The Impact of COVID-19 on Exchange Rate

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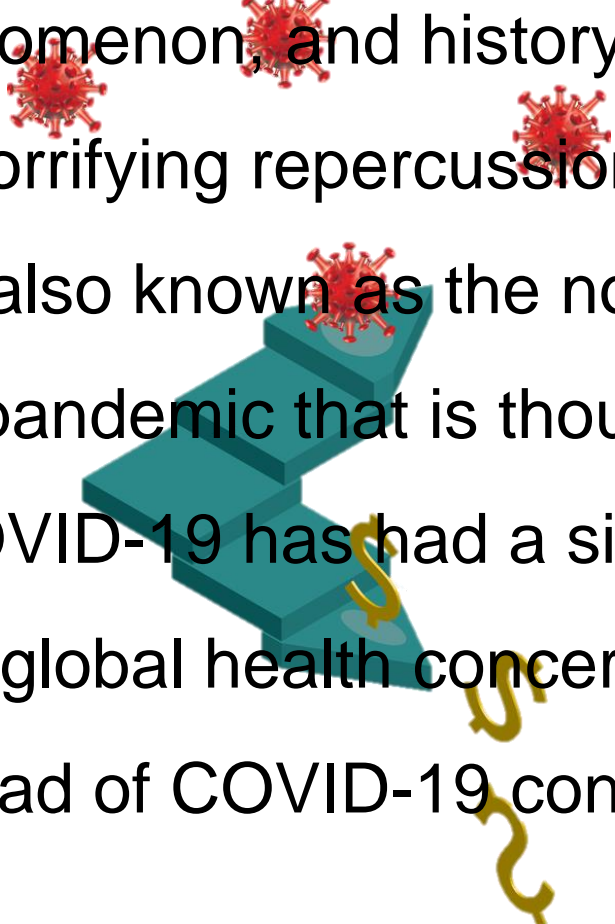# Table of Content

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Introduction

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Introduction

There is no doubt that pandemics are a natural phenomenon, and history is littered with examples of natural disasters and the horrifying repercussions of such calamities. Similarly, the COVID-19 pandemic, also known as the novel coronavirus pandemic, has been an ongoing global pandemic that is thought to have begun in December 2019 in Wuhan, China. COVID-19 has had a significant impact on the global economy, in addition to being a global health concern. The quarantines and lockdowns required to stop the spread of COVID-19 continue to paralyze the global economy.

Furthermore, the COVID-19 pandemic has had such a broad impact that countries of all sizes, rich or poor. One of the most crucial economic indicators, the exchange rate, has also been impacted by the epidemic, and the volatility is seen in the exchange rates' unpredictable nature.
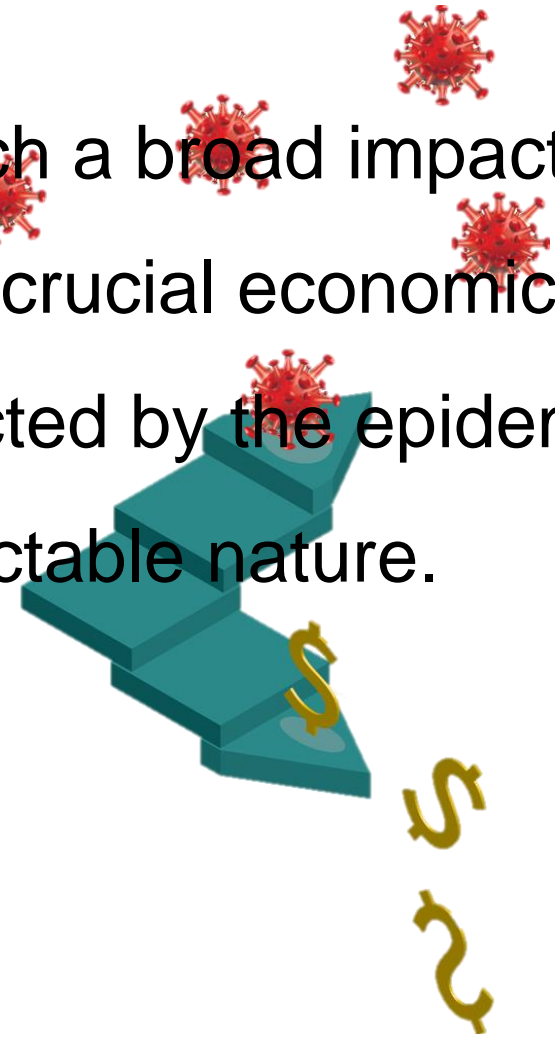
Key words

COVID-19

COVID-19 - The condition caused by the novel coronavirus is known as coronavirus disease 2019, or COVID-19 for short. Droplets, also known as respiratory droplets, are the mists that people spray into the air when they cough or sneeze. An epidemic is the fast and unexpected spread of a disease within a geographical area.

