

Government rescue policies and firms' exit during the COVID-19 pandemic: the case of Italy

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This paper examines the dynamics of firms' exit in Italy during the COVID-19 pandemic. Data reveal that business closure have unexpectedly fallen in 2020, the first year of the pandemic. On average during 2020 there has been 54 thousand firms that did not shut down permanently, more than 15% less than the previous year. Moreover, firms' exit has been geographically and sectoral uneven. However, during 2022 firms' exit increased again and reached the level observed in the pre-pandemic year. To explain such trends, several explanations has been advanced. An undeniably role has been played by the large liquidity provision and fiscal measures implemented by public authorities to prevent job losses, firm activities, and economic crisis, especially in the first year of the COVID-19 spread. Using data at NUTS-3 provincial level, this study finds that such measures can explain the variability in firm exit observed at spatial and sectoral level.