



# COMMITTEE ON THE MONITORING AND EVALUATION OF FINANCIAL SUPPORT MEASURES FOR COMPANIES CONFRONTED WITH THE COVID-19 EPIDEMIC

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## Progress Report

**Chairman**

Benoît Cœuré

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## ABSTRACT

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The Committee on the Monitoring and Evaluation of financial support measures for companies confronted with the Covid-19 pandemic was created by Article 6 of the First Supplementary Budget Act of March 23<sup>rd</sup> 2020. Chaired by Benoît Cœuré, former member of the Executive Board of the European Central Bank, it includes representatives from the Finance Commissions of the National Assembly and the Senate, associations of regions, departments, and mayors of France, employer and trade union representative organisations, the Court of Auditors, and administrations (Directorate General for Public Finances and Directorate General of the Treasury). The committee's secretariat is ensured by France Stratégie and the Inspection Générale des Finances.

The Finance Law for 2021 acknowledges the extension of the health crisis and postponed the deadline for the submission of the committee's final report to July 2021 (instead of March 2021). The committee deems it useful to publish a progress report highlighting the knowledge accumulated after one year of the pandemic. This progress report remains very technical and limit itself mainly to the monitoring of the measures, while the health crisis is still ongoing. The report is not binding on the committee members.

The committee's scope of expertise has been enriched with the successive finance laws, to now cover 17 support measures for businesses. The analyses covered in this progress report focus primarily on the four main measures – partial activity (or furlough), the Solidarity Fund, state-guaranteed loans, and the deferral of social security contribution – which mobilised 206 billion euros as of the end of March 2021, i.e. 9% of the French GDP.

The initial finance law for 2021 also entrusts the Committee with evaluating the recovery plan starting as of April 2021. The first report in this regard is due in October 2021.

**At the end of 2020, the extent of the recession placed France in the middle range of major European countries, but the profit margin of its businesses and, especially, the current account are more deteriorated.**

Covid-19 is a pandemic, and the economic shock has been felt by all European countries. However, the impact of this shock, like that of the Great Recession of 2009, has been heterogeneous depending on the country, under the effect of several factors: the intensity of the health crisis, the timing and severity of economic restriction measures, the differences in initial economic situations, the sectoral structure of the economy (particularly the weight of industries subject to administrative closure) or divergences in macroeconomic policies and support measures for businesses and households. This progress report does not claim to distinguish between the impact of these factors, a task that is no doubt insurmountable, but at the very least to be as precise and objective as possible, given the data available on the macroeconomic situation of the main European countries and on the implemented support measures for businesses.

In 2020, GDP fell by 8.2% in France, compared to 6.2% on average in the EU-27 and 6.6% in the euro area. GDP fell by 8.9% in Italy, 9.8% in the United Kingdom, and 10.8% in Spain. On the other hand, the recession was less significant in Germany, at -4.9%. This gap between France and Germany comes mainly from the second quarter (-11.3% versus -18.6% on a year-on-year basis), which can be attributed to the intensity of the lockdown, which was less strict in Germany. However, after converging in the third quarter (approximately -4% year-on-year), the two countries diverged slightly in the fourth quarter (-5% in France versus -3% in Germany).

The provisional assessment of excess mortality associated with Covid-19, in March 2021, shows the same ranking among major European countries. Excess mortality is low in Germany (8.8%), median in France (13.6%) and high in Spain, Italy, and the United Kingdom (26%, 24.8%, and 21.2%, respectively). There is obviously no causal link between health and economic outcomes: the example of the United States is enough to show that it is possible to combine economic resistance (recession of 3.5%) and poor health outcomes (excess mortality of 24.6%). The sectoral structure of the various European economies may have played a role, but this alone does not seem to explain the uneven scale of the recession, judging by the poor performance of the United Kingdom, very remotely specialised in the most affected sectors.

Beyond the differences in the extent of the recession between European countries, many similarities have been observed in the reaction of economic actors<sup>1</sup>:

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<sup>1</sup> The economic data for 2020 are still provisional and may be adjusted with the publication of annual financial statements.

