

## MACRO: Exit Strategies & Economic Policy Outlook

Below is this week's updated exit strategies table, which also includes information on the policies that selected governments around the world are implementing to counter the economic fallout from Covid-19. Please do not hesitate to contact us if you want to discuss any of the countries mentioned in more detail. **Click on 'View PDF' below to see the table.**

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## Covid-19 Exit Strategies & Economic Policy Outlook

	Lockdown Exit Status & Strategy	Economic Strategy		Political Consensus	Capacity to respond to a second wave	Signposts
		Crisis Support	Recovery Support			
United States	All fifty states have initiated at least partial reopening. Amid rising cases, some states have stalled reopening stages.	To date, Congress has passed more than USD 2tn in stimulus to address the immediate impact of coronavirus.	More long-term economic recovery packages are in flux, as negotiations have stagnated.	Medium – There is consensus around some priorities, but progress will become difficult as the November election nears.	Medium – Most states have health system capacity, but tracing and testing is shaky. Reopening has been rushed for political purposes.	A few states are moving into phase four of recovery strategies for certain regions, but others are pausing reopening efforts.
European Union	Despite formal endorsement of a joint roadmap, different pandemic experiences and state competence complicate a coordinated exit.	EUR 500bn, mostly promises of loans from ESM rescue fund, guarantees and support for short-term work schemes, further ECB bond-buying.	Proposal of EUR 750bn in grants, loans, to be disbursed through the EU budget to most affected member states and companies.	Medium – Different positions persist, but overall approach to crisis response is more proactive than after the 2008 financial crisis.	Medium – Budget and recovery fund proposals reveal political ambition.	Following final agreement on a financial package, the European Parliament will still be required to sign-off on it.
China	Exit complete.	The government is incentivizing banks to increase loans to small businesses at risk of collapse.	Economic stimulus is slowly escalating but still modest compared to US, EU, and Japan.	High – Critics of early failures in Wuhan have been largely silenced.	High – Protocols in place to re-impose lockdown quickly and conduct large-scale testing.	Gradual reopening of inbound travel from select countries.
Japan	Government will keep restrictions on mass gatherings through late August. Amid rising cases, prefectural and local governments have reintroduced some business restrictions and stay-at-home requests.	Second supplemental budget, part of a USD 1tn package, is focused mainly on providing relief to small businesses and vulnerable constituencies.	Government plans for FY 2021 budget seek to encourage transition to “new normal,” envisions “digital transformation,” labor reforms, safety net reforms.	Medium – New outbreaks could challenge Prime Minister’s support and complicate consensus building in a second wave. Governors openly opposed to rollout of tourism campaign and introducing their own restrictions. Abe government divided over encouraging domestic travel	Medium – Post-state of emergency social distancing relies on voluntary cooperation of individuals, prefectural governments, businesses and trade associations. Abe government still reluctant to request businesses close again.	Rising cases in Tokyo, and other metropolitan areas have fueled concerns about the medical system. Abe government denying that new state of emergency is necessary but some officials have warned that it might seek legal changes that would enable more binding lockdown orders.
Germany	Regional states entirely in charge; but return to local restrictions if more than 50 new daily cases per 100,000 in a local district.	Over EUR 350bn in fiscal measures and EUR 800bn+ in guarantees, incl. tax delays, short-time work and payments to businesses.	Stimulus package of up to EUR 150bn to be agreed in June, but composition still politically contested.	Medium – Grand coalition government, but some political competition in the decentralized political system.	High – Decentralized testing, tracking and treatment has enabled a solid response to the pandemic so far.	A renewed ban on private family events such as wedding parties is being discussed amid rising infection numbers.
Canada	The US-Canada border restrictions will be extended another 30 days until 21 September.	Municipalities begin rolling out operational and transit infrastructure changes as federal relief funds begin flowing.	Provincial governments ramp up investments in municipalities and schools to ensure a safe return for children.	Medium – the WE Charity corruption scandal continues, with calls for the Minister of Finance to step down, and even calls for an election.	High – provinces prepare with varying back to school plans. Most differences hinge on mask use and class sizes.	Canada’s most populous province, Ontario, released its first quarter finances, projecting a \$38.5 billion deficit in 2020-21.

