Shaifali Bagga*

CROSS COUNTRY COMPARISON OF ECONOMIC POLICIES DURING COVID-19

ABSTRACT: Coronavirus disease (COVID-19) is now dominating the lives of everyone**.** It has already caused an unprecedented collapse in economic activities over the last few months in the world economy. The demand of the hour is to protect facing populations, and led to the stage for recovery. Research includes the economic responses governments have taken to limit the impact of the COVID-19 pandemic. It focuses on comparing some countries and the adopted policies. In the current situation, Policymakers must consider different measures to support governments to counter the deceleration with Fiscal and Monetary policies. It includes 4 major global economies and the policies adopted by these countries to reduce the economic repercussion. The countries are: INDIA, US, GERMANY, and JAPAN. These policies help us, as they create solution to conquer the effect of the pandemic, and regulate the impact on the economies. It further includes the background of these countries, major economic package announced by them and sectoral classification of these packages and their impact. Finally, the findings are significant for the Policy making decisions which can be adopted further on a larger scale as well as different perspectives to think and analyse the impact and the ideas which are adopted by various nations.

Key words: *COVID -19, Monetary and Fiscal policies, Economic package, Financial stability, Policy framework, Recession, Different CARE funds, Consumption patterns*

JEL Codes: *E6, J3, O1, O5*

INTRODUCTION

Coronavirus, has caused a major economic crisis for the economy around the world. It has impacted the whole world which is estimating costs and

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searching for the recovery. With the global cases rising sharply, the World Many Countries were facing slow growth patterns and this pandemic has worsen the circumstances. According to IMF the global economy will decline by 3%.

While the market started recovering losses, unemployment is still at worse and GDP growth is impacted. To contain the harming effects of crisis, governments and central banks have started providing Fiscal and Monetary stimulus measures to prevent the COVID-19 economic impact.

Different countries have different weights to their strengths and weaknesses around the globe. The focus is on strategic sectors such as medical equipment and pharmaceuticals to maintain the supply side factors.

Advanced economies are expected to have 7 percent decline. It will even worsen the situations for major developing markets, which are expected to contract by 2.5 percent. This is the slowest pace in the past 70 years. It has dominated the world but still expect global growth to rise of 5.8% in the following year. It is due to growth in major emerging markets which are India and China as they are expected to regain the growth potential with greater pace than developed countries due to their population dividend and significant characteristics which has more potential of growth than other developed countries which are at the full employment positions.

The research deals with the different methods adopted by major economies. Weak healthcare and recovery patterns, foreign capital investments, budget deficits, fiscal policy restrictions, effect on travel, economies have faced the following with hardest hit industry which has great surplus in previous years is now dwindling which is oil and energy markets. Agriculture is even impacted as due to various trade restrictions there were less demand and break in supply chains and consumption patterns has called for the sustained and the extensive recessions by the virus and it is expected to have major repercussions through declining investments, migrant workers problem, loss of education facilities, loss of labour markets, International linkages and production disruptions.

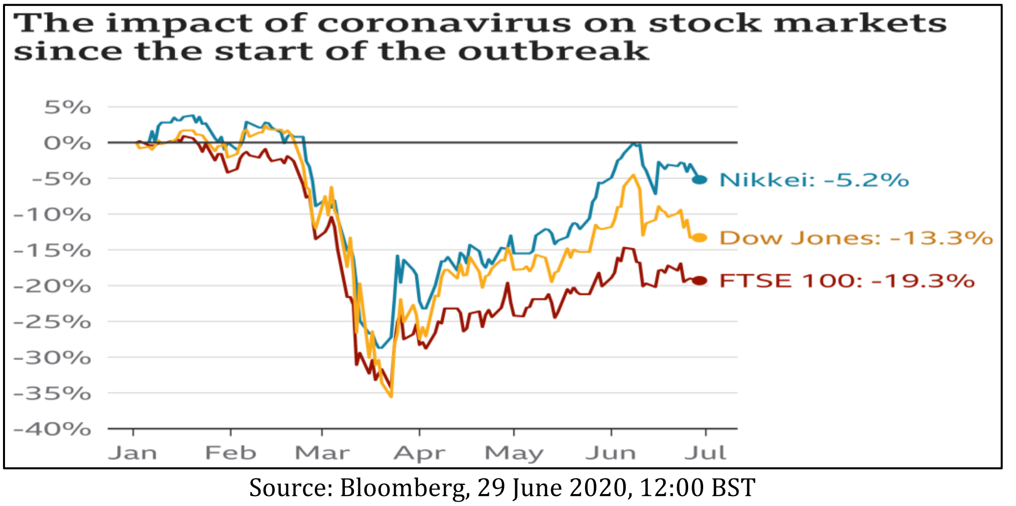
It further focuses on Different sectoral reforms adopted by countries and their statistics. The policies induce the injections by various governments to regulate the flow of credit and to build the spending capacity of individuals. The main focus is on the Monetary and Fiscal reforms for the pandemic recuperation. It helps to understand the difference in economic prospects of different countries relative to their specifications, different policy measure allows to focus on mitigation programmes by countries globally. The actions by various governments might not show the expected recovery as the impact is limited due to slow pace of macroeconomic formulations. To track the severity of the pandemic spread of disease and the starting point of the COVID 19, Reopening phase and the time of policy came into effect has been considered to further enhance the understanding of the Difference in Various models adopted by the countries. Finally, this research is relevant as it provides significant particulars of individual economies and the effect on the GDP and loss of income while concluding on the basis of global aspect and by drawing borderline solutions as the whole world is particularly at the same momentum.

