

## 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.	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	Restrictions on mass gatherings could be relaxed in mid-September as case numbers fall.	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 – Abe’s resignation and the transition to a new prime minister presents new risks for the government’s ability to forge consensus, although the LDP is moving quickly to choose a successor.	Medium – Social distancing relies on voluntary cooperation. Government reluctant to ask businesses to close again.	The LDP is expected to choose a new leader by 14 September, followed by the Diet’s selection of a new PM several days later.
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.	Germany-wide restrictive measures are not being agreed as quickly as a continuation of nationwide economic support schemes.
Canada	Provinces preparing their response to school outbreaks, with closure measures in place.	Despite heavy government spending, polling indicates 48% of Canadians think the economy will worsen over 2021.	The Federal government will provide CAD 2bn for schools to secure their reopenings as the school year starts.	Medium – Newly elected Conservative Opposition leader promises to oppose government and court progressive voters.	Medium – Nearly half the provinces chose not to use the national contact tracing app until necessary during a second wave.	Much of Canada returns to school over the next few weeks, with in person classes prioritized.

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India	Though spike in cases continue urban mass transport like metro services open in many big cities with restrictions. 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-COVID19 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 28 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 presented last week, which included EUR 10bn in tax cuts for firms.	Medium – Macron's popularity continues to hover around 40%, but mistrust towards the government's handling of the pandemic remains high.	High – Human contact tracing seems to be working well but cases continue to rise. Government will start implementing rapid tests in Paris region this week.	The government will present at the end of the month the draft budget for 2021, which will implement some of the measures of the Relaunch plan.
Italy	New decree issued on 7 September extending existing anti-Covid-19 measures for another month. Masks remain compulsory in public places, including in some outdoor areas between 6pm-6am. Decree also keeps in place a ban on entry from 16 countries on Italy's no-travel list.	Italy extended furlough support in a new EUR 25bn stimulus package approved on 7 Aug. Companies receiving support cannot fire employees. A recent report by tourism business groups predicts the sector will close 2020 with losses of EUR 100bn.	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. The government is considering tax incentives to promote the digitalization in payment services.	Low – Exit strategy very politicized. Regional elections on 21-22 Sept will be a further distracting factor for the ruling coalition.	Medium – Authorities are struggling to contain "imported cases," many from travelers returning from holidays. Around 20% of the new cases are related to international travel.	The return to school, planned for 14 Sep, will be a crucial test for the government. The government ruled out a new lockdown, but as schools reopen, Rome risks failing in its key task of preventing a new pandemic wave.

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Brazil	São Paulo state announced quarantine until 19 September and optional return to schools for 7 October. Lockdowns still possible in the South and the Northeast.	Congress will analyze the presidential veto to extend payroll tax reductions until 2021 on September. President Bolsonaro sent an Executive Order extending the emergency assistance to the unemployed until December to Congress but cutting it to half the original value.	Infrastructure program still in the making. A proposal for an administrative reform was sent to Congress on 3 September and should reduce public expenditures by limiting benefits to new public service entrants. Payroll tax cuts for 17 economic sectors still under negotiation.	Medium – President Bolsonaro still focused on extending emergency assistance and turning it into a permanent income cash transfer program. He remains critical of governors and mayors for “overreacting” in handling the pandemic.	Medium – Paraná state government will start testing the Russian vaccine in volunteers next month.	Weekly moving average has continued to decrease – now at 827 deaths per day. Denialist comments by the president are feeding narratives by anti-vaccination movements. One quarter of the population is resistant to vaccines.
Russia	Three-stage exit, timing varies by region. All 85 regions are in the process of reopening. Local measures applied to contain new outbreaks.	~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 limited healthcare capacity outside key cities, bureaucratic inefficiencies, questionable data accuracy.	Authorities expect to start mass vaccinations of at-risk groups in November/December. Registration of the second Russian vaccine expected in September. Weekly average of new cases slightly increasing.
South Korea	Greater Seoul region has reintroduced stricter controls, and has decided to keep them in place even as case numbers fall. Government has raised alert nationwide as well.	Third supplemental budget passed, including ~KRW 18tn (USD 14.8bn) for emergency relief programs, mainly for small business. Government has agreed to submit a fourth supplemental budget.	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 aimed at high-risk facilities extended in greater Seoul until 13 September; heightened social distancing for the country as a whole extended through 20 September.
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 bailout 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.	Draft 2021 budget to be adopted by the government by the end of the month.

