Tuesday, February 17, 2009

Measures taken so far by monetary authorities and governments of major industrial countries to address the global financial crisis

US

Fed Chairman Bernanke divides the instruments the Central Bank has launched to address the credit crunch into three categories:

a) Lending to financial institutions
b) Providing liquidity to key credit markets and
c) Purchase of long-term securities

Lending to financial institutions

Discount credit

The discount credit is a way of providing short-term funds. Discount lending is secured by high-quality collateral. Only depository institutions are eligible. In the past, banks in distress took to discount credit. Ever since discount credit had a certain stigma.
Term: The term of the loans is typically overnight but may reach up to several weeks.

Term Auction Facility (TAF)

The TAF provides funds against collateral. The TAF does not carry the "stigma" of discount credit. It was announced in December 2007. Only primary-credit eligible depository institutions can participate.
Term: 28 days or 84 days

Term Securities Lending Facility (TSLF)

The Fed introduced in March 2008 the TSLF which lends Treasuries in exchange for other bonds. Primary dealers can only participate.
Term: up to 2 weeks

Primary Dealer Credit Facility (PDCF)

The PDCF provides funds to primary dealers which were not eligible for Fed credit.
The facility was announced in March 2008.
Term: overnight

Currency swap lines

The Fed concluded temporary reciprocal currency agreements (swap lines) with 14 foreign central banks to relieve funding pressures in the global market for dollar liquidity. The program has been extended until 30 October 2009.

Providing Liquidity to Key Credit Markets

Commercial Paper Funding Facility (CPFF)

The CPFF was formed to help the commercial paper market (short-term debt issued by corporations). The CPFF purchases freshly issued 3-month asset-backed and unsecured commercial paper. The CPFF was announced in October 2008.

Asset-backed Commercial Paper Money Market Fund Liquidity Facility (ABCP/MMF)

This facility extends loans to banks to finance their purchase of asset-backed CPs from money market funds. Announced in September 2008.
Term: up to 270 days.

Maiden Lane I, II, III

Special purpose vehicles of the Fed (Maiden Lane being the street the New York Fed is located). The Maiden Lanes pool the assets the Fed purchased or has accepted as collateral for loans to help certain institutions. Maiden Lane

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I holds Bear Stearns assets as a collateral for a credit to J.P Morgan. Maiden Lane II purchases mortgage-backed securities from AIG, and Maiden Lane III purchases CDOs to stabilize AIG and the derivatives market at large.

Term Asset-Backed Securities Lending Facility (TALF)
This program will support consumer/small businesses lending. It will provide liquidity of up to $1trn. Eligible are all US persons who own the necessary collateral. The program was announced in November 2008 and was extended (from 200bn initially) by the newly elected US government earlier this month as part of the new US financial sector rescue plan.

Purchasing longer-term securities

Mortgage-related paper
The Fed purchases the direct obligations of housing-related government-sponsored enterprises (Fannie Mae, Freddie Mac, and the Federal Home Loan Banks) and mortgage-backed securities backed by Fannie Mae, Freddie Mac, and Ginnie Mae. The maximum amount for Agency bonds will be $100bn, the ceiling for the purchase of Agency-backed MBS has been set at $500bn. The program has been announced in November 2008.

US government's initiatives

- $150bn of rebates for individuals and tax breaks for businesses that was signed into law in early February 2008
- The "Big Three" United States automakers General Motors, Chrysler and Ford received $14bn in emergency need in December 2008
- A $789bn stimulus packaged was signed into law by President Obama
- The new US administration launched a **financial sector rescue plan** that includes i) 'stress test' for banks ii) an expansion of TALF up to $1trn from 200bn (mentioned earlier) to encourage new consumer/business lending iii) a $50bn fund to prevent avoidable foreclosures iv) the creation of a Public-Private Investment Fund to absorb toxic assets from financial institutions with a projected cost from $500bn up to $1trn.

JAPAN

- Economic stimulus worth JPY20trn (217bn) for the fiscal year that begins in April
- The Ministry of Economy, Trade and Industry announced a plan in late January to spend public funds of $16.7bn to help firms hardest hit by the global financial crisis. Japanese state banks will buy shares in non-financial companies threatened by collapsing demand and frozen credit markets.
- The government is not considering additional stimulus action until a budget for the current fiscal year is passed

CHINA

- A massive $586bn (CNY 4trn) economy stimulus package that includes tax cuts, looser credit conditions and embarks on a massive infrastructure spending programme between 2008-2010. This package constitutes the largest such stimulus in China's history.

- A CNY 10bn ($1.5bn) package over the next three years for auto makers that upgrade their technology and develop alternative-energy vehicles. The government is also expected to release supportive policies for eight other industries, including shipbuilding, petrochemicals and textiles.

EUROPE

The European Commission approved on Nov. 26 proposals for an EUR 200bn fiscal stimulus package (1.5% of Eurozone GDP). The proposed amount is to be made up of 1.2% of budget spending and 0.3% of EU funding. The plan includes EUR5bn of extra funding for the European car sector. It also includes a temporary, across-the-board value-added tax (VAT) cut.

