

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 – An expansive relief package is increasingly unlikely as the election nears and Congress must turn to budgetary matters.	Medium – Most states have health system capacity, but tracing and testing is shaky. Reopening has been rushed for political purposes.	States are continuing to reopen with caution after outbreaks have subsided, with capacity to reopen schools the next major frontier.
European Union	Despite formal endorsement of a joint roadmap, EU member states are still reluctant to coordinate border decisions.	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 agreement on a financial package, the European Parliament will still be required to sign off on it.
China	Exit complete.	The government incentivized banks to increase loans to small businesses affected by the pandemic, but those programs are being phased out.	Economic policy is normalizing as the economy recovers from the Covid impact and policymakers exit from stimulus policies.	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 move to lift restrictions on public gatherings on 19 September.	2 nd 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,” “digital transformation,” labor reforms, safety net reforms.	High – Yoshihide Suga will take office as prime minister on 16 September and not only has united his party behind him but appears likely to enjoy a honeymoon period.	Medium – Social distancing relies on voluntary cooperation. Government reluctant to ask businesses to close again.	Suga has pledged to focus on containing Covid-19 and supporting economic recovery for the foreseeable future.
Germany	Regional states 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: tax delays, short-time work and payments to businesses.	A further extension of easier access to short-time work (Kurzarbeit) has been agreed until the end of 2021.	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.	There now appears to be broad political consensus for putting the constitutional “debt brake” on hold for another year in 2021.
Canada	Provinces are putting together regional lockdown measures in preparation for a second wave.	The federal government invested CAD 126mn to increase local production capacity of vaccines.	The government’s pandemic emergency business loan program, Canadian Emergency Business Account was extended through October.	Medium – Prime Minister’s approval ratings have stabilized but national polls show dead heat with the main opposition.	High – Provinces have ordered excess flu vaccines to prepare for the Fall-Winter seasons as national efforts continue to increase local PPE production & hospital capacity.	Canada’s unemployment rate continues to drop as heavy government spending aims to kickstart the economy.

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India	Though spike in cases continue urban mass transport has opened, with restrictions, in many big cities. Lockdowns restricted to Sundays in most big cities.	Government ruling out stimulus until a vaccine or cure is found but considers another moratorium on interest payments. Some relaxation on bankruptcy laws.	No detailed discussions, still in crisis support mode.	Medium – State governments largely support the federal regime. But criticism continues over exit strategy and low-income support.	Low – Testing capacity ramped up but still inadequate. Hospitals face shortages, especially in high incidence areas.	Full lifting of restrictions on public transportation and international flights unlikely till Nov. Losses in aviation and tourism are leading to fears of extensive bankruptcy. Some industries back to pre-pandemic levels of production.
United Kingdom	First attempts to get people to return to their offices, but rising case numbers make this seem unrealistic.	~GBP 300bn. Companies now paying more for the furlough scheme. Calls to extend the scheme past Oct for some sectors.	GBP 30bn 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 tracing, and around the cost of economic support measures.	The debate about tax hikes is the first indication of political discussions beginning to focus on the fiscal cost of fighting the pandemic.
France	The number of departments classified as "highly vulnerable" to the spread of the virus has risen to 42 out of 101.	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 includes EUR 10bn in corporate tax cuts.	Medium – Macron's popularity hovers around 40%, but mistrust towards the government's handling of the pandemic remains high.	High – Human contact tracing is working well but cases are rising. Government wants to prioritize testing for symptomatic individuals.	Some cities might take additional measures to limit social gatherings in the coming days.
Italy	Schools reopened on 14 Sept. ~50% of all school staff were tested, with ~13,000 positive cases. A 7 Sept decree extended existing anti-Covid-19 measures for another month.	Italy extended furlough support in a new EUR 25bn stimulus package approved on 7 Aug. Companies receiving support cannot fire employees.	Plans to address the economic fallout from the pandemic to be presented to the EU in mid-Oct. Italy is set to receive around EUR 209bn from EU funds. These plans will be finalized in early 2021.	Low – Exit strategy very politicized. The union of Italian students is planning demonstrations on 25-26 September to protest against alleged failings in preparing schools to reopen.	Medium – Italy is considering cutting the quarantine period from 14 to 10 days. The technical and scientific committee (CTS) could decide on this matter on 15 September.	A raft of local ballots and a referendum on 20-21 September mark the first electoral test for the government since the coronavirus crisis, with the bickering ruling parties struggling in the face of a united right.
Brazil	Reopening of bars, restaurants, retail, and other non-essential activities now permitted for São Paulo state. If cities remain in the yellow phase for 28 days, they will be allowed to restart events and cultural activities. Southern region still critical but improving.	Senate Chairman Davi Alcolumbre continues to postpone the vote on Bolsonaro's vetoes. The deliberation on the presidential veto to extend payroll tax reductions until 2021 was once again postponed and is now scheduled for 16 September.	Government presented an administrative reform that should be put to a vote by year-end. House Speaker considers prioritizing making room for the new cash transfer "Renda Brasil" program through changes in the spending ceiling.	Medium – A trade-off is in the making where Congress overturns Bolsonaro's veto to extend payroll tax exemption of 17 sectors until the end of 2021 but commits to vote for economic recovery measures such as the tax and administrative reforms and the Federative Pact.	Medium - Bahia and Paraná states will run clinical tests of the Russian vaccine. The Oxford vaccine is favored by the federal government and some states. São Paulo advanced in clinical trials for the Sinovac vaccine and still considers a broad vaccination campaign as early as Dec possible.	Despite Brazil's downward trend in the weekly moving average of cases and deaths, research and data analysis groups have warned that delays in updating data are skewing the results. Brazilians have relaxed social distancing and hygiene practices (as seen during the 7 September National Holiday).

