

It's official - Pandemic

In his press conference on March 11, World Health Organization Director General, Dr Tedros Adhanom Ghebreyesus, declared the Covid-19 outbreak a pandemic. It was only a matter of time



WHO

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What does this mean?

There was a time some weeks ago that we felt a pandemic announcement by the WHO would be a market moving event. But for those of us who have watched the daily tally of new Covid-19 cases rise steadily, and the numbers of countries showing their first infection rise with it, this has been looking inevitable for some time. The WHO's announcement merely officialized something we and the markets have been taking for granted.

What this may do, however, is spur countries that have so far dragged their feet to mobilise their forces against the virus with greater vigour. Border closures and restrictions are more likely. The US is apparently thinking of restricting all but essential travel from Europe to the US. Looking at the US figures on infections, which most believe are an underestimate due to lack of testing, Europe may well reciprocate. While such measures may result in a lower peak of infections within each country, they certainly aren't without their economic consequences. The counterfactual of not doing them could, on economic grounds, be far worse though, a point that is often missed.

Lessons from the UK

I don't often say too much positive about the UK. Not only has there not been much to shout about in recent years, but we are a self-deprecating bunch - usually. But I was impressed this week with the way in which policymakers have tackled the virus crisis. [James Smith covers the detail of the new UK Chancellor's budget here](#) but what I particularly liked, as well as the surprising size of the budget (end of austerity?) were the following:

- Apparent coordination between the Bank of England and HM Treasury - we haven't seen enough of this elsewhere, and it is useful
- Cheap money for banks, yes, but backed with government guarantees for lending - it doesn't matter how cheap the funding is if you don't think you will get your money back, but this is a gamechanger and a lesson for other countries.
- Measures aimed directly at those affected by the coronavirus - easier access to statutory sickness benefits from day one - useful move.

Today, we have the ECB, and it will be interesting to see how they respond with a much more depleted arsenal than the BoE. [Carsten Brzeski has some ideas in the linked note here.](#) But any further cuts in rates (probably only 0.1%) will need to come with more exemptions for the banking sector, and it would be good to see some government support for a reformulated TLTRO along the lines of the UK model for preferential lending mentioned above. It is much harder for Europe to achieve this though.

And of course, we also still await the much-heralded tax package from President Trump in the US. The current rumour is that we will hear about this very shortly, and possibly as this note goes to press, so look out for something [from James Knightley on "Think" later on today.](#)

News from Asia

Iris Pang in HK writes today "China's Premier Li has advised a targeted RRR cut to divert liquidity to smaller firms affected by the coronavirus in Mainland China. We expect that with this targeted RRR cut, policy rate cuts might be deferred to April to avoid interest rates falling too low. The 7D repo-rate has formed a downward trend and ranging between 1.4%-1.9%.

And In Taiwan, the central bank may also implement some policy moves. But we also doubt that it will involve broad-based cuts in the policy rate, which is now already at 1.375%. It could, however, be a policy package focusing on help for companies to get cheaper funding temporarily".

Author

Robert Carnell

Regional Head of Research, Asia-Pacific

robert.carnell@asia.ing.com

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