Chapter 3

Firms: Policy support, asymmetry and risks of scarring

Cheap credit and overall benign financing conditions
Cost of corporate bank borrowing is historically low (% per annum)

The crisis has affected sectors and firms asymmetrically, and corporate vulnerabilities have increased
Firms (in %) recording losses during the pandemic

Policy support, received by 56% of firms, attenuated the impact of the crisis on investment
Supported firms are more optimistic about investment (% of firms planning to invest more)

An ongoing recovery in investment, but risks remain
Compared to other crises, COVID-19 weighed less on real corporate investment (billions of 2005 euros)

Lessons learned and things to think about before withdrawing support
- Initial fears of massive bankruptcies did not materialise so far. The blow to corporate investment was softer than expected, and investment is now recovering.
- These favourable developments are largely due to the massive policy support still in place across EU economies. The support effectively targets firms hardest hit by the crisis.
- Firms that received support tend to be more positive about investing in the future, and the support enabled them to recapitalise.
- The crisis and the policy support helped spur digitalisation, even though some firms are still lagging.
- Discussions on phasing out or targeting policy support need to balance the benefits of continuing support with the costs.