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Russia	Three-stage exit, timing varies by region. All 85 regions are in the process of reopening. Due to Covid-19, some schools have reverted to distance learning.	~3.4% of GDP. Support for SMEs, strategic sectors, families, health and social workers; tax and rent deferrals; unemployment benefits; interest rate subsidies; preferential mortgages.	RUB 5tn national economic recovery plan to 2022 expected to be finalized in October. The RUB 25.7tn National Projects scheme revised and extended to 2030. Strong focus on construction, infrastructure and digitalization.	Medium – Some tensions between the federal and regional administrations, which are responsible restrictions.	Medium – Significant testing capacity and fiscal room to support economy. But bureaucratic inefficiencies, limited healthcare capacity outside key cities, questionable data accuracy. Mass vaccination could help in the medium term.	Authorities expect to start mass vaccinations of at-risk groups in November/December. Registration of the second Russian vaccine expected in September/October. Weekly average of new cases gradually increasing.
South Korea	Stricter controls relaxed for greater Seoul region but could be reintroduced ahead of national holidays in early October.	Third supplemental budget passed, including ~KRW 18tn (USD 14.8bn) for emergency relief programs, mainly for small business. A fourth supplemental budget will be submitted.	New budget includes KRW 5.1tn (USD 4.2bn) for “Korean New Deal” programs, including green jobs, digitalization, and retraining programs.	Medium – Despite centralized state and ruling party’s supermajority, opposition to health measures among anti-government churches led to a surge of new cases.	High – South Korea has learned from past and current outbreaks, introduced wide-scale testing, is exporting tests and other equipment.	Enhanced social distancing lifted temporarily in greater Seoul, with expectation that restrictions will be reintroduced in two weeks to prevent national holiday from leading to new clusters.
Spain	Additional restrictions on social gatherings have been introduced by several regions over the last few days.	Short-term employment schemes covering ~3mn extended to 30 Sept with some modifications. Govt considering extending to 2021 for some sectors (i.e. tourism).	EUR 40bn in loan guarantees for businesses and EUR 10bn to bail out struggling strategic firms, inc. transportation and infrastructure.	Medium – A nationwide lockdown remains unlikely, given PM Sanchez has a political incentive to let the regions handle the pandemic.	Medium – Six regions have asked the army for support regarding contact tracing tasks.	An agreement between the government, employers, and trade unions to extend the existing furlough scheme is likely to be reached this week.
Australia	First easing of Melbourne restrictions – curfew and exercise time extended, playgrounds and libraries open, people living alone can establish ‘social bubbles’; SA expected to announce a re-opening of borders with NSW/ACT.	VIC announces AUD 3bn business support package of cash grants and tax relief.	Further update expected in Federal Budget on 6 Oct.	Medium – Tensions continue between state Premiers and Federal Ministers around border closures; NSW Premier calling on other states to cover hotel quarantine to clear backlog of Australians stranded overseas amid pressure to lift arrivals cap.	Medium – Federal Health minister Greg Hunt says pause in AstraZeneca vaccine trials “routine” and won’t slow its potential success.	VIC progresses to next step of reopening on 28 Sept provided case numbers meet requirements; QLD state election 31 Oct.
Mexico	Reopening started on 1 June based on traffic light system. This week, 24 states are at orange, and eight states at yellow – the first week with no states at the most serious red level. 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 the USMCA will revive the 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 re-imposing movement and business restrictions to cope with strained hospital capacity.	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 support SMEs. Government wants regulation to improve coordination of financial regulatory institutions.	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.	While still home to the highest number of cases in the Arab countries, Saudi's case numbers have begun to decrease.
Turkey	Masks in public are mandatory. Restrictions on indoor gatherings were re-introduced on 31 August. The Education Ministry announced plans for students to return to in-person education on 21 Sept.	Total measures amount to USD 72bn (10.8 % of GDP). However, a massive credit stimulus was the main tool used by the government to soften the impact of the crisis. GDP contracted by 11% in Q2.	Moody's downgraded Turkey to B2 with negative outlook. The downgrade was due to growing external vulnerabilities, the erosion of fiscal buffers and higher credit profile risk.	Medium – Most citizens don't believe the Health Ministry's pandemic data, according to a 7 Sept survey. 59% surveyed by Metropoll said they did not believe the Health Ministry was being honest about the number of cases.	Medium – Medical associations report that intensive care units are full. The Health Ministry reported an average of 50 deaths/day in the past week, compared to around 20-25 daily fatalities in early August.	The EU has threatened Turkey with sanctions – including tough economic measures – unless progress is made in reducing tensions with Greece and Cyprus in the Eastern Mediterranean. The EU Council will discuss the matter on 24 Sept.
Thailand	State of emergency continues but local restrictions being lifted. Implementation of health measures and social distancing is the focus.	USD 60bn stimulus. SMEs are the priority, employing 80% of workers. Airlines asking for USD 800mn in soft loans. Focus on subsidies to sustain employment.	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 had 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.	There is speculation whether some level of "herd immunity" has been achieved, as the number of new cases keeps falling
Nigeria	Gradual phase-out. Stage 3 entered 4 September; reviewed periodically.	Moratorium on government loans. Small credit facilities to support households and SMEs (NGN 50bn) and healthcare (NGN 100bn).	Various programs, including NGN 500bn intervention fund; 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, GDP and trade figures; response from WB and AfDB to request for USD 3.5bn in financing.

