

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	As US caseloads continue to surge, individual states are beginning to impose new restrictions.	Despite outward optimism for a lame-duck stimulus deal, Democratic and Republican leadership still appear far apart.	Comprehensive long-term recovery packages are unlikely. Piecemeal efforts may still be on the table.	Medium – Incentives to pass a bill in the lame duck session remain unclear, but leadership has expressed willingness to advance a deal.	Medium – Most states have health system capacity, but tracing and testing is shaky. Reopening has been rushed for political purposes.	Government funding runs out on 11 Dec, but a shutdown is not likely. Confirming various leadership positions for both parties in the House is also on the agenda.
European Union	Member states are recommending a Schengen-wide local warning system, allowing borders to remain open, but national capitals in charge.	EUR 500bn, mostly promises of loans from ESM rescue fund, guarantees and support for short-term work schemes, further ECB bond-buying.	EUR 750bn in grants and 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.	The Council presidency and the European Parliament have reached a deal, but Poland and Hungary are threatening a veto against the budget and recovery fund.
China	Recent outbreak in Xinjiang is contained after 4.7mn tested in city of Kashgar.	Central bank said it intends to gradually roll back pandemic-related stimulus measures, but precise timeline is uncertain.	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	Hokkaido introduces new restrictions as cases reach new highs.	Ruling parties negotiating terms of a third FY2020 supplemental budget to be introduced in early 2021, which will include some emergency relief.	3 rd supplemental budget will include funding for structural economic transformation, including digital transformation, supply chain resilience.	High – Prime Minister Suga 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	Nation-wide lockdown until end-November. Hospitality, culture and sports venues to close, schools remain open.	Over EUR 350bn in fiscal measures and EUR 800bn+ in guarantees: tax delays, short-time work and payments to businesses.	EUR 130bn in support measures, incl. VAT cuts until year-end and extra funds to cap social security contributions.	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.	EUR 10bn to pay SMEs affected by the new November lockdown 75% of their November 2019 revenues.
Canada	Provinces continue tightening restrictions as cases surge seemingly uncontrollably.	Quebec announced CAD 1.8bn in spending and incentives to attract foreign investments and increase local production capacity.	The federal government announced CAD 1.5bn to help provinces retrain workers left jobless by the pandemic.	Medium – Provinces have banded together to formally call on the Prime Minister to hold a meeting with Premiers, with increased health transfers at the top of the agenda.	Medium – Provinces begin warning that if cases continue rising, surgeries and other “non-emergency” hospital services will have to be paused again.	Worst case projections place daily cases for the month of December at 10,000, over ten times higher than daily cases in August. Provinces are considering temporarily closing schools by extending winter break.

