



# IMPACT OF THE COVID-19 CRISIS ON CORPORATE SOLVENCY :

## UPDATED ESTIMATIONS BASED ON GRAYDON MODEL

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# PLAN

- 1) Collaboration GRAYDON-FEB
- 2) Selection of companies
- 3) Results:
  - i. Impact of the COVID-19 crisis and support measures
  - ii. Impact by firm size
  - iii. Impact by firm age
  - iv. Impact by sector
  - v. Geographic impact
- 4) Findings and recommendations

# 1. COLLABORATION GRAYDON-FEB

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- GRAYDON Model :
  - Shock Resilience Model of Belgian companies
  - Used by the first ERMG to evaluate the liquidity needs of the firms during the COVID-19 crisis
- Collaboration GRAYDON-FEB :
  - Study on 8, September → 1/6 firms (66.000), healthy before crisis, hardly impacted
  - Update of the situation of firms on January 31, 2021 (end of bankruptcy moratorium)
  - Detect problematic segments of companies despite the support measures
  - Alert and act

## 2. SELECTION OF COMPANIES

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- Selection criteria :
  - All companies in Belgium with balance sheets and from all sectors
  - Companies with and without foreign parent
  - Only suspected active companies
  - Impact of Support Measures : Technical Unemployment, Loan Capacity (“bazooka”) and regional measures
  - Simulation of the situation on January 31, 2021

➔ **422.809 companies**

# 3. RESULTS

# 3.1 IMPACT OF THE COVID-19 CRISIS AND SUPPORT MEASURES

Impact of the COVID-19 crisis and support measures (9-grid results)

September 8, 2020

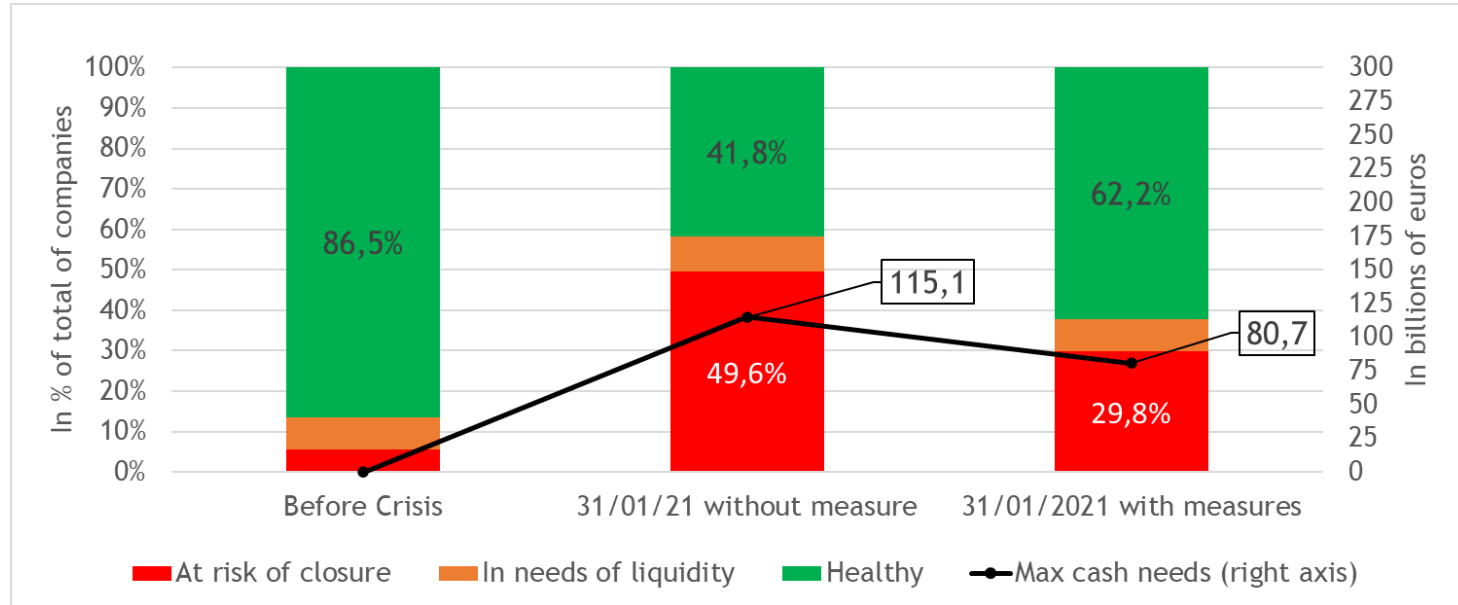
January 31, 2021



Sources : Graydon and FEB.



# 3.1 IMPACT OF THE CRISIS AND SUPPORT MEASURES



Sources : Graydon and FEB.