- Consumption fell, while household incomes resisted, which resulted in a significant increase in household savings: in France, this savings increased by nearly half in 2020 compared to 2019, going from 14.9% to 21.3% of gross disposable income.
- Business investment has held up relatively well, falling at the same rate as the GDP, whereas a higher “accelerator” coefficient, of around two, is generally observed.
- Paid employment held up even better, falling more moderately than activity (1.1% in France) in the fourth quarter of 2020 year-on-year. The traditional phenomenon of job retention at the start of an economic slowdown was accentuated by partial activity in all countries, unlike the Great Recession of 2009, where employment benefited from a large-scale partial activity scheme in Germany (*Kurzarbeit*) but not in the other countries. This is a European characteristic: the United States opted for direct support for households, letting employment adjust itself, to the extent that paid employment at the end of 2020 was 6.2% lower than before the crisis. The mirror of this employment resilience is a net decrease in labour productivity in 2020. This mechanical slowdown in labour productivity does not say anything about the evolution of productivity after the crisis, which will depend on how businesses rebuild their margins.
- The profit margin fell, but in different proportions depending on the country. Over the first three quarters of 2020 (latest available data on a European level), the profit margin in France fell by 4 points compared to the same period in 2019 (from 33% to 29%). This decrease is comparable to that of Spain, but higher than in Germany, Italy, and the United Kingdom. The “double year” effect of the Competitiveness and Employment Tax Credit (CICE) in 2019 in France explains less than half of the drop in the profit margin.
- In all major European countries, the combination of state-guaranteed loans (SGL), the decrease in investments, and dividends resulted in a concomitant increase in gross debt and cash position. However, it is in France, where the sums involved by the SGL are higher than elsewhere, that this double increase has been the most significant. The result is modest increase, but higher than that of our European neighbours, in the net debt of non-financial corporations in 2020 (+ 17 billion euros). France already stood out at the end of 2019 due to higher debt of non-financial corporations (73% of GDP, versus 63% in Italy, 57% in the United Kingdom, and 41% in Germany). The net financial position of businesses at the end of 2020 remains unknown at a microeconomic level, particularly due to a lack of detailed data on their cash positions. The few surveys available are admittedly rather reassuring (particularly that of the Banque Publique d'Investissement), with a very small percentage of business leaders claiming to dread the reimbursement of the State-Guaranteed Loans (SGL), but on a

limited sample. In January 2021, the governor of the Banque de France estimated the loss rate for all PGEs<sup>1</sup> at 4.5 to 6%.

- Company failures decreased significantly in 2020 (-38% in France), probably in connection to the support measures (beyond the temporary closure of commercial courts in spring 2020 and the suspension of summons sent out by the URSSAF). Business creations are also down at the end of third quarter of 2020 in the major European countries, except in France, where they were up 4% over the year, driven by micro-entrepreneurs (+9%, whereas traditional business creations fell by 13%). Naturally, such changes do not predict the behaviours of businesses and their creditors after the crisis.
- While France's economic performance is median in Europe, it is, on the other hand, mediocre when it comes to the change in the current account on the balance of payments. It fell by 37 billion euros, or 1.7 GDP points, mainly due to the manufacturing industry (-16 billion), tourism (-7 billion) and foreign investments (-7 billion). Conversely, the most affected countries, such as Italy or Spain, saw a decrease in their imports of goods, which partially offset the deterioration of the balance of services.

### **Business support measures were quickly and heavily mobilised, and their composition was adapted to the evolution of the crisis**

The measures were implemented extremely quickly, starting from the first weeks of the crisis, following the emergency act and the Supplementary Budget Act, both adopted on March 23<sup>rd</sup> 2020. It is clear from committee discussions, as well as the interviews conducted by its secretariat with business leaders and bank managers, that the responsiveness of public authorities, as well as the ease of use of support measures, at least in their initial version, are globally the subject of a highly favourable assessment. The refusal rate for state-guaranteed loans (SGE) which was a significant focal point for businesses, proved very low in the end. Furthermore, the measures were rapidly adopted and expended to take individual cases into account. This highly favourable opinion was brought into perspective starting with the second wave, when the criteria for recourse to support measures were made more complex, particularly for the Solidarity Fund. For the latter measure, the complexity was accompanied by extended payment delays, which is explained in particular by more significant *ex ante* audits: the amount of undue payments avoided in the end of March is estimated by the DGFIP at 5.9 billion euros.