And the rest of the paper is constructed as follows: Initially, presenting the Economic impacts on the global economy (Section- II), then discussing the measures and the Policy reforms under different sectors in India, US, Germany, and Japan (Section-III), And focusing on the role of relief policies during the lockdown and reopening. Further shown the analysis and conclude.

ECONOMIC IMPACT

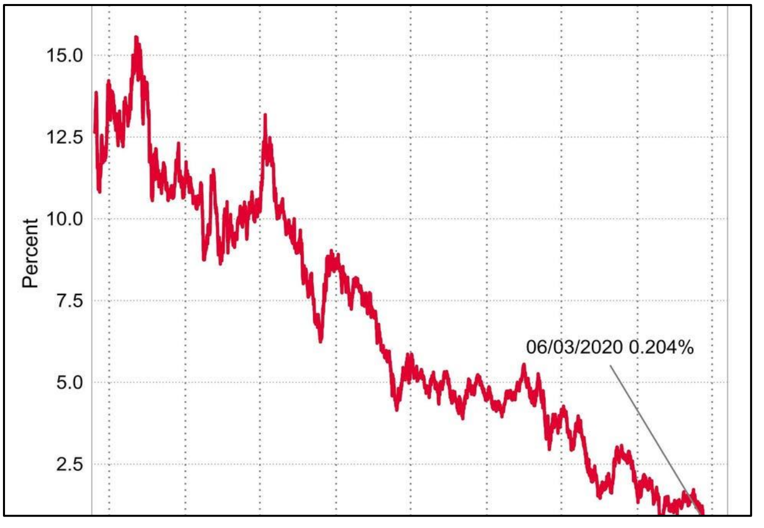
The points listed below are some Major Economic Effects due to Corona Virus:

1. Global Share Market: Global share market has contracted from the starting point of the pandemic which effects the money supply through Banks as there is uncertainty around the world. The investors are ready to hold money balances rather than investing in the share market, which has lowered demand for funds. The US share market which has reached significant levels is even showing downwards trends.



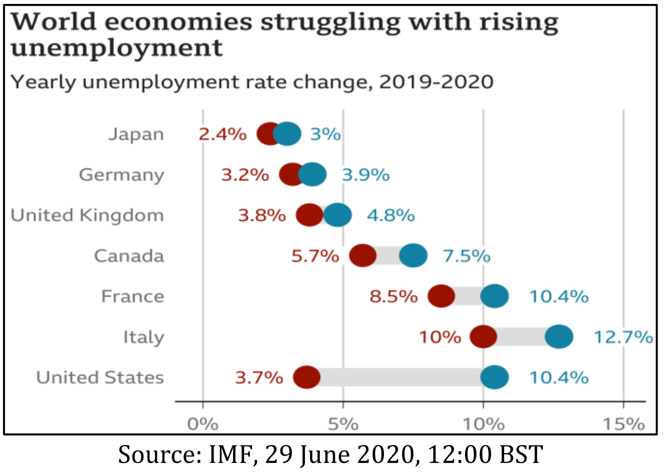
Source: Bloomberg, 29 June 2020, 12:00 BST

2. Lower Interest Rates: This is another major impact as global financial crisis is created due to the interest rates declining sharply. Governments in developed countries have major focus on the credit creation and they are providing various schemes under the policies to create demand for the money. Interest rates have been reduced to foster growth levels and to maintain consumption patterns by creating a supply through expansionary monetary and fiscal policies.



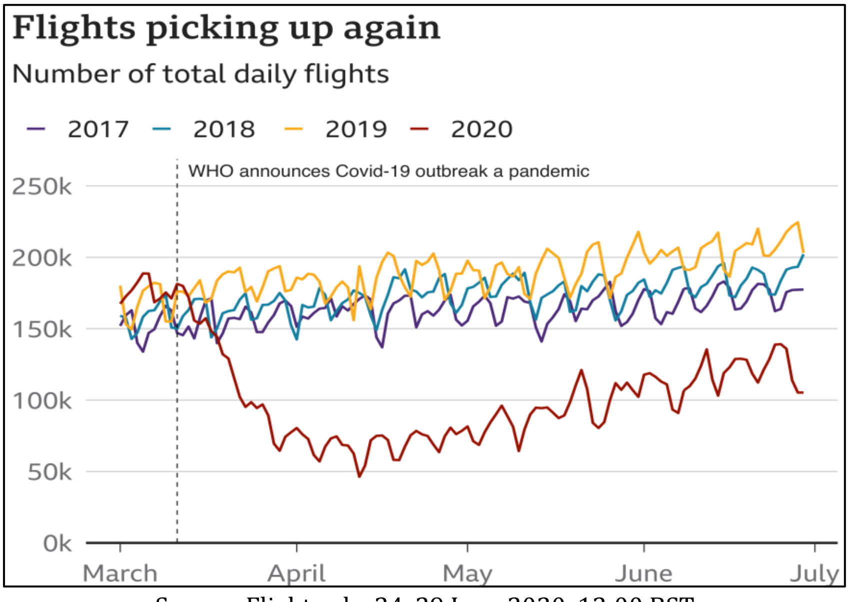
3. Drop in Labour Income: Labour income is forecasted to decline by $1.2 trillion to $1.8 trillion. Whereas Asia's income is expected to decline by $359 billion to $550 billion which is about 30% of the decline in world's income level.

