ABSTRACT

The Committee on the Monitoring and Evaluation of Financial Support Measures for Companies Confronted with the Covid-19 Epidemic was created by Article 6 of the First Supplementary Budget Act of 23 March 2020. Chaired by Benoît Cœuré, former member of the Executive Board of the European Central Bank, it includes representatives of 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 government departments (Directorate General for Public Finances and Directorate General of the Treasury). France Stratégie and the Inspectorate General for Finances act as the Committee's secretariat.

The Initial Finance Law for 2021 acknowledged the extension of the health crisis and postponed the deadline for submitting the Committee's final report from March 2021 to July 2021). The Committee published a progress report in April highlighting the knowledge accumulated after one year of the pandemic.[1] This final report updates the results by integrating the second wave of the pandemic – from October 2020 until the end of March 2021 – and provides further insight in several areas. In particular, it studies the impact of support measures on the results of companies, describes their trajectories according to the use of measures, and reports on the sentiments of 600 business leaders. Like the progress report, it is technical in nature and mainly confined to monitoring the measures, given that the health crisis is not yet over and public support obscures the long-term consequences. Unlike the progress report, this final report is accompanied by an opinion, which binds the members of the Committee.

The Committee's scope of expertise has been expanded with the successive finance laws to now cover 17 support measures for businesses. This report focuses mainly on the four main support measures – partial activity (or furlough), the Solidarity Fund, state-guaranteed loans and deferral of social security contributions, which amount to €230 billion at the end of June 2021,[2] i.e. almost 10% of French GDP.

[1] *Link to be added*

[2] Adding subsidy measures (€69 billion) and loans (€161 billion) clearly makes no economic sense.

Moreover, the Initial Finance Law for 2021 entrusts the Committee with evaluating France‘s recovery plan, starting in April 2021. The first report in this respect is due in October 2021.

The extent of the recession, and its impact on company balance sheets, place France in the average of the major European economies, but its current account has deteriorated further

Covid-19 is a pandemic, and the economic shock has been felt by all European countries. However, the impact of that shock, like that of the Great Recession of 2009, has varied from country to country due to several factors: the intensity of the health crisis, timing and strictness of economic restriction measures, differences in initial economic situations, the sectoral structure of the economy (particularly the weight of industries subject to mandatory closures) or divergences in macroeconomic policies and support measures for businesses and households. This report does not claim to distinguish between the different impacts of the various factors, which would be an impossible task, but rather at the very least to be as precise and objective as possible, given the available data on the macroeconomic situation of the main European countries and on the business support measures implemented.

In 2020, GDP fell by 7.9% in France, compared to 6.1% on average in the EU-27 and 6.5% 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 markedly less intense in Germany, with a decline of 4.8%. This difference between France and Germany is mainly due to Q2 2020 (−11.2% against −18.4% year-on-year), which can undoubtedly be attributed, at least in part, to the less strict lockdown in Germany.

At the end of Q1 2021 (latest data available), French and German GDP were respectively up 4.7% and 5.0% on Q4 2019. Insee predicts that activity will return to this level at the end of 2021. Italy (−6.4%), the United Kingdom (−8.7%) and Spain (−9.3%) still lag far behind. But activity in the first half of 2021 was still largely dependent on health conditions and associated economic restrictions: a lockdown was imposed in France in April, while other countries had instead increased restrictions in the first quarter.

Excess deaths associated with Covid-19, as of February 2021, show the same ranking among major European countries. Excess deaths are low in Germany (7.5%), average in France (13.1%) and high in Spain, Italy and the United Kingdom (23.3%, 20.5% and 20.8%, respectively). It is impossible to infer any 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 deaths of 22.1%). The structure of the various European economies may have played a role, but this alone does not appear able to explain the uneven scale of the recession, judging by the example of the United Kingdom, which has little specialisation 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 players:[1]

- Consumption fell as household income held up, resulting in a significant increase in household savings. In France, these savings increased by almost half in 2020 compared to 2019, rising from 15.1% to 21.4% of gross disposable income. They did not decrease in Q1 2021.

- Business investment has held up relatively well, falling in the same proportion as GDP, whereas a higher "accelerator" factor of around two is observed in general.

- Salaried employment has held up even better, falling much more moderately than activity. In France, at the end of Q1 2021, private salaried employment stood at 1.2% below its Q4 2019 level, equivalent to 243,000 fewer jobs. 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, when jobs numbers 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 household support, letting employment adjust itself, to the extent that paid employment in late 2020 was 6.2% lower than before the crisis. The mirror of this employment resilience is a marked decrease in the productivity of labour in 2020. This mechanical slowdown in productivity of labour does not say anything about post-crisis productivity, which will particularly depend on how businesses reconstitute their margins.

