

How global emergency economic measures compare?

The coronavirus pandemic has caused governments around the world to announce emergency measures to battle the economic fallout. Governments have learned from the global financial crisis and have taken relatively similar relief measures. Differences are large in terms of size though, which is likely to be key



Fiscal spending to the rescue!

Globally, measures taken by governments to mitigate the economic impact of the Covid-19 crisis all roughly follow similar lines.

Support has been given to keep people at work, taxes have been deferred, various forms of household income support have been granted, and liquidity and guarantees have been provided to make sure that healthy businesses do not go bankrupt in the period of restrictive economic measures and its aftermath. Differences in size are large though, with countries like Australia spending a share of GDP in double-digits, while Japan is spending just 0.1% of GDP.

It's not easy comparing these numbers as spending takes different forms over different timeframes and the lines aren't always clear between guarantees, loans and cash out fiscal stimulus.

Fiscal measures are similar around the globe, but very different in size and detail

| Additional fiscal spending (everything except liquidity and guarantees) % GDP | 2.3% | 7.7% | 6% | 4.5% | 1.9% | 1.4% | 1.4% | 2.5% | 2% | 0.1% | 0.9% | 6.6% | 7.5% | 11.3% |
|---|------|------|----|------|------|------|------|------|----|------|------|------|------|-------|
| Short-time working | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Tax forbearance | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Liquidity and guarantees | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Household income support | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

Monetary policy so far

Monetary policy has been quick to react to the Covid-19 outbreak, and in many cases central banks are pretty much 'all-in' with their efforts to support the economy. The table below shows what's been done so far across the major central banks, and what might still be possible.

Central bank actions compared

| | Rate cuts | QE | QE assets | Commercial paper purchases | Counter-cyclical buffer cut | Targeted loans to banks | Other schemes | What's still possible? |
|----------------------------------|-----------|---|--|---|--|---|---|--|
| Federal Reserve | ↓ 150bp | Unlimited | Treasuries, MBS | Yes | - | - | Corporate bond buying program | Extend QE to other assets (corp. bonds or equities). Negative rates not considered |
| European Central Bank | No | EUR120bn euro + EUR750bn PEPP | Euro sovereign bonds, corporate bonds | Yes | Yes | Yes, TLTROs, LTROs, dual rates | Collateral rules eased, tiering system for deposit facility, invited banks not to pay dividends | More QE, rate cuts, purchases of bank bonds, ETFs |
| Bank of Japan | No | No target changes, text tweaked to "active" buying | Stepped up existing ETF and J-Reit purchases | Yes, increased upper limits of CP and Corp bond purchases | Already 0% | Yes, 1-year zero interest rate loans for commercial banks | No | Debt monetization through annulling direct JGB holdings |
| People's Bank of China | ↓ 30bp | No | No | No | No | Yes - aimed at SMEs | Permitting delay of loan repayments | Counter-cyclical buffer cut |
| Bank of England | ↓ 65bp | £200bn | Gilts, corp. bonds | Yes | Yes (to 0%) | Yes - aimed at SMEs | Collateral rules eased | Negative rates ruled out. More QE possible |
| Bank of Canada | ↓ 150bp | C\$5bn/week | Government bonds | Yes | Yes | - | Purchasing mortgage bonds, bankers' acceptance and provincial money market securities | Expand & extend QE to include other assets. Negative rates unlikely |
| Reserve Bank of Australia | ↓ 50bp | In pursuit of 0.25% 3Y yield target, so in principle, unlimited | Gov't bonds, semi-gov't bonds | No | Already at 0% | Yes, AUD90bn Term funding facility | Forward guidance - OCR not to be raised until inflation target met | Outright purchases of bank paper |
| Reserve Bank of NZ | ↓ 75bp | Yes, up to NZD30bn in next 12 months | Government bonds | Not outright, repo only for Asset backed CP | n/a | Not yet, term lending hinted as possible | OCR will not be raised for 12M - guidance | Mildly negative rates, interest rate swaps |
| Riksbank | No | SEK300bn | Gov't, municipal, covered bonds | Yes | Yes (to 0%) | Yes | Collateral rules eased | Cut repo rate into negative again |
| Norges Bank | ↓ 125bp | No | No | No | Yes (to 1%) | Yes | Threatened NOK intervention. Collateral rules eased | Negative rates & QE not viewed as feasible |
| Swiss National Bank | No | No | No | No | SNB has submitted a proposal requesting to reduce the buffer to 0% | - | FX interventions and a new SNB COVID-19 refinancing facility, aimed at strengthening supply of credit | QE or rate cut possible if FX interventions aren't enough to limit appreciation of the Swiss franc (not our base case) |

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