4. Unemployment: There are huge job losses and incomes slashes due to the pandemic. As most economic activities were brought to stand still, resulting in loss of jobs for many.



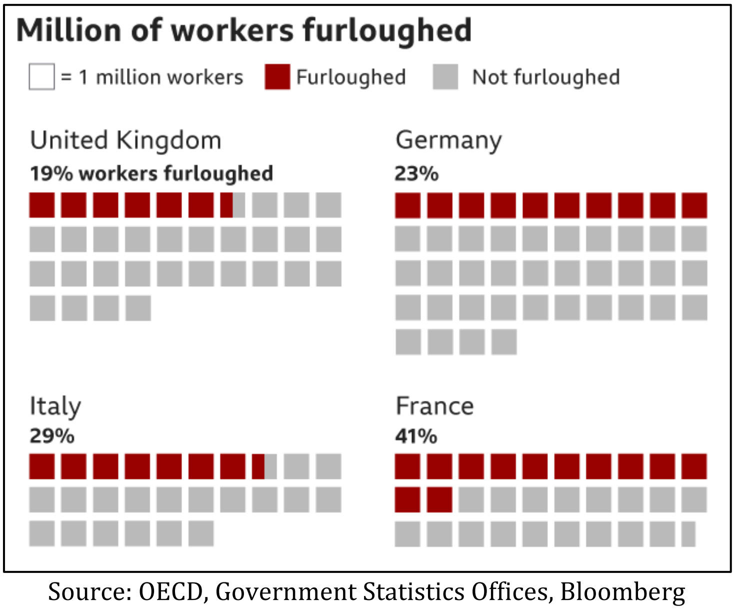
Source: IMF, 29 June 2020, 12:00 BST

5. Travel Industry: The travel industry has been damaged poorly, with airlines cutting flights and customers cancelling business trips and holidays. There were travel restrictions to try and contain the virus. Data from the flight tracking service Flight Radar 24 shows that the number of flights around the world took a huge hit in 2020.



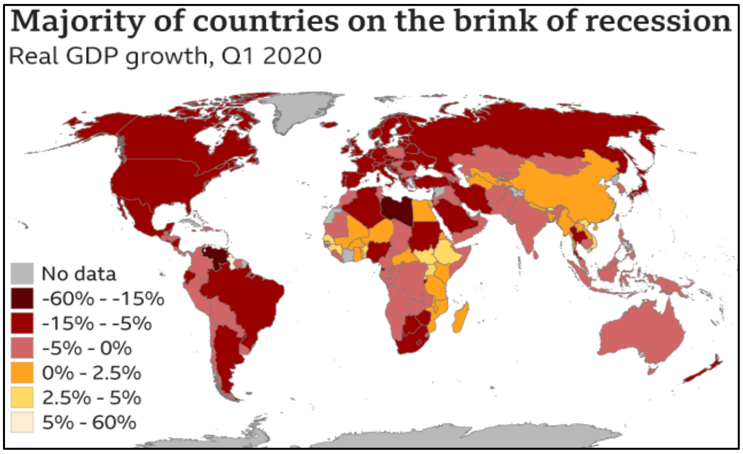
Source: Flightradar24, 29 June 2020, 12:00 BST

6. Migrant Workers Crisis: According to ILO, millions of migrant workers in developing countries, who have been forced to return home because of the COVID-19 pandemic after losing their jobs face unemployment and poverty in their home countries. This is a potential crisis within a crisis.



Source: OECD, Government Statistics Offices, Bloomberg

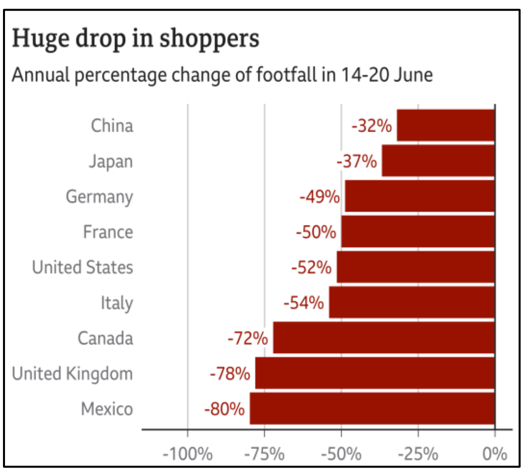
7. GDP Shrinking and Risk of Recession: The global economy is expected to contract by $5.8-8.8 trillion in losses due to the pandemic, the Asian Development Bank (ADB) said. Of this, the impact on South Asian gross domestic product (GDP) is expected to be $142-218 billion. The global economy is anticipated to decline between USD 5.8 trillion and USD 8.8 trillion in losses – which is approximately 6.4 percent to 9.7 percent of the global GDP. It is predicted that government's correct measure of policies could reduce its impact by 30 to 40 percent.



Source: International Monetary Fund

8. Oil Price Shrinking: Oil prices are hard hit due to the consumer demand falling as imposition of lockdowns further reduced world demands. This crisis further impacted the oil prices and dampen in production levels which caused reduced income in major oil exporting countries.

9. Decrease in Consumer Demand: Consumer demand dropped due to the virus contamination and the advisory to stay indoors, therefore except for food and other necessary items other industries have suffered badly.