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<sup>1</sup> Hearing before the Senate Finance Commission, January 27<sup>th</sup>. However, according to a survey conducted by the Confederation of small and medium-sized enterprises (CPME) in mid-January 2021 on the 2020 balance sheets and the prospects for 2021, 45% of heads of VSE/SMEs were afraid of not being able to repay their State-Guaranteed Loans (SGL).

**Whereas the four main measures were implemented over a year ago, the consumption rate over the period was highly uneven.** Out of the 135 billion euros in SGLs granted at the end of March 2021, nearly 90% of them were from the first wave to the end of September 2020 (and even nearly 80% at the end of June). This proportion is two thirds for partial activity (20 billion out of 29.8) but only 32% for the Solidarity Fund (6.8 billion out of 21.4), which was largely expanded in autumn of 2020 (both in terms of eligible businesses and the amount of the aid). **Since the start of the second wave, the Solidarity Fund expense is the highest each month.** In February 2021, it represented 2.4 billion, versus 1.6 billion for partial activity (moreover, 800 million in SGL loans and 900 million in the Deferral of Social Contributions were granted that month).

According to the Acemo-Covid survey by the Ministry of Labour's Directorate for Research, Studies, and Statistics (Dares), since the start of the health crisis in March 2020, the recourse rate of partial activity in full-time equivalent (FTE) saw its high point – 29% of private sector employees – in April 2020, then fell gradually, bottoming out at 2% in September 2020. Following the second lockdown in autumn, the recourse rate of the measures recorded a rebound to 8%, before undergoing a slight decrease, reaching a plateau at 6% in early 2021. In other words, in early 2021, 6% of compensated hours for salaried employment are actually unworked, which represents around 4% of the active population. In all, since March 2020, a total of 2.8 billion hours (including 164 million in February 2021) were compensated, for 29.8 billion euros in allocations.

**The sectoral distribution of measures has logically varied widely between the first wave and February 2021.** Thus, the Accommodation and Catering sector had the most recourse to the measures, but in a more pronounced manner since the start of the second wave. While it represents a little over 5% of salaried employment, it represents 24% of partial activity hours since March 2020 (and 43% in February 2021), 33% of the cumulative amounts of the Solidarity Fund (58% for February 2021), 7% of SGLs (14% in February 2021) and 9% of social security contributions remaining outstanding at the end of February (13% in February 2021). Conversely, the Construction sector represented 10% of the Solidarity Fund and partial activity at the end of September 2020, versus 1% and 2% in February 2021. On the other hand, its share of SGLs remains stable, at around 10%, while its share of deferred social security contributions went from 7% at the end of September 2020 to 10% at the end of February 2021.

**The breakdown between regions of amounts mobilised varied very little since the first wave, and particularly intersects the differences in composition of the productive fabric (sectoral structure, business size, share of independents, etc.):**

- Whereas the Île-de-France region represents 31% of the country's GDP, it concentrates 37% of total SGL amounts and deferred social security contributions, 30%

of employees concerned by a partial activity compensation request in early 2021 and 25% of the Solidarity Fund.

- Diverging from their share of the country's GDP, the Solidarity Fund is particularly present in the PACA region (10.8%, versus 7.1%), in Occitanie (9.5% versus 7.4%), in the Overseas Territories (3.3% versus 1.8%) and in Corsica (1.1% versus 0.4%).
- As for partial activity in early 2021, the PACA region and Auvergne-Rhône-Alpes have the highest shares relative to their share of GDP (9.0% versus 7.1%, and 13.1% versus 11.6%, respectively). Conversely, the Overseas Territories only have 0.8% of employees on partial activity (but 5.4% of deferred social security contributions) versus a share of 1.8% of the country's GDP.
- Generally speaking, PACA and Corsica are the only two regions whose share in each measure is greater than their share of GDP. Conversely, for the following regions, their share in each measure is less than their share of GDP: Brittany, Normandy, Bourgogne-Franche-Comté, Centre-Val de Loire, and Pays de la Loire.

