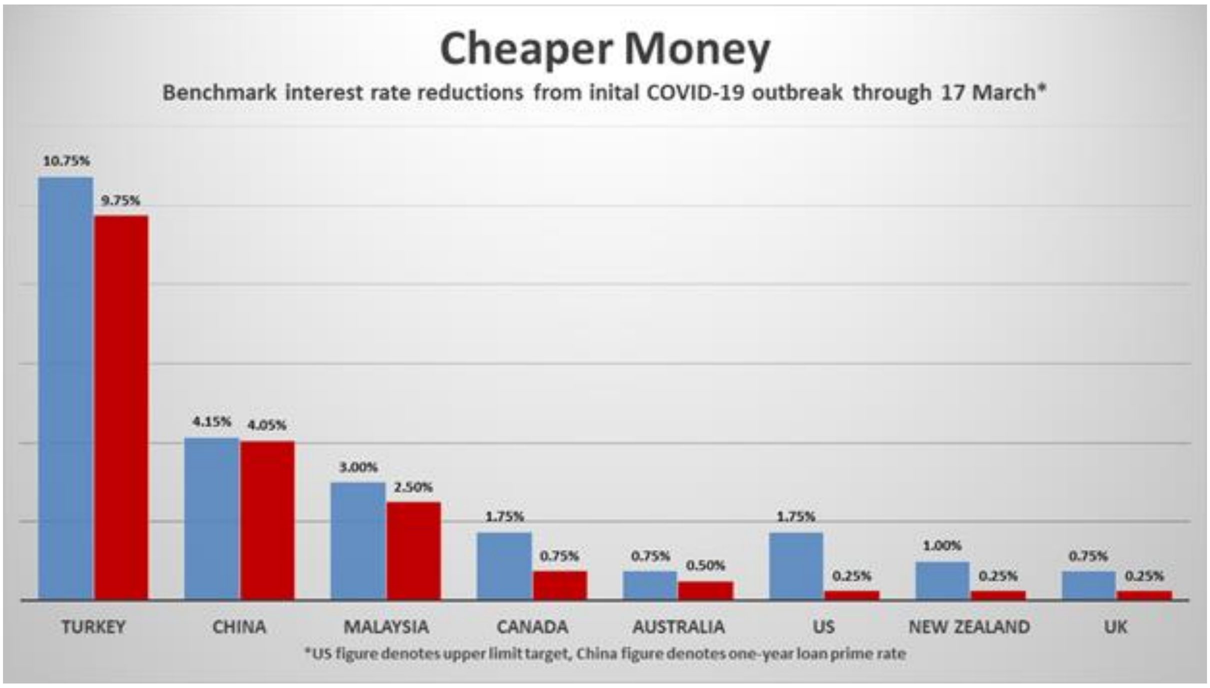
The COVID-19 pandemic is disrupting the global economy. Monetary policy tools available for crisis situations are dwindling. Even if existing tools are deployed, their impact may be limited.

Earlier this week, the US Federal Reserve virtually erased what was left of its benchmark interest rate in a desperate bid to spare the world's biggest economy from a deep, coronavirus-induced recession. It may not be enough.

Around the world, policymakers are grasping for levers that can be pulled to help economies muddle through a COVID-19 pandemic that has now arrived in more than 150 countries and territories. But more than a decade after a global financial crisis that showcased policy tools designed for such traumatic events, the toolbox is dwindling.

Cutting interest rates, a tried-and-true means of encouraging people to buy more things and take out bigger loans, can only last for so long. The European Central Bank and the Bank of Japan, for example, had already cut rates into negative territory before the pandemic – an extreme measure that can (at least theoretically) lead to paying a bank to hold your money. The world is truly upside down.

But cheaper money does not solve the problem if businesses have no revenue for 1-3 months due to people staying home, not travelling, factories not producing, etc. Stopping business interruptions is what matters and what should be addressed by policy makers. Who care about the costs of money, if you don't have any money?