Source: ShopperTrak, 29 June 2020, 12:00 BST

Now the need of the hour is to protect the economic stability which is at huge risk. Policymakers should think of various mechanisms to support these workers and businesses and through future expectations and work on the strategic reforms considering the growth and income prospects to decline the impact and foster the levels.

COVID-19 AND ECONOMIC POLICY

WHO has declared COVID-19 as an Public Health Emergency of International Concern on 30 January 2020, as it was spreading across countries. To restrict the spread of the corona virus countries imposed different measures like air-travel closure, border restrictions and lockdowns.

The measures adopted were significant according to the circumstances but it called for the break in the previous patterns. Almost all economic activities around the globe were at halt which in return causes loss of income and to reduce the impact of the suffering, governments announced various stimulus packages. In this, the vision is at the various relief and policy measures announced by different countries affected by corona virus.

Economic Policy in India

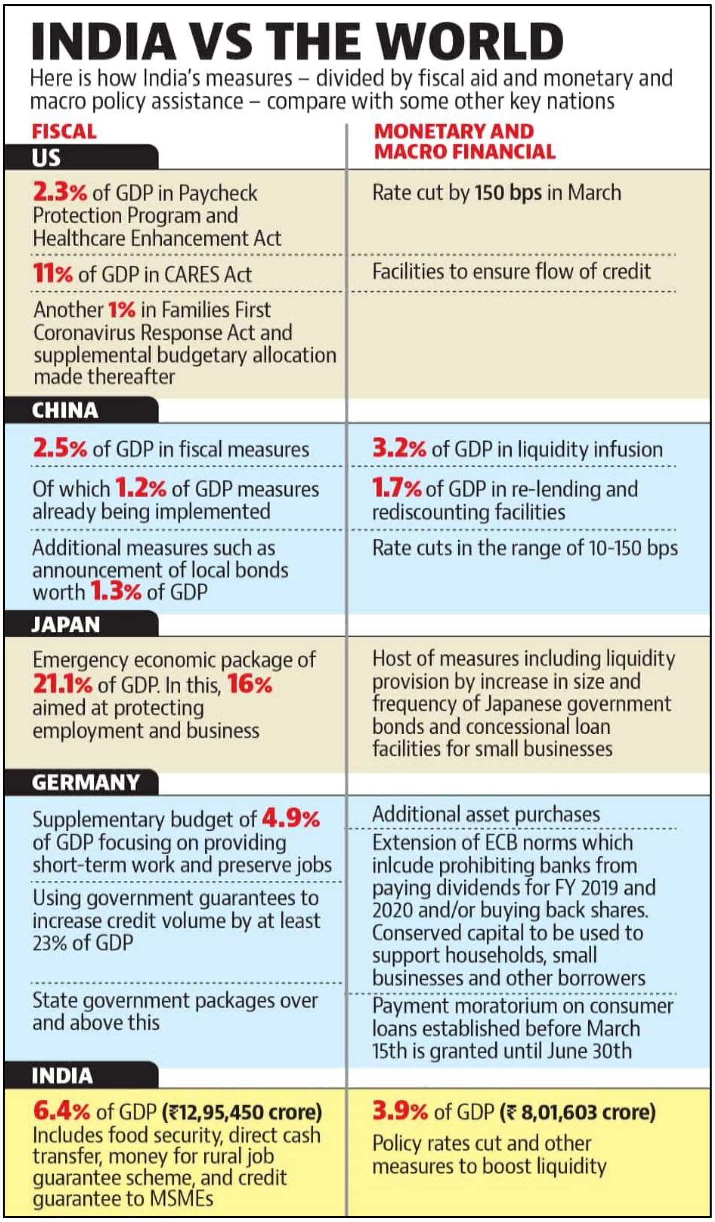
In India, the first case of COVID-19 was communicated on 30 January 2020 and the number of cases has increased continuously. Prime Minister announced lockdown on 24 March, which was extended for the third time to May 31.

On April 15, the government of India, communicated several relaxations. On May 12, the PM announced a relief package of approximately 10 percent of GDP, which includes previous monetary and fiscal policy packages also. On May 30, government reopened the economy naming it, 'Unlock 1' guidelines were issues for the sectoral re-opening of economic and commercial activities. However, states were given power to impose measure according to the spread of the disease.

The government introduced five-part Policy and Fiscal incentive package amounting Rs 20,97,053 crore, which includes measures announced for micro, small and medium enterprises (MSMEs), defence, agriculture, migrant workers, businesses, and others. To solve the problems caused by the pandemic and focus was laid on to self-sufficient economic perspective which is Atmanirbhar Bharat or "self-reliant India".

The government injected amount of Rs 9,94,403 crore in the system through Monetary and Fiscal Policy measures which includes Rs 1.70 lakh crore relief package on May 26 and Rs 8,01,603 crore Monetary measures by the Reserve Bank of India (RBI) till March 27.

Direct Spending was reported 6.4% or Rs 12,95,450 crore which includes food security, direct cash transfer, money for rural job guarantee scheme, and guarantee to MSMEs with others. The monetary policy instruments which were 3.9% of GDP or Rs 8,01,603 crore were even injected into the Indian economy. The picture below shows the India's measures in terms of Fiscal and Monetary policy comparing with other major economies.