### **France has implemented a diversified range of measures, whereas its partners have made more pronounced choices**

The benchmarking done by the Committee's secretariat, based in particular on the information collected by Treasury offices abroad, reveals that the business support measures implemented in Europe revolve in their broad lines around the same measures: partial activity, state-guaranteed loans, deferred social security or tax charges, subsidies or equity contributions for SMEs and the businesses most effected. However, the measures can be distinguished from one another in several respects. First of all, the parameters can differ substantially between countries – reimbursement rate for partial activity, guarantee level and rate of the state-guaranteed loan, targeting of the “Solidarity Fund” equivalents, etc.—, which can have an effect on both their cost and their impact. In addition, these flagship measures are accompanied by more specific measures in some countries. In Germany, for example, announcements of guarantees on market instruments and equity participations are particularly important.

Comparing the size of the measures is complicated. First of all, the amounts announced are easier to collect than the amounts actually paid out to companies, but the latter are more relevant for the analysis, and they are sometimes much lower than those announced. Thus, in Germany, the amounts granted as guaranteed loans were found to be seven times lower than the amounts announced (versus just under two times lower in France). Next, the public support granted to businesses cannot be summarised by the discretionary measures in favour of them, but includes the indirect effect of other measures taken to fight the crisis and the effect of automatic stabilisers (higher social spending and lower tax

revenues due to an economic slowdown), themselves varying in scale by country. The comparison of public deficit increases between 2019 and 2020 is not in itself without shortcomings: it does not include, by design, liquidity support such as guaranteed loans, which are massive; it does not take into account support measures which materialise a year later (e.g., tax cuts); it does not make a distinction between measures aimed at businesses and those aimed at households.

Keeping all these limitations in mind, France appears to be in the median position among the major European countries in terms of mobilising emergency measures in mid-February 2021:

Regarding partial activity, with 1.1% of GDP, France is close to Spain and Italy, well below the United Kingdom (2.5%) and clearly above Germany (0.6%).

Regarding subsidies excluding partial activity (which in France corresponds to the Solidarity Fund), with 0.7% of GDP, France appears close to Germany, slightly above Spain and Italy, but well below the United Kingdom (1.5%).

Finally, regarding guaranteed loans, France, with 5.5% of GDP, is above the United Kingdom (3.2%) and Germany (1.3%), but below Italy (8%) and Spain (7.2%).

France's median positioning should be linked to its median positioning in macroeconomic terms in 2020, but also with regard to the parameters used to calibrate the various measures. It appears that France stands out mainly on three points: the interest rate of the State-Guaranteed Loans (SGLs) for the first year is the lowest of the countries studied; in terms of partial activity, the cap of 4,600 euros a month for the allocation paid to companies appears to be the highest of the countries studied; access to the Solidarity Fund, initially highly restrictive (in terms of scope and amount) was made considerably easier in the second wave.

Corrected for the double disbursement of the Competitiveness and Employment Tax Credit (CICE) in 2019, the public deficit increased by 7.1 points in 2020 compared to the 2019 GDP. This increase was slightly less pronounced than for our partners (except Germany, whose economic activity fell markedly less in 2020), particularly the United Kingdom (+11 GDP points). The United Kingdom underwent a very significant recession in 2020 (with the associated effect on revenues), and in terms of subsidies (including partial activity), it appears to be the big spendthrift of Europe.