Note: At risk of closure = segments 1,2,3,4,7 ; In needs of liquidity = segments 5,6,8 ; Healthy = segment 9

## 3.2 IMPACT BY FIRM SIZE

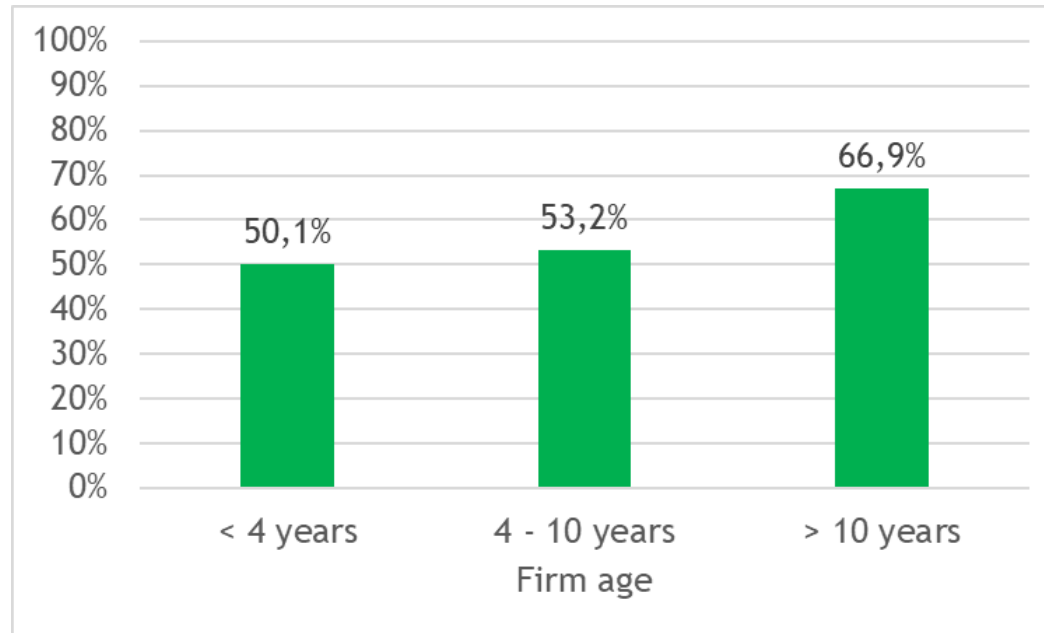
*Unhealthy companies (healthy before crisis) and liquidity needs by firm size*

Workers	Total companies	Companies in segment 3		Liquidity needs companies in segment 3 (in billions €)	Mean liquidity needs companies in segment 3 (in €)	Median liquidity needs companies in segment 3 (in €)
0	184.422	25.682	13,9%	6,9	267.236	18.899
1-4	181.851	45.591	25,1%	8,7	191.588	46.530
5-9	26.166	7.235	27,7%	4,8	667.388	130.442
10-19	14.835	3.978	26,8%	26,6	6.689.277	271.441
20-49	9.931	2.108	21,2%	3,5	1.677.013	572.298
50-99	2.850	252	8,8%	7,2	28.548.951	932.504
100-199	1.452	49	3,4%	4,6	93.659.527	1.909.389
200-499	854	32	3,7%	1,6	49.144.928	4.647.050
500-999	267	8	3,0%	1,5	192.887.696	6.962.230
+1000	181	5	2,8%	2,6	517.790.495	77.832.175
<b>Total</b>	<b>422.809</b>	<b>84.940</b>	<b>20,1%</b>	<b>68,1</b>	<b>801.269</b>	<b>44.807</b>

Sources : Graydon and FEB.