INDIA VS THE WORLD

Here is how India's measures – divided by fiscal aid and monetary and macro policy assistance – compare with some other key nations

	FISCAL	MONETARY AND MACRO FINANCIAL
US	**2.3%** of GDP in Paycheck Protection Program and Healthcare Enhancement Act	Rate cut by **150 bps** in March
	11% of GDP in CARES Act	Facilities to ensure flow of credit
	Another **1%** in Families First Coronavirus Response Act and supplemental budgetary allocation made thereafter	
CHINA	**2.5%** of GDP in fiscal measures	**3.2%** of GDP in liquidity infusion
	Of which **1.2%** of GDP measures already being implemented	**1.7%** of GDP in re-lending and rediscounting facilities
	Additional measures such as announcement of local bonds worth **1.3%** of GDP	Rate cuts in the range of 10-150 bps
JAPAN	Emergency economic package of **21.1%** of GDP. In this, **16%** aimed at protecting employment and business	Host of measures including liquidity provision by increase in size and frequency of Japanese government bonds and concessional loan facilities for small businesses
GERMANY	Supplementary budget of **4.9%** of GDP focusing on providing short-term work and preserve jobs	Additional asset purchases
	Using government guarantees to increase credit volume by at least 23% of GDP	Extension of ECB norms which inlcude prohibiting banks from paying dividends for FY 2019 and 2020 and/or buying back shares. Conserved capital to be used to support households, small businesses and other borrowers
	State government packages over and above this	Payment moratorium on consumer loans established before March 15th is granted until June 30th
INDIA	**6.4%** of GDP **(₹12,95,450 crore)** Includes food security, direct cash transfer, money for rural job guarantee scheme, and credit guarantee to MSMEs	**3.9%** of GDP **(₹ 8,01,603 crore)** Policy rates cut and other measures to boost liquidity

Source: Finance Ministry, India: IMF Policy Tracker.
Last updated May 15, 2020

India does not have strong money market instruments So, the focus of the policymakers was specifically at Fiscal instruments to control the credit creation and money expansion in the economy.

Monetary Policy

1. Rate Cuts: On March 27,the Reserve Bank of India (RBI) lowered its repo rate and the bank's benchmark interest rate, by 0.75% to 4.4%, It also decreases the reverse repo rate by 0.9% to 4%. RBI again made a decrease in reverse repo rates on April 17 further, by 0.25% to 3.75% which in turn reduced the repo and reverse repo rates by 115 and 155 basis points (bps). The three liquidity measures includes Long Term Repo Operations (LTROs), a cash reserve ratio (CRR) cut of 100 bps, and an increase in marginal standing facility (MSF) to 3 percent of the Statutory Liquidity Ratio (SLR).The bank inoculated $49 billion into the financial market on March 27 by a mixture of loosening capital restrictions and reserve ratios, and introduced "targeted Long-Term repo operation," (TLTRO).

2. Commercial Banks: The RBI asked commercial banks to permit three-month deferments of payment for loans on March 27 and Significant Refinancing for housing finance companies, rural banks, and MSME's. CRR, requirements were abolished and NBFCs were classified as priority sector. The Liquidity Coverage Ratio (LCR) has also been lowered. A collateral-free lending program was introduced with 100 percent guarantee with Partial and credit guarantee scheme for public sector banks on borrowings of NBFCs, housing finance companies (HFCs), and MSMEs. On June 21, it the banks were asked to assign zero percent risk weight on the credit facilities.

3. States: The RBI increased its lending facility for states on April 1 and it increased the ability of state governments to overdraft on April 7. An extension of the 90 days' time period for resolution timeline of large accounts under default. In addition, state's Ways and Means Advance (WMA) limits have been increased by 60 percent and the limit for the central government's WMA has been revised up to 2.0 trillion. the RBI undertook further regulatory easing, including the increase in the large exposure limit, relaxation of some of the norms for state government financing, credit support to the exporters and importers and extension of the tenor of the small business refinancing facilities. On June 4, it further extended the benefit of interest subvention and prompt repayment incentive schemes for short-term agricultural loans.

4. Other Sectors: $6.6 billion TLTRO, was introduced for MSMEs, Special Liquidity Facility for mutual funds (SLF-MF) with a fixed-rate 90-day repo operation for banks for the liquidity prerequisite of mutual funds. SEBI even lower broker turnover fees and filing fees on offer documents for public issue, rights issue and buyback of shares. Another additional debt for stressed MSMEs with partial guarantee was introduced. Fund of Funds for equity injections in small financial institutions, and a special purpose vehicle (SPV) to purchase short-term debt of the NBFCs and HFCs. It was further supported by Tax relaxations as GST council communicated that it would halve the interest rate charged on overdue filings of small businesses.

Fiscal Policy

India's Fiscal measures can be Classified as:

1. Food Related: Two-third of the population will be covered under the scheme of Pradhan Mantri Garib Kalyan Anna Yojana which is a food scheme of the central government.

2. Employment: MNREGA Wage increase from INR 182/- to INR 202/-. Such increase will benefit 50 million families. The wage increase will amount into an additional income of INR 2,000/- per worker.
30 million senior citizens, widows, disabled to get one-time ex-gratia amount of INR 1,000 in two instalments over the next 3 months.
200 million-woman Jan Dhan account holders to be given ex-gratia amount of INR 500 per month for the next 3 months.
Women in 83 million families below poverty line covered under Ujwala scheme will get free LPG cylinders for 3 months.
For 630,000 Self-help Groups (SHGs), which help 70 million households, the government is doubling collateral-free loans to Rs 200,000.

