Chapter 3

Financing corporate investment

Corporates entered the crisis in a relatively strong financial position

The impact of the COVID-19 crisis is so strong that it is testing firms’ resilience

Despite massive policy support, corporate investment is at risk

Policy implications:

- The policy response to the crisis has been strong and preventive enough to maintain the flow of credit to the economy, but it is unlikely to be sufficient to address future challenges. As the crisis lasts, it is paramount to re-calibrate the policy support to ensure it is sustainable and prevent a too-early exit.
- The crisis is forcing some firms to decide whether they are willing to take on more debt to fund needed investment. To ease this trade-off, policies should focus on enhancing the financing options available to firms and supporting financial products that use equity instead of debt.
- This change in focus will help to offset the rising risks and to support Europe’s goals of improving resilience, greening and digitalising.