In some cases, central banks have created or increased emergency "quantitative easing" debt-buying programs – aimed at bolstering bond prices and containing interest rates. The European Central Bank, without much room to manoeuvre on directly cutting rates, said it would add €120 billion to its quantitative easing program this year in response to COVID-19, while the US announced a new $700 billion program on a day when the number of confirmed cases in that country topped 3,000.

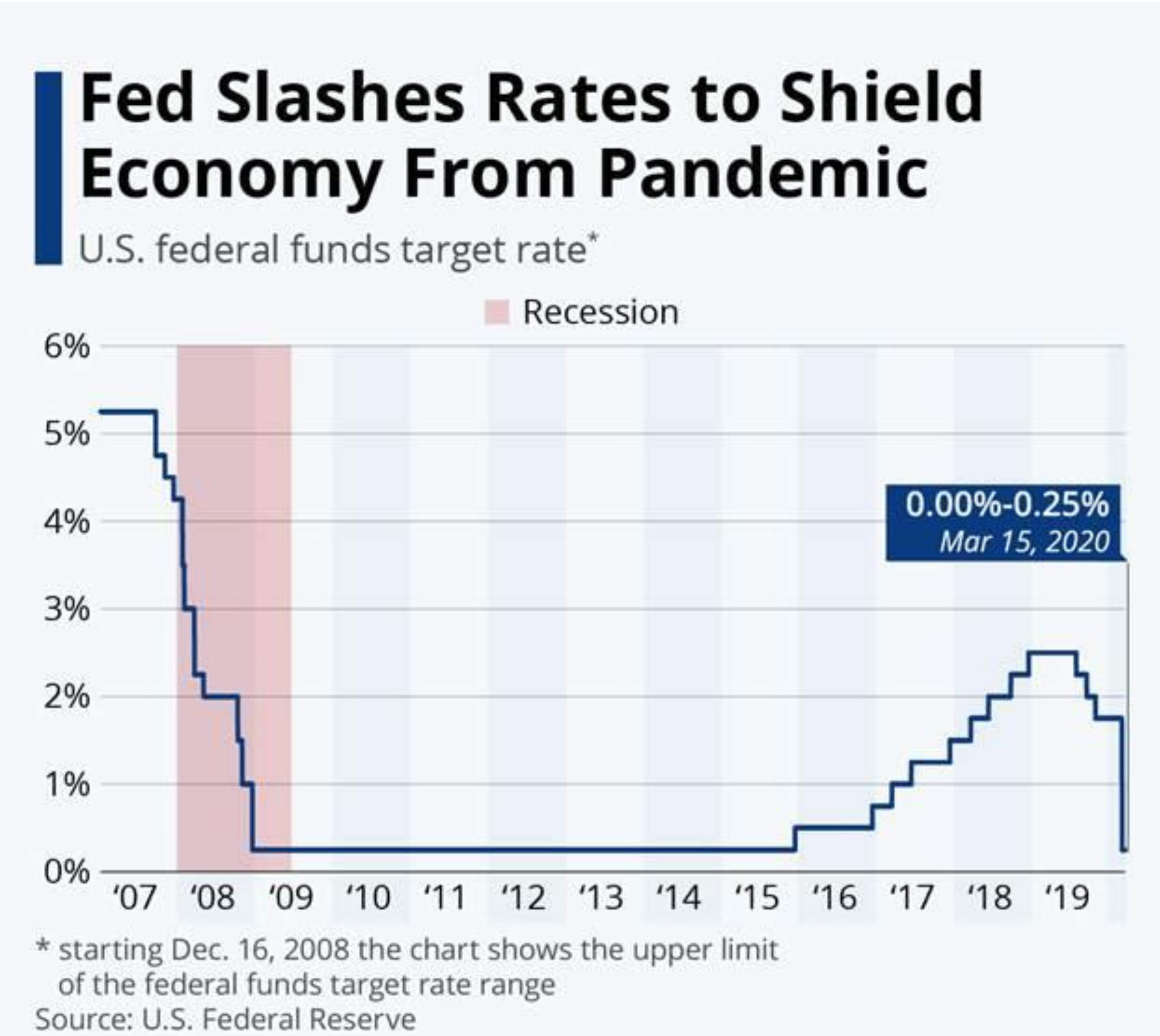
Even if policymakers do manage to prompt people to keep pumping money into economies, it remains unclear whether that will be decisive. Fears about COVID-19's fundamental impact on supply chains needed to get goods into stores run deep, and a lot of stock market volatility is now being automatically triggered by algorithms.

