

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 new 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.	Despite rising infection numbers once more, there is determination to handle new outbreaks locally rather than with a nationwide lockdown.
Canada	Governments beginning to allow larger gatherings to take place so long as social distancing and safety measures are respected.	Provincial governments invest in local PPE manufacturing and continue to encourage buying local to create jobs and stimulate the economy.	Provinces unveiling their spending plans for the CAD14bn “Restart Agreement” with the Federal government.	Medium – Nationals polls indicate the Prime Minister is at an all-time low in voter favorability as the WE Charity corruption scandal continues.	High – Provinces modify their crisis response to favor continued health protocols and PPE supply instead of closing down the economy again.	Job numbers indicate almost half a million new jobs added in the month of July.

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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 and some indications of a new wave of cases.	The government, while ruling out a stimulus till 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. However, further relaxation of measures was postponed last week for 2 weeks.	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 (for instance, closing pubs while keeping schools open) are the next signposts amid rising case numbers.
France	Cases and hospitalizations continue to rise. 1400 municipalities have made face masks compulsory in open-air public spaces.	Employment scheme (~EUR 26bn) extended to 30 Sept. Long-term furlough scheme for specific firms entered into force on 31 July.	Aviation, tech, automobile, and tourism sector support; measures for SMEs. EUR 100bn Relaunch plan to be adopted on 24 August.	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 is not expected to reimpose a nationwide lockdown, but localized restrictions could be introduced in the coming days.
Italy	Containment measures have been extended until 7 September. Masks must be worn in closed public spaces, social distancing required, and large gatherings remain banned.	Italy extended furlough support in 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. Economic dislocation will foment social tensions in months ahead. Government still grappling with an economic recovery plan for the country.	Medium - Contact tracing and compliance with safety measures have helped Italy achieve until last week a low rate (around 250 per day) of new Covid-19 infections.	The number of daily new coronavirus infections jumped 38% on 7 August, with 552 confirmed cases compared to the previous day. Italy had not seen such a high daily new caseload since late May.
Brazil	Exit strategies still difficult with high spread of virus in the interior of the country (from 11% to 48% of total cases since May). 11 of 26 states and Brasilia with falling death numbers. School reopenings challenged by courts in Rio and postponed to 7 Oct in São Paulo.	Government attempting to link any future tax reductions to tax reform. Congress should still override the presidential veto on the extension of payroll tax cuts until 2021.	House Speaker will lead the tax reform process, moving forward with or without government proposals. The reform will focus on the simplification of the tax regime – not the reduction of the tax burden – in the post-pandemic period.	Medium – Divergences between the federal and sub-federal governments continue. President Bolsonaro's executive order for the purchase of a vaccine seen as a political play against São Paulo governor João Dória who is betting on a Chinese vaccine partnership.	Medium – Hospital occupancies remain under control despite persisting weekly variable average of over 1,000 deaths per day and more than 100,000 total deaths. Bolsonaro signed an executive order freeing BRL 1.9bn in credit for the production of 100 million doses of the Oxford vaccine.	Evasive about reaching the 100,000 death mark over the weekend, Bolsonaro blamed the media for the "political use" of Covid-19 that caused deaths that could have been avoided. He also claims that hydroxychloroquine saved his life.

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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.	Russia expects to have a domestically-developed vaccine ready for mass use 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	Cases continue to rise, particularly in the Northeast area of the country and Madrid. No nationwide lockdown is in sight.	Short-term employment schemes covering ~3mn has been extended to 30 Sept with some modifications.	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 deployed but not active until 15 September; regions are trying to boost their human contact tracing capabilities.	Additional localized lockdowns might be reimposed in the coming days in the worst-affected regions.
Australia	10 August marked ‘deadliest day’ with 19 Covid-19 deaths in VIC. QLD border is closed to residents of NSW, VIC and ACT. Any NSW residents travelling from VIC must quarantine for 14 days at their own expense.	Government U-turn on planned winding down of Jobkeeper wage subsidy. Instead, AUD 15bn of further funding added and eligibility widened. Total federal government funding for pandemic relief is over AUD300bn.	The Reserve Bank has held the official interest rate at 0.25% but declared it will start buying government bonds again on 12 August to keep the cost of borrowing at record lows.	Medium - Tensions between state and federal governments remain. The ongoing Royal Commission into aged care today heard that the Federal Government had been too slow to respond to renewed outbreaks in the sector.	Medium – Elective surgeries remain on hold in some of the most heavily affected areas. Aged care remains an area of concern and medical staff in Victoria have raised the alarm about a lack of adequate PPE.	Moratorium on evictions and original end to mortgage holiday expires in September (not all borrowers will be eligible to extend); Federal budget on 6 October. Prime Minister signaled that internal borders may not reopen by Christmas.
Mexico	Reopening started on 1 June based on traffic light system. This week, 16 states at red level and 16 at orange despite rising infections. Some states have traffic light systems that differ from central system.	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 sixth 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 increased to ~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 from 25% 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. International pilgrims to the haj were banned and domestic pilgrims restricted to ~1,000.
Turkey	Social distancing and masks mandatory in all public areas in Istanbul, Ankara and Bursa, and 42 other provinces.	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.	Central Bank cut main interest rate by 2.5% since February. On 30 July, taxes on a range of services was cut to 1% from 8% until year-end.	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 beds/numbers of doctors. Labor-intensive contact tracing efforts. Official data is disputed by	Average daily cases have increased to over 1,000 during the last week. The 1,000 threshold is regarded as critical by the authorities.
Thailand	State of emergency continues but local restrictions continue to be lifted. Further reopening planned – schools, sports venues and removal of seat restrictions on public transport. Virus resurgence in other countries delays consideration 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.	Only residents of Swedish regions with less than 20 new weekly cases per 100,000 inhabitants may enter Denmark.
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 August.

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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 16 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, 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 are in early stages.	The focus of cases and restrictions remains the AMBA, which accounts for 90% of all cases. But mini-outbreaks elsewhere have occurred. Effect of new restrictions on social meetings can only be measured in second half of August.
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.	Residents of most EU, EEA, and Schengen countries are now allowed to enter with no quarantine, but Sweden remains largely excluded.
South Africa	From 1 June, strict lockdown eased to "Level 3", but fresh restrictions (including nighttime curfew and school closures) announced amid surging cases.	USD 4.3bn IMF loan granted on 27 July. ZAR 500bn stimulus package entails tax relief; SME support; social grants; health funding; credit guarantees.	Government faces a severe fiscal crunch but is touting infrastructure as "the fly wheel" for South Africa's recovery.	Medium – Exploding cases have prompted some fresh restrictions but the policy response is contradictory and driven by vested interests.	Medium – Amid accelerating infections, health service strain is showing (including oxygen, PPE shortages, and expected hospital bed shortages).	The health crisis is expected to intensify markedly in August. October's medium-term budget must flesh out debt stabilization and reform plans.

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