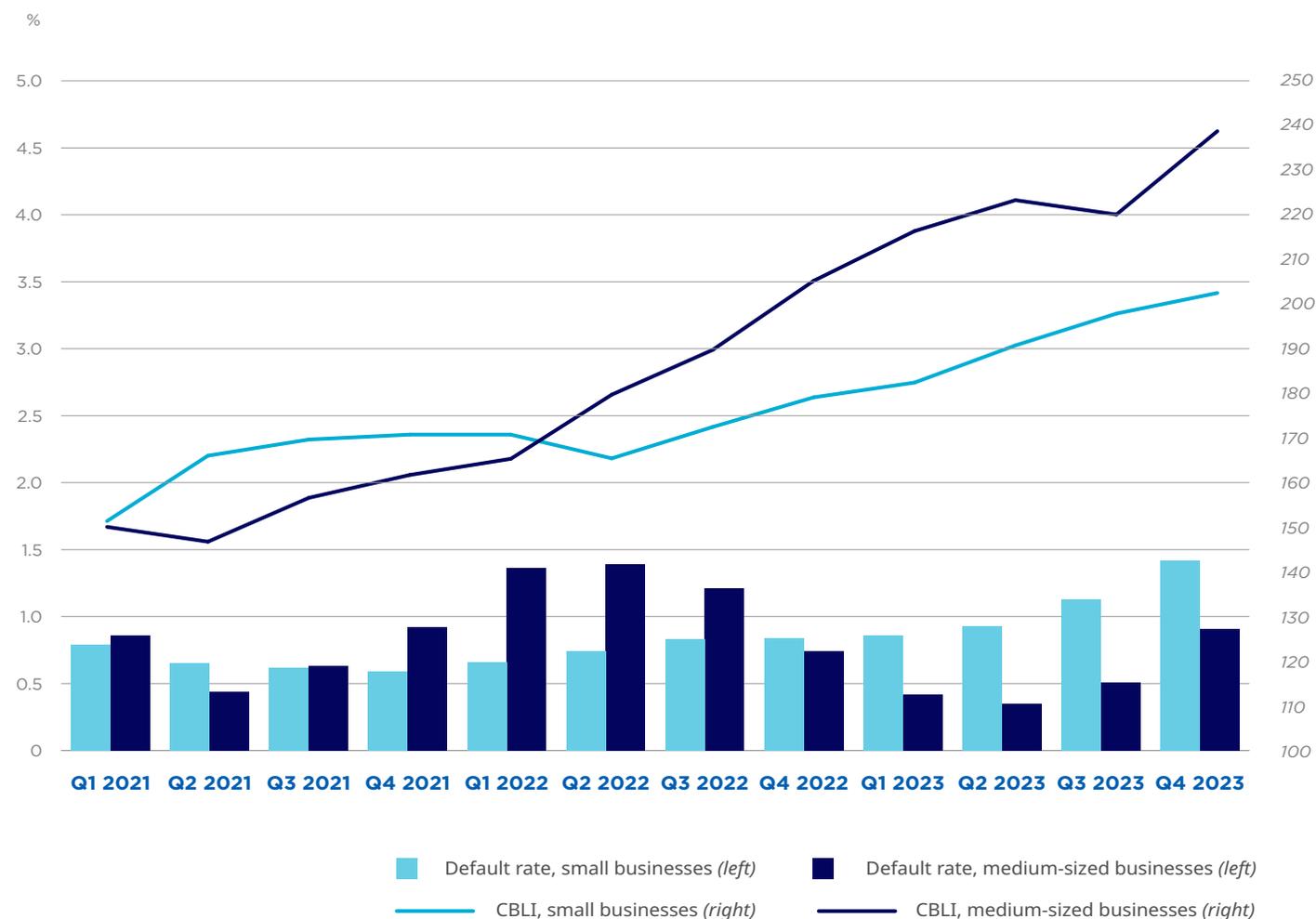
Source: Statistics Canada, Table 33-10-0013-01—Business credit outstanding, by supplier type and authorization level.

Data from PayNet’s Canadian Business Lending Index (CBLI) further suggests that new lending to small businesses continued to increase in the third and fourth quarters of 2023 (Figure 7).¹³ In contrast, the CBLI indicates that lending to medium-sized businesses decreased slightly in early H2 2023 before increasing significantly in late H2 2023.

Based on PayNet data, loan defaults by small- and medium-sized businesses increased during H2 2023 compared with late H1 2023.