3. Taxes: The Tax relaxations were provided. Key provisions under the Ordinance include:

- Extension of time limits
- Interest and penalty
- Donations to PM CARES Fund
- GST compliances

4. Health: Government offers free of cost diagnosis to people with COVID-19 symptoms .150 billion rupees (about 0.1 percent of GDP) will be devoted to health infrastructure according to government's claim. Private laboratories are allowed to test individuals for COVID-19. The cost of screening in private labs was capped at Rs 4,500. And the government gave the authority to different states to regulate the treatment costs of private sectors.

5. Business And Other Sectors: Government directed states to utilize the welfare fund for building and construction workers. The District Mineral Fund, amounting INR 310 billion, will be used and $108 billion to buy equity stakes in drenching companies in the market.

Measures which are not direct, seek to provide credit support to businesses which is 1.9 percent of GDP, poor households, especially migrants and farmers with 1.6 percent of GDP, distressed electricity distribution companies 0.4 percent of GDP, and targeted support for the agricultural sector 0.7 percent of GDP, as well as other measures of about 0.3 percent of GDP was even included. Major elements of the relief package are for MSMEs and NBFCs whereas additional support to agricultural sector by providing concessional credit to farmers, and a credit facility for street vendors. Agricultural sector support is mainly for development of infrastructural institutions, which further escalate the growth potential.

6. PM CARES Fund: The central government has set up a national fund to deal with emergencies like the COVID-19 pandemic.

Sl No	Date	Details
1	06 March 2020	**$ 8.3 billion** – Corona Virus Preparedness and Response Supplemental Appropriations Act, 2020
2	18 March 2020	Paid Emergency Leave & Food Assistance along with Free Testing - Families First Corona Virus Response Act
3	25 March 2020	**$ 2 trillion** – CARES Act, 2020
4	23 April 2020	**$ 484 billion** – funding for Pay check Protection Program

Source:https://factly.in/explainer-COVID-19-economic-relief-packages-across-the-world/

Key Allocations of Aid Package under CARES Act	
$ 130 billion	Medical & Hospital industries
$ 500 billion	Economic Stabilization fund – for eligible business, states & municipalities i.e. Business with less than 10,000 employees and $ 2.5 billion in revenues.
$ 350 billion	Small Business Loans Program (Pay check Protection Program) i.e. Businesses less than 500 employees.
$ 250 billion	Unemployment Insurance (Additional $600 per week to unemployed, over and above the amount determined by the states.)
$ 250 billion	Assistance to individuals in the form of – tax rebates, tax credits & advances
$ 150 billion	Assistance to State & Municipal governments
$ 14 billion +	Relief on Student loans, creation of $ 14 billion Higher Education Emergency Relief fund to provide cash grants to college students

Economic Policy in USA

USA is the worst hit country by the corona virus. The US is facing an outbreak of COVID-19 that has claimed the lives of millions. President Trump's declared a Public Health Emergency on 31 January 2020, escalated further, a National Emergency was declared on 13 March 2020. The restrictions have adversely affected travel, restaurant, retail and other industries along with the financial markets. As on 16 April, around 22 million Americans have filed for unemployment since National emergency was declared. Reflecting the impact of the containment measures, the U.S. economy contracted at an annualized rate of 5 percent in the first quarter and the unemployment rate reached 11.1 percent in June. As of July 16, all states have begun the reopening process. The United States Congress has come up with multiple aid packages to address the situation. The images above explain the packages announces and the respective Amount.

Monetary Policy

1. Rate Cuts: Federal funds rate were lowered by 150bp in March to 0-0.25bp. Purchase of Treasury and agency securities in the amount expanded overnight and term repos. Lowered cost of discount window lending. Reduced existing cost of swap lines with major central banks and extended the maturity of FX operations, broadened U.S. dollar swap lines to more central banks, offered temporary repo facility for foreign and international Monetary authorities.

2. Treasury Buying: Committed to buy $700 billion of Treasury ($500 billion) and agency MBS ($200 billion) securities.

3. Credit Creation: It introduced facilities to support the flow of credit, backed by the Treasury using funds appropriated under the CARES Act. The facilities are: (i) Commercial Paper Funding Facility (ii) Primary Dealer Credit Facility (iii) Money Market Mutual Fund Liquidity Facility (MMLF) (iv) Primary Market Corporate Credit Facility to purchase new bonds and loans from companies; (v) Secondary Market Corporate Credit (vi) Term Asset-Backed Securities Loan (vii) Pay check Protection Program Liquidity Facility (PPPLF) (viii) Main Street Lending Program and (ix) Municipal Liquidity Facility

4. Banking And Others: Federal banking supervisors encouraged depository institutions to use their capital and liquidity buffers to lend, to work constructively with borrowers affected by COVID-19, and indicated COVID-19 related loan modifications would not be classified as troubled debt restructurings. Fannie Mae and Freddie Mac have announced assistance to borrowers, including providing mortgage forbearance for 12 months and waiving related late fees, suspending reporting to credit bureaus of delinquency related to the forbearance, suspending foreclosure sales and evictions of borrowers for 60 days, and offering loan modification options. Reduced banks' reserve requirements to zero. They were already very low and served no purpose in the "ample reserves" Monetary Policy regime now being implemented, drawing on liquidity and capital resources as banks meet the elevated credit needs of their household and business customers. Encouraged banks to borrow from the Fed's discount window, where it extends credit to banks backed by a wide range of collateral, by reducing the penalty banks pay above market rates and extending the maturity of the loans.

