

Small Business Aid Flowing at Different Speeds Across Globe 2020-04-02 11:42:57.917 GMT

By Bloomberg News

(Bloomberg) -- Governments raced to craft stimulus programs to shield businesses from the economic fallout of the coronavirus, but now they face the challenge of getting the funds flowing.

A review of efforts in the Group of Seven nations suggests Germany and France are proving the most successful, in part because they can take advantage of existing bureaucracy.

Others need to win the approval of lawmakers, while logistical obstacles are also emerging that slow the money.

The obvious risk is that the longer programs take to get up and running, the greater the chance firms fail and the economic recovery is delayed.

Here is a rundown of how each G-7 nation is faring:

Italy

Italy's cabinet approved a 25 billion-euro (\$27 billion) stimulus package on March 16. It includes 5 billion euros of loan guarantees and funds to avoid a credit crunch, support for temporary layoffs and a moratorium on loan repayments for small and medium-sized businesses, including mortgages.

Other initiatives include delaying tax payments, and a fund worth 500 million euros for 2020 in a plan to set up a new state company for failed carrier Alitalia SpA. The measures came into force on March 17, with parliament expected to confirm them by the end of April.

Business associations have said the measures in the package are insufficient, and are struggling to understand how to access the help on offer. The government is preparing a second stimulus package worth at least 30 billion euros.

France

France has pledged 300 billion euros of guaranteed loans to businesses and 21,000 companies have already requested the help, Finance Minister Bruno Le Maire said Tuesday. As of Thursday, 40,000 companies are benefiting from the guarantees and have requested 7 billion euros of loans, at an average of 130,000 euros per company.

French businesses have also rushed to benefit from government aid to keep workers on their payroll, particularly in the hardest-hit sectors such as manufacturing, hotels, restaurants, construction and retailers.

The scheme, known as partial unemployment benefits, allows workers to keep their jobs while getting 84% of their salary from the state. Around 400,000 companies have applied for 4 million workers -- around 20% of the private sector labor force.

"We have the most protective system in Europe," Labor Minister Muriel Penicaud said on France Info radio Thursday. "It's the broadest, most powerful, and most direct system to save millions of jobs and allow business to keep skills and recover quicker."

The government is offering to defer payment of taxes and social charges for all companies and has set up a "solidarity fund" with contributions from the private sector to help self-employed and small business owners. All the fiscal measures are likely to cost much more than the 45 billion euros budgeted by the government. Le Maire has warned that the government will cut or withhold financial support to companies paying dividends.

The government is also forfeiting revenue by extending the so-called "Macron bonus" created to quell the Yellow Vest protest movement. That allows companies to give a tax-free bonus to employees who continue working. Small companies are also targeted with specific measures, such as postponing payment of utility bills.

Germany

Germany has pledged to help out companies with more than a trillion euros of state guarantees, loans and direct capital.

Companies that face a liquidity squeeze or see their income or capital being eroded can apply for assistance with the state run bank KfW or a newly established rescue fund. KfW can guarantee bank loans up to a total of 500 billion euros.

Businesses can also use a rescue fund that can issue guarantees up to a total of 400 billion euros, grant loans of 100 billion euros and inject direct capital of 100 billion euros. That isn't yet available, nor accessible online.

The KfW program started on March 23, and 2,500 companies have so far requested 10.6 billion euros. Companies can use KfW's online tool to find out what kind of assistance and how much they can apply for, though the application and evaluation will be done by banks.

Lenders and companies have complained that the program doesn't go far enough. Even with up to 90% of bank loans guaranteed, credit providers are still reluctant to take on more risk in the midst of the downturn.

U.K.

In the U.K., Chancellor of the Exchequer Rishi Sunak last month announced four packages of measures to help companies and their employees weather the economic fallout from the virus lockdown. The plans amount to more than 60 billion pounds (\$75 billion) of direct aid -- bigger than during the financial crisis a decade ago, as well as 330 billion pounds of loan guarantees.

As of last week, SMEs could access a business interruption loan program, and the Treasury saying this week that hundreds of loans have already been paid out. A Bank of England financing facility for larger firms also opened last week. On Wednesday, a yearlong business rates holiday began for high street companies, and the government also started paying out cash grants.

Other measures will take longer to implement because they involve setting up new systems. The government aims to start paying 80% of the wages of furloughed workers at the end of April, while a program to pay the self-employed the same proportion of their average annual earnings from the past three years is promised by early June.

But a sharp jump in benefit claims from people either losing their jobs or suffering pay cuts highlighted how the wage subsidies may be too slow to stop a huge rise in unemployment. There have also been complaints that banks aren't giving struggling companies the government-backed loans they had been promised, risking a wave of insolvencies.

U.S.

The U.S. is spending a combined \$6 trillion to prop up its economy through measures taken by the federal government and the Federal Reserve. Of greatest concern are the nation's small businesses, which employ just under half of its private-sector workforce and often only have working capital for a few weeks. A \$2 trillion relief package passed by Congress last week includes \$350 billion primarily to help small businesses retain their employees or to hire back workers that have been let go. Businesses will initially take out loans guaranteed by the

government, which will convert into grants if the businesses prove they've kept or rehired employees. The U.S. Treasury Department and Small Business Administration expect the program to start on Friday.

The U.S. already has struggled to keep up with surging demand for an existing disaster loan program made through the SBA. The website for that program, which offers up to \$2 million for each business, has been overwhelmed in recent weeks and has frequently crashed. Other measures in the \$2 trillion relief package include \$500 billion in loans and other help for large companies, including \$62 billion for the battered airline sector, as well as for cities and states hit by the virus.

Japan

Japan pledged 500 billion yen (\$4.6 billion) in loans through government related organizations such as the Japan Finance Corporation in its first set of response measures in February, raising support to 1.6 trillion yen with a second set of measures announced last month.

While the country says there's been increased takeup, it's unclear how much has already been used. The government has also taken steps to make its existing job protection subsidies system easier to access.

In the latest package proposed by the ruling party, likely to be pushed through parliament relatively soon, over 40 trillion yen of financing support was earmarked for companies. The overall package is worth 60 trillion yen -- to date Japan's largest ever stimulus package.

For firms, that includes access to loans via government-related financial organizations, and subsidies to maintain jobs, but the breakdown isn't clear. The ruling party tax panel will also consider delayed payments or cuts to corporate and fixed asset taxes.

Canada

Canadian authorities have committed to providing limitless aid if needed to shield what's left of the country's economy. The government's fiscal stimulus package now totals C\$202 billion (\$143.4 billion), and includes tax deferrals, government-backed credit and wage subsidies for business.

Perhaps the most significant fund is a 75% wage subsidy

available to all companies whose revenue has shrunk by at least 30% due to Covid 19, regardless of size.

The government also intends to buy as much as C\$150 billion worth of mortgages, while the country's banking regulator is loosening capital requirements to free up at least C\$300 billion of lending capacity. More is coming, with the next move likely to be relief measures for the oil sector and airlines.

All of this is currently being rolled out. Prime Minister Justin Trudeau said the government has made it easier to access credit for businesses to hold them over until the government program is in place.

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