Although PayNet’s CBLI represents a useful source to measure business lending, direct comparisons between the 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.

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*, 2024.

¹³ 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 businesses. 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

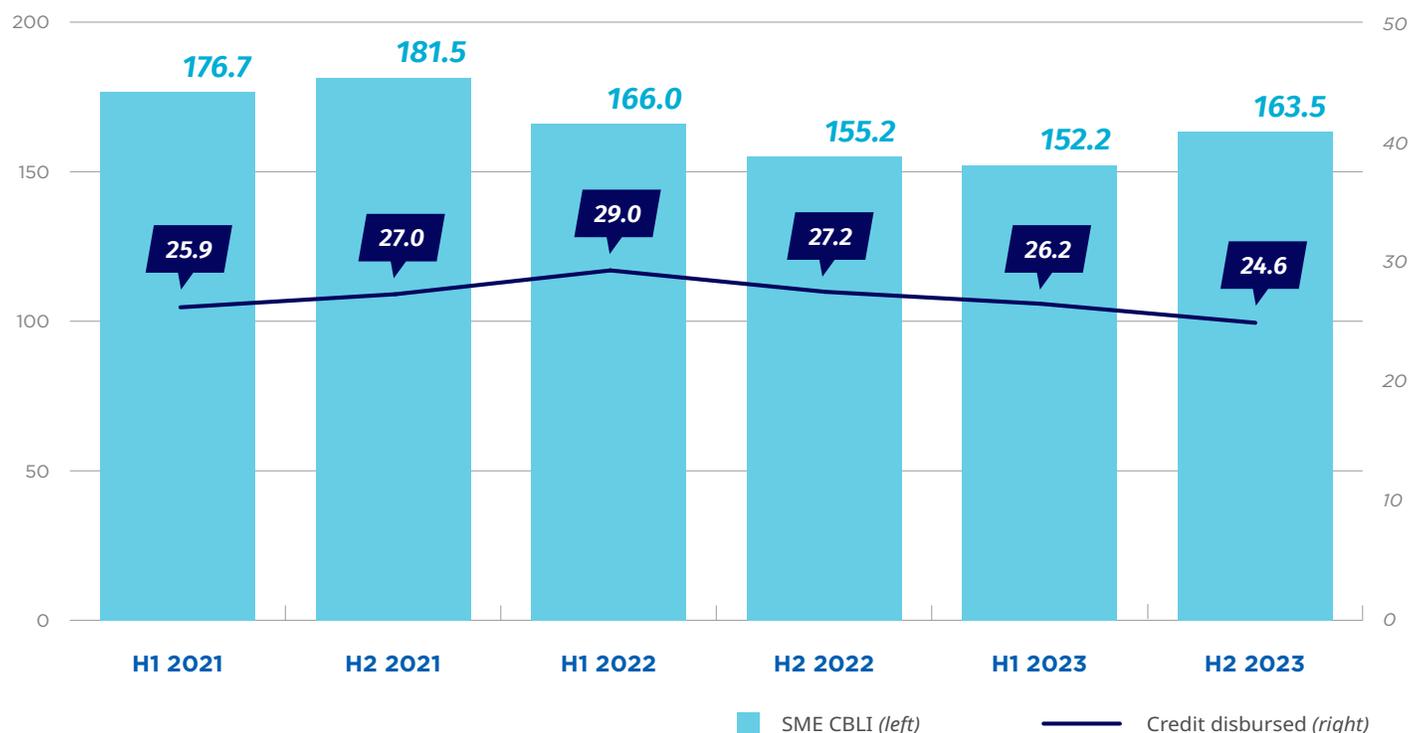
Results¹⁴ from the *Biannual Survey of Suppliers of Business Financing* indicate substantial sectoral differences in the value of business credit disbursements during H2 2023. From H1 2023 to H2 2023, new loans to business decreased in the manufacturing (-15.2%, \$18 billion), professional, scientific and technical services (-8.3%, \$5.3 billion), construction (-6.7%, \$16.4 billion), accommodation and food services (-6.4%, \$4.9 billion), and primary (-5.8%, \$24.6 billion) sectors and other industries (-2.0%, 34.8 billion).

In contrast, new lending increased from H1 2023 to H2 2023 in the transportation and warehousing (38.7%, \$13.9 billion) and the wholesale and retail trade (7.6%, \$18 billion) sectors.

