

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 stagnate. Increased reliance on executive actions.	Medium – An expansive relief package is more unlikely as the election nears and Congress turns 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 the ESF 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	Quarantine measures have been lifted. Some restrictions on large public gatherings remain.	Emergency stimulus measures have ended.	Economic policy is normalizing as the economy recovers. Policy focus shifting towards controlling financial risks.	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.	Partial easing of restrictions on inbound international travel, but new visas for short-term business travelers, tourists, and students are still not being issued.
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 weekly 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 government is looking into the most promising strategy for rolling out any vaccine.
Canada	Provinces continue closing high risk community spaces such as restaurants and bars and are limiting social interactions for at least a month.	The government passed legislation to guarantee sick leave for all Canadians and made updates to the employment insurance program.	The government's health agency approved its first rapid-test for COVID-19.	High – all parties supported the legislation guaranteeing sick leave for Canadians.	Medium – provinces experience a backlog of testing, and have begun limiting those who are eligible for testing.	Quebec and Ontario report record numbers of daily cases, reaching over 1,000 per day in some cases.

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India	Most restrictions lifted: religious and public meetings allowed with masks, social distancing, public transportation open in many cities, despite case spikes. Lockdowns restricted to areas with severe levels of infection.	Government ruling out stimulus until a vaccine or cure is found but has announced moratorium on interest payments for small borrowers. 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. Rising fears of extensive bankruptcy in tourism, airline industries. Many 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	Paris and three provinces have been put under "maximum alert", leading to the introduction of further restrictions on social gatherings.	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. Debating 2021 draft budget.	Medium – The public is increasingly divided about the introduction of further restrictions, but more than 80% say would comply with them if imposed.	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 lower chamber will hold its first-reading vote on the 2021 budget on 20 October.
Italy	New restrictions, including masks required in public and an early closure of bars and restaurants, are likely to be imposed this week to stem a surge in cases. The state of emergency will be extended to 31 Jan. 2021.	2020, 2021 budget deficit goals raised; public debt targeted at around 156% of national output in 2021. The 2020 deficit target will be raised to ~12.8% of GDP from Sept's 11.9% goal. 2021 budget will be unveiled in mid-Oct.	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. One of the government's main objectives will be to keep the nation's schools open, following a closure of six months.	Medium – 2,844 new cases reported on 3 Oct, the highest number since April, confirming a surge in infections as tests remained steady at over 100,000. Southern regions appear susceptible to the disease as outbreaks are reported.	The Five Star Movement is in deep turmoil after its poor showing in the regional elections. The party seems set on a slow but potentially irreversible decline that will limit the government's room to maneuver and ability to tackle the country's deep economic malaise.
Brazil	São Paulo expected to enter penultimate reopening phase while Rio, despite an increase in hospitalizations, has advanced to its last (and most flexible) phase, allowing social events and cultural activities such as movie theaters and galleries to reopen.	Expected overturn of presidential veto on the extension of a payroll tax cut until 2021 has been postponed again in the absence of agreement as to the source of funds to pay for it. An attempt to link this to the creation of a new financial tax was rejected.	Government proposal to finance new cash transfer program <i>Renda Cidadã</i> (Citizen Income) by delaying writ of payments for government debts and tapping into recently-approved basic education fund opposed by Congress and markets. No solution in sight.	Medium – Government is shooting in all directions to find money for new cash transfer program, causing great consternation in Congress and causing delay on reforms until 2021.	Medium – São Paulo state seeking ANVISA registration, the first step towards authorization of the Coronovac, produced by a partnership between Sinovac and the state Butantan Institute. Clinical trials still in progress. Governor still claims start of vaccination may be 15 Dec.	Not clear what the impact of President Trump's Covid-19 infection might be in Brazil – but it may be relevant. Most of the focus now is on a new cash transfer program that would turn into permanent the assistance to 48 million persons who previously did not receive the existing <i>Bolsa Familia</i> .

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Russia	Moscow businesses must send 30% of office-based workers to work remotely until 28 October. School vacation extended to 18 October. Tighter enforcement of existing measures.	Moratorium on credit repayment extended for three months until 7 January 2021. Expanded economic support measures available for the self-employed.	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.	Vaccination of at-risk groups in to start in Nov-Dec. Registration of the second Russian vaccine “Vector” expected by mid-Oct. Parliament to consider 2021-2023 budget in late Oct. Sharply rising new infections in Moscow.
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	New movement restrictions in areas with more than 100,000 residents and infection rates above 500 per 100,000 people.	An extension to 31 Jan to the short-term employment schemes covering ~3mn workers has been approved.	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 key 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 will adopt this week the expenditure ceiling, a previous step to the presentation of the draft budget for 2021.
Australia	Schools in VIC to reopen in coming weeks; people arriving in WA from VIC no longer have to quarantine; QLD may reopen to NSW on 1 Nov provided NSW has 28 days with no community transmission.	VIC doubles assistance payment for those experiencing financial hardship, including for Victorians on temporary or provisional visas and undocumented migrants.	6 Oct budget to include income tax cuts; tax breaks for start-ups, retraining, investment, R&D; tax loss benefits for small businesses; expanded home buyer scheme; manufacturing grants, infrastructure support & funding for aged care support.	Low – Tensions continue between state Premiers, Federal ministers and Opposition around border closures and spending.	High – 7mn N95 face masks from national medical stockpile sent to VIC aged care facilities; QLD to stockpile 12 months’ supply of PPE; WA Health Minister calls for tighter protocols around foreign ships coming into Australian waters.	Visitors from NZ allowed in NSW & NT from 16 Oct in first stage of a trans-Tasman travel bubble; Tasmania will allow visitors from some parts of Australia from 26 Oct; NSW Premier will announce further easing of restrictions after school holidays end on 12 Oct.
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 high daily new cases (9th highest caseload globally, 4th highest number of deaths), extremely low testing rates, but an easing of restrictions underway, the situation remains complicated even as case numbers may be descending.
Indonesia	Governments easing restrictions despite rising case numbers. Jakarta has re-imposed movement and business restrictions until the first week of Oct.	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. The new economic program aims to achieve 5.8% growth in 2021, and 5% in 2022, 2023. These targets are unrealistic absent structural reforms.	In a new blow for its tourism sector, Turkey was placed onto the UK's quarantine list on 1 Oct. after the country admitted to incorrectly reporting their coronavirus cases.	Medium – The government admitted to publishing a partial tally of case numbers, stoking a political row that has been simmering for months over the true scale of the pandemic. People who had a positive test but were asymptomatic were not included.	Medium – Medical associations report that ICUs are full but government claims the situation is under control. On 2 Oct., the Health ministry reported that Turkey has begun human trials in its efforts to develop a vaccine.	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.	The government's scientific advisers are no longer ruling out local lockdown measures if they were to be required by concentrated outbreaks.
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, which is now the 7 th highest globally.

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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.	Quarantine rules remain in place for entrants from several Finnish and Swedish regions.
South Africa	Lockdown eased to “Level 1” from 21 Sept; international travel permitted from 1 Oct. 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 ease 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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