## **The intensity of recourse decreases with business size, the recourse to several measures was not systematic, and the non-use appears in an initial analysis to be largely voluntary**

The Committee secretariat built an original data base pairing at the business level data on recourse to the four main measures, made available by the administrations (Dares, Acoff, BPI, DGFIP), with firm-level databases including structural economic information (particularly FARE and LIFI from Insee, Fiben from the Banque de France) or situational information (VAT base). **The analysis presented in the progress report deals with the first wave from March 2020 to September 2020** and will be extended in the final report to all of 2020 and, if possible, to the first quarter of 2021.

At the end of September 2020, 3.7 million businesses had benefited from at least one of the emergency financial support measures implemented by the authorities, for an overall total of nearly 163 billion euros, including 26 billion in subsidies and 136 billion in loans. **Deferred Social Security contribution benefited four times as many businesses as the SGLs** (2.4 million businesses having recourse to them, versus 600,000), particularly due to the automatic nature of the deferment for independents. The Solidarity Fund, initially targeting VSEs, comes next, with 1.7 million companies having recourse to the measure. Partial activity, which by definition is accessible only to businesses with employees, was mobilised by one million businesses.

***Small businesses represent, in the amounts paid out, a higher share than their share of total jobs, as well as businesses showing median financial health before the crisis***

**The measures were mobilised more intensively by small businesses:** VSEs, which concentrate around 20% of total jobs, are concerned by 56% of the total amount of deferred Social Security contributions, by most of the Solidarity Fund (which was aimed at them during the first wave) and represent 27% of partial activity, and 27% of the SGL volume. However, companies belonging to a group, which represent 52% of employees in the French economy, concentrate 60% of the partial activity amounts and 66% of the SGL amounts (but only 35% of deferred Social Security contributions and almost none of the Solidarity Fund).

If we look at employees benefiting from partial activity, it should be noted that: i) recourse to this measure, since the end of the first lockdown, appears to be about the same for all socio-professional categories (therefore higher recourse by executives is no longer observed), and ii) men represent 58% of beneficiaries, whereas they represent approximately 55% of private sector employees. A qualitative analysis of the impact of support measures on employment will be refined in the final report.

Generally speaking, we observe that **the recourse to support measures is higher for businesses whose financial health before the crisis was median, and lower for those whose health was bad or excellent**. This observation stands regardless of the measure analysed and regardless of the financial health indicator used (Banque de France rating, profitability, liquidity, weight of financial expenses, level of working capital). For example, the use of partial activity is particularly low for the first and last three deciles of profitability, and maximum for the fourth decile, and this applies for each of the 17 sectors of the economy. With regard to State-Guaranteed Loans (SGL) and deferred Social Security contributions, the use is maximum for the third and fourth decile of profitability, depending on the sector. While it appears normal that businesses in better financial health have less recourse to the support measures, the lower recourse by more fragile companies remains to be explained.

Lastly, companies identified before the crisis as “zombies” – i.e., mature businesses not producing enough gross operating income to cover their financial expenses for three years in a row – did not mobilise the support measures beyond their share in the economy.

***The recourse to multiple support measures has not been systematic; the recourse to three support measures is in the minority, and the recourse to four support measures is exceptional***

Among the businesses having recourse to at least one support measure, a substantial share did not have recourse to a single measure:

In companies with 5 to 10 employees, this proportion is 28%: 20% for partial activity, 6% for deferred Social Security contribution, 2% for SGLs, and 0% for the Solidarity Fund.

In companies with 10 to 250 employees, this proportion is 34%: 29% for partial activity, 4% for deferred Social Security contribution, 1% for SGLs, and 0% for the Solidarity Fund.

In companies with over 250 employees, this proportion is 49%: 44% for partial activity, 5% for deferred Social Security contribution, and less than 1% for SGLs and the Solidarity Fund.

Thus, it appears, for companies with 5 or more employees, that partial activity is the “base” support measure whereas, conversely, recourse to the Solidarity Fund is always combined with another measure.

Symmetrically, among companies that have recourse to at least one support measure, the share of companies that have recourse to at least three support measures decreases strongly as size increases: equal to 40% for companies with 5 to 10 employees, it is 29% for companies with 10 to 250 employees, and 13% for companies with over 250 employees. Therefore, the joint recourse to support measures is far from systematic,

whereas most businesses are eligible for partial activity, SGLs, and deferred Social Security contributions.

