

## **Banky Foiben'i Madagasikara's responses to the effects of the Covid-19**

- 1-The economy of Madagascar, like most of all economies in the world, is hard hit by the impacts of Covid-19. No sector is spared. Several measures have been taken by the Government to soften the negative effects and to prepare for the post-Covid crisis in the 2020 Amended Fiscal Law. The Central Bank, true to its fundamental mission of controlling inflation and ensuring financial stability, is accompanying the Government by taking exceptional measures that support the finance and hence the private sector.
- 2-Due to Covid-19, the initial growth forecast of 5.5 percent is revised downward to 0.8 percent for 2020 [last estimates]. The price would go up to 7.2 percent in 2020, after a long period of deceleration. The public deficit is estimated at 3.0 percent of GDP in the first quarter and would widen to 6.3 percent (Amended Finance Law 2020) at the end of the year. The official reserves decreased to 4.2 months in the first quarter of 2020, but would bounce to 6.6 months at the end of 2020.
- 3-The Government has adopted several measures on sanitary, people and businesses hit by the pandemic disease. Actions, like prevention and control of the epidemic, tax relief, cash-transfers, and in-kind necessities to the poorest and unemployed, were taken and burdened government expenditures. In this regard, the Central Bank received a Rapid Credit Facility (RCF) from the IMF and on-lended the total amount to the Government, in order to cover the budget deficit. Furthermore, statutory advances will be pursued this year to support Government finance, in compliance with the provision of the Central Bank Law.
- 4-Since the beginning of the crisis, the Central Bank has strengthened its presence in the money market by actively maintaining this market liquid for the banks need.
- 5-The Central Bank is affording facilities to banks to support their actions in enabling their clients to defer loan installments without penalties. Banks' reserve requirements are lowered of the amount of loans they have rescheduled for their clients.
- 6-To assist the Small and Medium Enterprises, the Central Bank has set up exceptional refinancing operations. Facilities are offered to banks in accessing fund which will be exclusively aimed at financing SMEs. They are allowed to borrow fund from the Central Bank at a maturity up to three years, at a fixed and favorable rate. The collateral requirements have also been relaxed.
- 7-Interest rates and reserve requirement ratio are maintained to their actual levels in order to loosen liquidity tension on the money and foreign exchange markets.
- 8-The Central Bank pursues to monitor the foreign exchange market by preventing high fluctuations of exchange rates and, follows closely market behavior to avoid speculation. For example, sales operations were undertaken to alleviate depreciation pressures due to drop on export proceeds.