Library Progress International *Print version ISSN 0970 1052*
Vol.44 No.3, Jul-Dec 2024: P. 23778-23790 *Online version ISSN 2320 317X*

Original Article *Available online at www.bpasjournals.com*

The Impact Of Fiscal And Monetary Policies On The ManagementOf Covid-19 Pandemic In 2 Oecd Countries: An Exploratory Study Of Pre And Post Pandemic Effect

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How to cite this article: Ihebuluche Fortune Chiugo,Atul Sangal (2024). The Impact Of Fiscal And Monetary Policies On The Management Of Covid-19 Pandemic In 2 Oecd Countries: An Exploratory Study Of Pre And Post Pandemic Effec . *Library Progress International,* 44(3), 23778-23790

Abstract

This study aims to investigate the role that effective fiscal and monetary policy played in the pre- and post-pandemic management of the COVID-19 pandemic Crisis in two selected OECD countries (Australia and Canada). It also aims to look at how the economies of the aforementioned nations – Canada and Australia – that successfully handled their fiscal and monetary policies throughout the pandemic period helped those nations' economies recover. to poor public service delivery and non-commitment of government to addressing immediate needs/challenges confronting taxpayers. macroeconomic strategies utilized to create strongand sustainable growth while lowering the poverty rate. The exploratory study employed timeseries analysis to look at the many macroeconomic indicators these nations used to assess the immediate and long-term effects of the economic recovery in the chosen period. The outcomeis that hence Fiscal policy alters governmental spending and taxation, which impacts overall demand. These variables affect household income and employment, which in turn affect consumer spending and investment. Money supply in an economy is impacted by monetary policy, which in turn affects interest rates and inflation. Furthermore, our justification is that the policy will have an impact on interest rates and the amount of loanable capital, which would then have an impact on a number of aggregate demand components. To claim a perfecteconomy, tight or contractionary monetary policy application raises interest rates and decreases the amount of loanable money by reducing two aspects of aggregate demand and supply.

Key Words: Fiscal Policy, Monetary Policy, Covid-19 Management, OECD Countries, Pre and Post Pandemic.

1 Introduction

The COVID-19 pandemic was originally deemed a global health emergency by the World Health Organization (WHO) in January 2020; and on March 11, it was formally labelled a pandemic, the most serious type of health disaster (Chappell, 2020). Since then, the situation has developed into a major public health and economic disaster that has had a profound impact on the $90 trillion global economy. The viral infection spread throughout and across nations and practically every community. This illustrates how intertwined the world economyis since the virus has been found in every nation, and in every nation of the OECD.

The viral pandemic is a rare worldwide phenomenon with profoundly individual experience and far-reaching effects. Beyond anything seen in almost a century, the pandemic has badly impacted global economic growth in 2020 and disturbed life in all nations and localities. In 2020, the annualized rate of global economic growth was about -3.2%, with recovery rates of 5.9% and 4.9% predicted for 2021 and 2022, respectively (International Monetary Fund (IMF), 2021). The IMF further stated that supply shortages in advanced economies will remain through 2022, and that the outlook for low-income developing nations "had darkened substantially" as a result of unequal access to vaccines and varying levels of economic policy support (Congregational Research Service, 2021). Due to the pandemic's impact on emerging economies, the recession caused by it is said to be more worldwide in scope than the one seenduring the global financial crisis of 2009–2010. In a recent projection, the IMF predicted that the global economy will recover in different geographic areas at varying rates, reflecting variations in the rate of vaccination, the degree of policy support, and distinct structural factors, such as the importance of tourism to the economy.

Global trade was anticipated to increase by 8.0% in 2021 after declining by an estimated 5.3% in 2020 (Congregational Research Service, 2021). The economic downturn in 2020 wasnot as severe as previously predicted, according to projections, in part because of the fiscal and monetary measures that governments implemented in that year. The majority of nations had a steep decline in economic growth in the second quarter of 2020, a swift recovery in the third quarter, and largely positive growth ever since. The overall consequences on the global economy are growing even while they are decreasing. The extended duration of the health crisis is particularly having an impact on the global economy that goes beyond what can be expected and might have long-lasting and widespread effects.

Forecasts for the economy take into account the ongoing dangers to a long-lasting global recovery posed by a rebirth of contagious diseases and anticipated inflationary pressures brought on by a build-up of unmet consumer demand powered by rising personal savings. Onthe supply side, shortages are a result of ongoing problems with the labor market, bottlenecksin the manufacturing and supply chain, turbulence in the world energy market, and shipping and transportation issues that are escalating inflationary pressures (Congregational Research Service, 2021).

Due to worries about potential inflationary pressures and the potential to delay the speed of recovery, central banks and national governments are evaluating the impact and timing of narrowing off monetary and fiscal responses as certain developed economies begin to recover. The introduction of Covid-19 variants, expanding pandemic hotspots that complicatestate attempts to control infections and fully resume economic activity, and the Russian- Ukrainian war all add to these worries. It is anticipated that major advanced economies, which account for 60% of global economic activity, would continue to produce below their potential levels of output through at least 2024, resulting in lower levels of national and individual economic wellbeing than before the pandemic (Congregational Research Service, 2021). The global economy has shown signs of a two-track recovery that started in the third quarter of 2020 and has been branded by a promising recovery in developed economieswhere vaccination rates are high but a slower pace of growth in developing economies where vaccination rates are low. This is in contrast to the synchronized nature of the global economic slowdown in the first half of 2020.

The concern of this paper will therefore hinges on exploring the potency of monetary and fiscal policies response to the Covid-19 pandemic on the economic recovery of two OECD countries of Australia and Canada. The policy response will be observed as to how they affectoutput growth, the price level, and the rate of unemployment in the two economies. For instance, the Reserve Bank of Canada reduced the rate of interest to 0.25% coupled withother fiscal policy measures of the purchase of government bonds (quantitative easing); whilefor Australia, fiscal stimulus, comprising expenditure and revenue actions worth A$312 billion (15.75% 2020 GDP) was deployed and the monetary policy action hinges on areduction of the Overnight Cash Rate target to 0.25% in March 2020 with a further reduction to 0.1% in November 2020 plus a zero interest rate on commercial banks' exchange settlement balances at the Reserve Bank of Australia (RBA).