The intensity of recourse varies by sector. Thus, in the agriculture sector, 82% of businesses have recourse to only one support measure. This proportion is also high in the information and communication sector (72%) and real estate activities (75%). Conversely, only 39% of businesses had recourse to only one support measure in the hotels and Restaurants sector. This proportion is also low in the Manufacture of Transport Equipment sector (52%) and in transport and storage sector (53%).

In the hotels and restaurants industry, among businesses that have recourse to at least one support measure, the share of those having recourse to at least three measures is markedly higher, particularly for VSEs and SMEs, than in all sectors combined. This share is 76% for businesses with 5 to 10 employees (including 37% for businesses having recourse to four support measures), 65% for businesses with 10 to 250 employees (17% of which have used four measures) and 33% for businesses with over 250 employees.

### ***Aid has proportionally benefited companies declaring a significant decrease in their turnover in the second quarter of 2020***

The behaviour by companies having recourse to support measures depends in particular on the intensity of the economic shock suffered, which cannot be reduced to belonging to a particular business sector, all the more by remaining at a relatively aggregated level (17 industries). Measured based on VAT declarations by businesses, the turnover variation in the second quarter of 2019 to the second quarter of 2020 is positive for a significant fraction of businesses: 30% in construction and trade, as in the economy as a whole, but less than 10% in the hotels and restaurants sector<sup>1</sup>.

**The aid largely offset the turnover decrease suffered in the second quarter, but with wide variations depending on the industry.** On one hand, in the transport equipment industry, the 48% drop in turnover was offset by 21% by liquidity support and just 2% by subsidies. On the other hand, in the information and communication sector, the mere 6% drop in turnover was offset by 148% by liquidity support and 22% by subsidies. This disparity comes in particular from the fact that liquidity support is independent of the intensity of the economic shock and that partial activity, a predominant subsidy measure during the first wave, was based on total payroll, which represents a highly variable share of turnover depending on the industry (low in transport equipment, high in information and communication). It should be noted that, in the hotels and restaurants sector, which suffered a 65% drop in turnover, liquidity support and subsidies represented 56% and 18%

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<sup>1</sup> The results obtained by using the VAT basis must be interpreted with caution. They are obtained using a sampling of businesses that is reduced by nearly half, and the VAT base data had to be reprocessed.

of that decrease, respectively. A natural extension of these analyses would consist of comparing the intensity of aid to fixed costs of the beneficiary businesses.

**The subsidy measures mainly targeted businesses declaring a decrease in turnover.**

They represent 58% of businesses (and 76% of associated aid) whose subsidies represent less than 10% of total payroll, and 84% of companies (and 90% of associated aid) whose subsidies represent over 30% of total payroll. Such aid was concentrated on the most significant drops in turnover: in the hotels and restaurants sector, 76% of aid (treasury and subsidy) was paid to companies posting a turnover drop of over 60%. This proportion is also high in the transport and storage sector (55%) and in other service activities (48%). In the transport equipment industry, 88% of aid was paid out to businesses posting a turnover drop of over 40%. Symmetrically, in the information and communications industry, 38% of aid was paid out to companies declaring a turnover increase.

In short, while a substantial share of emergency measures benefited the least affected businesses, that aid went proportionally more to businesses declaring a significant drop in their turnover. Businesses declaring an increase in their turnover in the second quarter of 2020 represent 27% of jobs; they received 14% of subsidies paid out in late September. Conversely, businesses declaring a decrease in their turnover of more than 60% represent 14% of jobs; they received 31% of subsidies paid out in late September.

***Non-recourse to support measures, fairly widespread, appears mainly to be by businesses without employees, those unaffected by the crisis, or those in very good economic or financial health before the crisis.***

We have seen that joint recourse to support measures was not systematic. Since the four support measures are largely universal, one might have expected all companies to have recourse to at least one of them. Absolute non-recourse (understood to be the recourse to none of the four support measures) is, in reality, fairly widespread: businesses not having recourse to them represent 10% of total workforce, with **non-recourse varying in inverse proportion to business size**: it is 46% for businesses without employees<sup>1</sup> and 10% for businesses with between 10 and 250 employees.