PayNet's CBLI reported increases during H2 2023 across nearly every industry, with the exception of the other industries sector. From H1 2023 to H2 2023, new business lending activity increased in the manufacturing (50.2%), wholesale and retail trade (16.1%), construction (10.5%), accommodation and food services (9.6%), primary (7.4%), professional, scientific and technical (7.3%), and transportation and warehousing (4.5%) sectors.

Conversely, the CBLI indicates that lending decreased from H1 2023 to H2 2023 in the other industries (-9.6%) sector.¹⁵

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

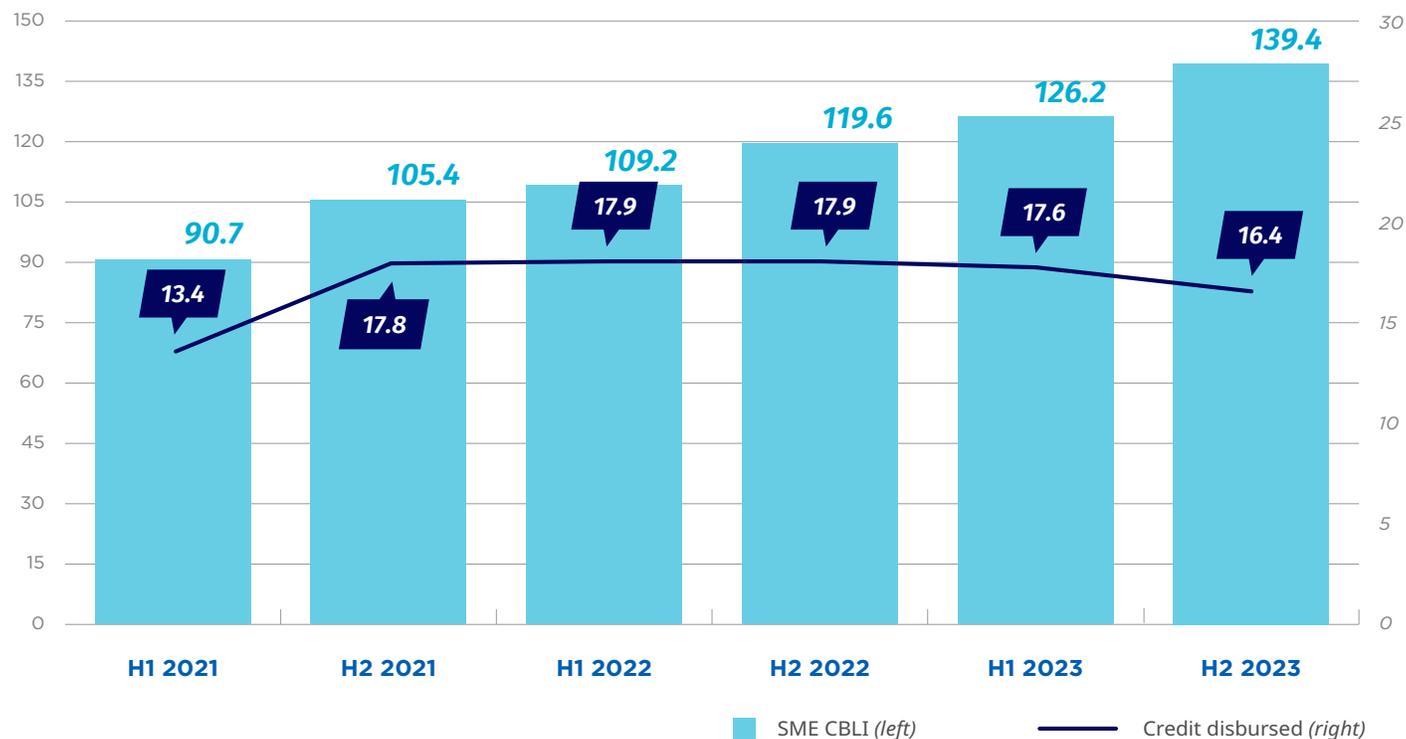


Sources: PayNet Inc., *Canadian Business Lending Index*, 2024; and Statistics Canada, Table 33-10-0014-01—Business credit outstanding, by supplier type and industry.

¹⁴ Disbursements for the finance and insurance sectors, as well as the real estate and rental and leasing industries, do not appear in Figures 8a to 8h. These sectors are major borrowing sectors in which disbursements increased 5.2% and decreased 6.1%, respectively, between H1 2023 and H2 2023.