2 The Covid-19 Pandemic in Australia and Canada

On January 25, 2020, the first COVID-19 case in Australia was determined. Late March/earlyApril 2020 saw a tightening of social distancing measures, including a prohibition on public meetings of more than two persons and the closure of non-essential enterprises. The National Cabinet announced a three-step plan to loosen COVID-19 limitations on May 8, 2020, and States and Territories loosened local containment measures in response. A regional COVID-

19 rebirth from July to the beginning of November 2020 led to a new lockdown in metropolitan Melbourne and tighter restrictions for the State of Victoria.

Temporary local lockdowns have since occurred in South Australia (November 2020), Sydney's Northern Beaches (December 2020/January 2021), Perth and surrounding districts in Western Australia (January/February 2021 and April 2021), Brisbane (March 2021), and Victoria (May/June 2021). Greater Sydney first began receiving reports of a few fresh casesof the very contagious Delta strain in mid-June. These cases were soon followed by locally transmitted epidemics in late-June and a two-week lockdown (ending July 9). On June 27, a lockdown was also imposed in the Northern Territory, first for two days but afterwardslasting until July 2. Similar snap lockdowns were implemented in Queensland from June 29to July 2, Greater Perth, and the Peel area from June 29 to July 3. Nearly 50% of Australians were affected by the new lockdowns.

State-level restrictions on public gatherings and social distance regulations continue to exist across the nation. With the exception of passengers from New Zealand, who have been permitted to enter Australia without a quarantine since October 16, 2020, international travel was still prohibited, and all newcomers must remain in quarantine for 14 days. On April 19, 2021, a reciprocal travel bubble with New Zealand began, although it has since been hampered by regional breakouts, mainly lately in New South Wales, the Northern Territory, Queensland, and Western Australia.

From July 5, travel was anticipated to resume with minor limitations. Australia began administering COVID-19 vaccines on February 22, 2021. As of November 14 2022, Worldometer reports that Australia's Covid-19 cases stood at 10,484,025 with 15,870 deaths and 10,364,130 recoveries; with 104,025 active cases, where 99.9% (103,962 cases) are in mild condition while 0.1% (63) are in critical condition. Following a 3.2 percent quarter/quarter rise in the fourth quarter of 2020, real GDP increased by 1.8 percent quarterly in the first quarter of 2021, indicating that the economy is still recovering.

As of the end of June 2021, Canada has more than 1.4 million COVID-19 cases and morethan 26,200 fatalities. A variety of policies have been put in place by the Federal and Provincial governments to slow the spread of the virus. Early May 2020 saw a high in the first wave's new case rate. Early in January 2021, the pandemic's second wave reached its height. Early March saw the onset of the third wave, which was already abating in part as a result of increasing vaccination rates and reinstated movement restrictions. By early June, these limitations had mostly been eliminated due to a drop in COVID-19 infections.

All Canadian provinces started implementing thorough, data-driven plans to reopen in May 2020 after the Prime Minister of Canada, Justin Trudeau, and premiers from across the country issued a joint statement on April 28, 2020, outlining their common public health strategy to support doing so. There have been more limitations in various areas of the nation as a result of the spike in new viral infections that started in September 2020. The pandemic limitations have been progressively loosening since the end of February 2021, only for them to be strengthened in some areas as a result of the third wave. Canada has made great strides in vaccinating the populace after an initially poor pace originally caused by supply limitations. Over 65% of Canadians have gotten at least one dose of the COVID-19 vaccination as of mid-June. Worldometer has reported that as at 14th November 2022, thetotal Covid-19 cases in Canada was 4,357,478 with 76,710 deaths and 3,927,670 recoveries; where 383,098 still remains as the number of active cases.

3 Policy Response to Covid-19

The policy response to the Covid-19 is explored based on the monetary and fiscal components. The International Monetary Fund (2021) captures these policy responses for different countries including Australia and Canada which are reflected in this study.

3.1 Fiscal Policy Response

3.1.1 The Case of Australia

Fiscal stimulus has been implemented at the Commonwealth level until FY2025, totalling A$312 billion (15.75% of 2020 GDP), in the form of spending and tax initiatives. By the end of FY2021 (June 2021), over two-thirds of the stimulus was expected to have run theircourse, including the well-known JobKeeper wage subsidy program, which distributed expected payments of A$89 billion (4.5% of 2020 GDP) through the end of March 2021. Thestimulus plan includes a health response package worth A$20 billion (1.0% of GDP), which was to be used to ensure access to COVID-19 vaccines, launch a national vaccinationprogram, improve the health system, safeguard those who are most at risk, such as senior citizens, from the COVID-19 outbreak, and give financial support to the States and the Territories (International Monetary Fund, 2021). At the Commonwealth level, significant developments include:

i. The Commonwealth government unveiled the FY2022 budget on May 11, 2021, which included additional stimulus measures totalling A$48.4 billion (2.5% of GDP) through FY2025. These included additional tax relief for low- and middle-income earners, extending temporary full expensing and loss carry-backs for businesses, and increasing spending on infrastructure investment and training programs. Separately, the new budget increases social spending significantly over FY2022–25, including for programsfor the elderly (0.9% of GDP) and people with disabilities (0.7% of GDP), as well as a number of initiatives to support women, including those that support their safety,education, health, and retirement. Additionally, A$1.6 billion is invested to finance high-priority low-emission technologies.

ii. The government announced additional funding (A$7 billion, 0.4% of GDP) in its Mid-YearEconomic and Fiscal Outlook (MYEFO), which was published on December 17, 2020, to strengthen the national immunization program and extend the Coronavirus Supplement and other income support measures for an additional three months, throughthe end of March 2021.