Fiscal Policy

Listed below are provided under Coronavirus Aid, Relief and Economy Security Act (CARES Act) estimated US$2.3 trillion (around 11% of GDP).

1. Food: US$25 billion to provide a food safety net for the most vulnerable.

2. Employment: US$268 billion to expand unemployment benefits.

3. Tax: US$293 billion to provide one-time tax rebates to individuals.

4. Business: US$483 billion Pay Check Protection Program and Health Care Enhancement Act.. The legislation includes US$321 billion for additional forgivable Small Business Administration loans and guarantees to help small businesses that retain workers; US$62 billion for the Small Business Administration to provide grants and loans to assist small businesses; US$75 billion for hospitals; andUS$25 billion for expanding virus testing.US$510 billion to prevent corporate bankruptcy by providing loans, guarantees, and backstopping Federal Reserve. US$349 billion in forgivable Small Business Administration loans and guarantees to help small businesses that retain workers.

5. Health: US$100 billion for hospitals.

6. States And Local Governments: US$150 billion in transfers to state and local governments and (viii) US$49.9 billion for international assistance (including SDR28 billion for the IMF's New Arrangement to Borrow).

7. Others: US$8.3 billion Coronavirus Preparedness and Response Supplemental Appropriations Act and US$192 billion Families First Coronavirus Response Act. They together provide around 1% of GDP for: (i) Virus testing; transfers to states for Medicaid funding; development of vaccines, therapeutics, and diagnostics; support for the Centres for Disease Control and Prevention responses. (ii) 2 weeks paid sick leave; up to 3 months emergency leave for those infected (at 2/3 pay); food assistance; transfers to states to fund expanded unemployment insurance. (iii) Expansion of Small Business Administration loan subsidies. And (iv) US$1.25 billion in international assistance. In addition, federal student loan obligations have been suspended for 60 days.

Economic Policy in Germany

As a Eurozone country, Germany's Monetary Policy is conducted by the European Central Bank. The only Germany-specific relief items passed by the government are related to Fiscal Policy. Its efforts are, by far, the largest of any country in Europe in overall size and as a percent of the country's overall GDP.

German stimulus package could help Europe's biggest economy recover swiftly from a deep slump triggered by the coronavirus pandemic. Germany registered the first confirmed COVID-19 case on January 27, 2020. Since early-April, new cases have been steadily decreasing and are stabilized at relatively low levels, with limited local outbreaks. On April 20, smaller shops re-opened subject to social distancing requirements. The country's biggest post-war package, worth around 130 billion euros (US$150 billion), includes cuts to the VAT, handouts to families, and subsidies for greener transport options.

It is not only the size of the packages which is remarkable but also the fact that the German government has made a complete U-turn in its approach to Fiscal Policy. This not only the case for Germany but also for Europe. From austerity champion to big spender.

Monetary Policy

The authorities extended all ECB-issued regulatory and operational relief to German banks under national supervision. In addition to measures at the euro area level. Release of the countercyclical capital buffer for banks from 0.25 percent to zero commercial bank: €100 billion to refinance expanded short-term liquidity provision to companies through the public development bank KfW, in partnership with commercial banks. A three-month payment moratorium on consumer loans established before March 15th is granted until June 30th 2020. . Loans issued under KfW guarantees are exempt from the calculation of lenders' own funds requirement, their leverage ratio, as well as the large exposure limit.

Business: €100 billion is allocated within the WSF to directly acquire equity of larger affected companies and strengthen their capital position. if the debtor is financially affected by the COVID-19 crisis.

Fiscal Policy:

Economic Stabilization Fund, announced on March 23, 2020. €156 billion (4.9 percent of GDP €156 billion (4.9 percent of GDP and €130 billion (4 percent of GDP) in June.

1. Health: Spending on healthcare equipment, hospital capacity and R&D (vaccine).

2. Employment: Subsidy to preserve jobs and workers' incomes, expanded childcare benefits for low-income parents and easier access to basic income support for the self-employed. Temporarily expanded duration of unemployment insurance and parental leave benefits.

3. Business: €50 billion in grants to small business owners and self-employed persons and in addition to interest-free tax deferrals until year-end and €2bn of venture capital funding for start-ups.

4. Taxes: The stimulus package in June comprises a temporary VAT reduction. The rate will be cut from 19% to 16% on all goods.

5. Local Government: They have announced €141 billion in direct support and €63bn in state-level loan guarantees.

6. Others: The authorities plan to issue €218.5 billion in debt this year to finance the packages. income support for families, grants for hart-hit SME's, financial support for local governments, expanded credit guarantees for exporters and export-financing banks, and subsidies/investment in green energy and digitalization.

7. WSF Fund: The newly created economic stabilization fund (WSF) and the public development bank KfW, the government is expanding the volume of credit. increasing the total volume by at least €757 billion (24 percent of GDP). The WSF and KfW also include facilities for public equity injection into firms with strategic importance.

Economic Policy in Japan

In Japan the state of emergency for seven states was declared on April 7 and expanded the coverage of the state of emergency to all Japanese prefectures on April 16, effective till May 6. On May 4, PM extended the nationwide state of emergency through May 31. The 2020 Tokyo Olympic Games have been postponed due to the current situation to July 23-August 8, 2021. On May 25, Japan reopened the economy.