- Profit margins fell in the course of 2020, but then recovered to more or less pre-crisis levels. With the new data, the diagnosis of the French situation has changed compared to the Committee's progress report. The drop in the margin rate in 2020, by 1.5 points compared to 2019,[2] is mainly explained by the "double-year" effect of the competitiveness and employment tax credit (CICE) in 2019.[3] In addition, in Q1 2021, the profit margin in France, stimulated by the reduction in production taxes and temporarily by the ramp-up of the Solidarity Fund, is now 1.5 points above its 2019 level, which places France favourably in relation to its partners.

- In all major European countries, the combination of state-guaranteed loans (SGL), the drop in investments and dividends resulted in a simultaneous increase in gross

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[1] The economic data for 2020 are still provisional and may be adjusted with the publication of annual financial statements.

[2] 1.7 points according to the quarterly national accounts.

[3] It should be recalled that, in 2019, companies benefited both from the CICE claim for salaries paid in previous years (mainly 2018) and from the reduction in employer contributions which succeeded the CICE. This double-year effect is estimated to have an impact on the gross operating profit of non-financial companies of €19 billion in 2019.

debt and cash position. It is in France, where the SGL amounts are higher than elsewhere, that this dual increase was most significant. However, contrary to what the data showed in the progress report, at the end of 2020 this resulted in a slight decrease in outstanding net debt, more marked in France than for our European neighbours (−6.1% against −2.7% for the euro zone and Germany, for example). It should be remembered, however, that at the end of 2019, France stood out for the much higher debt levels of its non-financial companies (73% of GDP, compared with 63% in Italy, 57% in the United Kingdom and 41% in Germany).

- In all the countries studied, business insolvencies fell in 2020, but more markedly in France (down by an average of 39% over the year), no doubt as a result of support measures (beyond the temporary closure of the commercial courts in spring 2020 and suspension of summonses sent out by URSSAF). Business creations also fell in 2020 in the major European economies, except in France, where they rose by 4% over the year, driven by micro-entrepreneurs (+9%, while conventional business creations fell by 13% over 2020). These developments were confirmed in the first half of 2021 when activity returned to normal in a large part of the economy, suggesting that the scenario of a surge in bankruptcies after the crisis is now less likely.

- While the economic and financial performance of France in the face of the crisis ranks with the median in Europe, it is mediocre in terms of the current account variation. The latter deteriorated by €37 billion, or 1.7 points of GDP, due to goods (down €13 billion), tourism (down €7 billion) and income from foreign investments (down €16 billion). Conversely, the most affected countries, such as Italy or Spain, imported fewer goods, which partially offset the deterioration in the services balance.

- With regard to the distribution of the macroeconomic cost between households, public administrations and companies, France ranks in the middle among the large European economies where this cost was borne significantly by these three agent categories (Spain, Italy), and those where it was entirely absorbed by public administrations alone (United Kingdom, Germany). In France, non-financial companies suffered one-third of the macroeconomic shock,[1] and public administrations a little more than two-thirds, so that households saw their macroeconomic situation improve slightly.

- Available studies suggest that certain household categories (in particular youth, independent workers and the poorest households) are coming out of the crisis with a weaker financial situation, although France does not differ from other OECD countries in that respect.

[1] If we correct for the double-year effect of the CICE in 2019, the share borne by non-financial companies is around 25%, and that borne by the public administrations around 75%.

Support provided by subsidy measures is heterogeneous across sectors

According to national accounts data, the gross operating surplus of market economy industries was €45 billion lower over the first four quarters of the crisis than its pre-crisis level,[1] i.e. a drop of 6.4%. This drop is only 4% when correcting for the double-year effect of the CICE in 2019. The drop in gross operating surplus is concentrated during the first wave of the pandemic: compared to the second half of 2019, it is 12.1% in Q2 and Q3 2020 (decrease of 9.7% by correcting for the CICE), but only 0.7% (increase of 1.7% by correcting the CICE)[2] during the second wave, in Q4 2020 and Q1 2021.

According to our estimates, the Solidarity Fund and partial activity made it possible to offset 45% of the drop in gross operating surplus for the market economy industries during the first wave and fully during the second wave. This difference is explained by the fact that the total amount of these two measures was unchanged between the two waves (the ramp-up of the Solidarity Fund compensating for the lesser recourse to partial activity), even though the crisis-induced decrease in gross operating surplus was halved during the second wave.