iii. The FY2021 Budget introduced an extra stimulus package on October 6, 2020 (amounting to A$98.2 billion, or 5% of GDP). It contained a brand-new program called JobMaker (A$73 billion), which comprised both new policies (like loss carry-backs and a personalincome tax decrease) and the continuation of policies that had already been in place (the temporary Coronavirus Supplement, other income support measures, full expensing, and infrastructure investment, among others). Separately, the budget demonstrated the government's intention to spend A$1.9 billion on green technology to reduce emissions.

iv. The government updated Australia's Economic and Fiscal Outlook on July 23, 2020. The cost estimate for the JobKeeper wage subsidy program was updated in July and was then estimated to be A$85.7 billion (down from A$130 billion), with a six-month extension at a tapering level to the end of March 2021. A new JobTrainer Skills package (a training program for job searchers) was included in the July update, along with more health support to increase the testing capacity.

v. A series of economic and health measures totalling A$217.1 billion (11% of GDP) until FY2024 were launched by the government in March 2020. The first round of stimulus measures totalled A$17.6 billion and were announced on March 12. They included a one-time stimulus payment to welfare recipients, accelerated depreciation deductions, abroadening of the applicable eligibility criteria for instant asset write-offs, cash flow assistance for businesses, and financial support (including tax and fee waivers) to sectors, regions, and communities that were disproportionately affected by the pandemic Territories (International Monetary Fund, 2021). The Coronavirus Supplement, a top-up payment to JobSeeker unemployment benefits and welfare users, as well as further economic support for people and companies were included in asecond rescue package worth A$66 billion that was unveiled on March 22. To assist Australians in keeping their employment, the historic JobKeeper pay subsidy scheme (worth A$130 billion) was unveiled on March 30.

Other measures include allocating up to A$15 billion for asset-backed securities investmentsto help fund small banks and non-bank financial institutions and A$20 billion for loan guarantees between the Commonwealth government and participating banks to meet the short-term cash flow requirements of small and medium-scale enterprises (SMEs). The latter plan has received two extensions (initially through June 2021 and then through end- December 2021). The SME Recovery Loan Scheme, which the government renamed in March 2021, provides government guarantees for 80% (up from 50%) of new SME loan amounts (beginning in April 2021), with a maximum loan size of A$5 million and a maximum tenure of ten years. The program also provides a repayment vacation of up to 24 months.

Additionally, State and Territory governments unveiled fiscal stimulus plans totalling A$50 billion (2.5% of GDP), which included payroll tax relief for businesses and relief for households in the form of cash payments to vulnerable households, discounts on utility bills, and support for spending on healthcare, infrastructure projects, and green investments (renewable energy and technologies).

3.1.2 The Case of Canada

The fiscal policy response focuses on the spending and tax measures adopted during the Covi-19 for swift economic recovery. Important tax and expenditure initiatives totalling

$435.2 billion CAD (19.7% of GDP), according to the Bank of Canada (2022), include:

(i) the health system will get $60.3 billion (2.7% of GDP) to fund enhanced testing, vaccine development, medical supplies, mitigation initiatives, and improved assistance for Indigenouspopulations;

(ii) roughly $290 billion (13.2% of GDP) in direct assistance to households and businesses, including wage subsidies, payments to employees who do not have access to sick leave or employment insurance, an expansion of the GST tax credit program and child care benefits, and a new Indigenous Community Support Fund based on distinctions; and

(iii) the use of tax deferrals to provide liquidity support totalling $85 billion (3.9% of GDP).

All these efforts were geared towards economic recovery post-Covid. In line with the Government of Canada (2021), these measures were geared towards supporting the people, businesses, and diverse sectors of the economy.

Support for People: This include –

a) Supporting Families and Low-Income Workers: The Canada Workers Benefit offers refundable tax credits to those who are employed but have modest incomes.

b) Mortgage Payment Deferral: Homeowners who were experiencing financial difficulty maybe eligible for a mortgage payment postponement.

c) Waiving Interest on Student and Apprentice Loans: The Government of Canada announceda policy of waiving interest for full-time and part-time students on the federal portion of Canada Student Loans and Canada Apprentice Loans until March 31, 2023 to assist students and young Canadians who have been particularly hard-hit by COVID-19.

Support for Businesses: This include:

a) Job and Growth Fund: This $700 million initiative promotes regional job growth and sets up local economies for long-term expansion. This includes a maximum of $70 million set outfor companies founded after January 2020. The Fund will provide assistance to enterprises and organizations that:

i) encourage an inclusive recovery;

ii) facilitate the transition to a green economy.

iii) develop capability in industries crucial to Canada's recovery and growth;

iv) increase Canada's competitiveness through digital adoption to improve productivity and manufacturing processes

b) Extending the Work-Sharing Program: For employers impacted by COVID-19, the Canadian government increased the maximum duration of the Work-Sharing program from38 weeks to 76 weeks.

Support for Sectors: This include

a) Tourism: By empowering tourism businesses to develop new or improve existing tourism experiences and products to attract more local and domestic visitors, the Tourism Relief Fundwill help position Canada as a destination of choice when domestic and international travel is deemed safe. It will also assist the sector in repositioning itself to welcome foreign visitors byoffering the best Canadian tourism experiences the world has to offer. The Tourism Relief Fund offers businesses up to $100,000 in non-repayable donations or up to $500,000 in repayable contributions to improve or develop new tourism experiences. Non-repayablecontributions are also available to Indigenous and not-for-profit groups who do not make a profit.

b) Aquaculture and Fisheries - Changes to Employment Insurance fishing benefits: The Government of Canada intends to determine Employment Insurance (EI) fishing benefits for self-employed fish harvesters and sharepersons using either their fishing earnings for their current claim or their fishing earnings from their claim for the same season from the previous year, whichever is higher.

c) Culture, Heritage and Sport:

i) Major Festivals and Events Support Initiative: The Major Festivals and Events Support Initiative is a two-year, $200 million national fund to assist Canadian festivals in surviving and adapting to the pandemic. Regular festivals and events with annual revenues of more than $10 million are eligible activities.

ii) The Canada Arts and Culture Recovery Program (CACRP) is a $50 million investment in 2022–2023 that aims to continue targeted help for organizations who are still dealing with serious financial difficulties in the third year of the epidemic.

d) Aerospace: To help the Canadian aerospace industry recover from the pandemic and maintain its competitiveness on a global scale, the Aerospace Regional Recovery Initiative will invest $250 million over the course of three years. Businesses in the aerospace sector, as well as the groups that support them through supply chains, are eligible to submit funding requests for initiatives that will assist them in going green and adopting environmentally responsible practices; boost productivity and strengthen commercialization; or improve integration into local and international supply chains.

