MONETARY POLICY RESPONSES TO COVID19

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Abstract. *The pandemic of the corona virus caused a shock of global interaction that hit the global economy hard, taking by surprise both the authorities and the scientists, who had to intervene in order to mitigate the consequences in terms of all the lessons previously offered by history. To control the spread of the virus, governments around the world have used and still use social distancing. This inevitably suppressed large-scale economic activity. The massive stalemate in public life has hit most countries around the world, whose economies have been forced to slow down.*

Cuvinte-cheie*: Covid-19, monetary policy, relaxation measures, central banks.*
JEL Classification: E44, E52, E58

Social distancing, quarantine and stopping many economic activities have spread panic and turmoil worldwide, generating tensions including in the monetary, banking and financial fields, with jumps in interest rates, exchange rate instability or large withdrawals from banks. This extraordinary, indisputable situation has required the authorities at all levels to implement unconventional measures to reduce the negative effects and overcome the crisis as soon as possible. The crisis caused by the pandemic, having some specific characteristics, namely that it is not caused by economic factors, especially affects the real economy and has predictable consequences, is approached as manageable by effective financial, organizational, regulatory and social measures. However, the unpredictable, global and uncontrollable nature of the virus continues to affect not only people's health but also their well-being.

The purpose of the paper is to determine the capacity of changes in monetary conduct to ensure a short-term financing process of the economy and the real sector, in order to identify impediments or opportunities to make them more efficient. To achieve this goal, the following research objectives were established: research and systematization of monetary theories, reflecting the interdependencies between the objectives of the promoted monetary policy and the response of the banking system in terms of fulfilling its role of providing financial resources in the economy; analysis of monetary policy changes implemented by various states during the pandemic and conducting a comparative analysis with the Republic of Moldova to identify differences and follow possible positive experiences to be applied in our country; determining the constraining factors of monetary policy changes in the Republic of Moldova and identifying solutions to reduce the effects of these factors.

At the theoretical and methodological basis of the research were the works of classical economic theory, the research of foreign economists and those from the Republic of Moldova. Legislative acts and national and international norms, statistical data presented by the National Bank of Moldova, the National Bureau of Statistics, the European Central Bank, the National Bank of Romania, etc., as well as the data provided by various specialized journals were used as information base and results from the author's own calculations.

In the research process of the information necessary for the elaboration of the paper, various research methods were used: synthesis method, comparison, induction and deduction, economic analysis, systemic analysis, statistical method, graphical method, retrospective analysis (historical approach). Scientific knowledge methods, such as comparison method, graphical analysis and logical thinking methods, statistical analysis allowed the systemic analysis of the approached problem, the detection of legitimacies and interconnections between monetary conditions and banking behavior and the formulation of conclusions on the possibilities of pandemic crisis management through monetary mechanisms.

The rapid and sharp decline in the macroeconomic supply as a result of early measures (cancellation of events, quarantine, isolation, etc.) leads directly to a decrease in the volume of work and thus to a decrease in the production of goods and services and, finally, , and revenue. All these macroeconomic imbalances mean for many entrepreneurs a significant decrease in sales and profits, as well as wages and loss of income for employees. Respectively, it is the most important problem, at least for a short period of time it has emerged to be the financing of the economy, especially the real one.

The study identified the main instruments developed by the International Monetary Fund (IMF), the European Bank for Reconstruction and Development (EBRD) and the World Bank to support and advise national governments and central banks in this regard. The IMF's general recommendations addressed the need to promote a relaxed monetary policy to encourage financial institutions to work more actively with their customers, especially those affected by the effects of the pandemic. Either by reviewing the possibilities of extending loan agreements or postponing related payments, or by offering acceptable conditions to small and medium-sized enterprises that would allow them to maintain and develop their business. Of course, these measures jeopardize the financial stability of credit institutions, which is why a number of central banks have developed a set of financial and non-financial measures to support banks and their customers. Central banks around the world have taken unprecedented steps to limit the negative impact of COVID-19 on financial conditions, businesses and economic indicators. Advanced economies have reduced their monetary policy rates to unprecedentedly low levels.

The analysis of monetary policy promoted by the NBM allowed us to convince ourselves that it practically follows the steps taken by most central banks in the world, in order to maintain the stability of consumer prices, protect people's economies, encourage lending activity. The National Bank of Moldova also came up with a set of actions to reduce the impact of the pandemic on the real sector, with recommendations to banks to refrain from paying dividends, reducing the required reserve ratio and the monetary policy rate, with the approval measures to support consumers of bank loans for the emergency period.

Access to bank lending is also actively supported by the NBM through a series of measures aimed at ameliorating the negative impact of the COVID-19 virus and further ensuring the functionality of the country's financial-banking system. In this regard, the NBM allowed licensed banks to flexibly manage the payment obligations of individuals (including legal entities) in difficulty to pay for loans, under conditions of urgency.

The research in question allowed us to find that if, in the economic crisis that erupted more than a decade ago, the world's major central banks launched quantitative easing programs, the coronavirus crisis has led smaller central banks to move into premiere of qualitative relaxation measures. Central banks have intervened through exceptional monetary policy and financing measures to protect economies, banks and companies from the impact of the pandemic due to the coronavirus.

The measures introduced at an early stage (liquidity insurance for banks, government guarantee schemes for loans to affected companies, deferrals of loan payments, social security contributions, taxes, etc.) are correct, but some of them will be very costly for public finances. Because, the room for maneuver in the budgetary and monetary field is very limited, due to the complicated budgetary situation in which our country was mentioned after the recent financial-banking crisis. However, we have no other solutions, it is necessary to take action despite the weak economic environment, which is destined to deteriorate further.

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