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India	Strict lockdown limited to high-risk areas. Schools, colleges open in some parts of the country. Spikes in cases continue with some indications of a new wave.	The government, while ruling out a stimulus until a vaccine or cure for Covid-19 is found, is considering another moratorium on interest payments.	Not yet discussed in detail, still in crisis support mode. Rising case numbers mean many places have re-imposed lockdowns.	Medium – State governments largely support the federal regime. But criticism continues over exit strategy and support for low-income groups.	Low – Testing capacity inadequate. Hospitals face shortages. A 'locals only' policy suggests hospital capacity concerns.	Lifting of public transportation and international flights will likely only be partial at first, with a full lifting of restrictions unlikely till November. Big losses in aviation and tourism are leading to fears of extensive bankruptcy.
United Kingdom	Many restrictions have been lifted since 4 July. After postponements, further restrictions have been relaxed as of 15 August.	Estimated cost ~GBP 300bn. This week, companies start to pay more for the furlough scheme. Govt is under pressure to extend it past Oct for hard hit sectors.	GBP 30bn stimulus package focused on selective VAT cuts, subsidies for the hospitality sector, and employee retention schemes.	Medium – Government has large majority, but political contestation over government's crisis response.	Medium – Questions around testing and contact tracing, despite improved numbers. Questions also around cost of economic support measures.	Local and perhaps sectoral lockdowns are the next signposts amid rising case numbers.
France	With cases rising, local authorities in Paris and the southern Bouches-du-Rhone region have been granted powers to introduce restrictions on free movement.	Employment scheme (~EUR 26bn) extended to 30 Sept. Long-term furlough scheme for specific firms entered into force on 31 July.	Aviation, tech, auto, and tourism sector support; measures for SMEs. EUR 100bn Relaunch plan to be adopted on 24 August, with EUR 40bn to support French industry.	Medium – President Macron faces no meaningful opposition, but mistrust towards the government remains high.	High – Human contact tracing seems to be working well. Government has been so far able to quickly detect emerging clusters.	The government will discuss a new health protocol for firms with employers and trade unions on 18 August.
Italy	Following a spike in cases, as of 17 August, nightclubs have been closed and face coverings are mandatory in public places.	Italy extended furlough support in a new EUR 25bn stimulus package approved on 7 August. Companies receiving support cannot fire employees.	Firms based in the poorest regions in the South will benefit from a 30% cut in pension contributions for all workers, not just new hires.	Low – Exit strategy very politicized. Government still grappling with an economic recovery plan for the country. The reintroduction of restrictions has created much controversy.	Medium – Authorities are struggling to contain "imported cases," many from travelers returning from holidays. All travelers arriving from Croatia, Malta, Greece and Spain must now be tested.	The return to school, planned for 14 September, will be a crucial test for the government. Safety protocols were only issued last week, and many schools may not be ready in time.
Brazil	Rio de Janeiro and São Paulo plan to reopen in Sept. More reopenings are occurring in the North and Northeast while the Southern states are tightening restrictions following surges in cases after premature openings.	Congress may still override veto on the extension of payroll tax cuts until 2021. Government intends to extend emergency assistance for unemployed and self-employed until the end of the year, but at lower amounts.	Special credit foreseen for infrastructure projects but may require constitutional amendment.	Medium – President Bolsonaro succeeding in gaining support for the notion that pandemic has nothing to do with his denialist attitude. The Southern State of Paraná signed an MOU to collaborate on the Russian vaccine.	Medium – BRL 1.9bn credit available for 100 million doses of the Oxford vaccine, and an MOU with AstraZeneca/Oxford envisions the manufacture of their vaccine in Brazil. A National Immunization Plan will be published once a vaccine is ready.	Optimism about vaccines is rampant in Brazil with 89% of the population intending to get a Covid-19 vaccine once ready according to a poll. 25% believe the vaccine will be ready this year and 46% in the first half of 2021.

