



BIANNUAL SURVEY OF SUPPLIERS OF BUSINESS FINANCING DATA ANALYSIS, FIRST HALF 2017

July 2018

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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*.

SUMMARY

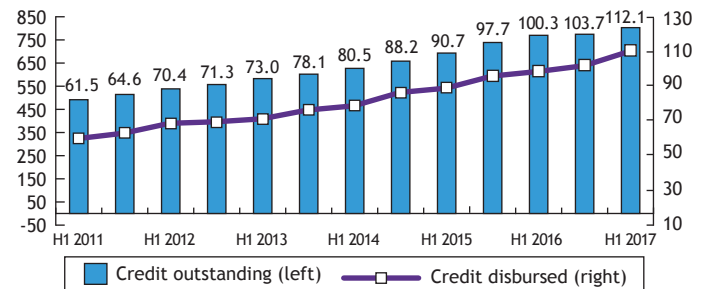
- Overall, lending conditions in Canada remained steady in the first half of 2017 (January to June) as all types of suppliers continued to lend to businesses of all sizes categories in most industry sectors.
- According to data from *Biannual Survey of Suppliers of Business Financing*, suppliers lent more to businesses of all sizes, particularly large businesses. The value of loan disbursements increased from the second half of 2016 (July to December) to the first half of 2017 by 5.0 percent, 3.3 percent and 9.8 percent, respectively, for small (those with loan authorization levels of less than \$1 million), medium-sized (those with authorization levels of \$1 million or more but less than \$5 million) and large (those with authorization levels of \$5 million or more) businesses.
- Data from the Bank of Canada's *Senior Loan Officer Survey* and *Business Outlook Survey* show similar results, indicating essentially unchanged credit conditions.

OVERALL LENDING CONDITIONS

Results from the *Biannual Survey of Suppliers of Business Financing* indicate a continued increase in value of credit disbursements between January and June 2017 (H1 2017). In total, lenders disbursed \$112.1 billion in new loans¹ to Canadian businesses in H1 2017, compared with \$103.7 billion in new loans disbursed between July and December 2016 (H2 2016), an increase of 8.2 percent (Figure 1). The total value of credit outstanding increased by 3.7 percent, from \$774.7 billion in H2 2016 to \$803.3 billion in H1 2017. These increases continue the trend of increased disbursements and credit outstanding observed since 2011.

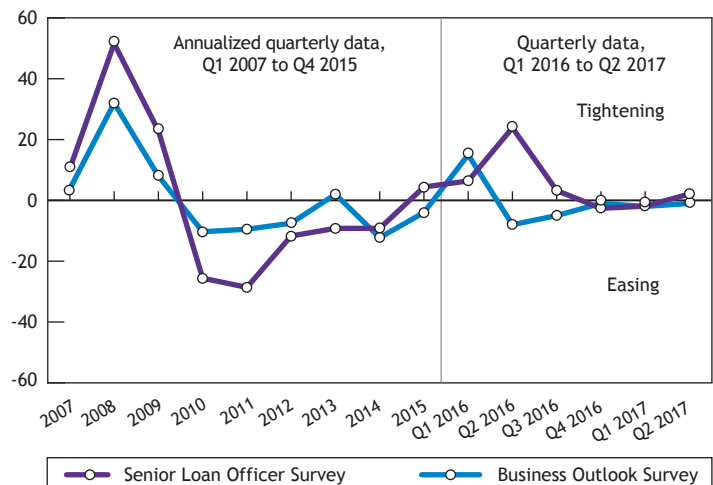
Results from the Bank of Canada's *Senior Loan Officer Survey* and *Business Outlook Survey* offer a complementary perspective, indicating no substantive change in credit conditions between H2 2016 and H1 2017 (Figure 2). These results are consistent with the *Biannual Survey of Suppliers of Business Financing* data, which show continued increases in lending. Credit conditions appear more stable following some tightening in lending conditions as Canada's economy adjusted to lower oil prices in 2015 and 2016.

Figure 1: Value of Credit Outstanding (\$ billions) and Disbursed (\$ billions) to All Businesses



Source: Statistics Canada, *Biannual Survey of Suppliers of Business Financing*, 2017.