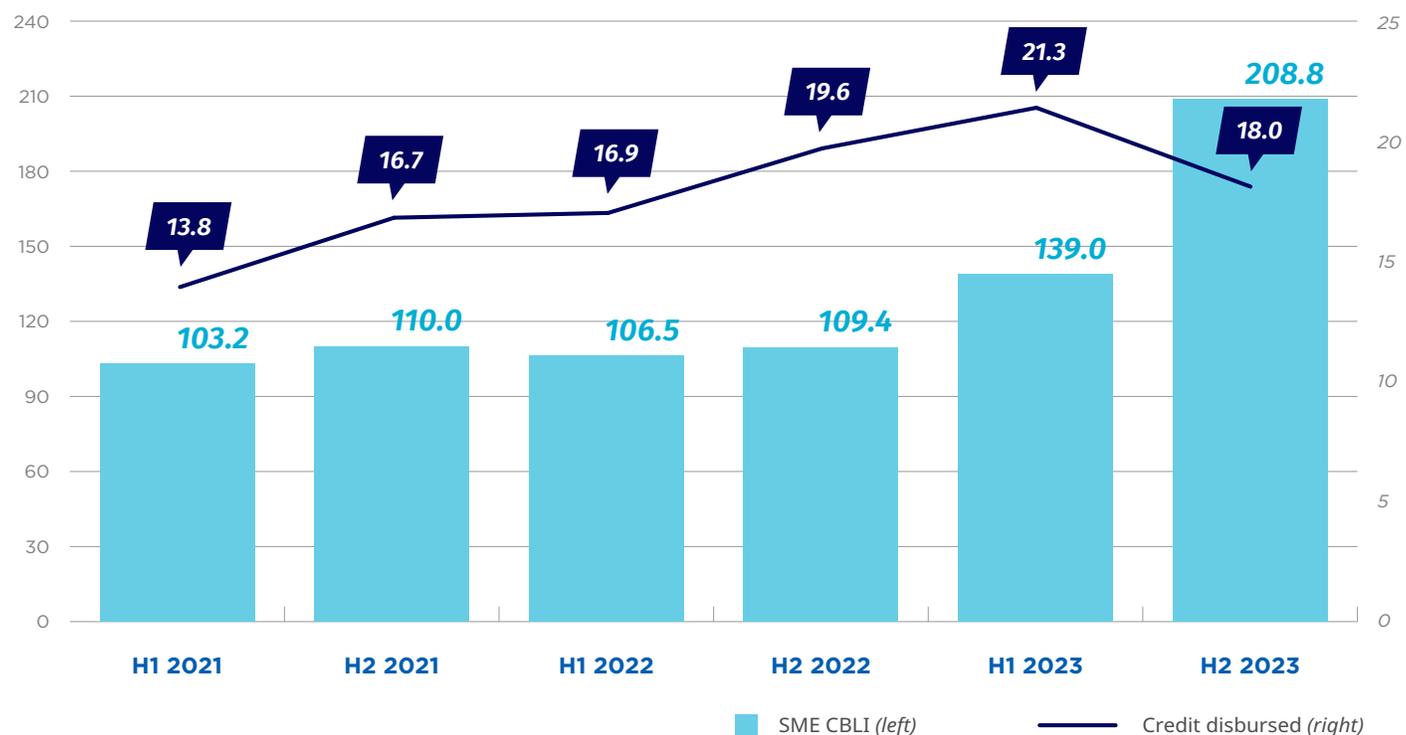
¹⁵ As mentioned above, direct comparisons between the CBLI and the *Biannual Survey of Suppliers of Business Financing* should be limited due to methodological differences.