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Russia	Three-stage exit, timing varies by region. All 85 regions have started reopening. International flights being renewed gradually.	~3.4% of GDP. Continuing support for families, healthcare and social workers; tax and rent deferrals; unemployment benefits; interest rate subsidies; preferential mortgages; loans and grants for SMEs, strategic companies/sectors.	RUB 5tn national economic recovery plan to 2022 announced in June. The RUB 25.7tn National Projects scheme revised and extended to 2030. Strong focus on infrastructure and digitalization.	Medium – Some tensions between the federal and regional administrations, which are responsible for lifting restrictions.	Medium – Significant testing capacity and fiscal room to support economy. But limited healthcare capacity outside key cities, bureaucratic inefficiencies, questionable data accuracy.	Authorities expect to start mass vaccinations with domestically-developed vaccine in autumn.
South Korea	Declining numbers of locally transmitted cases have enabled cities to relax tighter social distancing guidelines introduced in June.	Third supplemental budget passed, including ~KRW 18tn (USD 14.8bn) for emergency relief programs, mainly for small business.	New budget includes KRW 5.1tn (USD 4.2bn) for “Korean New Deal” programs, including green jobs, digitalization, and retraining programs.	High – Centralized state, ruling party now wields supermajority in National Assembly.	High – South Korea has learned from past and current outbreaks, introduced wide-scale testing, is exporting tests and other equipment.	Authorities monitoring new clusters but have not reversed economic reopening and have begun lifting restrictions as domestic transmission declines.
Spain	Central government has agreed with regions 11 new restrictions across different areas to try containing new outbreaks.	Short-term employment schemes covering ~3mn has been extended to 30 Sept with some modifications. Govt considering extending to 2021.	EUR 40bn in loan guarantees for businesses and EUR 10bn to bailout struggling strategic firms, inc. transportation and infrastructure.	Medium – Management of the outbreak politicized, but the government is still able to obtain parliamentary support for any Covid-19-related measures.	Medium – Contact tracing app unlikely to be ready before September; emerging outbreaks are proving that some regions do not have enough human contact tracers.	Regional governments will implement over the course of this week the new restrictions agreed the central government.
Australia	17 August new ‘deadliest day’ in VIC; NSW using CCTV to monitor mask usage at train stations; warnings of stricter restrictions to come; NSW border closed to travelers from Victoria; QLD borders remain closed; NT to maintain border controls for 18 months.	Australian Taxation Office investigating potential misuse of scheme allowing Australians to withdraw from pension funds; payments for those required to isolate while awaiting test results in VIC increase from AUD 300 to AUD 450.	300 international students will be allowed into Adelaide in Sept to trial reviving the education sector; AUD 250mn JobMaker plan includes AUD 75mn fund for the creative economy.	Medium – Tension continues over borders and spending: Prime Minister asks states for flexibility on border movement amid more restrictive measures; Prime Minister, Treasurer and Reserve Bank governor have called on states to assume more job-creating investments.	Medium – potential shortages of healthcare PPE in VIC; government calls for submissions for domestic vaccine manufacturing.	Victoria’s Treasury forecasts Melbourne will move from stage 4 to stage 3 restrictions in mid-Sept; Federal Parliament returns Monday, with some politicians joining by video.
Mexico	Reopening started on 1 June based on traffic light system. This week, 6 states at red level, 25 at orange, one (Campeche) at yellow. Traffic light system remains controversial.	Limited fiscal measures at ~1% of GDP. Measures include advancing pension payments; credits for micro- & small enterprises; and government austerity.	President insists infrastructure projects will be key to recovery despite questions over costs and value. Government hopes that USMCA trade agreement will revive economy.	Low – Divisions between opposition state governors and central government; relations between President and the private sector and media remain antagonistic.	Low – Chaotic healthcare system reform in process, lacking PPE, limited testing capacities; government believes comprehensive testing is unnecessary.	With daily new cases remaining high (Mexico has the seventh highest caseload globally), extremely low testing rates, but an easing of restrictions underway since early June, the situation remains delicate.

