

## MACRO: Policy responses to Covid-19

Below is this week's updated table on the health and economic policies that selected governments around the world are implementing to counter the 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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## Overview of health and economic policy responses to Covid-19

	Measures to contain outbreaks	Economic Strategy		Political Consensus	Capacity to respond to a second wave	Signposts
		Crisis Support	Recovery Support			
United States	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. Increased reliance on executive actions.	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.	Negotiations continue between national governments, the European Parliament and the Commission to achieve final sign-off for the recovery fund.
China	Lockdown exit complete.	The government incentivized banks to increase loans to small businesses, 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 public gatherings lifted on 19 Sept. Okinawa prefecture and some private operators will continue to abide by previous restrictions.	2 <sup>nd</sup> 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 Sept. He has united his party behind him and 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.	A surge in insolvency filings as of 1 October could trigger new debates about support measures.
Canada	Provinces begin re-enforcing stricter public health measures as cases continue to surge.	The government has announced continued support for childcare, pharmacare and to prolong emergency benefits until summer 2021.	While the throne speech focused on crisis support measures, it also included a fund to encourage a “green recovery.”	Medium – Only one opposition party is expected to support the government’s throne speech, a vote of confidence for the Liberals.	High – Testing capacity has been challenged, but hospital rates and deaths remain low, with rapid response programs in regions with surges in cases.	In a rare primetime televised address, Prime Minister Trudeau urged Canadians to remain vigilant in the face of a second wave that has begun.

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India	Urban mass transport has opened, with restrictions, in many big cities despite case spikes. Lockdowns restricted only to areas with severe levels of infection.	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.	A new wage support scheme will replace the furlough program running out at the end of October.
France	The government has created three new geographical categories ("alert," "enhanced alert," and "maximum alert") to manage restrictions.	Employment scheme (~EUR 26bn) extended to 30 Sept as well as long-term furlough scheme for specific firms.	Aviation, tech, auto, and tourism sector support; measures for SMEs. EUR 100bn Relaunch plan includes EUR 10bn in corporate tax cuts. Draft budget for 2021 is under debate.	Medium – Macron's popularity hovers around 40%, but mistrust towards the government's handling of the pandemic remains high.	Medium – Authorities have enough contact tracing staff, but high demand for tests is creating capacity issues, which in turns limits the effectiveness of tracing protocols.	The draft budget for 2021 will be sent to parliament this week, and it is likely to be formally passed before the end of the year.
Italy	Italy has kept a second wave at bay so far but it is still early for health experts to detect community transmission following the reopening of schools and universities.	Italy is raising its budget deficit goals for 2020 & 2021, and target public debt at around 156% of national output in 2021. The target for the 2020 deficit will be raised to ~12.8% of GDP from last month's 11.9% goal.	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 government is expected to extend the "state of emergency" for another 30 days before its 7 October expiry date	Medium – The shock of being the first European country to get hit by the pandemic and experience an extended lockdown has not worn off and helps to contain the outbreak.	Emboldened by its performance in the regional elections, the Democratic Party will seek to gain more influence on the government. This will likely include a renewed push to apply for around EUR 36bn of ESM funding – a highly contentious matter for many lawmakers across the whole political spectrum.
Brazil	Following the National Holiday, new outbreaks in Amapá, Roraima, Amazonas, Minas Gerais, Roraima & Rio de Janeiro states, and a mild increase in São Paulo state. After weeks under red alert, southern region is improving.	Economy Minister Paulo Guedes will pursue a deal with Congress on a new digital tax to cover payroll tax reductions for 17 sectors, to avoid the overturn of a presidential veto that did away with such reductions.	New cash transfer program that would succeed emergency assistance and increase the existing Bolsa Familia still hinges on talks to increase spending without jeopardizing fiscal rules.	Medium – Bolsonaro's speech at the UN General Assembly blaming governors and mayors for their handling of the pandemic reinforces disconnect between federal and sub-federal government. Bur Congress is willing to work with the government.	Medium – Executive Orders authorized Brazil to join WHO's global vaccine alliance Covax. São Paulo state has expanded CoronaVac trials to four more research centers. São Paulo governor João Dória claims the vaccine will be available by December.	There is a growing perception that Brazil's economy fared relatively well during the pandemic on account of emergency support and facilitated credit. Analysts have generally lowered the GDP annual fall from 9% to 5%.