Over the two waves as a whole, hospitality was the sector that received the most support. Compensation estimates linked to the subsidies represent 99% of its pre-crisis gross operating surplus. Its actual drop in gross operating surplus is thus reduced to 30%, the same as for transport and construction, sectors which received much less aid (respectively 19% and 11% of their pre-crisis gross operating surplus). Transport equipment manufacturing is the sector with the largest drop in gross operating surplus, at 54%, with subsidies representing 25% of its pre-crisis gross operating surplus.

Three sectors show an increase in their gross operating surplus: agriculture, IT/communications and household services. The first two because they were little affected by the crisis, the third because it was helped a lot (up to 44% of its pre-crisis gross operating surplus).

It is acknowledged that comparing gross operating surplus to its pre-crisis level only gives a partial indication of the generosity of the measures, as it is not known how the figure would have evolved in a non-crisis scenario.

[1] Which, to recap, was stimulated to the tune of €19 billion by the double-year effect of the CICE. The decrease is only 4% once this effect is corrected.

[2] This increase is partly explained by the reduction in production taxes that came into effect on 1 January 2021.

Business support measures were rolled out swiftly and strongly, and their composition was adapted to the changing crisis

The measures were implemented swiftly, starting from the first weeks of the crisis, following closely on the heels of the Emergency Act and the Supplementary Budget Act, both adopted on 23 March 2020. The Committee's discussions, as well as the interviews conducted by its secretariat with business and banking leaders and the survey of business leaders (see below), show that the responsiveness of the public authorities, as well as the ease of use of the measures, at least in their initial version, were generally very favourably assessed. The responsiveness of the government departments in the design and then the implementation of the measures can be commended. The refusal rate for state-guaranteed loans (SGL) which was a significant focal point for businesses, proved eventually very low. Furthermore, the measures were rapidly adopted and expanded to take individual cases into account. This highly favourable opinion was qualified starting with the second wave, when access criteria were made more complex, particularly for the Solidarity Fund. The increased complexity of that measure was accompanied by longer payment times, explained in particular by more significant *ex ante* audits: the amount of undue payments avoided at mid-June was estimated by the DGFiP at €7.2 billion.[1]

From the second wave, additional measures were introduced to cover specific needs that appeared as the crisis developed (compensation fund for ski lifts, subsidies to cover companies' fixed costs, etc.). And for the reopening phase, the measures were adapted to support the recovery (aid for the payment of employee contributions to support employment in the most affected sectors; transition fund; expansion of corporate tax deficit carry-backs).

The rate of consumption has been very heterogeneous since March 2020. Out of €140 billion in SGL granted by June 2021, almost 90% was granted in the first wave, before the end of September 2020 (and three-quarters before the end of June 2020). This proportion is 57% for partial activity (€20 billion out of €35 billion) but just 21% for the Solidarity Fund (€7 billion out of €34 billion), which was substantially expanded after autumn 2020 (both in terms of eligible businesses and the amount of support). Since the start of the second wave, the Solidarity Fund expense has been the highest each month. In April 2021, corresponding to the third lockdown, it represented €3.4 billion, compared to €2.2 billion for partial activity (in addition, €700 million of SGL and €800 million of deferred 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 rate of recourse to partial activity in full-time equivalent (FTE) peaked at 29%

[1] The Committee did not have the resources to carry out an analysis of fraud in the measures, and refers in particular to the Court of Auditors reports on the matter.

of private sector employees in April 2020, then fell gradually, bottoming out at 2% in September 2020. Since the start of the second wave, it has fluctuated between 5% and 8% depending on changes in health restrictions: after peaks of 8% in November and April, it stood at 5% in May 2021. In other words, in May 2021, 5% of paid hours in private salaried employment were actually unworked. In total, since March 2020, 3.4 billion hours (including 142 million in May 2021) were compensated, for €35.2 billion in allocations.

The industry breakdown of recourse to the measures has, logically, varied widely since the first wave. The hospitality sector had the most intense recourse to the subsidy measures, but in a clearly more pronounced manner since the start of the second wave. While it represents just over 5% of private salaried employment, it accounts for 26% of hours in partial activity since March 2020 (36% in May 2021, only 17% during the first wave), 37% of the cumulative amounts of the Solidarity Fund (44% in May 2021, only 15% during the first wave), 8% of SGL amounts granted (11% in May 2021, 7% during the first wave) and 7% of the social security contributions still to be recovered in mid-May (9% of the deferrals granted for April 2021). Conversely, the construction industry represented 10% of the Solidarity Fund and partial activity in late September 2020, versus just 2% since then. However, its share in the SGL amounts and deferred contributions remains stable overall at around 10%.

The breakdown between regions of amounts spent has varied little since the first wave, and to some extent reflects the differences in composition of the production base (industry structure, business size, share of independents, etc.):

- While the Île-de-France region represents 31% of the country's GDP, it accounts for 39% of total SGL loan amounts and deferred social security contributions, 27% of employees concerned by a partial activity compensation request in April 2021 and 25% of the Solidarity Fund total amount.

