

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.	Negotiations continue between national governments, the European Parliament and the Commission to achieve final sign-off for the recovery fund.
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 public gatherings lifted on 19 Sept. Okinawa prefecture and some private operators will continue to abide by previous restrictions.	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 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.	The constitutional “debt brake” will be put on hold for another year in 2021.
Canada	As case numbers rise, provinces are re-imposing restrictions in afflicted regions. Schools remain open, with case by case closings.	Government is signaling more federal funding for provinces ahead of Wednesday’s Throne Speech.	CAD 19 bn in federal aid for provincial “Economic and Social Restarts” will begin to be distributed this week.	Medium – Throne Speech will need the accord of at least one opposition party to avoid an election, forcing the Liberal government to cater its agenda towards its left-leaning colleagues.	High – With case numbers on the rise, provinces are increasing daily testing capacity, clearing space in hospitals and opening testing capacity for pharmacies.	While officials haven’t declared a national second wave, provinces and regions are locking down on health measures as case numbers rise in some provinces from under a hundred to over 400 some days.

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India	Urban mass transport has opened, with restrictions, in many big cities despite case spikes. 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 55 out of 101.	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.	Medium – Macron's popularity hovers around 40%, but mistrust towards the government's handling of the pandemic remains high.	High/Medium – Human contact tracing is working well but cases are rising. High demand for tests is creating capacity issues for laboratories.	The draft budget for 2021 will be adopted by the government in the coming days.
Italy	Italy seems to have dodged – or at least delayed – a second wave so far. This is mainly thanks to a good testing system and widespread civic adherence to mask-wearing.	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 – 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.	In the aftermath of the regional elections, the ruling coalition parties are set to argue over the issue of the country applying for financial aid from the European Stability Mechanism.
Brazil	Rio de Janeiro city raised restrictions to bars and restaurants after uptick in cases. São Paulo saw the lowest number of ICU beds occupied by Covid patients since the pandemic broke. Southern states still mostly under red alert.	Deliberation on President Bolsonaro's veto to extend payroll tax reductions for 17 sectors until the end of 2021 now postponed to 30 Sept – and it may be dealt with in emerging tax reform.	New flagship cash transfer program now hinges on progress with the "federative pact" constitutional amendment that would free revenues by doing away with mandatory earmarks and set triggers that allow government to cut spending.	Medium – Lack of consensus between federal, and sub-federal governments likely to increase ahead of November municipal elections – particularly in São Paulo, the stronghold of the main centrist opposition to Bolsonaro.	Medium – National Health authorities permitted increase in Oxford/AstraZeneca vaccine trial volunteers. The tests should also be extended to two more states: Rio Grande do Norte and Rio Grande do Sul.	Newly confirmed Health Minister Pazuello announced that the government plans to launch a national covid vaccination program in January. The official "Covid kit", which includes chloroquine, will be included in the National Pharmaceutical Assistance Program (<i>Farmácia Popular</i>).
Russia	Three-stage exit, timing varies by region. All 85 regions are in the process of reopening, but new cases are on the rise. Due to outbreaks, 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. Draft 2021-2023 budget foresees new taxes to extractive, fertilizer as well as oil and gas industries.	Medium – Some tensions between the federal and regional administrations, which are responsible 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. 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. Parliament starting the 2021-2023 budget adoption process.

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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	The Madrid region has introduced severe restrictions on the freedom of movement in several areas of the capital city.	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/Low – Some regions have managed to contain a second wave but key regions such as Madrid are struggling.	A final decision on the extension of the state-sponsored furlough scheme is expected this week.
Australia	International arrival caps set to rise; regional restrictions in VIC eased. AUD 4,957 fine introduced for Melburnians traveling to VIC region; SA opens border to ACT & due to open border to NSW soon.	NSW introduces Pandemic Leave Disaster Payment of A\$1500 for workers who test positive but have no sick leave remaining to encourage testing.	Further update expected in Federal Budget on 6 Oct.	Medium - Tensions and debate continue between State Premiers and Federal Ministers around border closures.	High - National approach to contact tracing to be rolled out based on NSW system; low supply of respirators means fit-testing for all health workers who need to use one may not be possible.	NSW, QLD and WA to increase international arrivals by 27 Sept; Federal Budget on 6 Oct; next national cabinet meeting 16 Oct.
Mexico	Reopening started on 1 June based on traffic light system. This week, 24 states are at orange, and eight 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 seventh highest caseload globally and fourth highest number of deaths), 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 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.	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	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.

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Turkey	The government may introduce new restrictions to counter the growing infection rate at a 21 Sept. cabinet meeting. Shopping malls and outdoor markets could be targeted.	Total measures amount to USD 72bn (10.8 % of GDP). Limited fiscal and monetary space left to offset the slowdown. Despite USD weakness, the Turkish Lira remains fragile.	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 – In a recent survey, most citizens don't believe official data. Doctors questioning data and government policy are facing backlash, including threats of prosecution and a ban on their professional association.	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 European Council will hold a strategic discussion on Turkey on 24-25 September. However, the EC is unlikely to impose economically significant sanctions on Turkey over the country's territorial dispute with Greece.
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.	Unlike in the rest of Europe, 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.
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; freeing 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.
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.	Amid rising case numbers, Norges Bank is expected to keep the interest rate at 0% this week, despite concerns over housing prices and inflation.
South Africa	Lockdown eased to "Level 1" from 21 September; 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 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 daily new infections remain low. October's medium-term budget must flesh out debt stabilization and reform plans.

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