COVID 19 AND FIRM RESCUE PROGRAMMES
FRANCE EXPERIENCE

SUERF-KfW E-Workshop
03/03/2021
Transfers and liquidity measures in the context of Covid– Case of France

- **Emergency plan**: Safeguarding productive capital and skills
- **Toolbox**: public support (transfers/tax waiver, liquidity measures such as guaranteed loans, tax deferral), private support (loan moratoriums), regulation (insolvencies procedure)...
- **1st wave**: high uncertainty, very large distribution
- **From 1st to 2nd wave**: more targeted measures, more transfers less additional debt

### France- Main support schemes for businesses

<table>
<thead>
<tr>
<th></th>
<th>1st wave</th>
<th>2nd wave</th>
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<tbody>
<tr>
<td><strong>Context</strong></td>
<td><em>Global crisis</em> -31% GDP vs normal (peak)</td>
<td><em>Sectoral crisis</em> -8% GDP vs normal (peak)</td>
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<td><strong>Partial activity</strong></td>
<td>45% workforce (peak)</td>
<td>17% workforce (peak, fewer hours/emp)</td>
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<td><strong>(transfers)</strong></td>
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<td><strong>Solidarity fund</strong></td>
<td>6 B€ (max 1500€ /month)</td>
<td>8 B€ (max 10K€/200K€)</td>
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<td><strong>(transfers, small</strong></td>
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<td><strong>businesses)</strong></td>
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<td><strong>PGE</strong> (90% guaranteed loans, max 25% pre-cris turnover)</td>
<td>105 B€ 560 K businesses</td>
<td>15 B€ 100 K businesses</td>
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<td><strong>Tax deferral</strong></td>
<td>17 B€</td>
<td>7 B€ (additional outstanding stock*)</td>
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<td><strong>(outstanding stock, end of period)</strong></td>
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*Source: France Stratégie (feb 2021), Bpifrance*
Impact on businesses – short term evidence

- **End of 1st lockdown**: strong (but partial) recovery

- **2nd lockdown**: GDP fell 2020Q4 but business investment continued to grow (first estimates)

- **Sharp decline in insolvencies**: relaxing insolvencies procedures + large support schemes

- **How bad balance sheet have been hit?**
  - At macro level, large impact on NFC balance sheet (debt)
  - On the other hand, a lot has been saved

- **Caution**: Potential mismatch at the micro level + situation still evolving.
Impact on businesses – mid-long term questions

• Weakened balance sheet: less investment capacity in the future?
  • Micro level evidence: large majority of SMEs appear to report very moderate rise in net debt
  • Difficulties more and more important, highly concentrated in very specific sectors

• Creative destruction hampered?
  • Ex ante evaluation (DG Trésor, 2020): businesses at risk of insolvency more productive than usual, support schemes productivity “neutral” in terms of insolvent business profile (but reduce their number by a factor of 5)
  • First ex post evidence: no apparent selection in terms of productivity (Bach et al, 2020), insolvencies main factors didn’t change between 2019 and 2020 (Cros, Epaulard & Martin, 2020)

• Post crisis growth:
  • Investment vs deleveraging, working capital needs
  • What instruments: equity, quasi equity/junior loans..

SMEs and the use of PGE

Impact of crisis on firms productivity (ex-ante calculations)

Source: DG Trésor

Total firms
Insolvency w/o crisis
Insolvencies w/ crisis & support
Insolvencies w/ crisis & w/support

Source: Bpifrance Le Lab – Rexecode SME barometer

Fear of default on guaranteed loan (PGE)
Use almost total amount PGE
Didn’t use PGE or use minority

4%
13%
8%
23%
68%
68%
sept-20
feb-21

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