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Argentina	Restrictions in place until at least 20 Sept; tighter in the Buenos Aires conurbation (AMBA). Looser social distancing in areas with no or limited community transmission.	~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 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, especially beyond Buenos Aires, but retains capacity for now. Human contact tracing program and contact tracing app are positive but not widely operational.	The AMBA remains a key Covid-19 epicenter but lesser outbreaks elsewhere (led by Santa Fe) continue to increase in importance, contributing to a growing caseload.
Norway	Facemasks are now officially recommended when using public transport in Oslo.	NOK 200bn in fiscal measures; NOK 100bn in loans, 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.	High – Testing capacity is among Europe’s highest; early lockdown enabled economic reopening.	The seven-day rolling average of new cases is rising, for the first time outperforming neighboring Sweden.
South Africa	Lockdown “Level 2” restrictions, in force since 17 August, may be reduced to “Level 1” this week; social distancing protocols to remain in place.	ZAR 500bn stimulus package entails tax relief; SME support; social grants; health funding; credit guarantees (limited uptake).	Government has promised employment-focused “urgent economic recovery program,” including infrastructure, but faces record fiscal constraints.	Medium – The lockdown easing may dampen contestation around regulations, but PPE procurement corruption is fueling public outrage.	Medium – If infection rates accelerate once more, health service strain may worsen (including oxygen and PPE shortages).	Monitor whether new infections remain low. October’s medium-term budget must flesh out debt stabilization and reform plans.

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