

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

	1st wave	2 nd wave
<i>Context</i>	<i>Global crisis</i> -31% GDP vs normal (peak)	<i>Sectoral crisis</i> -8% GDP vs normal (peak)
Partial activity (transfers)	45% workforce (peak)	17% workforce (peak, fewer hours/emp)
Solidarity fund (transfers, small businesses)	6 B€ (max 1500€ /month)	8 B€ (max 10K€/200K€)
PGE (90% guaranteed loans, max 25% pre-cris turnover)	105 B€ 560 K businesses	15 B€ 100 K businesses
Tax deferral (outstanding stock, end of period)	17 B€	7 B€ (additional outstanding stock*)

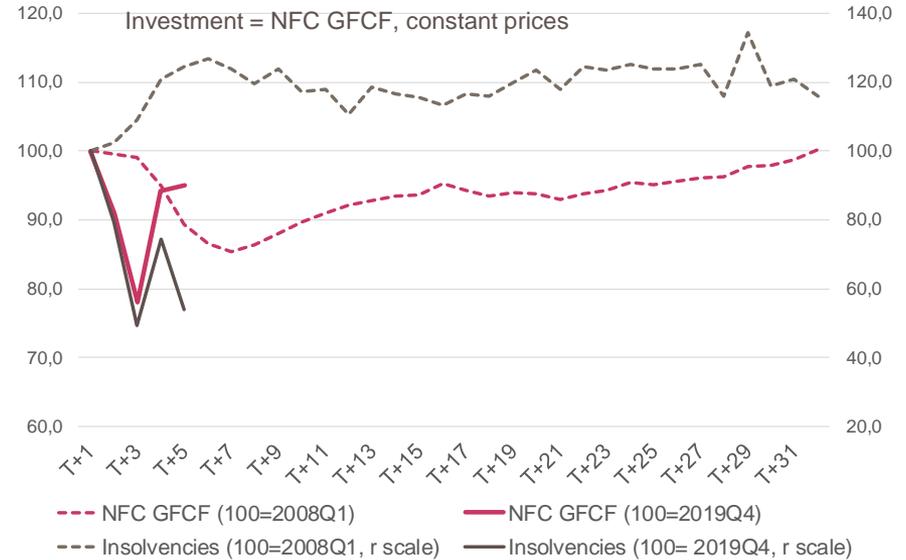
Source : France Stratégie (feb 2021), Bpifrance

*24 B€ (17+ 7) current outstanding stock (feb 21)

Impact on businesses – short term evidence

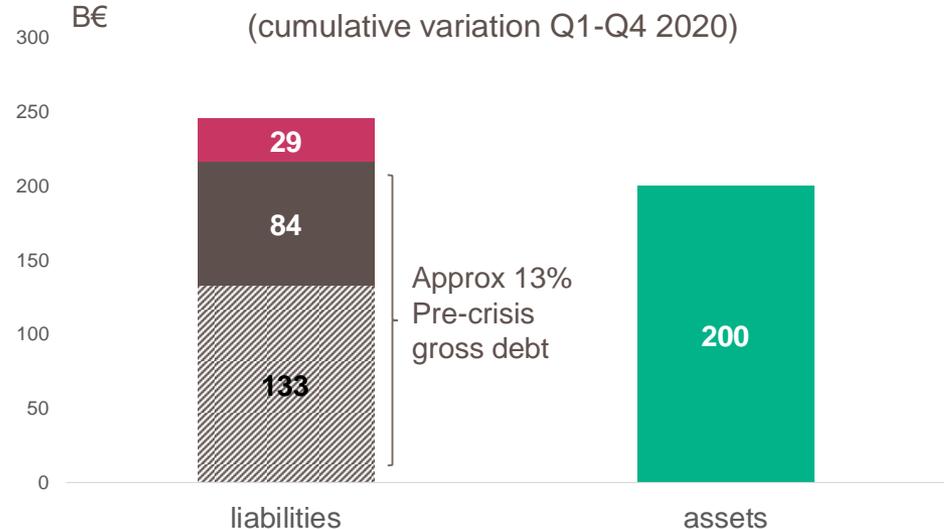
- **End of 1st lockdown** : strong (but partial) recovery
- **2nd lockdown** : GDP fell 2020Q4 but business investment continued to grow (first estimates)
- **Sharp decline in insolvencies** : relaxing insolvencies procedures + large support schemes
- **How bad balance sheet have been hit?**
- At macro 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.

France- Business investment and insolvencies



NFC balance sheet

(cumulative variation Q1-Q4 2020)

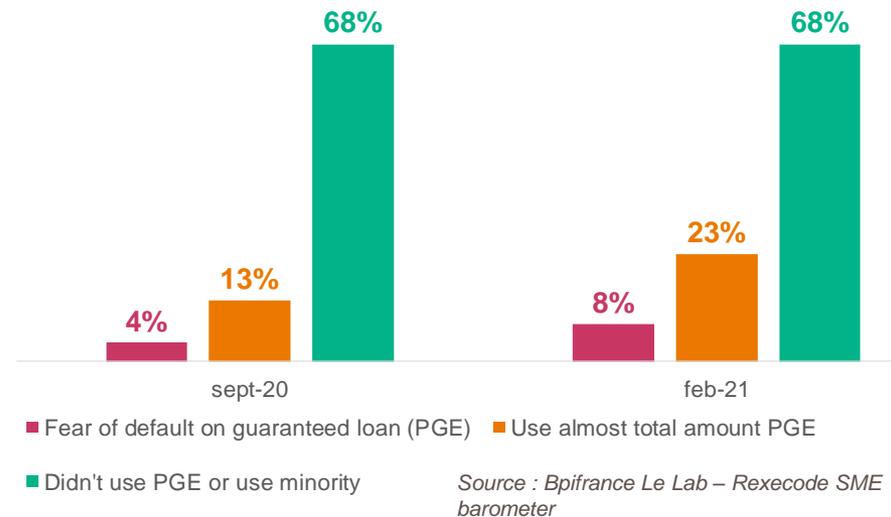


Source : INSEE, Banque de France, Ministère des Finances

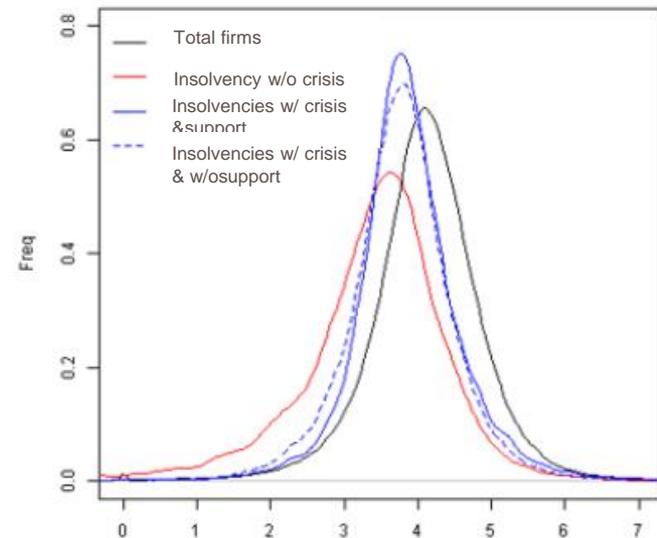
Impact on businesses – mid-long term questions

- **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

Labor productivity