## 3.3 IMPACT BY FIRM AGE

*Number of healthy companies (segment 9) by firm age*



*Sources : Graydon and FEB.*

## 3.4 IMPACT BY SECTOR

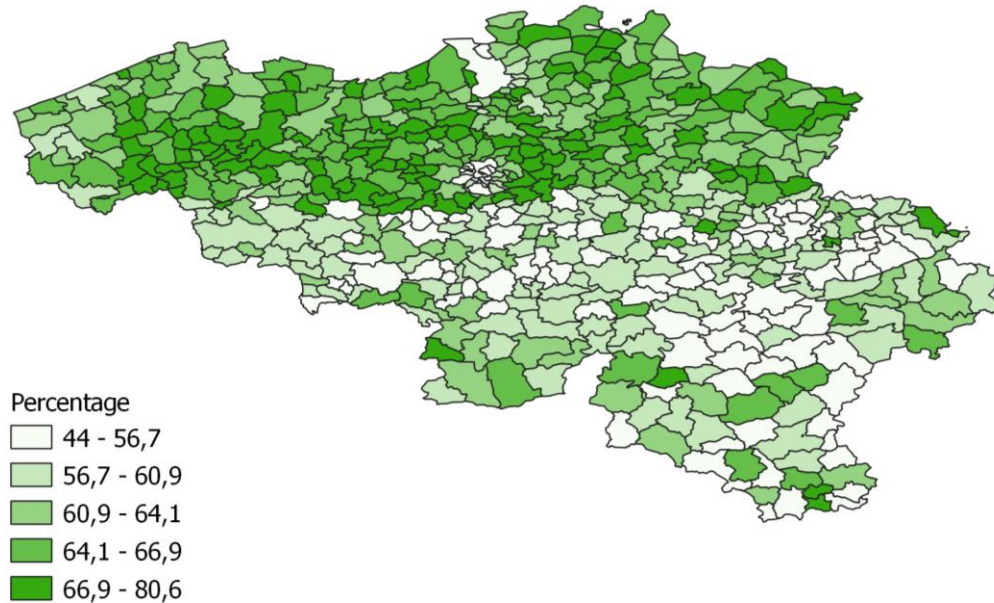
*Percentage of companies in segment 3 by sector*

Sector	NACE	% in	Sector	NACE	% in
		segment 3			segment 3
Accommodation and food service activities	I	42,6%	Real estate activities	L	21,6%
Recreation and other service activities	R+S+T	32,0%	Mining and quarrying	B	21,2%
Other manufacturing	CJ+CK+CM	25,6%	Manufacture of textiles	CB	20,5%
Manufacture of wood and paper	CC	25,3%	Construction	F	20,1%
Manufacture of coke and refined products	CD	25,0%	Professional activities	M+N	17,7%
Transport	H	24,3%	Electricity and water supply	D+E	14,2%
Manufacture of basic metals	CH	24,1%	Insurance activities	K(65-66)	14,0%
Agriculture, forestry and fishing	A	24,0%	Manufacture of chemical products	CE	13,4%
Manufacture of food products	CA	23,0%	Human health and social activities	Q	13,1%
Manufacture of motor vehicles	CL	23,0%	Financial activities	K(64)	12,9%
Manufacture of rubber and plastic products	CG	22,6%	Information and communication	J	12,1%
Wholesale and retail trade	G	21,7%	Manufacture of pharmaceutical products	CF	7,5%

*Sources : Graydon and FEB.*

## 3.5.1 GEOGRAPHIC IMPACT

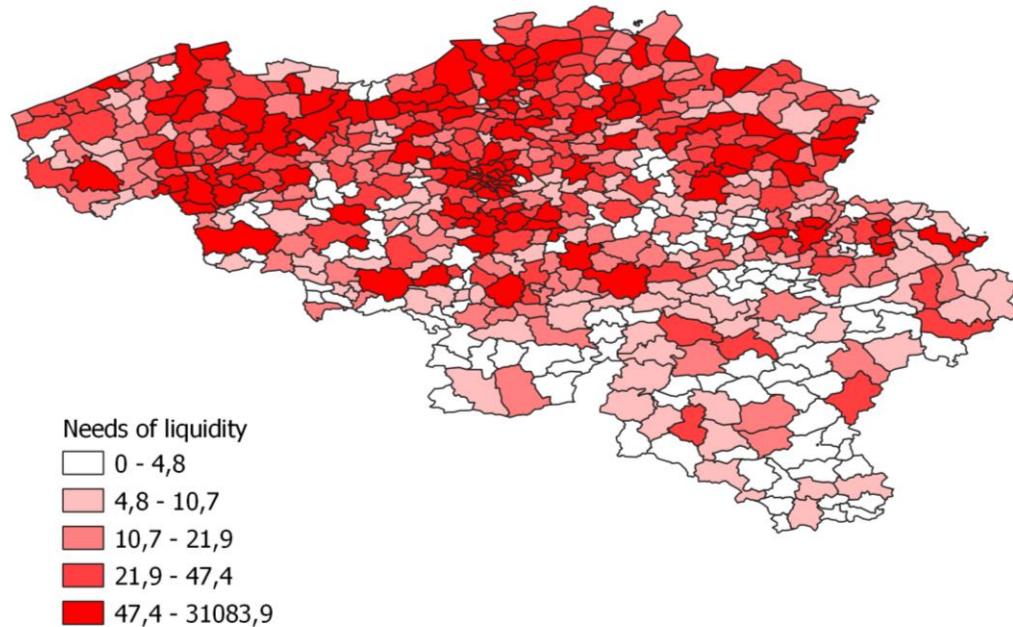
*Percentage of companies in segment 9 by municipality*



*Sources : Graydon  
and FEB.*

## 3.5.2 GEOGRAPHIC IMPACT

*Needs of liquidity of companies in segment 3 by municipality (in millions of euro)*