Non-recourse is logically inversely proportional to the intensity of the economic shock: compared to the average, it is one third lower in the hotels and restaurants sector, 20% lower in the construction and transport equipment industry. Symmetrically, it is 50% higher in the information and communications industry.

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<sup>1</sup> This ratio should be interpreted with caution, a portion of the businesses with employees listed in the administrative databases may have had no actual economic activities.

As we have seen previously, measure by measure, absolute non-recourse follows a “U” shaped curve based on the pre-crisis financial health of businesses in general, and their profitability in particular. In an initial analysis, one may assume that non-recourse is voluntary for more profitable businesses, whereas it is involuntary for less profitable businesses, but the former scenario appears to dominate over the latter. Indeed, businesses that saw an increase in their turnover in the second quarter of 2020, or which were among the one quarter of businesses having the best profitability or best liquidity position before the crisis, represent nearly two thirds of support measure non-recourse. Failing businesses, or those pegged as “zombies”<sup>1</sup>, represent just a very small share (4% and 3% respectively), with the rest being unexplained by the available variables. The accommodation and food service activities sector stands out, with only half of support measure non-recourse that can be identified as “voluntary”. Conversely, “zombie” businesses and failing businesses represent 7% and 10% of non-recourse, respectively.

### **The emergency measures have made it possible to heavily reduce the number of insolvent or failing companies, at least so far**

Obviously, it is too early to produce causal evaluations of the impact of the emergency measures, assuming that it will be possible to produce them eventually. But we already have different types of elements that support a massive effect of the measures on the French economy, and firstly the macroeconomic indicators mentioned above:

Whereas economists were expecting a significant increase in business bankruptcies, not only it did not happen, but now in the first quarter of 2021 we are at markedly lower levels than before the crisis. It is difficult to imagine that the support measures have nothing to do with that.

Next, the difference in scale between job losses and the loss of activity in 2020 go well beyond the usual job retention mechanisms. Here again, it is hard to imagine that partial activity has nothing to do with that, given the fact that it still concerns 6% of paid hours in the first quarter of 2021.

The relative resilience of business investment, which fell along with GDP, but not more than that, can be interpreted as a sign that business expectations have stabilised.

However, we must keep in mind that the evolution of those variables is the result of not just the support measures for companies, but of all budgetary and monetary policies, as well as the international environment.

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<sup>1</sup> Mature companies not generating enough gross operating income to cover their financial expenses for three years in a row.

As a supplement to such macroeconomic elements, several research teams have conducted micro-simulation exercises to quantify the impact of the support measures on the financial position of businesses. Such exercises, which consist of simulating the financial position of businesses starting from their position observed before the crisis, a measurement of their economic shock undergone, and their recourse to support measures, remain fragile because they are based on a large number of assumptions, and obviously cannot replace an analysis of actual data, on the financial position of the businesses, based on their use of the support measures. Such studies are providing just the first interesting quantification elements, while awaiting individual data to be available concerning the actual financial position of businesses. The most complete study to date including the support measures is that by the Directorate General of the Treasury, which estimates that the measures made it possible to limit the increase of the share of insolvent businesses to +3 points (versus +8 points without such measures). The effect is apparently particularly strong in the hotels and restaurants sector: the share of insolvent businesses would be 30% without the measures and is 12% with the measures. The study also simulated the effect of the crisis on the creative destruction process. It seems that public support may have reduced the insolvency rate but not changed the distribution of the labour productivity in insolvent businesses.



This work will be updated and extended for the Committee's final report that will be made public in July 2021. In particular, the goal will be to update the detailed analysis of the recourse to support measures by including the fourth quarter of 2020 and the first quarter of 2021, and to study the trajectories of businesses (jobs, total payroll, bankruptcies, etc.) based on their recourse to support measures and their exposure to the pandemic.





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