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Indonesia	Central & local governments coordinating easing of restrictions despite rising case numbers. Jakarta is slowing its exit because of persistent spread.	Total stimulus ~4.8% of GDP, for healthcare, social welfare, support for MSMEs, and bailouts of state enterprises. 2020 deficit target raised to 6.34% of GDP from 5.07%.	Corporate tax rate cut to 22%. SMEs may be eligible for working capital loans and some tax condonation. State banks promising targeted lending, to be main conduit for cash to SMEs.	Medium – Government does not want national policies, which leads to uneven policies.	Low – Testing capacity still low per-capita despite improvement, which may make it difficult to ramp up testing and contact tracing for a second wave.	No specific benchmarks; restrictions will continue to be loosened, if gradual decline in cases and fatalities is achieved.
Saudi Arabia	National curfew and all restrictions on commercial activities and movement lifted. Social distancing, limiting gatherings to 50 people, mandatory masks.	Almost USD 50bn in support to the private sector, intended to protect Saudi employees. Government fees delayed and expatriate visas extended.	Little so far. Arguably, normal Saudi government operations represent a stimulus.	Medium – Limited criticism of sustained government shutdown has emerged.	Medium – MERS spurred investment in capacity. General institutional capacity is mixed; extensive expatriate population live in close quarters. Shutdown was vigorously enforced.	Confirmed case numbers continue to rise.
Turkey	Mask wearing in public is mandatory in much of Turkey, but the country has lifted many of the restrictions previously put in place to curb the spread of the coronavirus.	Total measures amount to USD 72bn (10.8 % of GDP). Layoff ban extended and may be further extended in three-month increments until 30 June 2021.	The weak Lira price action made a timely response even more important, but the probability of a more decisive interest rate hike in the short term is less likely.	Medium – Consensus on safety measures taken. Growing discontent due to the depreciation of the currency and the worsening economic outlook.	Medium – Health system relatively high in ICUs, low in overall numbers of doctors & beds. Government is considering establishing “neighborhood inspection teams” to enforce Covid-19 measures.	Case load reached its 45-day peak on 15 August with 1,256 new cases. Experts say, however, that the confirmed numbers are undercounts due to limited testing, missed mild cases, and possible government manipulation.
Thailand	State of emergency continues but local restrictions being lifted. Reopening of schools, sports venues and removal of seat restrictions on public transport to come. Resurgence in other countries delays plans of travel bubbles.	As part of USD 60bn stimulus, 4mn will receive travel vouchers, ~1.2mn healthcare workers can travel for free. SMEs remain the priority; they employ 80% of workers. Airlines asking for USD 800mn in soft loans.	Government considering joining CPTTP but political infighting will likely delay. Some state procurement will be required to target SMEs. Energy ministry pushing for USD 7bn projects.	Medium – Policy is accepted but government seen as ineffective in other areas such as economy, as a result there may be more focus on growth.	Medium – Gradually building up testing capabilities and moderate national healthcare capacity.	Growing confidence in ability to limit and track new cases and sustained decline in new cases could cause government to open more of the economy.
Sweden	No lockdown, voluntary social distancing and home working encouraged, but country has high death toll.	SEK 812bn in measures, incl. tax deferrals, wage subsidies, credit guarantees; SEK 500bn in business loans, SEK 300bn bond buying.	Riksbank foresees interest rates remaining at 0% well into 2021.	Medium – Minority government with broad parliamentary support during crisis, but there will be an inquiry into no-lockdown strategy.	Medium – Institutional capacity is generally high but testing capacity and protections for care homes have been problematic.	Given the high number of fatalities, there is debate about a stricter approach now that infection numbers are increasing again.
Nigeria	Gradual phase-out. Stage 2 entered 1 June, extended on 5 August for four weeks.	Moratorium on government loans; suspension of electricity tariff hike. Small credit facilities to support households and SMEs (NGN 50bn) and healthcare (NGN 100bn).	Various programs, including a NGN 500bn intervention fund; central bank announced NGN 1tn in loans to manufacturing and agricultural sectors and established an infrastructure fund.	Medium – Gradual reopening will soften economic grievances. Calls for more stimulus.	Low – The government’s public health and economic response capacity are both extremely weak.	Oil production figures; response from WB and AfDB to request for USD 3.5bn in financing. Current restrictions extended to 6 September.



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Argentina	Tighter restrictions in the Buenos Aires conurbation (AMBA). Looser social distancing in areas with no or limited community transmission. Restrictions in place until at least 30 August.	~1.9% of GDP, includes direct cash transfers; freezing of utility tariffs; and lowering of bank loan requirements.	Limited for now because Argentina is still in the initial wave and faces significant economic constraints.	Medium – Presidential authority boosted by early action; but growing criticism of quarantine given rising caseload, lack of exit plan, economic impacts. Occasional tensions between Buenos Aires and provincial authorities.	Low – Health system will struggle to handle surges but retains capacity due to early restrictions. Human contact tracing program and new contact tracing app are positive but still not widely operational.	The focus of cases and restrictions remains the AMBA but lesser outbreaks elsewhere have occurred, contributing to a growing caseload.
Norway	Schools and bars have reopened. Public events with up to 200 people now permitted, social distancing rules remain.	NOK 200bn in fiscal measures, NOK 100bn in loans and guarantees, dedicated support for the oil sector.	Interest rates remain at a record-low 0%, household spending has continued, and unemployment has begun to drop.	High – Minority government but broad parliamentary support; opposition Labor party ensured additional oil-sector support.	High – Testing capacity is among Europe's highest; early lockdown enabled early economic reopening.	There is debate about a stricter approach to wearing facemasks in the county where this has not been mandatory so far.
South Africa	From 17 August, lockdown restrictions eased to "Level 2", but stringent health and distancing protocols remain in place.	ZAR 500bn stimulus package entails tax relief; SME support; social grants; health funding; credit guarantees. USD 4.3bn IMF loan granted on 27 July.	Government has promised an employment-focused "urgent economic recovery program," including infrastructure but faces record fiscal constraints.	Medium – The policy response has been widely criticized as contradictory. The easing to "Level 2" might somewhat mute contestation.	Medium – If infection rates accelerate once more, health service strain may worsen (including oxygen and PPE shortages).	Will infection rates continue to decline in hotspot provinces? October's medium-term budget must flesh out debt stabilization and reform plans.

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