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



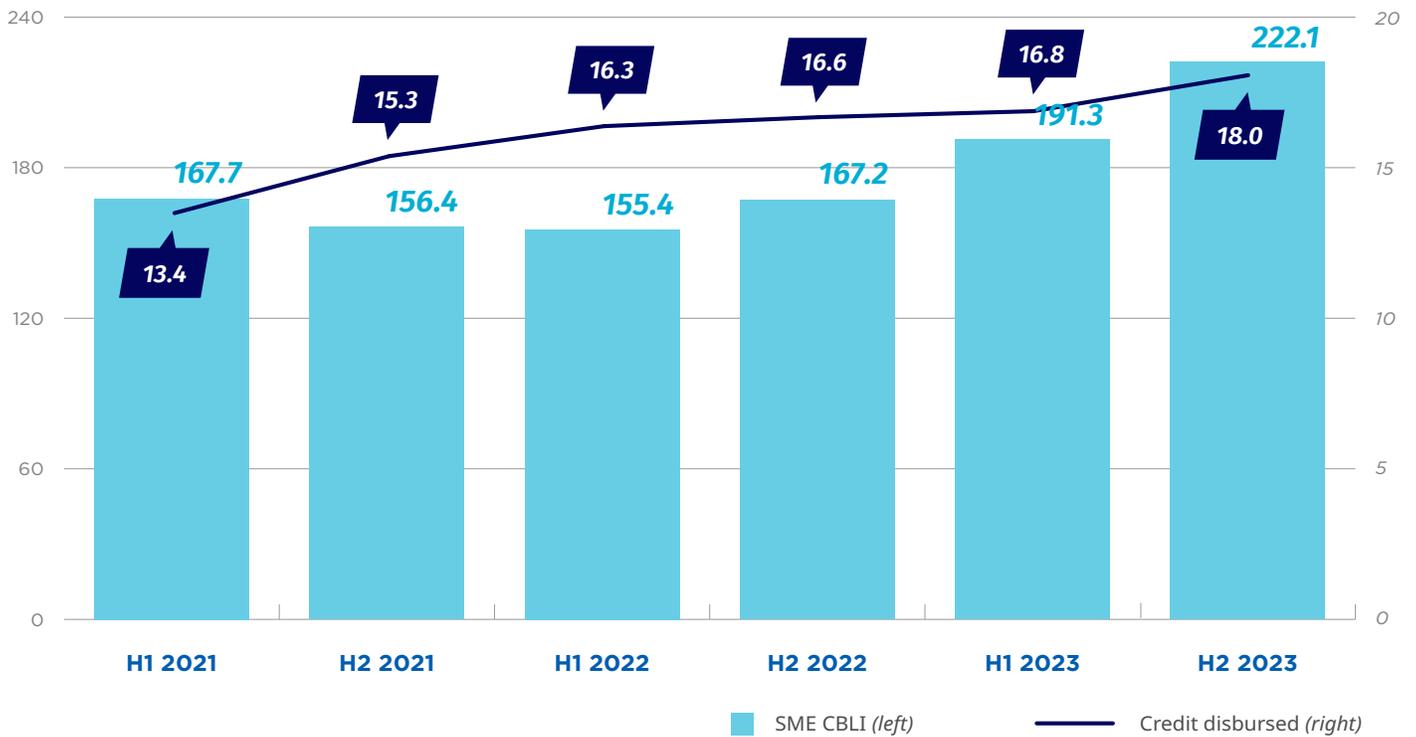
Sources: PayNet Inc., *Canadian Business Lending Index*, 2024; and Statistics Canada, Table 33-10-0014-01—Business credit outstanding, by supplier type and industry.

