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Govt. & BOJ Post-COVID-19 Measures to Support Corporate Financing

What to make of the largest budgetary and financing operations ever

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Summary

- While the effects of the COVID-19 pandemic have cast a shadow over Japan's financial markets and economy, the government and the Bank of Japan have announced various policies, including emergency economic measures and the strengthening of monetary easing. In this paper, we summarize the overall picture and effects of corporate financing measures, particularly those aimed at corporate financial positions, and discuss the main issues expected to be of concern in the future.
- The government has developed a massive corporate financial support policy that has never been used in the past for the unprecedented crisis of COVID-19. This can be assessed as demonstrating an attitude of fully supporting the corporate sector. The FILP (Fiscal Investment and Loan Program) plan, which has grown to a record level, is also a major focus. Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19) introduced by the Bank of Japan far exceeds the special funds-supplying operations to facilitate corporate financing introduced after the global financial crisis of 2008.
- The main issues of concern in the future are as follows. First, speed is required in corporate financial support measures, and the government should increase the speed of its policy as much as possible through improvements in procedures and systems. Second, the use of capital funding may be important in the future as corporate funding conditions are expected to differ from company to company. Third, attention should be paid to the risk of deteriorating financial conditions of financial institutions. Fourth, there should be more focus on how smoothly the government and the Bank of Japan proceed with their exit strategy from measures to support corporate finance.

Attention

This report is a summary translation. The official document is only in Japanese.