Figure 2: Credit Lending Conditions in Canada



Note 1: The *Senior Loan Officer Survey* lending index shows the difference between the weighted percentage of financial institutions reporting tighter credit conditions and the weighted percentage reporting easier credit conditions in the preceding 3 months. 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*, 2017; and Bank of Canada, *Business Outlook Survey*, 2017.

Table 1 presents data from the *Biannual Survey of Suppliers of Business Financing* on total loan disbursements to businesses by supplier type. Domestic banks, which account for 53.3 percent of Canada's new loans market, continued expanding their lending

¹ New loans include term loans and non residential mortgages that generally have a fixed repayment schedule of greater than one year.

in H1 2017 (Table 1), increasing loan disbursements to businesses by 8.1 percent from H2 2016 to H1 2017. “Other banks”, credit unions and Caisses populaires, and insurance companies and portfolio managers account for 21.5 percent, 9.9 percent and 4.7 percent, respectively, of the value of new loans. These financial institutions increased the value of their credit disbursements by 13.0 percent, 4.6 percent and 14.2 percent respectively. The value of new loans by finance companies, which comprises 10.5 percent of the value of all new loans, was largely unchanged.

Table 1: Value of Credit Disbursed (\$ billions) to All Businesses by Supplier Type

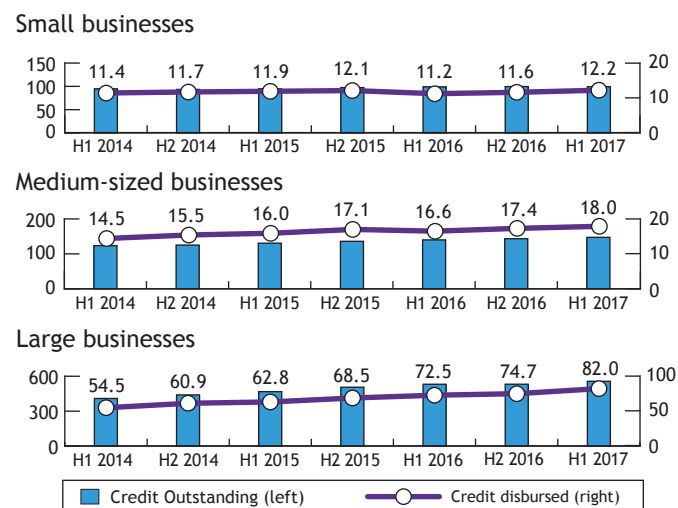
Supplier Type	2014		2015		2016		2017
	H1	H2	H1	H2	H1	H2	H1
Domestic banks	37.5	43.1	44.2	48.9	52.1	55.3	59.8
Other banks	18.3	18.6	20.0	21.0	22.8	21.4	24.2
Credit unions and Caisses populaires	8.6	9.5	10.0	10.7	10.9	10.6	11.1
Finance companies	9.4	9.5	10.1	10.8	9.3	11.8	11.8
Insurance companies and portfolio managers	6.6	7.5	6.3	6.4	5.2	4.6	5.3
All suppliers	80.5		90.7		100.3		112.1

Source: Statistics Canada, *Biannual Survey of Suppliers of Business Financing*, 2017.

LENDING CONDITIONS BY BUSINESS SIZE

Data from the *Biannual Survey of Suppliers of Business Financing* showed increased lending activity for businesses of all sizes in H1 2017. Lenders disbursed \$12.2, \$18.0 and \$82.0 billion in new loans to small businesses (those with loan authorization levels of less than \$1 million), medium-sized businesses (those with authorization levels of \$1 million or more but less than \$5 million) and large businesses (those with authorization levels of \$5 million or more), increases of 5.0 percent, 3.3 percent and 9.8 percent, respectively, over H2 2016 levels (Figure 3).