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Russia	With hospital rates rising, Moscow mayor calls for return to remote work and for at-risk groups to stay home. Authorities increase enforcement of restrictive measures.	~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 2024 finalized in September. Draft 2021-2023 budget foresees new taxes to extractive, fertilizer as well as oil and gas industries.	Medium – Some tensions between federal and regional administrations, which are responsible for restrictions. Despite rising infections, no new nationwide restrictions expected in the near-term.	Medium – Significant testing capacity and fiscal room to support economy. But bureaucratic inefficiencies, limited healthcare capacity outside key cities, questionable data accuracy.	Authorities expect to start mass vaccinations of at-risk groups in November/December. Registration of the second Russian vaccine expected by mid-October. Parliament starting the 2021-2023 budget adoption process on 30 September.
South Korea	Stricter controls relaxed for greater Seoul region but could be reintroduced ahead of national holidays in early October.	3rd supplemental budget included ~KRW 18tn (USD 14.8bn) for emergency relief programs, mainly for small business. 4th supplemental budget to come.	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	The central government might introduce a regional lockdown in Madrid in the coming days if transmission of the virus does not slow down.	An extension to 31 Jan to the short-term employment schemes covering ~3mn workers will be approved this week.	EUR 40bn in loan guarantees for businesses and EUR 10bn to bail out struggling strategic firms, inc. transportation and infrastructure.	Medium/Low – The politicization of the management of the pandemic is delaying decisions and undermining public trust in the authorities.	Medium/Low – Some regions have contained a second wave but key regions like Madrid are struggling. A nationwide lockdown remains unlikely.	The government confirmed that the draft budget for 2021 will not be adopted until mid-October.
Australia	Melbourne enters ‘step 2’ of easing restrictions including but masks remain mandatory. Travel from NSW to SA and from ACT to QLD allowed.	JobKeeper wage subsidy payment reduced; Federal govt extended support for the aviation sector to 2021, building on more than AUD 1.3bn already committed to supporting the industry.	Select lending laws abolished; insolvency laws reformed to prevent the closure of small businesses; temporary disclosure provisions extended to Mar 2021; ASIC extends easing of requirements for capital raisings to Jan 2021.	Medium - Tensions continue between State Premiers and Federal Ministers around border closures; MPs critical of cuts to wage subsidy payments seen as premature.	High - Australia has joined the Covax global vaccination agreement; NSW rolls out pop-up testing clinics at tourist destinations to combat low testing as school holidays commence.	Federal Budget on 6 Oct; next national cabinet meeting 16 Oct; third step of easing Melbourne restrictions due to take place on 26 Oct but may be earlier if case numbers drop sooner than expected.
Mexico	Reopening started on 1 June based on traffic light system. Until 11 October, 15 states are at orange, 16 states at yellow, and one at green. 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 7th highest caseload globally, 4th highest number of deaths), extremely low testing rates, but an easing of restrictions underway, the situation remains complicated even as the new caseload appears to be gradually descending.
Indonesia	Central & local governments easing restrictions despite rising case numbers. Jakarta is re-imposing movement and business restrictions to ease 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.	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.

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Saudi Arabia	Government employees have returned to work and restrictions on the exit and entry of citizens have been partially lifted.	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	Considering tighter restrictions as case and death rates return to May levels following partial school reopening. So far, new restrictions are mostly fines on individuals and businesses.	USD 72bn (10.8 % of GDP). Limited fiscal and monetary space to offset slowdown. A new 3-year economic roadmap to be unveiled. 2021 growth rate target of 5-6%.	The Central Bank raised interest rates for the first time in two years on 24 Sept, surprising investors who had expected the bank to use other measures to stabilize the embattled Lira.	Medium – Most citizens don't believe official data. Turkish Medical Association predicts the outbreak will accelerate in the fall and called for more restrictive measures to reduce the rate of infection.	Medium – Medical associations report that intensive care units are full while the government claims the situation is under control.	Turkish officials are worried that that US presidential candidate Joe Biden is unlikely to shield Ankara from the economic and political repercussions demanded by senior members of Congress for harming US interests if he is elected.
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.	High – Minority government with broad parliamentary support, reliance on independent health experts to design crisis measures.	Medium – Institutional capacity is generally high but protecting care homes has proven to be problematic.	After a mild increase in the daily number of new cases during September, new infections have lately been falling again.
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.
Argentina	Restrictions in place until at least 11 October; 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.	Focus on infrastructure, with capital spending to reach 2.2% of GDP in 2021. However, significant economic constraints will constrain recovery plans.	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.

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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, 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 daily number of new infections rose until the beginning of September but has remained flat since then.
South Africa	Lockdown eased to "Level 1" from 21 Sept; social distancing protocols remain in place.	ZAR 500bn stimulus package entails tax relief; SME support; social grants; health funding; credit guarantees (limited uptake).	Government has promised an employment- and infrastructure-focused economic recovery program, but faces record fiscal constraints.	Medium – The exit may dampen contestation around lockdown 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 continue to decline. October's medium-term budget must flesh out debt stabilization and reform plans.

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