Support for Communities: This include

i) Meeting urgent needs in Indigenous communities: The Canadian government establishedan Indigenous Community Support Fund based on distinctions to meet urgent needs incommunities of First Nations, Inuit, and Métis Nation. These funds could be put to use for a variety of things, including, but not limited to: assistance for the elderly and vulnerable community members; measures to combat food insecurity; assistance for kids' education and other needs; mental health support; emergency response services; and steps to be taken in advance to stop the spread of COVID-19.

ii) Canada Community Revitalization Fund: This fund offers grants of up to $750,000 or $1 million to Indigenous communities, municipalities, public institutions, and not-for-profitorganizations for initiatives aimed at revitalizing communities across the country. Up to 75% of the overall project expenditures are covered by the financing. Indigenous community initiatives may be eligible for financing that would pay for the entire project.

The federal government of Canada unveiled its 2021 budget on April 19, 2021, explaining thespecifics of the "build back better" strategy.

3.2 Monetary Policy Response

3.2.1 The Case of Australia

The Reserve Bank of Australia (RBA) has announced a comprehensive package of monetary easing since the start of the pandemic, including policy rate decreases, a yield curve goal,term financing facilities, and the purchase of government bonds. In March 2020, the Overnight Cash Rate objective was lowered to 0.25% (Reserve Bank of Australia, 2020), andthen again in November 2020, it was lowered to 0.1%. Exchange settlement balances held by commercial banks with the RBA now have a zero percent interest rate. Through purchases of government bonds on the secondary market, the RBA also implemented yield targeting on 3- year government bonds, with the target rate set at the overnight cash rate.

In order to maintain market liquidity during the early stages of the pandemic, the RBAcarried out longer-term repos and expanded the list of securities that qualified as suitable collateral for open market operations to include investment-grade securities issued by non- bank firms. Additionally, a swap line has been created with the US Fed for the availability of up to $60 billion in US currency liquidity. The RBA launched the A$90 billion TermBorrowing Facility (TFF) in March 2020 to allow banks access to three-year funding at 25 basis points until September 2020, supporting the issuance of credit, particularly to SMEs. With access extended through June 2021, the facility was subsequently increased to A$200 billion at a rate of 10 basis points.

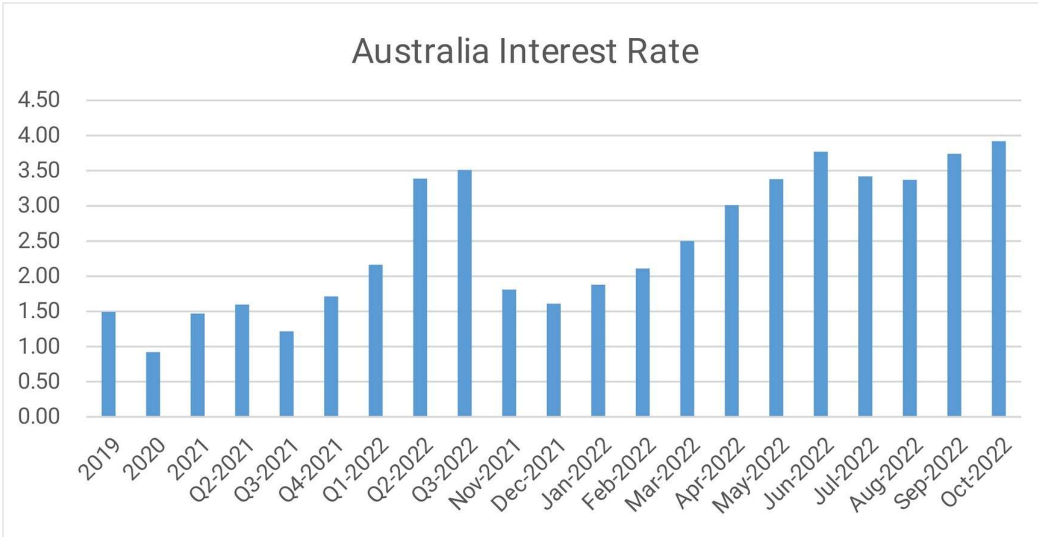
Additionally, the RBA said that it will acquire A$100 billion worth of 5- to 10-year government bonds on the secondary market in November 2020 from the Australian Government as well as the States and Territories. The purchasing program was prolonged to September 2021 and increased to A$200 billion. The RBA also increased its future guidance by saying that it will not raise the cash rate until real inflation is stably back within the target range of 2% to 3% and that it does not anticipate doing so until at least 2024.

The RBA retained the cash rate target (0.1%) and the 3-year government bond yield objective(0.1%) unchanged on June 1, 2021, with the Term Funding Facility conditions being left unchanged. The RBA also stated that the prerequisites for a cash rate rise are not projected to be satisfied until at least 2024. The Term Funding Facility will not be renewed when itexpires on June 30, 2021.

As long as basic capital requirements are satisfied, the Australian Prudential Regulation Authority (APRA) has temporarily relaxed its capital requirement, allowing banks to use part of their sizable buffers to support continuous lending to the economy. Basel III changes were supposed to go into effect in Australia in January 2023, however that date has been moved back one year. A regulatory exemption was granted by APRA in March 2020 for a period of six months, allowing banks to avoid incurring higher capital charges by not treating postponed loan payments caused by COVID as impaired. Later, the agreement was extended to March 31, 2021. In reaction to the significant economic unpredictability, APRA also stopped granting new permits. To increase capital buffers, dividend payment limits were placed in place for banks and insurers in April 2020. These restrictions were later loosened inJuly and completely repealed starting in January 2021.

