

The entire world is ramping up efforts to control the Covid-19 pandemic, and while the toll on people's lives is tragic and immeasurable, there is also huge economic uncertainty.

Demand for many products and services has slumped as people have been instructed by governments globally to stay indoors. This in turn will affect imports and exports of certain goods, and the cash flow of many businesses. Covid-19 is having a profound effect on the markets as never seen before, causing currency volatility.

For example, even after the Bank of England cut its interest rates to 0.1% to protect the economy, its lowest rate in history, sterling fell to its lowest level against the US dollar since 1985. Excluding the overnight flash crash in early October 2016, this was the lowest sterling has been for a generation.

We have seen major movements in the currency markets, with US dollar hitting levels of \$1.1409, this had not been seen since 1985, and GBP/EUR dropping down to levels of €1.0511, rates not seen since the global economic crash of 2008. This is of course putting additional pressures on businesses managing their foreign exchange costs. Volatility of this nature in such a short space of time has caught many businesses out who have not used a hedging strategy to help reduce the risk of market movements.

Efforts by the government and the Bank of England to steady investors' nerves were not of much use to the pound at first. Having asked pubs, restaurants, cafes and gyms to close, the UK prime minister announced a £330 billion package of loans and grants to support businesses affected. The Coronavirus Business Interruption Loan Scheme allows small and medium sized businesses to borrow up to £5m with preferential rates as a 12-month interest-free loan. Large companies can use the Covid Corporate Financing Facility option, provided by the Bank of England.

This joint presentation by PM Boris Johnson and the Chancellor of the Exchequer introduced assistance to businesses that have been hit by a sudden lack of customers, with cash grants promised to retail, leisure and hospitality firms. The PM said he would, "do whatever it takes to support our economy". We have seen the government make additional packages available to support the self-employed, and help protect more UK workers from what is a real uncertain period. We still don't know if further funding will be added to the stimulus packages we are seeing, or when this will come to an end. Furthermore, we will not know what the full cost to UK and the global economies of this pandemic will be until this is all over. Only time will tell.

Under normal circumstances such extreme measures would hurt currency, but these are not normal circumstances.

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