COVID-19 brought an 11-year bull market to an abrupt end. Now, the central bankers faced with the task of stepping in to avert another financial crisis must do so with balance sheets not yet fully recovered since the last one.

Are independent central banks passé? Instead of bemoaning government efforts to wrest control away from them, central banks need to enhance transparency and get better at explaining and justifying their actions.

A manifesto written by a group of economists in Portugal calls for extreme measures in response to COVID-19 in the European Union, including potentially amending EU law in order to enable more financial relief.

The coronavirus calls for wartime economic thinking, in which a former chief US economist at HSBC argues that in addition to a coronavirus spending bill, the US will require a stimulus package worth as much as $2 trillion.



Even in a place like Viet Nam that has done an admirable job of containing the spread of the coronavirus, its economic impact – potentially exacting a 1% of GDP growth – underlines the need for action from the central bank.

The European Union is trying to find the right formula for macroeconomic stabilisation – but it's hindered by an incomplete institutional framework with no centralised fiscal authority.

Despite the best efforts of federal lawmakers in the US, several critical areas of economic stabilisation are likely to remain unaddressed in that country – which is where local governments should step in with their own economic aid.

Remember

From China's experience, this is a typical 90-day problem. So, the solution should be focused with 90-days intensity as well. Quick responses help businesses in need. Then business carries on, the world is a better place vs when business abruptly stops functioning.

Most people see COVID-19 as an economic crisis first, health risk second, survey finds

The economic impact of coronavirus is a rising strain across the world. A new survey found respondents in Vietnam, China, India and Italy expect to take the greatest personal financial impact. The perceived threat to health increases in proximity to hotspots. Most people expect normal life to resume by June, despite trajectories showing otherwise. Economic rescue measures announced by governments do not appear to be calming concern.

The Ipsos poll of 10,000 adults in 12 countries, conducted 12-14 March, suggests rising anxiety about personal financial exposure, including employment. The perception of threat to health increases with proximity to hotspots, despite social distancing measures and travel bans in place across large areas of the world.

Most people in most countries polled expect to feel a personal financial impact from the coronavirus pandemic, according to the results. Respondents in Vietnam, China, India and Italy show the greatest concern.

Concerns about employment and businesses have rapidly increased since February, particularly in Italy, France, the UK and the US. In these countries, economic concerns appear to have risen more steeply than concerns relating to the level of threat posed by the virus.

Support for closing borders and self-quarantine is present, but this may be "in theory" rather than personal, particularly outside hotspot areas, Ipsos suggests. Agreement with closing borders was highest in Vietnam, India and Italy, and lowest in Canada, Germany, France and the UK.

Overall, more of the people polled agreed strongly with self-quarantining if they were diagnosed with coronavirus.

Despite media attention on stockpiling, the poll suggests this activity is still limited in Europe and North America. However, there are concerns about the disruption it could cause. Stockpiling is seen as more likely to lead to shortages than disruption to supply chains; 89% of adults in the UK would blame stockpiling for shortages. The poll also suggests a trend of rising e-commerce in proximity to hot spots: 31% of Italians are more frequently shopping online to buy products they would normally buy in a store, rising to 57% of respondents in Vietnam, 55% in India and 50% in China.

Most countries, including hotspots, expect things to return to normal by June.