The Commonwealth government implemented business insolvency relief measures starting inMarch 2020 for a period of six months. These measures were afterwards extended through December 2020 and are now no longer in effect. The government also made permanent amendments to the insolvency legislation in January 2021 to speed up the liquidation and reorganization of small enterprises.

In all, the monetary policy action of the RBA can be traced based on the rate of interest in both the pre and post-Covid era. The interest rate was 1.49% in 2019 which declined to 0.92% during the Covid-19 era to ensure speedy economic recovery. The rate began to fluctuate in 2021 and 2022 with 1.60% recorded in the second quarter of 2021 which declinedto 1.22% in the third quarter before maintaining a rising trend 3.51% in the third quarter of 2022.



Source: Data obtained from OECD-stat.

With the global inflation being experienced, tightening the supply of credit becomes pertinentand this can be observed from the rising rate of interest on the monthly basis, where the rateof interest was 2.50% in March 2022. This was followed by a consecutive increase over Apriland June as it reached3.77% in June against 3.01% in April; with a slight decline to 3.37% in August 2022 which was accompanied by a steady increase to 3.74% and 3.92% in Septemberand October 2022.

3.2.2 The case of Canada

The Bank of Canada decreased interest rates to 0.25% to promote economic activity in reaction to COVID-19's negative economic effects. As a result of these actions, interest rates on new and existing loans across the economy are being lowered, helping consumers and companies. The Bank has also started a number of liquidity facilities and purchase programs to keep the economy's credit supply flowing, markets open, and interest rates low. The Bank has promised to keep making sizable asset acquisitions of longer-term debt in order to assist the recovery. The exceptionally low policy interest rate and asset purchases together are creating a significant amount of monetary stimulus. To further aid the economy and meet the inflation target, the Bank has additional instruments in its monetary policy toolbox.

Key monetary measures embraced by the Bank of Canada (2020) include:

i) lowering the overnight policy rate by 150 basis points (bps) in March 2020 (to 0.25%);

ii) extending the bond repurchase program to include all maturities;

iii) the establishment of the Bankers' Acceptance Purchase Facility;

iv) extending the list of suitable collateral for Term Repo operations to include all eligible collateral for the Standing Liquidity Facility (SLF), with the exception of the Non-Mortgage Loan Portfolio (NMLP);

v) supporting the secondary market for Canada Mortgage Bonds (CMBs);

vii) declaring a temporary increase in the amount of NMLP a participant can pledge for the SLF and for non-NMLP participants;

vii) raising the target for settlement amounts from $250 million to $1,000 million;

viii) jointly with central banks from Japan, the Eurozone, the United Kingdom, the United States, and Switzerland, announcing an expansion of liquidity availability under the existing US dollar liquidity swap line arrangements;

ix) announcing the establishment of the Standing Term Liquidity Facility, via which loans will be made available to qualifying financial institutions in need of temporary liquidity assistance; and

x) introducing the Provincial Money Market Acquisition (PMMP) program, the Provincial Bond Purchase Program (PBPP), the Commercial Paper Purchase Program (CPPP), theCorporate Bond Purchase Program (CBPP), and the secondary market purchase of Government of Canada assets The Bank of Canada issued "forward guidance," indicating that it would not raise policy interest rates until the recovery was well underway and inflation was consistently near the Bank's target range.

Other financial sector metrics include:

i) The Office of the Superintendent of Financial Institutions (OSFI) reduced the Domestic Stability Buffer for D-SIBs to 1% of risk-weighted assets (from 2.25% earlier);

ii) The government will acquire up to $150 billion in guaranteed mortgage pools via the Canada Mortgage and Housing Corporation (CMHC) under the Insured Mortgage Purchase Program.

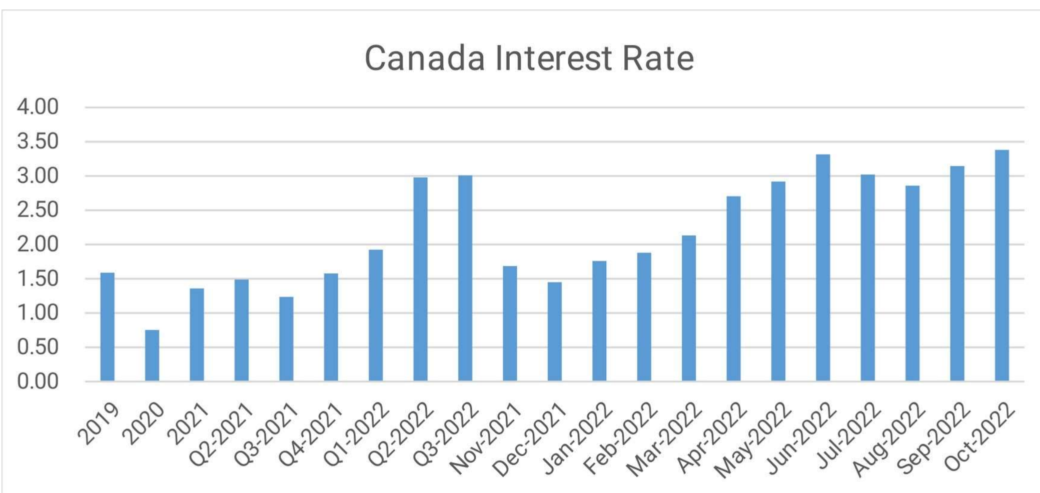
iii) The federal government announced $95 billion in loan facilities (including $13.8 billionin debt forgiveness) to assist troubled businesses; and

iv) Farm Credit Canada will receive federal funding, allowing for an extra $5.2 billion in lending capacity to producers, agribusinesses, and food processors.