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



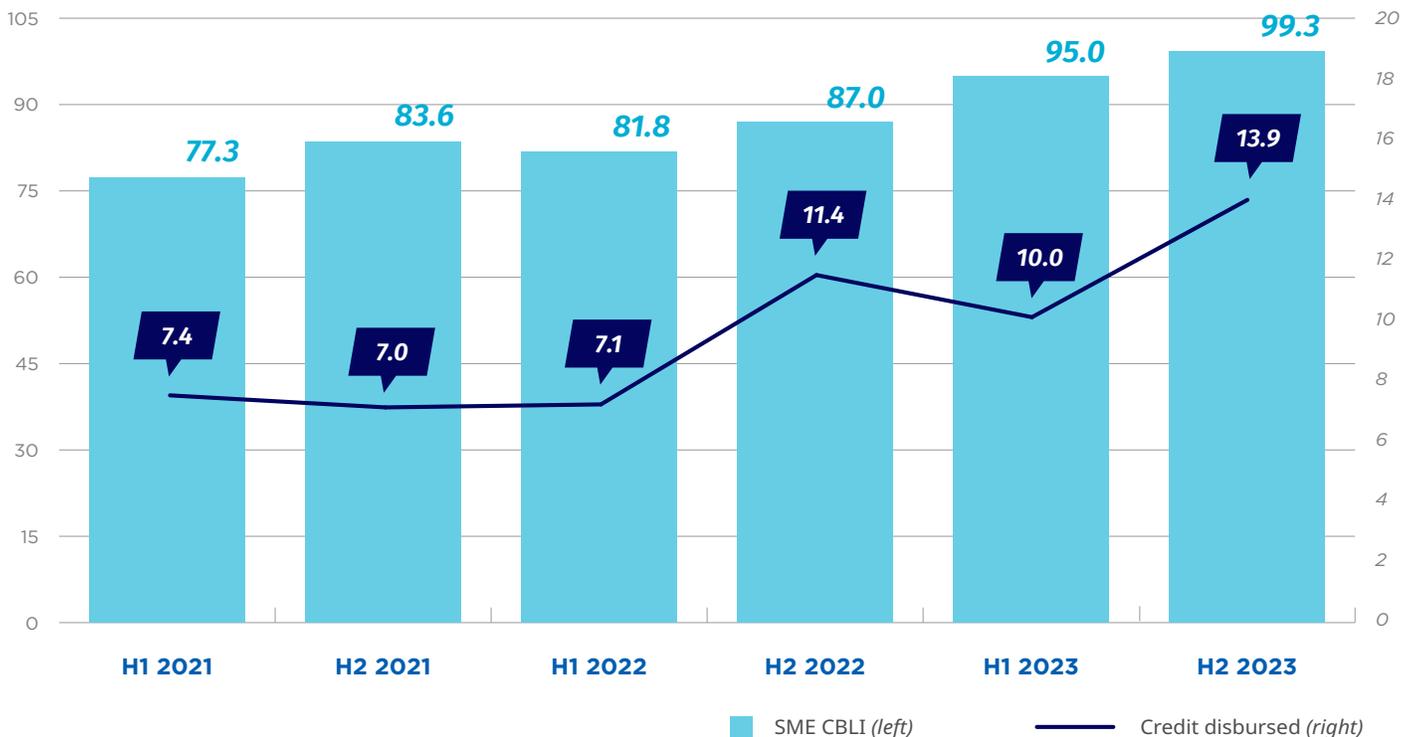
Sources: PayNet Inc., *Canadian Business Lending Index*, 2024; and Statistics Canada, Table 33-10-0014-01—Business credit outstanding, by supplier type and industry.

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



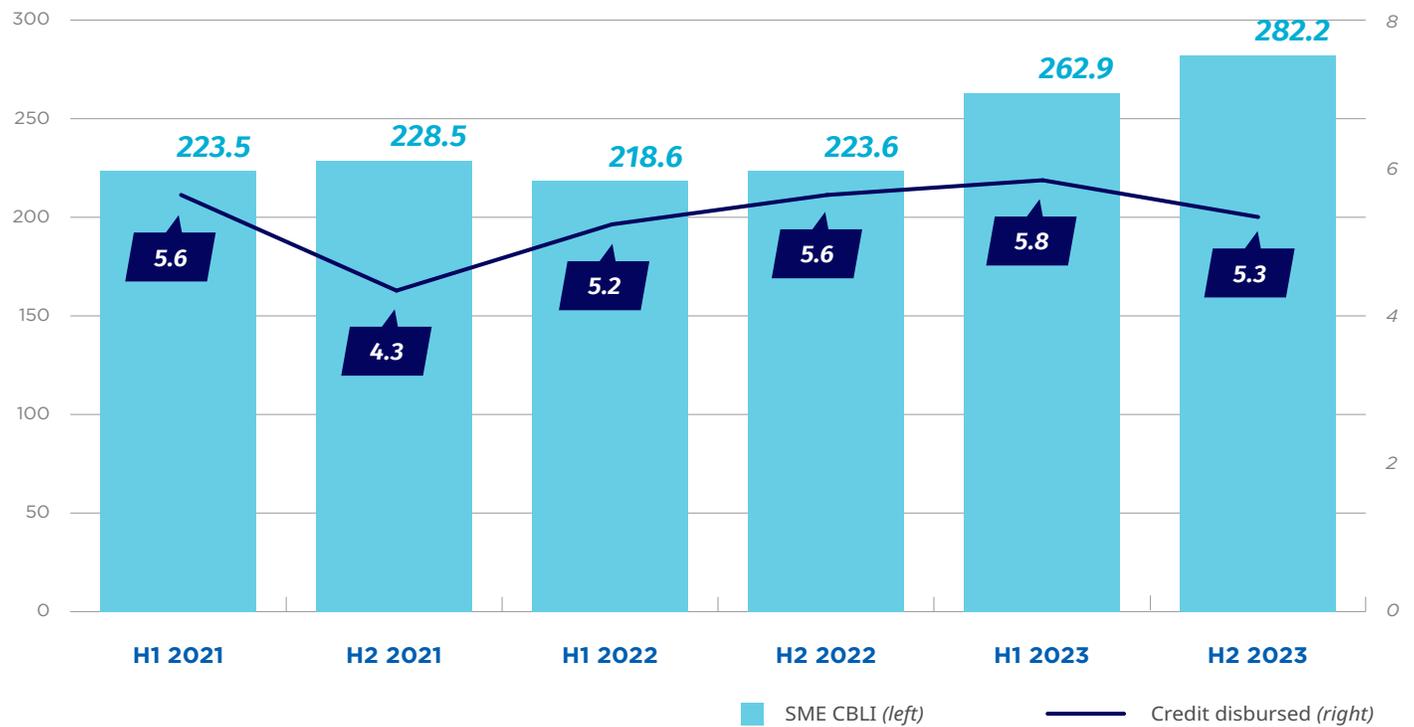
Sources: PayNet Inc., *Canadian Business Lending Index*, 2024; and Statistics Canada, Table 33-10-0014-01—Business credit outstanding, by supplier type and industry.