Exchange Rate

The price of a unit of foreign currency in terms of the local currency is defined as the exchange rate. In Libya, for example, the exchange rate is traditionally represented as one US dollar in dinar equivalent. For example, one US dollar equals 4.83 LYD.
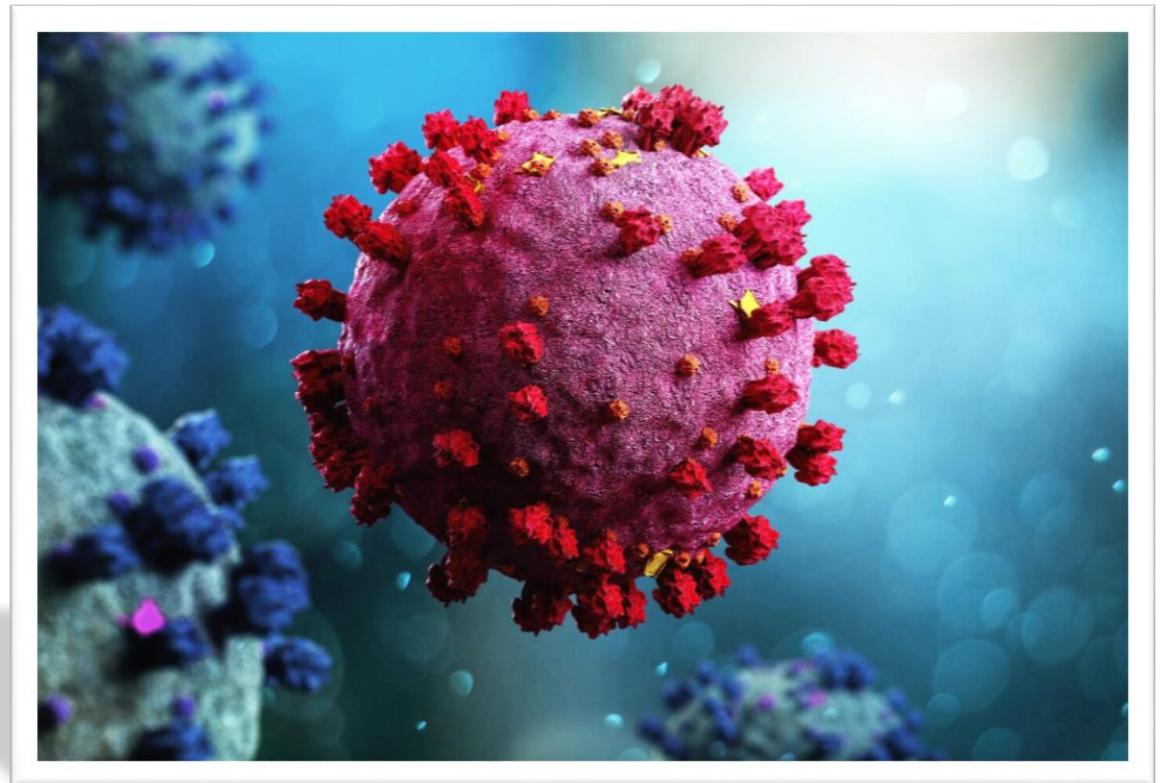
Literature Review

Literature Review

We contribute to numerous areas of the exchange rate literature. Given the abundance of literature, this section provides concise summaries of selected studies that are mainly relevant to our study issue. Several studies have examined exchange rate predictions based on surveys by professional forecasters, beginning with the widespread use of exchange rate surveys.

COVID-19 has an impact on the exchange rate, both positively and negatively, depending on the country.

The exchange rate was non-stationary before the COVID-19 pandemic, but in the COVID-19 sample, the Yen became very stationary. (YEN-US)

Literature Review

The correlation coefficient between COVID-19, temperature, and exchange rate. Temperature has a crucial role in reducing the infectivity of the human coronavirus. Another study, which included data from all cities in China, found that rising temperatures increase the doubling time of COVID-19 infections. This means that high temperatures may slow the transfer of COVID-19.The average currency rate is RMB 6.99 per USD, with a range of 6.90 to 7.11 and a 3% variation throughout this time period. At the 1% level, the correlation between all three variables is positive and significant.

The KRW slightly depreciates and appreciates to the USD when the number of new deaths and new cases increases, respectively. This result implies that investors repurchased the KRW several days after a rise in new cases, but the KRW was sold when the number of deaths rose.

Data & Methodologies

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Data & Methodologies

All of the articles used primary data sources instead of using any secondary sources. There were six papers in 2021, five papers in 2022, and five papers in 2020. The country where papers were found most commonly was Australia, followed by China, India, and Japan. The US dollar was the focus of the majority of research since it is well known that it is a very strong currency and that it was used to compare with other currencies during the Corona pandemic.

Reflection

Reflection

1
The effect of Covid-19 on currency rates differs by countries.

2
Most countries that witnessed high daily increases in new COVID-19 cases saw their currencies decline.

Reflection

3
Countries that made strides in controlling the virus's spread, which frequently laid the scene for currency strength.

4
Countries with strong economies may attract global capital flows, and capital movements are a major determinant of currency rates.