The Bank of Canada eliminated several liquidity measures (Bankers' Acceptance Purchase Facility, Canada Mortgage Bond Purchase Program, and Provincial Money Market Purchase Program) in October 2020, judging them no longer required. On March 23, 2021, the Bank ofCanada announced the discontinuation of the Commercial Paper Purchase Program (CPPP), the Provincial Bond Purchase Program (PBPP), and the Corporate Bond Purchase Program (CBPP), effective in April and late May 2021, reflecting the improved general functioning of Canadian financial markets. Furthermore, bi-weekly Term Repo operations and the Contingent Term Repo Facility (CTRF) have been stopped with effect from May 10, 2021 and April 6, 2021, respectively. In response to the faster-than-expected speed of the recovery,the Bank of Canada decided in April 2021 to reduce its purchases of Government of Canada bonds to a goal of $3 billion weekly net, down from a minimum of $4 billion per week.

In Canada, housing prices was expected to rise dramatically in 2020 and 2021. OSFI implemented a "mortgage stress test" to guarantee that homeowners do not borrow in excess of their debt payment capabilities. The minimum qualifying rate for uninsured mortgages is the larger of (i) the mortgage contract rate +2% or (ii) 5.25% as of June 1, 2021. Qualifying families then sign mortgage contracts at the lender's rate. Furthermore, on June 17, 2021, OSFI declared that, from October 31, 2021, the Domestic Stability Buffer will be enhanced from 1 percent to 2.5 percent of total risk-weighted assets.

The monetary policy stance of the Bank of Canada can be captured via the rate of interest, with 2019 being a pre Covid-19 era experiencing an interest rate of 1.59% while the rate of interest in the Covid-19 era declined to 0.75% in 2020 to ensure economic recovery.



Source: Data obtained from OECD-stat.

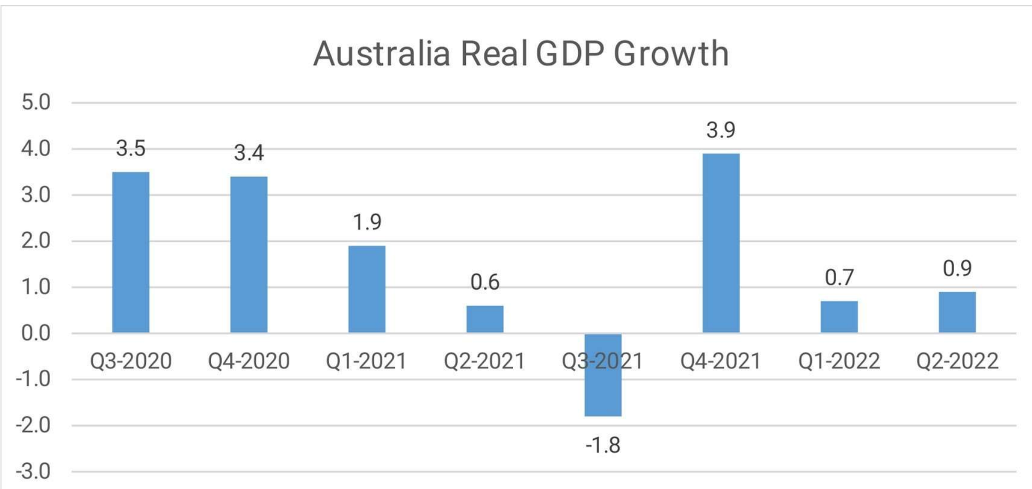
To ensure price stability, the rate of interest was increased slightly to 1.36% in 2021 with the second quarter of the year experiencing a 1.49% rate of interest. This declined to 1.24% in the third quarter of the year before a rising trend reaching 3.01% set in as at the third quarter of 2022. Going by the monthly data, it is evident that the rate of interest has rose to 3.38% in October 2022.

4 Macroeconomic Performance

The policy response of the fiscal and monetary policy actions of the government and monetary authorities of Australia and Canada could exerts some influence on the macroeconomic variables like output, employment, and the price level.

4.1 Real GDP Growth

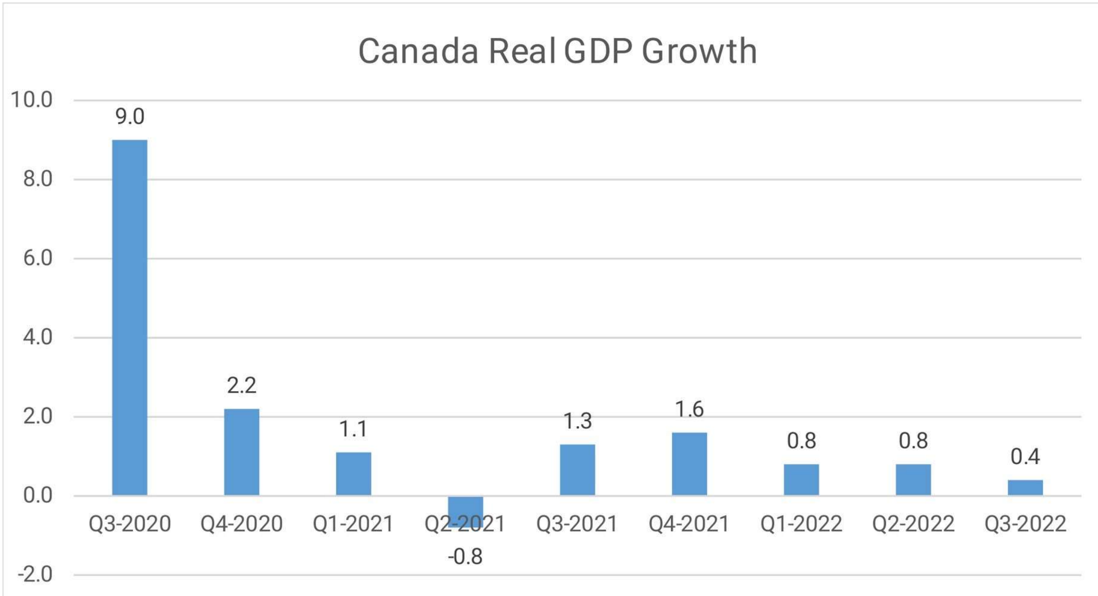
The pre Covid-19 pandemic in Australia was marked with a positive real GDP growth of 2.17% in 2015 which 2.87% in 2018 before a mild decline to 2.11% in 2019. With the rising cases of Covid-19 pandemic in 2020, the real GDP growth plunged to -0.004%. With the monetary and fiscal policy response identified earlier being put in place, data from the OECDrevealed that the economy of Australia witnessed a positive GDP growth of 3.5% in the third quarter of 2020 which declined to 3.4% in the fourth quarter of the same year. This was followed by continuous decline to 1.9% and 0.6% in the first and second quarter of 2021 respectively before a negative growth rate of -1.8% was recorded in the third quarter of 2021.