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



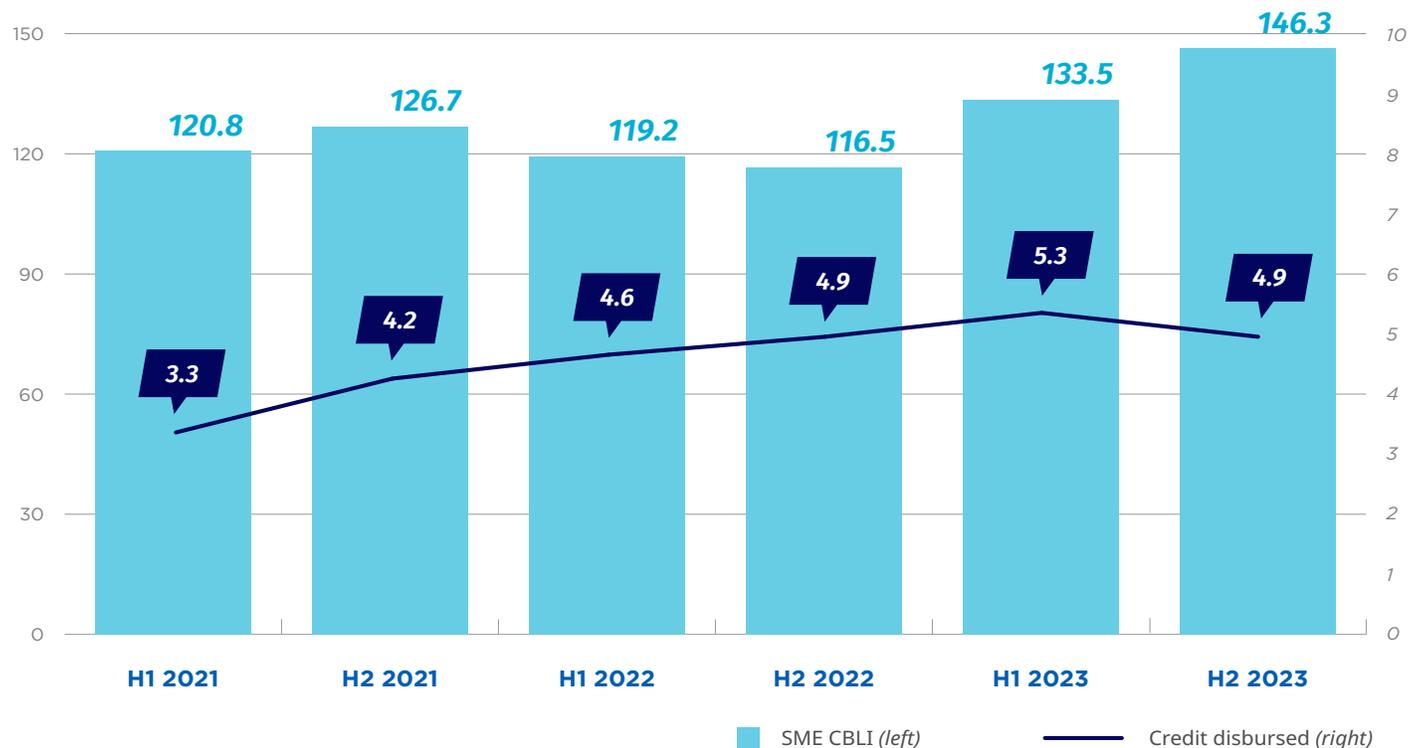
Sources: PayNet Inc., *Canadian Business Lending Index*, 2024; and Statistics Canada, Table 33-10-0014-01—Business credit outstanding, by supplier type and industry.

