

## What Is The Best Way Forward For Businesses Post Coronavirus Period

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Governments around the world are rushing to help individuals and companies until the latest coronavirus is contained. The only concerns are how much money to pump into the economy, how to do it, and whether it is going to be enough. The playbook used to combat the flu pandemic of 1918 is being used by officials from Paris to Washington DC: they limit movement and clamp down on public gatherings. Although those steps have the potential to minimize deaths and illnesses, they will also harm many businesses' market prospects and trigger a coordinated global disruption.

According to Harvard Economist Kenneth Rogoff quoted by Quartz (2020), “The policy response needs to be MASSIVE. The fiscal policy response in the health sector needs to treat this like a WAR, and nothing less, converting facilities to temporary hospitals, factories to making respirators and face masks”. Sadly, in Zimbabwe at the moment there has not been much action on the bailout front. The government has not yet announced any stimulus package to help with battling the effects of the virus.

Examples of bailouts rolled so far globally

Governments and other organizations around the world are looking to buy time for their countries until the crisis has been curbed. The following is data obtained from the online magazine Quartz (2020).

### US

- President Donald Trump signed a \$2 trillion stimulus bill that includes \$500 billion to back loans for companies and \$350 billion for small businesses. Lower- and middle-income adults will get \$1,200 and \$500 for each child, while unemployment insurance is beefed up.
- The Federal Reserve pledged an unlimited amount of asset purchases to support markets, including, for the first time, buying corporate bonds and exchange-traded funds. The central bank earlier slashed interest rates to near zero. Fed officials are encouraging lenders to eat into their capital holdings to help their customers.
- The Fed restarted a financial-crisis-era lending facility on March 17 for commercial paper. The program for short-term financing is set to last for one year. The central bank launched its Primary Dealer Credit Facility, offering overnight and term funding, the same day.

### China

- In China, where the Covid-19 outbreak originated, the government is reportedly planning around \$394 billion of infrastructure spending, backed by local government bonds.
- Banks reportedly have approval from the government to roll over loans, relax guidelines on

overdue debt, avoid reporting delinquencies, and for borrowers to skip making payments.

- The People's Bank of China cut bank reserve requirements to free up \$79 billion for lending to crisis-hit companies and says it will reduce interest rates for borrowers.

### **Australia**

- The government is planning A\$320 billion (\$197 billion) of spending and available borrowing. The package includes wage subsidies of A\$1,500 every two weeks for each employee.
- Parliament had previously agreed to more than A\$80 billion in fiscal stimulus.

### **Denmark**

- The Danish government is paying 75% of employees' salaries, up to \$3,288 per month, at private companies that have been impacted by the pandemic.

### **Japan**

- The government has announced a spending package of about \$4 billion that is focused on small and mid-size companies. A government-affiliated lender will offer funds charging (effectively) no interest to small firms whose revenues have dropped because of the virus.
- The Bank of Japan will buy more than \$100 billion worth of exchange-traded funds, twice its earlier pledge while setting aside money to keep corporate funding markets operating.

### **Germany**

- The government in Berlin has signed off on a €750 billion (\$800 billion) package as well as plans for loans, guarantees, government stakes in companies, and credit to keep businesses afloat.
- "We promised that we will not fail because of a lack of money and political will," said German Economy Minister Peter Altmaier. "We will reload our weapons if necessary."

### **Spain**

- Officials are prepared to make as much as \$219 billion of aid available, including €100 billion of guarantees for company loans and €17 billion of direct support for enterprises.
- Prime Minister Pedro Sanchez reportedly said the private investment will provide €83 billion of support.

### **UK**

- The British government said on March 20 that it's writing a blank check for workers: Government grants will cover 80% of the salary of retained workers up to a total of £2,500 (\$3,084) a month; no business will pay VAT until June, which is worth £30 billion.
- On March 26, Chancellor Rishi Sunak unveiled a similar initiative for the self-employed who

earn up to £50,000, offering them 80% of their average earnings for the past three years.

- The spending measures will cost around £60 billion (paywall), according to Financial Times estimates.
- Officials said on March 17 that they are assembling a bailout fund of £330 billion—roughly 15% of gross domestic product—to offer state-backed loans to support UK businesses. Small operators in retail, hospitality, and leisure will be eligible for cash grants of up to £25,000.
- The March 17 package also includes three-month mortgage holidays for homeowners in financial difficulty because of the pandemic.
- Officials in London pledged £30 billion of emergency spending on March 11. That includes a £5 billion emergency response fund for the National Health Service, statutory sick pay for people who have been told to self-isolate, and sick-pay refunds for companies with fewer than 250 employees.
- The Bank of England cut its target rate to a record low 0.1% and boosted its bond-buying program by \$230 billion, on March 19. The central bank had previously rolled out a cheap credit program and gave banks more scope to lend. Its Term Funding Scheme is aimed at smaller companies.

## **France**

- Officials will spend €45 billion to help small businesses and employees.
- President Emmanuel Macron said there will be unlimited aid for businesses.

## **Italy**

- The government approved €25 billion (\$49 billion) of support for companies and workers, including extra money for the health system, increasing unemployment benefits, freezing tax and loan payments, and suspending mortgage payments.
- The effort will also make use of €340 billion of financing, and more efforts are expected to follow.

## **India**

- The government is reportedly pushing its banks to approve as much as 600 billion rupees (\$8.1 billion) of loans by the end of March.
- The Reserve Bank of India announced long-term repo operations (LTRO) to reduce interest rates and boost lending.

## **Canada**

- The government is planning a package totaling C\$82 billion (\$56.7 billion), which includes C\$27 billion of support for individuals and companies and C\$55 billion in temporary tax deferrals for businesses and households.
- The Bank of Canada cut its overnight interest rate by 50 basis points to 0.75% on March 13.

## **International Monetary Fund**

- The international organization, which has 189 member countries, says it's prepared to mobilize \$1 trillion in lending.
- As much as \$10 billion is available for low-income countries using facilities that have zero interest rates.

## **The Zimbabwean case**

A considerable number of the local employees have been asked to take unpaid leave, workers furloughed rather than fired, raises the questions should the government step in and pay a percentage of their wages? This, rather than putting money directly into the hands of the individual, makes sense: it will be better for any economic recovery if people with jobs keep them if companies don't go bust. With powerful, real-time action by the Parliamentary Portfolio responsible, the introduction of a bailout or stimulus package into the economy can prioritize Zimbabwean lives and livelihoods during this pandemic. It can provide security for hundreds of thousands of workers—and make sure the Zimbabwean economy isn't a permanent victim of this virus.

The case for bailouts is that it will allow big and small businesses alike to recapitalize and maintain functionality in an economy that is already struggling. The stimulus packages will help preserve jobs and allow businesses to remain operational in the process to try and help with the soaring unemployment levels in the country. Thus the impact of a government bailout is known, questions that arise are: How much will the government inject? Where will it get the money from? How will the package be rolled out? Who will benefit from the bailout? What will be the repayment terms of the packages? These will be the questions to be dealt with once the government decides to go the bailout route. At the present moment though the government is still yet to take action the events happening in the business operating environment suggest the need for immediate assistance.

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