- 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 (9.3% versus 7.4%), in the French overseas territories (3.0% versus 1.8%) and in Corsica (1.1% versus 0.4%).

- Regarding partial activity in April 2021, only PACA and Corsica had a share significantly higher than their weighting in national GDP or total salaried employment (respectively 9.1% against 7.1% and 0.8% against 0.4%). On the contrary, the French overseas territories only account for 1.3% of employees in partial activity (but 5.4% of deferrals), against a share of 1.8% in national GDP (2.2% in total salaried employment).

- 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 scheme was most often lower than their share in GDP: Brittany, Normandy, Bourgogne-Franche-Comté, Centre-Val de Loire, Pays de la Loire.

- Differences in sectoral structures and company characteristics only partially explain the disparity in the recourse to measures in the territories.[1]

France has implemented a diversified range of measures, whereas its partners have made more clear-cut choices

The international benchmarking undertaken by the Committee's secretariat, based in particular on the information sent by Treasury offices abroad, reveals that the business support measures implemented in Europe are broadly the same: partial activity, guaranteed loans, deferred social security or tax charges, subsidies or equity contributions for SMEs and the businesses most affected. However, the measures differ in several respects. Firstly, the parameters can differ substantially between countries – reimbursement rate for partial activity, guarantee level and rate of the guaranteed loan, targeting of "Solidarity Fund" equivalents, etc., which can affect both their cost and their impact. Secondly, these flagship measures are accompanied by more specific measures in some countries. In Germany, for example, announcements of guarantees on market instruments and equity stakes have been particularly important.

Comparing the size of the measures is complicated. First of all, the amounts announced are easier to identify than the amounts actually paid out to companies, but the latter are more relevant for an analysis, and they are sometimes much lower than those announced. For example, in Germany, the amounts granted as guaranteed loans were found to be just a sixth of the amounts announced (versus just under half in France). Next, the public support granted to businesses cannot be summed up by the discretionary measures in their favour, but must include the indirect effect of other measures taken to combat the crisis and the effect of automatic stabilizers (higher social spending and lower tax revenues due to an economic slowdown), themselves varying in scale by country. The comparison of public deficit deterioration between 2019 and 2020 is not in itself without shortcomings: it deliberately excludes the treasury measures 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 those limitations in mind, France appears to be in a median position among the major European countries in terms of implementing emergency measures at the end of June 2021:

- With regard to partial activity, with 1.4% of GDP, France is close to Spain and Italy, well below the United Kingdom (3.0%) and clearly above Germany (0.8%).

[1] See also Barrot J.-N. (2021), *Accélérer le rebond économique des territoires*, report to the Prime Minister, June.

- With regard to subsidies excluding partial activity (which in France corresponds to the Solidarity Fund), with 1.2% of GDP, France appears close to Germany (1.3%), slightly above Italy (0.8%) and Spain (0.4%), but below the United Kingdom (1.6%).
- Lastly, with regard to guaranteed loans, France, with 5.8% of GDP, is above the United Kingdom (3.4%) and Germany (1.6%), but below Italy and Spain (both 8%).

This median position of France should be linked to its median position in macroeconomic terms in 2020, but also with regard to the parameters used to calibrate the various measures. It seems that France stands out mainly on three points. Firstly, the SGL interest rate in the first year is the lowest of the countries studied. Secondly, with regard to partial activity, France stands out both on account of the very high levels of the compensation rate for low-wage earners (up to 100% at the level of the minimum wage), and the compensation ceiling (€4,600 monthly). Lastly, access to the Solidarity Fund, initially very restrictive (in terms of scope and amount), was considerably loosened from the second wave.

Corrected for the double-year effect of the competitiveness and employment tax credit (CICE) in 2019, the public deficit increased by 7.1 points in 2020 compared to 2019 GDP. That increase was slightly less pronounced than for our partners (except Germany, whose economic activity fell markedly less in 2020), particularly the United Kingdom (10 GDP points). The United Kingdom underwent a very significant recession in 2020 (with the associated effect on revenues), and in terms of subsidies, it appears to be the big spendthrift of Europe.

The intensity of use decreases with business size, the use of several measures was not systematic, and non-use appears to be mostly voluntary

The Committee secretariat built an original database pairing company-level data on recourse to the four main measures, made available by the government departments (Dares, Acoss, Bpifrance and DGFiP), with company-level databases including structural economic information (particularly Fare and LIFI from Insee, Fiben from the Banque de France) or short-term economic information (VAT base). The analysis presented in this report covers the period from 1 April 2020 to 30 March 2021 and focuses on the market economy industries including agriculture. It highlights the differences between the second and the first wave of the pandemic, which was the subject of the progress report published in April 2021.