GERMANY

- A stimulus package worth EUR 31bn (or 1.3% of national GDP) was approved last December aiming to generate EUR 50bn of investment and new contracts over two years.
  ❖ A second stimulus package worth of EUR 50bn to run till 2010 was approved in Feb. 13 combining investment spending and tax cuts. It includes investment in infrastructure projects and education. Families are to receive a one-off bonus of EUR 100 per child and health insurance contributions will be reduced to 14.9% of gross wages. The entry level tax rate will go down and tax-free thresholds will be raised slightly. In addition, the package envisages a total of EUR 1.5bn in aid for the auto industry and a fund of EUR 100bn to provide credit guarantees to struggling businesses.
  - A new lending programme of up to EUR 15bn will be introduced for German state-owned development bank Kreditanstalt fuer Wiederaufbau (KfW)
  - Urgent investment in transport will be accelerated via a new programme totaling EUR 1bn in both 2009 and 2010.

FRANCE

- France unveiled a EUR 26bn stimulus package or 1.3% of GDP. The plan aims to create 80k-110k new jobs and embarks EUR 10.5bn for infrastructure, research and support for local authorities. This includes EUR 4bn for investment for state-owned rail, energy and postal companies. PM Sarkozy has noted that France is ready to pump more aid into the economy on top of this amount.
- President Nicolas Sarkozy's plans to lend PSA Peugeot Citroen and Renault EUR 3bn each in exchange for a promise not to shut French plants or sack French workers.

ITALY

- Italy approved in late November a stimulus package to help families and firms hit by the global financial crisis. The measures amounts to EUR 80bn and included a temporary freeze on regulated energy prices and road tolls, EUR 2.4bn in tax breaks for poorer families and some marginal easing of the direct and indirect tax burden for companies.

UK

- Britain announced a GBP 20bn fiscal stimulus last November that included tax cuts and GBP 3bn of capital spending, amounting to about 1% of GDP. As part of the plan, GBP 500mn will be spend to tackle rising unemployment. Companies will get GBP 2,500 for new recruits who have been unemployed for more than six months. The plan also includes a value-added tax (VAT) cut from 17.5% to 15% effective from December 1, 2008 until end-2009. It also extended a system of tax repayments to help businesses which were previously profitable but now making losses. Losses of up to 50,000 pounds could be offset against profits made in the past three years -- benefitting 75,000 businesses. According to the pre-budget report, the plan will reduce the effect of the global crisis by 0.5 percentage points.

- The U.K. said last month that it will guarantee more than £2 billion in loans to support the country's auto industry. The plan includes loans of up to £1.3 billion from the European Investment Bank, a lending arm of the European Union and government guarantees on a further £1 billion in lending for vehicle makers and their suppliers.

- UK Finance Minister unveiled a £40 billion “recapitalisation” plan of the banking sector last October.

- Northern Rock was nationalized by the UK Government in February 2008, while Bradford & Bingley was partially nationalized in September 2008. Alliance & Leicester has been acquired by Santander, who own Abbey. Lloyds TSB plc announced on 18 September 2008 a confirmed agreement to take over HBOS plc. The UK Government owns 70% of the Royal Bank of Scotland Group (RBS)'s ordinary shares, however the bank itself remains nominally independent of Government.

NETHERLANDS

- The government has announced a "liquidity impulse" of about EUR 6bn, including allowing companies to write down investments earlier than usual. Companies will also receive temporary financial support from an unemployment fund to pay employees who will cut their working hours.

SPAIN

- Spain launched a EUR 38bn fiscal stimulus package that included EUR 6bn in tax cuts and EUR 4bn of liquidity to credit-strapped companies and households.
- The government will spend an extra EUR 11bn on public works and other stimulus measures to create 300,000 jobs in 2009. The plan, equivalent to roughly 1% of Spanish GDP, includes EUR 800mn in aid for the auto sector.
- The Spanish government approved in early February a EUR 4bn package to support its ailing car industry

SWEDEN

- Sweden announced a stimulus package worth SEK 8.3bn on Dec. 5. The package totaled almost 3% of GDP.
- The government said in late January that it had given the National Debt Office authority to grant emergency loans to the country's top struggling vehicles companies.

SWITZERLAND

- The government announced an economic stimulus package worth CHF 890mn. It included government spending of CHF 340mn on flood defense, natural disasters and energy-efficiency projects. Spending plans also included up to CHF 1bn on roads and railways and CHF 550mn as tax breaks to 650 firms for job creation programmes.
- In early February, the Swiss government proposed a second stimulus package to some CHF 700mn that included extra spending for infrastructure, research projects and extension of short-time working payment.

NORWAY

- Norway presented last month a NOK 20bn fiscal stimulus package. The package consisted of NOK 16.6bn in extra budget spending and NOK 3.3bn in tax relief.

PORTUGAL

- Portugal announced a package last December worth just under EUR2.2bn to boost GDP by a planned 0.7% point in 2009. It focused on investment in schools, boosting technology and alternative energy.