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



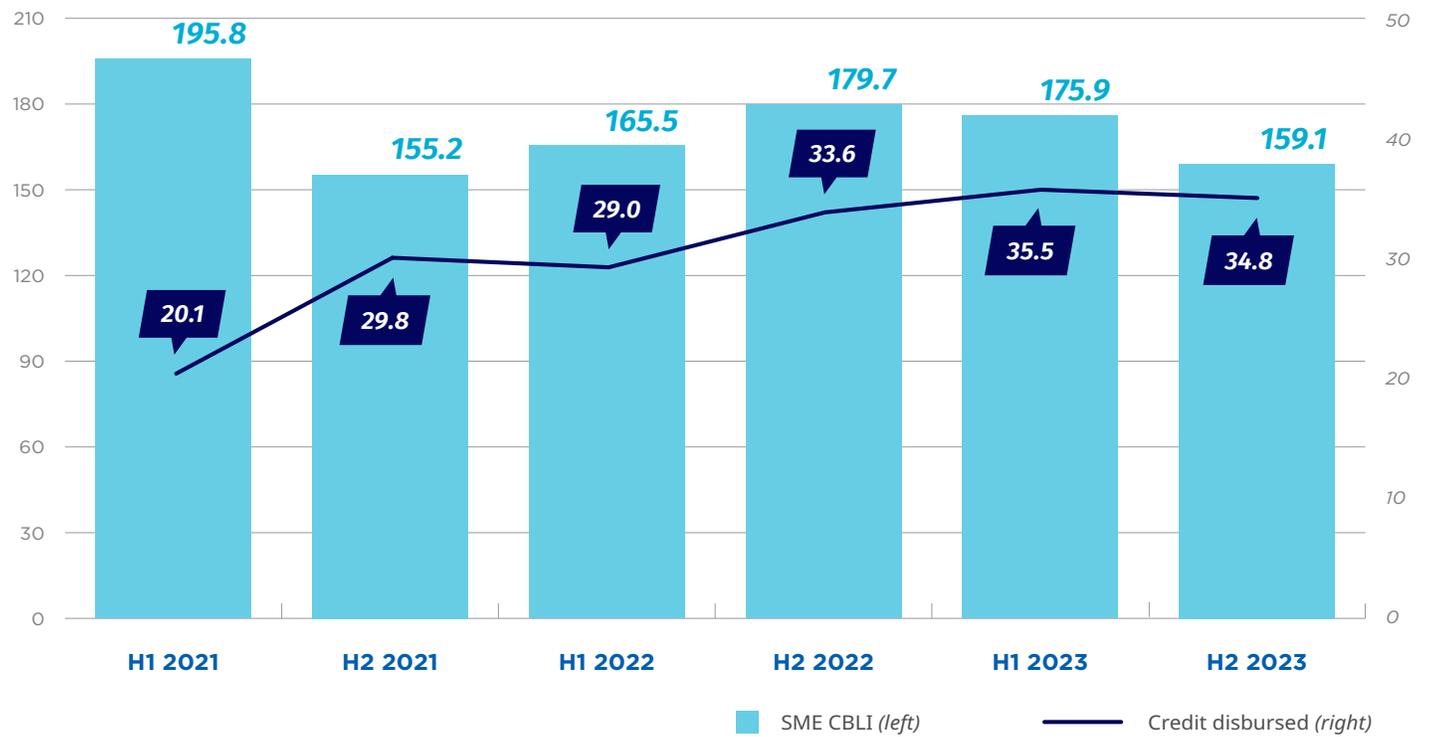
Sources: PayNet Inc., *Canadian Business Lending Index*, 2024; and Statistics Canada, Table 33-10-0014-01—Business credit outstanding, by supplier type and industry.

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*, 2024; 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*, 2024; 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 one million reported contracts worth over \$102 billion.