As of the end of March 2021, 3.5 million businesses had benefited from at least one of the emergency financial support measures implemented by the authorities, for an overall total of nearly €201 billion, including €53 billion in subsidies and €148 billion in loans. The Solidarity Fund and the deferral of social contributions are the measures that have benefited most businesses (respectively 1.95 million and 1.7 million, mostly businesses without employees). Partial activity, which by definition is accessible only to businesses with employees, was mobilised by just over one million businesses. Finally, 650,000 businesses have had recourse to the SGL.

The vast majority of these businesses had already taken up at least one support measure from the first wave. A significant number of new businesses benefited from the second wave: 239,000 for the Solidarity Fund, 46,000 for partial activity and 75,000 for the SGL.[1] For the Solidarity Fund, this is easily explained by the considerable extension of the measure. For the SGL, it is possible that these businesses initially had sufficient cash flow, which exempted them from applying for a SGL during the first wave. It is more complicated to understand the reasons for a late use of the partial activity, given that businesses affected by the second wave had probably already been affected by the first.

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

The measures continued to be used more intensively by small businesses during the second wave: very small businesses, which account for around 18% of private jobs, accounted for 63% of the total amount of the Solidarity Fund (admittedly, less than the 99% during the first wave), 33% of partial activity (compared to 27% during the first wave), 49% of the deferrals of social contributions, and 29% of the SGL volume (unchanged). On the other hand, companies forming part of a group, which represent 52% of employees in the French economy, accounted for 65% of SGL, 50% of partial activity amounts (compared to 60% during the first wave), only 40% of contribution deferrals and 15% of the Solidarity Fund (compared to 1% during the first wave).

Among employees benefiting from partial activity:

- The proportion of executives, initially around 10% during the first lockdown, then increased, reaching 20% during the summer of 2020, which corresponds to their share in employment, before falling sharply in October, to return to 10%;
- Men represent 54% of beneficiaries during the second wave (against 58% during the first), whereas they constitute around 55% of employees in the private sector;
- On average the proportion of young people under 25 years of age stood at 15% during the second wave, when it was 10% during the first wave (with an even lower figure of 8% in August), while they represent 11% of private sector employees.

Generally speaking, during both the first and the second wave we see that the use of support measures is highest for businesses whose financial health before the crisis was median, and lower for those whose health was bad or excellent. This holds true to varying degrees, regardless of the measure analysed and regardless of the financial

[1] The number of new beneficiaries could not be identified for the deferral of social contributions, because the scope of the database used is not exactly the same between the first and second wave.

health indicator used[1] (Banque de France rating, profitability, liquidity, weighting of financial expenses, level of working capital), and for both the first and the second wave. For example, the use of partial activity is particularly low for the first and last three deciles of profitability, and maximum around the fourth decile, and this applies for each of the 17 sectors of the economy. If we look at the hospitality sector, the take-up rate during the second wave was 67% in the fourth decile, and 25% for the last decile (and 34% for the first decile). While it appears understandable that businesses in better financial health make less use of the support measures, the lower use by more fragile companies is more surprising.

The analysis of the intensity of recourse, defined as the amount of aid received compared to the turnover of all the companies in the decile (recourse or not), sheds additional light. Unlike the relationship between the recourse rate and the profitability deciles, the relationship between the intensity of recourse and the profitability deciles does not follow a bell curve. The intensity of the recourse is maximum for the companies in the first decile of profitability, particularly for the partial activity and the postponement of social contributions. This result does not contradict the previous one: fewer companies in the first decile make use of the measures, but those that do have recourse to them have received high levels of support, and this second effect dominates so that the amount of support received by companies in the first decile, in relation to their turnover, is the highest of all deciles.

Finally, companies identified as “zombies” before the crisis, defined by the OECD as mature companies not generating enough gross operating surplus to cover their financial costs for three years in a row, did not mobilise the schemes beyond their share of the economy in either the second or the first wave.

The use of multiple support measures is not systematic; the use of three support measures is in the minority, and the use of four support measures is exceptional

Of the businesses that used at least one scheme, a substantial proportion used only one scheme in the second wave,[2] as in the first. In general, while in this case partial activity emerged predominantly during the first wave, during the second wave this was no longer the case, except for companies with more than 250 employees:

- 40% of companies with 5 to 10 employees having recourse used a single measure: 18% still had deferred social contributions at the end of March, 14% had an ongoing SGL, 7% had requested partial activity and less than 1% the Solidarity Fund.