Figure 3: Value of Credit Outstanding (\$ billions) and Disbursed (\$ billions) by Size of Business

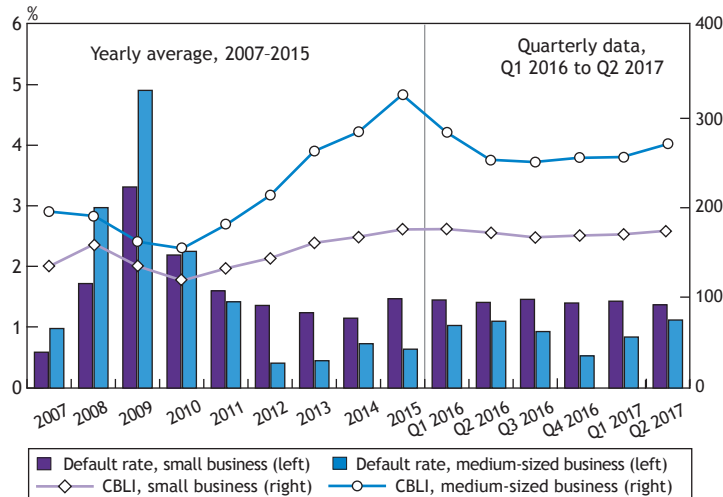


Source: Statistics Canada, *Biannual Survey of Suppliers of Business Financing*, 2017.

The value of credit outstanding for small businesses was nearly unchanged from H2 2016 at \$99.3 billion. The value of credit outstanding for medium-sized and large businesses increased from H2 2016 to H1 2017 by 2.8 percent and 4.7 percent to \$147.3 billion and \$556.7 billion respectively.

Data from PayNet’s *Canadian Business Lending Index* (CBLI) show increases in new lending for both small and medium-sized businesses from Q3 2016 to Q2 2017, with a relatively larger increase for medium-sized businesses (Figure 4). This is consistent with the results from the *Biannual Survey of Suppliers of Business Financing*.

Figure 4: Loan Default Rate (percentage) and Canadian Business Lending Index for Small and Medium-Sized Businesses



Note 1: The CBLI measures the net volume of loans to small and medium-sized businesses.

Note 2: Defaults are totaled for each quarter and are divided by the average current balance outstanding for the quarter. The result is then annualized. The CBLI is calculated based on the dollar weighted percentage change in qualifying new originations from the prior quarter to the current quarter, for qualifying lenders with data in both quarters. It is then presented on an absolute index basis, indexed so that January 2005 equals 100.

Source: PayNet Inc., *Canadian Business Lending Index*, 2017.

More generally, however, the direct comparability of the two data sources appears limited. Similar to the *Biannual Survey of Suppliers of Business Financing*, CBLI trends upwards between 2011 and 2015. However, starting in 2016 the trends of the two data sources diverge. CBLI decreased sharply at the beginning of 2016 to below 2013 levels, in contrast to the continued increase in the value of disbursements shown results from the *Biannual Survey of Suppliers of Business Financing*. Notably, this decrease in CBLI coincided with increased defaults for medium-sized businesses. From Q2 2016 to Q2 2017, CBLI shows increased lending though with a relatively modest rate of lending growth compared to the *Biannual Survey of Suppliers of Business Financing*.

