

18 September 2020 (No. of pages:1)

Japanese report: 10 Sep 2020

Corporate Financing Environment during COVID-19 Pandemic and Its Future Prospects

Risks hidden by policy effects will gradually become apparent in the future

Financial and Capital Market Research Dept.

Satoshi Osanai
Junya Sakaguchi

Summary

- The corporate financing environment during the COVID-19 pandemic has not been as serious a situation as it was after the global financial crisis of 2008. However, there are concerns that once the effects of the government and Bank of Japan policies have gradually disappeared, the financing environment may deteriorate rapidly. This report summarizes and examines the financing environment during the COVID-19 pandemic from various perspectives, including comparisons with the global financial crisis of 2008, and risk factors in the future.
- We focused on following dimensions: (1) CP and corporate bonds (debt and direct financing), (2) borrowing from financial institutions (debt and indirect financing), and (3) capital increases through public offerings (capital and direct financing). Although the CP and corporate bond markets are more stable than in past crises, attention should be paid to individual corporate (micro) risk. In addition, it should be noted that the borrowing environment cannot be fundamentally resolved without the recovery of economic activity. In terms of capital increase, while there was a boom in public offerings in 2009-2010, there seem to be few signs of said phenomenon under current circumstances.
- In the future, the increase of bankruptcies as a result of withdrawal of policies, which could lead to a worsening employment environment and economic activities in rural areas, should be carefully monitored. As for housing and real estate prices, it is unlikely that the recent trend of rising prices will be reversed. However, monitoring said asset prices would help in predicting the next financial crisis, as they are thought to act as the proverbial “canary in the coal mine”.

Attention

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