Monetary Policy

1. Securities Purchase: The BoJ decided to purchase a necessary amount of JGBs without setting an upper limit on its guidance on JGB purchases. In addition, it raised the maximum amount of additional purchases of commercial paper and corporate bonds, lifting the upper limit of commercial paper and corporate bond holdings to ¥20 trillion (US$186 billion) in total.

2. Banks: The special funds-supplying operations have been scaled up by expanding the range of eligible counterparties and collateral to private debt (including household debt), as well as by applying a positive interest rate of 0.1 percent to the outstanding balances of current accounts held by financial institutions at the BoJ that correspond to the amounts outstanding of loans provided through this operation. The BoJ introduced a new fund-provisioning measure to support financing of mainly small- and medium-sized enterprises, providing funds against loans such as interest-free and unsecured loans made by eligible counterparties based on the government's emergency economic measures. The total size of the special funds-supplying operation and the new fund-provisioning measure amounts to about ¥90 trillion. The government expanded the volume of concessional loan facilities (interest free without collateral) primarily for micro, small and medium-sized businesses. The government will also enhance access to loans with the same conditions from local financial institutions, such as local banks.

3. Credit Creation: To support borrowers during this period of stress, the Financial Services Agency (FSA) has reassured banks that they can assign zero risk weights to loans guaranteed under public guarantee schemes, draw down their regulatory capital and systemically important bank buffers to support credit supply, and draw down their stock of high-quality liquid assets below the minimum liquidity coverage ratio requirement. The FSA has also asked banks to defer principal payments on mortgage loans as needed, and refrain from charging fees for modifying mortgage loan conditions.

4. Others: The BoJ in coordination with the Bank of Canada, the Bank of England, the European Central Bank, the Federal Reserve and the Swiss National Bank enhanced the provision of U.S. dollar liquidity on March 15, by lowering the pricing on the standing U.S. dollar liquidity swap arrangements by 25 basis points. Japan also has several important bilateral and regional swap arrangements with Asian countries.

Fiscal Policy

Japan is on top of the list of countries' spending and has announced an emergency economic package of 21.1% of GDP. In this, 16% aimed at protecting employment and business.

There has been a host of measures including liquidity provision by an increase in size and frequency of Japanese government bonds and concessional loan facilities for small businesses.

On April 7 the Government of Japan adopted the Emergency Economic Package Against COVID-19 of ¥117.1 trillion (21.1 percent of 2019 GDP. The package includes:

1. Health: To develop preventive measures against the spread of infection and strengthen treatment capacity an expenditure of 0.5 percent of 2019 GDP.

2. Employment And Business: 16.0 percent of 2019 GDP.

3. Others: To regain economic activities after containment, 1.5 percent of 2019 GDP and to rebuild a resilient economic structure 2.8 percent of 2019 GDP, To enhance readiness for the future 0.3 percent of 2019 GDP. The key measures comprise cash handouts to every individual and affected firms.

4. Tax: Deferral of tax payments and social security contributions, and concessional loans from public and private financial institutions.

On May 27, the Government of Japan announced the second FY2020 draft supplementary budget (passed on June 12). The package, worth ¥117.1 trillion (21.1 percent of 2019 GDP), covers (i) health-related measures, (ii) support to businesses, (iii) support to households, (iv) transfers to the local governments, and (v) raising the ceiling of the COVID-19 reserve fund. The specific measures include expansion of the work subsidies, provision of subordinated loans by the public financial institutions to affected firms, and subsidies to affected firms for their rent payments.

CONCLUSION

Local and in-country specific demands influence the financial packages across the countries. The developing countries have laid emphasis on providing financial and benefits-in-kind support to the marginalized sections of the society. Whereas, more developed countries have laid emphasis on providing tax reliefs for the work forces and incentives for employers to sustain in the business. Providing assistance to the unemployed who might have lost their jobs due to COVID-19 features primarily in any of the relief & stimulus packages announced by the governments. Key emphasis is also laid on providing assistance to businesses, especially small and medium scale ones which have lost revenue and do not have the resources to stay afloat. This would ensure that the businesses survive this pandemic. More Specifically, we find that European country (Germany) and US have larger packages announced but they are even less than Japan which has announced largest package. Focusing on the heterogeneous impact of the shock, find that countries that are poorer and have lower share of workers that can work from home are more vulnerable. In fact, the decline in economic activity or mobility precedes rather than follows the introduction of such mitigation policies. This evidence is a warning against optimistic projections that the economic recovery will start once. Moreover, there is no sharp acceleration in mobility and economic activity after the reopening. With entire sectors of the economy on a lockdown and the need to “flatten the curve,” millions of workers have immediately lost their jobs. These numbers are a call for an unprecedented Policy response, which is more similar in spirit to the reaction to wars and natural disasters, rather than a standard macroeconomic stimulus to support demand. A mix of Monetary, Fiscal, and financial measures are aimed at minimizing disruptions and scarring from the lockdown, by providing sizable, targeted support to households and businesses to cope with the “hibernation” of the economy and to be able to jump-start soon after the health crisis will be over.

Another observation is that the economy may not rebound unless workers and consumers feel safe about resuming their normal activities. As countries move forward with loosening of mitigation policies, analyses such as ours could guide decisions not only on the pace and breadth of lifting mitigation policies but also on other measures that may be needed to restore confidence and trust for people to get back to pre-COVID-19 behaviours.

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