[1] The Solidarity Fund could not be analysed here.

[2] We consider that a company having subscribed to a SGL or a deferral of contributions during the first wave and not having fully reimbursed it at the end of March 2021 also used these measures during the second wave. Conversely, only companies that have requested partial activity or the Solidarity Fund for one of the months of Q4 2020 and Q1 2021 are regarded as having had recourse.

- In businesses with 10 to 250 employees, the proportion with recourse once is 43%: 15% still have deferred social contributions, 16% an ongoing SGL and 12% have requested partial activity.
- In businesses with over 250 employees, that proportion is 52%: 18% still have deferred contributions, 3% an ongoing SGL and 31% have requested partial activity.

Symmetrically, still among companies having used at least one measure, the share of companies having used at least three support measures decreases sharply with size. In particular, among businesses having used at least one scheme during the second wave, the proportion of those having received at least three supports decreases sharply with size: at 31% for businesses with 5 to 10 employees, it is 25% for businesses with 10 to 250 employees and 12% for businesses with over 250 employees. Therefore, the joint use of support measures is far from systematic, whereas most businesses are eligible for partial activity, SGL, and deferred Social Security contributions.

The intensity of use varies by sector. Thus, in agriculture, 84% of businesses who have had recourse have used only one support measure. This proportion is also high in the information and communications sectors (70%) and real estate activities (74%). Conversely, only 29% of businesses have used only one support measure in the hospitality sector (against 39% in the first wave). This proportion is greater than 50% in all other sectors.

In the hospitality sector, among businesses that have used at least one support measure, the share of those using at least three measures is markedly higher than in all sectors combined. During the second wave, this share is equal to 71% for businesses with 5 to 10 employees (including 28% having accumulated four measures), 73% for businesses with 10 to 250 employees (including 31% having accumulated four measures) and 58% for businesses with more than 250 employees (including 21% having accumulated four measures). The increase is particularly noticeable compared to the first wave for companies with more than 250 employees, due to the extension of the Solidarity Fund (45% of beneficiaries, against 0% in the first wave).

Support has been targeted at businesses with the biggest drops in turnover and gross operating surplus

The way companies have used support measures depends in particular on the intensity of the economic shock they suffered, which cannot be reduced to belonging to a particular business sector, all the more at a relatively aggregated level (17 sectors). Measured based on VAT declarations by businesses, the turnover variation in Q2 2019 to Q2 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 hospitality.[1]

[1] 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.

The subsidy measures were mainly targeted at the companies most affected by the crisis, particularly during the second wave.

Companies reporting an increase in turnover in Q2 2020 (compared to Q2 2019) account for 27% of employment; they received 14% of subsidies paid out at the end of September. Conversely, companies reporting a decrease in turnover of more than 40% represent 25% of jobs; they received 48% of subsidies paid out at the end of September. Companies reporting an increase in turnover in Q4 2020 (compared to Q4 2019) account for 47% of employment. They received 10% of grants from October 2020 to March 2021. Conversely, companies reporting a decrease in turnover of more than 40% account for 11% of employment; they received 67% of subsidies paid out at the end of September.

Whatever the sector, the support mechanisms have better compensated the companies most affected by the crisis

The Committee's secretariat simulated the drops in gross operating surplus for 2020 based on the drops in turnover measured from the VAT database. Unlike the aggregated data from the national accounts, the microsimulation model makes it possible to measure the distribution of the impact of the crisis and of the support mechanisms on the gross operating surplus. Thus, according to this model, more than 59% of companies would have experienced a drop in gross operating surplus in 2020.

20% of companies would have suffered a drop in gross operating surplus of more than 25 value-added points before the crisis, compared to 33% in the absence of measures, i.e. a reduction of 13 points. For the hospitality sector, the most affected, the share of companies having experienced a drop in gross operating surplus of more than 25 value-added points stands at 28%, reduced by more than 35 points thanks to support measures.

Whatever the sector, 20% of the most affected companies appear to have benefited the most from the support mechanisms: the compensation for the drop in gross operating surplus is nearly three times greater for the most impacted decile compared to the least impacted decile for all sectors.

Non-use of 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

We have seen that joint use of support measures was not systematic. Since the four support measures are largely universal, one might have expected all companies to use at least one of them. Absolute non-use between March 2020 and March 2021 (understood as no recourse to any of the four support measures) is, in reality, fairly widespread. Businesses not using them account for 10% of the total workforce, with

non-use varying in inverse proportion to business size: it is 46% for businesses without employees[1] and 11% for businesses with between 10 and 250 employees.