Source: Data obtained from OECD-stat.

As at the fourth quarter of 2021, the real GDP growth recorded a tremendous recovery to the tune of 3.9% though this declined substantially to 0.7% and 0.9% in the first and second quarter of 2022 respectively. One can say that the monetary and fiscal response deployed has helped to ensure the economic recovery in Australia in the post-Covid era.

In the case of Canada, the economy experienced a mild real GDP in the pre Covid-19 erawith a growth rate of 0.66% in 2015 which rose to 3.04% in 2017 before plunging to 1.88%in 2019. In the Covid-19 era of 2020, the economy recorded a negative GDP growth of - 5.23% due to restrictions arising from lockdowns. Going on a quarterly basis, the economy ofCanada recorded a GDP growth rate of 9.0% in the third quarter of 2020 but this declined sharply to 2.2% in the fourth quarter of the year. the growth in GDP declined further to 1.1% in the first quarter of 2021 and then plunged to -0.8% in the second quarter of the year.



Source: Data obtained from OECD-stat.

A recovery set in the third quarter of 2021 with a GDP growth of 1.3% being recorded, with afurther 1.6% being recorded in the fourth quarter of the same year. The first, second, and the third quarters of 2022 all witnessed a positive GDP of 0.8%, 0.8%, and 0.4% pointing to the fact that the monetary and fiscal policies responses have been potent to some extent in ensuring economic recovery of Canada in the post Covid-19 era.

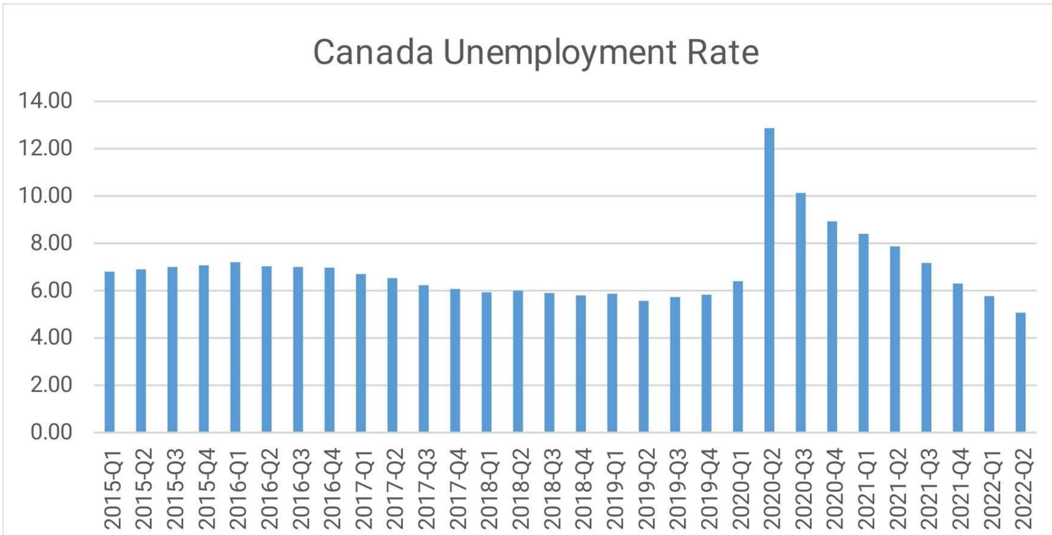
4.2 Unemployment Rate

In Australia, there have been a stable rate of unemployment in the pre Covid-19 era with an average of 5.56% between the first quarter of 2015 and the fourth quarter of 2019. During the Covid-19 pandemic, the unemployment rate was 1.19% in the first quarter of 2020 before rising to 6.93% and 7.10% in the second and third quarter of the year.

Source: Data obtained from OECD-stat.

With the monetary and fiscal policy responses, it can be observed that the unemployment ratein Australia declined steadily in the post Covid-19 era. For instance, it declined from 6.78%in the fourth quarter of 2020 to 4.65% in the third quarter of 2021 and reaching 3.76% in the second quarter of 2022. Therefore, we can categorically say that such policy responses have been potent in curbing the rising unemployment recorded during the Covid-19 era.

The unemployment rate in Canada averaged 6.41% between the first quarter of 2015 and the fourth quarter of 2019, with an unemployment rate of 5.83% recorded in the fourth quarter of 2019. With the Covid-19 setting in as at 2020, the economy experienced a mild unemployment rate of 6.40% in the first quarter of 2020 which skyrocketed to 12.87% in the second quarter of the same year. This is a clear indication of high unemployment rate during the heat period of the Covid-19 pandemic as most firms had to shut down their operations, or operate below full capacity.