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Australia	Government has struck AUD 1.7bn supply & production agreements for Oxford / AstraZeneca and UQ / CSL vaccines to provide 84.8 million doses; Victoria's government has extended state of emergency powers for six months and announced five-step plan to slowly ease restrictions.	Victoria's government has extended rental relief grants and ban on residential evictions / rent hikes until March 2021; central government has announced "hardship" fund to provide Australians stranded overseas with emergency loans.	Ongoing speculation that the government is considering pulling forward AUD 158bn of personal income tax cuts - due to start in mid-2022 and mid-2024 – to the October budget as Australia officially enters its first recession in three decades	Medium – Tensions high around Victoria's re-opening –PM critical of slow approach and contact tracing while Victoria's Premier has said comparisons to New South Wales restrictions do not consider high levels of community transmission in Victoria; Opposition is challenging PM on 'deepening' recession with timing of cuts to wage subsidies and unemployment payments.	High – New South Wales insists hospitals are not understaffed despite ~100 healthcare workers in isolation following hospital outbreaks. Investigate. Victoria's government says it is working to contain spread among health workers.	Federal budget expected on 6 October; Victoria's budget expected in late November; legal mechanism restricting entry / exit of flight and cruise ships to be extended by three months to 17 December.
Mexico	Reopening started on 1 June based on traffic light system. This week, one state (Colima) is at red level, 21 at orange, and ten states 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 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 eighth highest caseload globally), extremely low testing rates, but an easing of restrictions underway since early June, the situation remains delicate.
Indonesia	Central & local governments coordinating easing of restrictions despite rising case numbers. Jakarta is easing out of its large-scale social distancing measures but rise in cases is leading to pressure from the central government for reevaluation.	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.	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.

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Turkey	Masks in public are mandatory in much of the country. Restrictions on indoor gatherings were re-introduced on 31 August. New restrictive measures for public transport were announced on 7 September.	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.	External financing risks exacerbated by depletion of FX reserves, weak monetary policy credibility, negative real interest rates, large current account deficit partly fueled by a strong credit stimulus.	Medium – Most Turkish citizens do not believe the Health Ministry's pandemic data, according to a recent nationwide survey.	Medium – Medical associations report that intensive care unit are full of Covid-19 patients. The Health Ministry reported 57 new deaths on 7 September. That compared with around 20-25 daily fatalities in late May.	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. 1,703 new cases were recorded on 7 September, the highest figure since 15 May.
Thailand	State of emergency continues but local restrictions being lifted. Implementation of health measures and social distancing is the focus.	Travel vouchers were a large part of USD 60bn stimulus. SMEs remain the priority, employing 80% of workers. Airlines asking for USD 800mn in soft loans. Subsidies to sustain employment are becoming the focus.	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 2 entered 1 June, extended on 5 August for four weeks. Further extension likely.	Moratorium on government loans. 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, GDP and trade figures; response from WB and AfDB to request for USD 3.5bn in financing.
Argentina	Quarantine first implemented over 170 days ago. 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 20 September.	~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, especially beyond Buenos Aires, but retains capacity for now. 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 continue to increase in importance, contributing to a growing caseload.

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Norway	Facemasks are now officially recommended when using public transport in Oslo.	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.	High – Testing capacity is among Europe’s highest; early lockdown enabled early economic reopening.	The seven-day rolling average of new cases is rising, for the first time outperforming neighboring Sweden.
South Africa	From 17 August, lockdown restrictions eased to “Level 2”, but public health and social 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 easing to “Level 2” may dampen contestation around lockdown restrictions, 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).	Infection rates in hotspot provinces. October’s medium-term budget must flesh out debt stabilization and reform plans.

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