Non-use is logically inversely proportional to the intensity of the economic shock: compared to the average, it is one third lower in hospitality services, 25% lower in other service activities and in transport and storage, and 20% lower in transport equipment and food processing. Symmetrically, it is 30% higher in information and communication, 50% in finance and insurance, and 90% in agriculture.

As we have seen previously, measure by measure, absolute non-use 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-use is "voluntary" for more profitable businesses, whereas it is "undergone" for less profitable businesses, but "voluntary" non-use appears to dominate. Indeed, businesses that saw an increase in their turnover in Q2 2020, or which were among the one quarter of businesses having the best profitability or best liquidity position before the crisis, account for slightly more than two-thirds of non-use. Failing businesses, or those identified as "zombies",[2] represent just a very small share (42% and 3% respectively), with the rest being unexplained by the available variables. The hospitality industry stands out, with only half of non-use identifiable as "voluntary". Conversely, "zombie" businesses and failing businesses account for 9% and 8% of non-use, respectively.

The companies questioned consider the measures useful, and confirm that non-use is mainly voluntary

In order to ascertain the views of companies on the support systems put in place, and to better understand recourse behaviour, a survey using the quota method was conducted at the request of the Committee by the Ipsos Institute with 600 business leaders between 16 and 25 June 2021. Each business surveyed has at least one employee and belongs to the following nine sectors which were affected in very different ways by the crisis: trade, repair of vehicles and motorcycles; construction; hospitality; legal, accounting, management, architectural, engineering, control and technical analysis activities; arts, entertainment and recreational activities; IT activities and information services; transportation and warehousing; manufacture of food, drink and tobacco products; manufacture of transport equipment. The findings were as follows:

- 81% of the 600 businesses surveyed received at least one support measure (90% of SMEs), which matches the exhaustive observations on individual data. Logically, since the survey excludes businesses without employees, which consume a lot of the Solidarity Fund and the deferred social contributions, the measure most

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[1] 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.

[2] Mature companies not generating enough gross operating income to cover their financial expenses for three years in a row.

requested by far has been partial activity (two-thirds of businesses). The SGL and the Solidarity Fund, deferred social contributions and deferred tax charges were used by respectively 37%, 27%, 25% and 27% of businesses surveyed.

- Support measures played a key role in dealing with the crisis in the majority of cases. Most of the beneficiary businesses take the view that this support was useful to them (84%, of which 31% found it "very useful"). This programme was a key element in dealing with the crisis for 52% of the businesses benefiting from partial activity, 52% of the beneficiaries of the Solidarity Fund and 50% of SGL beneficiaries.

- Company managers consider that the process has been relatively smooth and the amount of support sufficient.
  On the practical level, the finding is generally favourable. While it seems that some procedures could have been simplified, 67% of beneficiary businesses felt that accessing the measures was straightforward. In addition, most considered that the payment terms were reasonable (84%) and, above all, three-quarters felt that the amounts were sufficient to cover their needs (77%, including 21% "completely sufficient").

- While non-use is initially voluntary, one business in 10 declares having been refused a measure for reasons which it considers unfair.
  54% of businesses who have not had recourse to any measure explain this by the fact that the crisis has had little or no impact on their activity. In addition, 11% did not use it because they did not wish to be dependent on state support. Conversely, a third of non-use can be considered as "non-voluntary": 13% say they do not meet the conditions to use it; 11% feel that the measures have been refused to them for reasons they consider unfair; 8% because the procedures were too complex.

- Two-thirds of businesses report activity in Q1 2021 at least equal to the pre-crisis period (67%) and more than a quarter even report that their activity is now higher than before the crisis (27%). Note, however, that only a minority of businesses have returned to normal activity in the sectors of hospitality and arts and entertainment. Finally, a little more than half of the businesses (56%) say that, ultimately, the situation of their company has not deteriorated, but the results are very uneven from one sector to another. Companies whose situation remains deteriorated (44%, of which 18% say "a lot") are in fact particularly overrepresented in the arts and entertainment sectors (74%, of which 52% say "a lot") and hospitality (69%, of which 42% say "a lot").

The emergency measures have made it possible to sharply reduce the number of insolvent or failing companies, but it is not yet possible to distinguish their effect on the subsequent evolution of their payroll or value added

It is obviously too early to undertake causal assessments of the impact of emergency measures. But we can already draw upon different elements that point to 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 did these not come to pass, but still in Q2 2021 they remained at markedly lower levels than before the crisis. It is difficult to imagine that the support measures have played no part in this.

Next, the difference in scale between job losses and the loss of activity in 2020 go well beyond the usual job retention mechanisms, and employment trends in Q1 2021 have surprised to the upside again. Once more, it is hard to imagine that partial activity has not played a part, given the fact that it still concerned 6% of paid hours in Q1 2021.