Conclusion

Conclusion

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The COVID-19 pandemic started in China and soon affected the whole world. All of the papers used primary data sources, none of which were secondary, and they were all quantitatively analyzed. According to the data, high infection rates have a negative influence on the exchange rate.

Recommendation

Recommendation

Every country must raise health awareness about the Covid-19 through the Ministry of Health, and the necessary vaccines for prevention must also be provided, and citizens in each country must follow the state's guidelines because, as previously stated, Covid-19 has a significant impact on exchange rates. Because in most countries the exchange rate increases as the number of deaths increases and decreases as the number of deaths decreases.
In countries where the exchange rate is fixed, such as Libya, the central bank injects dollars into the market to maintain stable exchange rates.
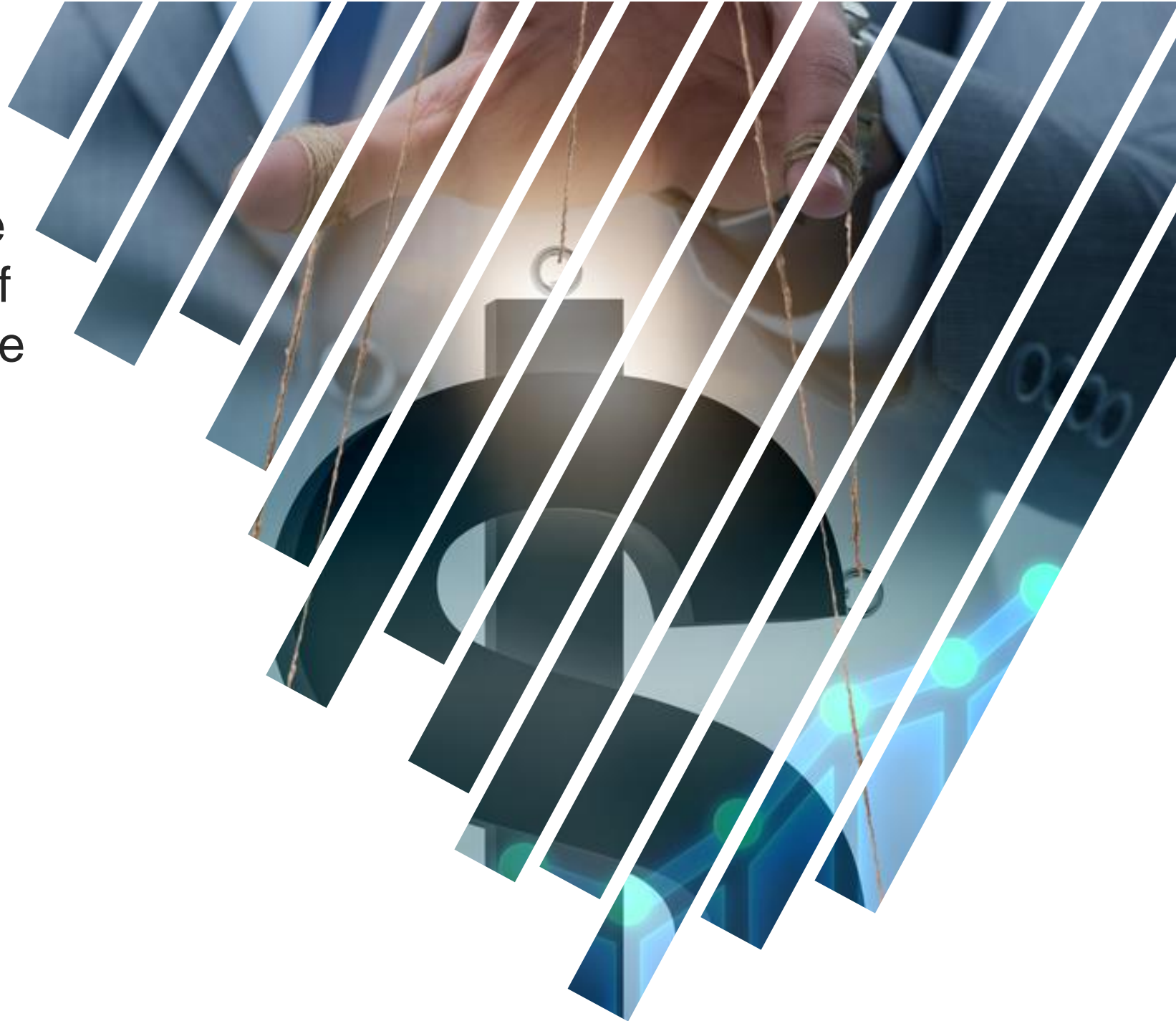
Implication

Implication

These researchers studied the impact of Covid-19 on the exchange rate, the majority of the papers discovered that the exchange rate rises as the number of deaths increases and it falls as the number of deaths decreases.

Limitation

Limitation

The limitations of this research include the exchange rates in many nations, as the major currency is the US dollar, which was compared to the other currencies. I only found 16 papers, and all of them employed quantitative analysis with no qualitative analysis, which constrained the researchers' viewpoints.

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Thank You