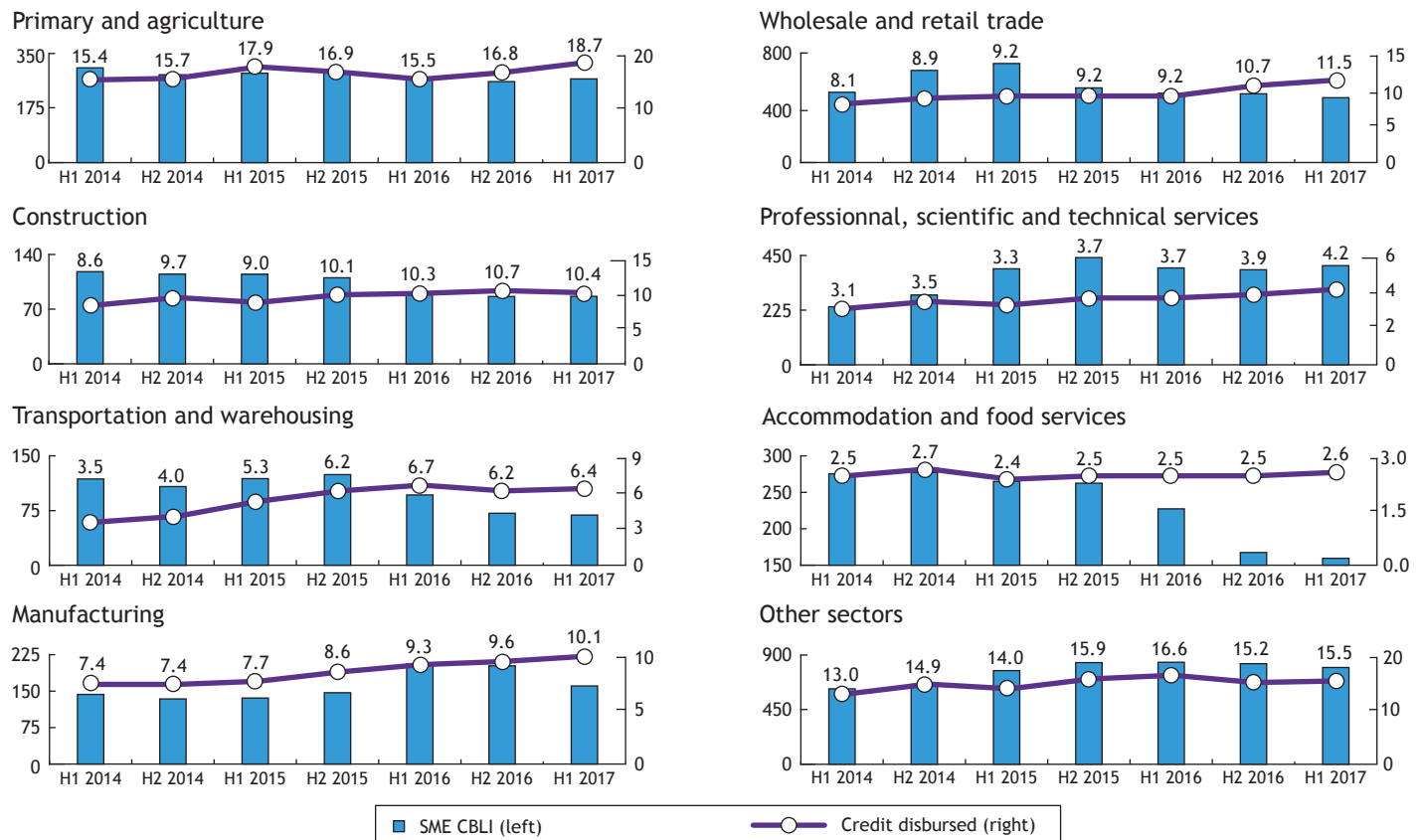
LENDING CONDITIONS BY SECTOR

Findings from the *Biannual Survey of Suppliers of Business Financing* show an increase across all sectors except for the construction sector (Figure 5). The largest increases in new lending observed were in the primary and agriculture, the wholesale and retail trade, and the professional, scientific and technical services sectors, to which lenders disbursed \$18.7 billion, \$11.5 billion and \$4.2 billion, respectively, in new loans in H1 2017, up by 11.3 percent, 7.5 percent and 7.5 percent from H2 2016 levels.

The value of new disbursements in the construction sector was \$10.4 billion in H1 2017, a decline of 2.3 percent from H2 2016. Modest increases in new lending were observed in other sectors of the economy.

Over the same period, PayNet's *CBLI* indicates modestly increased new lending in the professional, scientific and technical services and the primary and agriculture sectors. *CBLI* shows unchanged or decreased new loans for all other sectors, particularly the manufacturing sector, where the index decreased by over 20 percent.

Figure 5: SME Canadian Business Lending Index and Value of Credit Disbursed (\$ billions) by Sector to All Businesses



Note: Value of credit disbursed to firms in finance, insurance, real estate, and rental sector was excluded from "other sectors".

Sources: PayNet Inc., *Canadian Business Lending Index*, 2017; and Statistics Canada, *Biannual Survey of Suppliers of Business Financing*, 2017.

ABOUT THE SOURCES

The Statistics Canada *Biannual Survey of Suppliers of Business Financing* is the result of commitment by the Government of Canada to improve the availability of information about financing of businesses in Canada. Data is collected 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 909 thousand reported contracts worth over \$70 billion.