The relative resilience of investment, which fell in line with GDP, but no more than that, can be interpreted as a sign that business expectations have stabilised.

Finally, while the net financial position of companies at the end of 2020 was largely unknown, a first study by the Banque de France analysed around 200,000 balance sheets and income statements closed between 30 June 2020 and early 2021 to shed light on the financial situation of companies with turnover in excess of €750,000.[1]

14% of the companies studied saw both their debt increase and their cash flow decrease. By subtracting from this last category the best-rated and worst-rated companies before the health crisis, the Banque de France estimates that 6% to 7% of listed companies will need to be carefully monitored. These companies stand out as having been weakened by the health crisis while being economically viable.

The study of business balance sheets also reveals the importance of the sectoral aspect of the crisis. As an example, the share of listed companies requiring close monitoring climbs to 10–13% in the hospitality sector.

However, we must bear in mind that the evolution of these economic variables is the result not just of the support measures for businesses, but also of all the budgetary and monetary policies, as well as the international environment.

[1] "The differentiated impact of the crisis on the financial situation of companies", Note No 219, 11 June 2021

As a supplement to such macroeconomic elements, several research teams have conducted microsimulation 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, measuring the economic shock they have experienced, and their use of support measures, remain fragile because they are based on a large number of assumptions, and obviously cannot replace an analysis of actual data on firms‘ financial positions, based on their use of the support measures. Such studies are nevertheless providing interesting quantified elements, pending individual data becoming available on actual financial positions. The two most comprehensive studies to date integrating the use of support measures are those of the DG Treasury (published in April) and of the partnership between Insee and Banque de France (published in July).

The first study estimates that the support measures have made it possible to limit the increase in the share of insolvent companies to +3 points (against +8 points in the absence of the measures). The effect is apparently particularly strong in the hospitality industry: the share of insolvent businesses would be 30% without the measures and is 12% with the measures. The study also simulates the effect of the crisis on the creative destruction process. It appears that public support would have the effect of reducing the insolvency rate but not of changing the distribution of labour productivity across insolvent businesses.

The second study estimates that the support measures (outside SGL) have taken back the share of businesses with a negative cash flow shock to the level of a normal year (47% of businesses in 2020 against 50% in 2018). Support measures have also reduced the dispersion of shocks to companies, even though major shocks are more frequent than in normal times. 13% of companies experienced a particularly strong negative cash flow shock in 2018 (greater than one month of turnover), this figure was 21% in 2020. Moreover, if support measures have softened the cash flow shocks, they do not smooth out large differences across sectors: for instance, after taking into account support measures, the hospitality industry remains significantly more affected, with around 80% of businesses experiencing a negative cash flow shock (90% before the support measures). By contrast, 36% of businesses in the information and communication industry are in the same situation (48% before the support measures).

Finally, the Committee’s secretariat analysed how the trajectories of payroll, workforce, turnover and business failures developed, depending on their recourse behaviour during the first wave. Even when looking through the prisms of pre-crisis profitability quartile, the intensity of the shock (measured by the range of revenue decline in Q2 2020), or the business sector, no clear conclusion can be drawn. In many configurations, non-recourse companies appeared to be more dynamic in Q1 2021 (whereas they were less so before the crisis), but this observation is consistent with that of the heterogeneity of non-recourse, mainly due to companies little affected by the crisis, but also made up of companies already in bad shape. This work will have to be continued, both to take a longer time perspective, and to take into account, with econometric identification strategies, the specific features of non-recourse companies.

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All in all, it seems possible to pass a positive judgment on these measures, reinforced by the most recent macroeconomic data on activity and margin rate trends, and by the early individual data on the financial situation of companies. In addition, windfall effects were to be expected as a consequence of mechanisms being universal, without conditionality (apart from the condition on a fall in turnover for the Solidarity Fund, and so-called "responsibility commitments" for large companies).[1] These windfall effects seem to have been less than might have been anticipated. Few companies have requested all the aid to which they were entitled and aid was de facto targeted at companies most affected by the crisis, particularly during the second wave.

The quantity and granularity of the knowledge accumulated in a few months within the framework of the Committee's work have no equivalent in Europe and testify to the quality of the statistical apparatus of France and the work of its government departments. We should also pay tribute to the data analysis and simulation work carried out by the Committee's secretariat, government departments, and academic teams. Nevertheless, this report focuses more on monitoring than on evaluation and cannot be considered as providing final answers to all questions on the impact of support measures. Evaluations can be carried out subsequently by academic research teams using the data compiled under the aegis of this Committee.

[1] The report relates to ordinary law mechanisms and does not address the specific conditionalities that could have been negotiated for certain large companies.