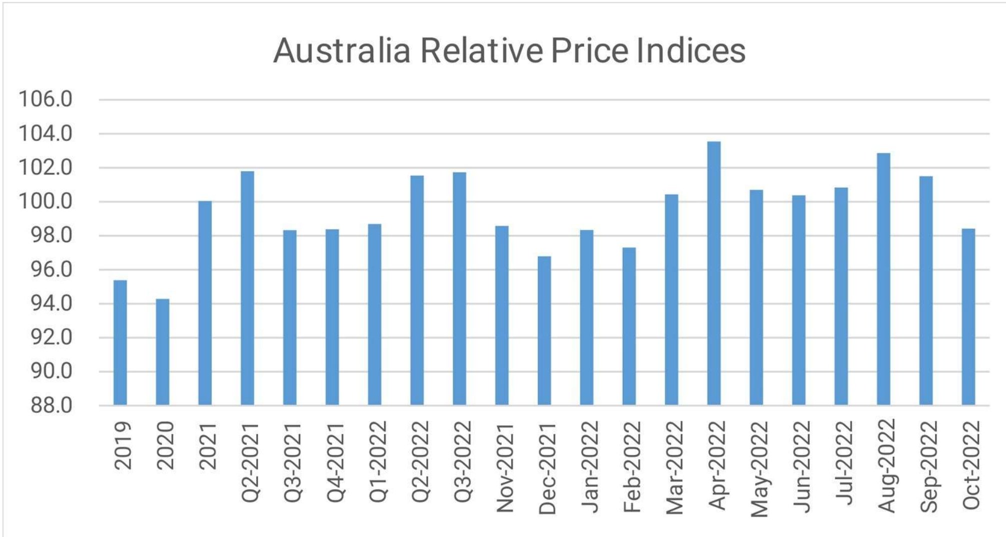
Source: Data obtained from OECD-stat.

Beyond the 12.87% unemployment rate recorded in the second quarter of 2020, Canada has continued to witnessed declining unemployment thereafter with an 8.40% recorded in the first quarter of 2021. This declining trend continued into 2022 given the monetary and fiscal policies responses, and the country recorded a 6.30% and 5.07% unemployment rate in fourthquarter of 2021 and second quarter of 2022 respectively.

4.3 Inflation Rate

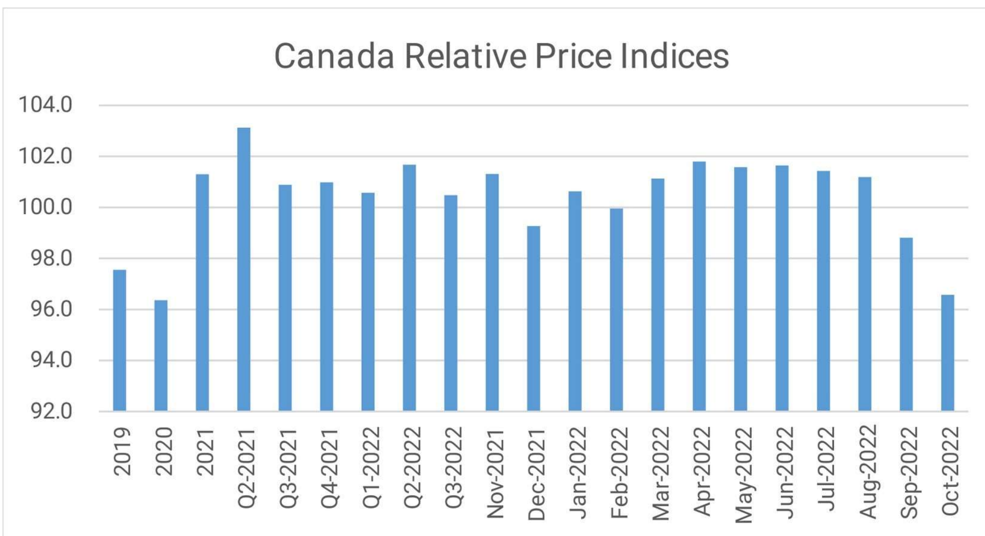
The global economy is faced with the problem of inflation given the expansionary fiscal and monetary policies response to the economic recovery post-Covid. With the monetary and policy stance adopted by the managers of the economy of Australia and Canada, there is likelihood that such policies will influence the price level.

For Australia, the pre Covid-19 era is marked with lower relative price index as at 2019and 2020, but the index began to rise in 2021 reaching a record high of 101.8 in the secondquarter of 2021. This was followed by lower indices hovering between 98.3 and 98.7 in the third quarter of 2021 and first quarter of 2022. In the second and third quarter of 2022, the relative price index rose to 101.5 and 101.7 respectively. The World Bank (2021) data revealed that the rate of inflation increased from 0.85% in 2020 to 2.86% in 2021. As at September 2022, the Reserve Bank of Australia has reported that the rate of inflation for Australia was 6.1% in August 2022 and 7.3% in September 2022 which is regarded as the highest over the years.



Source: Data obtained from OECD-stat.

With the monthly data so captured, the month of April recorded the highest relative price index of 103.5 which the policy of contracting the economy to reduce the rate of inflation hashelp to reduce it to the tune of 98.4 in October 2022. Therefore, the inflation-effect of the expansionary fiscal and monetary policies employed for economic recovery has been put in check by the Reserve Bank of Australia.



The case of Canada is similar to that of Australia with lower relative price index observed in 2019 and 2020 while Covid and post-Covid periods recorded higher relative price indices. Asat the second quarter of 2021, the relative price index was 103.1 which continued to fluctuates over the quarters and reaching 100.5 in the third quarter of 2022. Data from the World Bank (2021) has indicated that the rate of inflation rose from 0.72% in 2020 to 3.40% in 2021.

Source: Data obtained from OECD-stat.

However, policy actions have aided in the returning of the relative price index to lower level given that it declined from 101.8 in April 2022 to 98.8 in September 2022 before reaching 96.6 in October 2022. It is worth noting that in general, the decline in the rate of inflation could be attributed to the contractionary monetary policy which is portrayed by the increasein the rate of interest in the two countries post-Covid. Another reason could be traced to the Russian-Ukraine war which has accelerated global food crisis. The consumer price index for Canada was put at 6.9% as at September 2022 (Statistics of Canada, 2022).

5 Conclusion

The Covid-19 pandemic has left a lasting consequence on the global economy. This ranges from its effect on employment, output, and the price level. This therefore necessitates the use of both monetary and fiscal policies to address the deleterious consequences it has left behind. Our study has explored the case of Australia and Canada and it has been observedthat the expansionary monetary and fiscal policies deployed in order to ensure quick economic recovery has aided in returning the two economies to the path of positive economicgrowth. Unemployment has been reducing though at a rising rate of inflation at the prime ageof the post Covid-19 pandemic. However, monetary policy action of increasing the rate of interest is believed to curtail the rising inflation in no distant time.

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