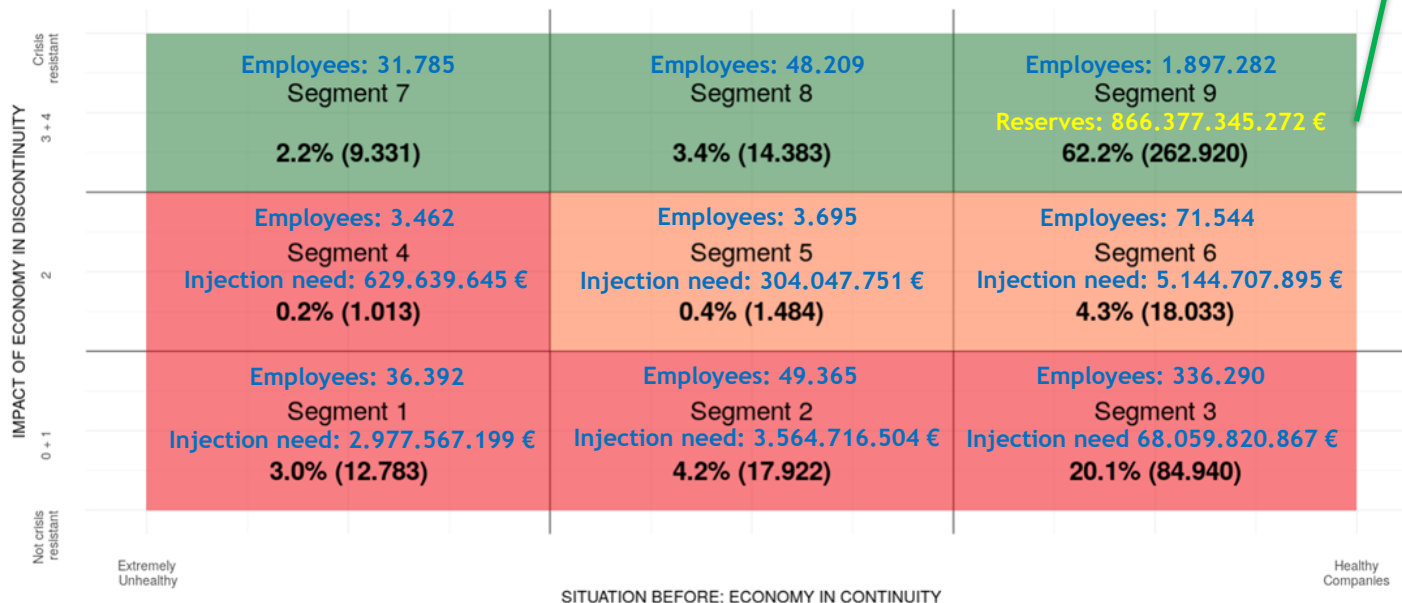
*Sources : Graydon  
and FEB.*

# 4. FINDINGS & RECOMMENDATIONS

# IMPACT OF THE COVID-19 CRISIS AND SUPPORT MEASURES

## Impact of the COVID-19 crisis and support measures (9-grid results)

9-GRID IMPACT SCORE OF REGISTERED OFFICES IN SELECTION



1.113.021.329.204 €  
in September 2020

\* this includes registered offices which have branches in selection

Sources : Graydon and FEB.



## 4.1 FINDINGS

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- Some 20% of companies (healthy before crisis) suffer heavily from the crisis, despite the support measures, especially:
  - The small ones (particularly those with 10-19 employees)
  - The younger ones (less equity and no reserves built yet)
  - But also big liquidity needs (+/- 12 bln) in 50-250 employees-segment despite « bazooka »
- The focus should be on segment 3 and 6 (about 103.000 companies, healthy before crisis, with risk of insolvency)

## 4.2 RECOMMENDATIONS

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- Globally:
  - The notional interest deduction could be reinforced and reformed conform to the EU model and focused on the small enterprises only (less than 50 employees)
  - The Tax shelter should be further strengthened, in line with the proposals of the ERMG (increase of the thresholds)
  - Public savings should be mobilized through adequate incentives
  - Reserves from segment 9 could be also mobilized by facilitating (quasi-) equity investments
  - Avoid domino effect due to bankruptcies in multiple sectors/value chains

## 4.2 RECOMMENDATIONS

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- For start-ups, micro and small enterprises:
  - Encourage subordinated loans by private individuals, including through crowdlending
  - Strengthen/extend Tax shelters for start-ups, scale-ups and small enterprises
  - Strengthen/reform risk capital deduction
- For medium-sized enterprises:
  - Transformation Fund (FPIM and regional public investment companies), professionally managed, co-financed by institutional investors and guaranteed by the government
  - Subordinated loans and participations



## Creating value for society

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