

Impact of the Covid-19 Pandemic on the Value of USD

Nguyen Thi Thu Hoan, M.A.¹, Le Ngoc Thang, M.A.²

¹Ministry of Foreign Affairs, Vietnam

²Ministry of Planning and Investment, Vietnam

Abstract

The COVID-19 pandemic has exerted its profound and comprehensive influence on many countries around the world and showed no sign of abating in any time soon. The global economy has plunged into a severe recession. Vietnam's economy with high level of openness and intensive integration into global economy, has been hit seriously by the pandemic, including disturbances in all socio-economic aspects, disruption in supply chains and trade flows as well as delays in production, business and services. In turn, these directly impact the import and export, aviation, tourism, catering and accommodation services, health care, education, labor and employment.

The USD is the world's major reserve currency, used for the majority of international currency reserves and transactions. Because reserve currencies are of great importance (used to make payments between countries, invest around the world, set up national reserves, and issue debt papers), countries issuing them must possess developed financial markets, open economies, sheer volume of external economic activities and free movement of capital without any monetary policy restriction. The purchasing power of the reserve currency have to remain stable. Liabilities become reserve assets when they are purchased by countries with positive trade balance from countries with negative trade balance. Initially, reserve currencies were used mainly for payment in the buying and selling of oil and gold, nowadays, however, gold is increasingly used to facilitate export and prevent the excessive power of national currency. Countries with substantial foreign currency reserves were able to avoid the collapse of their currencies in the wake of the 2008 liquidity crisis.

Keywords: Covid-19, USD value, VND/USD rate, International finance