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India	Most restrictions lifted: religious and public meetings allowed with masks, public transportation open in many cities. Lockdowns restricted to areas with high rates 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.	State governments have been offered a choice of borrowing from the central bank to tide over their immediate financial problems, but some states have refused.	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 still pending. Government suggests a vaccine might be available in the first half of 2021.
United Kingdom	Lockdown for all of England as of 5 November, closing non-essential shops and hospitality venues but keeping schools open.	~GBP 300bn. Companies now paying more for the furlough scheme. Plans to extend the scheme locally past October.	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 prime minister is in quarantine after a meeting with an MP who subsequently tested positive; this will curtail his ability to hold some crucial meetings planned for this week.
France	Nationwide lockdown in place until 1 December at least. Finance minister pushing for reopening of shops from 27 November.	Short-term employment scheme extended to 31 Dec, as well as long-term furlough scheme for specific firms. Up to EUR 10,000/month to cover losses from new lockdown.	Aviation, tech, auto, and tourism sector support; measures for SMEs. EUR 100bn Relaunch plan includes EUR 10bn in corporate tax cuts. Govt has proposed 4 th modification to 2020 budget + Debating 2021 draft budget	Medium – 67% of the public supports the new lockdown, but there is resistance from small business owners and local political leaders.	Medium/High – Around 4,803 Covid-19 patients are currently in ICU beds. France has 5,700 ICU beds but. President Macron has said capacity will be increase to 10,000.	A decision on the reopening of shops will probably be adopted this week.
Italy	Nationwide 10pm-5am curfew. More regions classified red zones as case numbers hit new highs. Campania and Tuscany joined other regions under the strictest lockdown measures on 15 Nov. Chance of a national lockdown remains high as the situation in various regions is out of control.	The 2021 budget seeks to extend measures to support the economy. Expansionary measures in 2021 will total more than EUR 39bn, including EUR 15bn in grants from the EU Recovery Fund. 2021 target budget deficit is 7% of GDP.	Furlough scheme will be extended past 31 Jan by 8-12 weeks. Moratorium on loan, mortgage payments will also be extended as part of the 2021 budget. Ban on layoffs extended to 31 March.	Low – Exit strategy very politicized. Regional administrators and central government disagree on further restrictions. As the newly designated red zones went into lockdown, anger rose against the government amid a lack of clarity over how the zones were designated.	Low – The test and tracing system is overwhelmed. The pandemic is out of control in the north-west of the country and in Calabria. On 13 Nov., Italy recorded a high of nearly 41,000 daily cases as hospitalizations and deaths rise in the country.	The leaders of regions forced to go into lockdown have lambasted the government's new tiered system, which has categorized some areas with the lowest rates of Covid-19 in the country as high-risk red zones. Legal appeals will follow. The risk of anti-lockdown demonstrations, which could turn violent, is rising.
Brazil	Nine out of 27 states recovered pre-pandemic industrial production level. Several states see increases in cases as beginning of second wave.	Economy Minister Paulo Guedes insists on so-called "digitax" to finance recently approved payroll tax cut extension.	Economy Minister startled markets by affirming that emergency aid will be resumed in 2021 in the case of a second wave.	Medium – Remainder of 2020 expected to focus on approval of the Budget Guidelines Law (LDO) and the Annual Budget Law (LOA).	Medium – Pfizer negotiating with the Brazilian government for delivery of vaccine by first quarter 2021. Health agency officials in China inspecting labs that produce both the Oxford and Coronavac vaccines.	Specter of second wave scares governors and mayors but not enough for a return to social distancing and shutdowns.

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Russia	In Moscow, at least 30% of employees must work remotely. Cafes, bars, restaurants must close 11pm-6am until 15 Jan. Most education activities remain remote. Lockdown in Buryatia region during 16-30 November.	Moratorium on bankruptcies extended for three months until 7 Jan 2021. Preferential mortgages extended till 1 Jul 2021. Subsidies on utility bills extended till the end of 2020.	RUB 5tn national economic recovery plan to 2024 finalized in September. Draft 2021-2023 budget foresees new taxes on extractives, fertilizer as well as oil and gas industries.	Medium – Some tensions between federal and regional administrations, which are responsible for restrictions.	Medium – Significant testing capacity and fiscal room to support economy. Hospital bed occupancy across the country is over 80% across the country, with several regions reporting shortages. Potential start of vaccinations in early 2021.	Infections in Moscow are plateauing but surging in St Petersburg and other regions. Some regions reporting shortages of hospital beds. 2021-2023 budget adoption scheduled for late November. Russia facing challenges to mass production of Sputnik V vaccine.
South Korea	New alert system has put nearly the whole country at the lowest level, enabling virtually all social activities provided public health guidelines are followed.	4 th supplemental budget included ~KRW 7.8tn (USD 6.7bn) for emergency relief programs for households, small businesses. FY2021 budget will include more emergency relief.	FY 2021 budget proposal includes KRW 160tn (USD 141bn) in spending on programs related to Moon's "Korean New Deal" program	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 eased but new rising case numbers are being closely monitored.
Spain	The government is still reluctant to introduce a nationwide solution.	Short-term employment scheme covering ~3mn workers has been extended to 31 Jan. Another extension will probably be discussed in Jan.	EUR 40bn in loan guarantees for businesses and EUR 10bn to bail out strategic firms, inc. transportation and infrastructure. EU-supported EUR 72bn investment plan for 2021-2023.	Medium/Low – The politicization of the management of the pandemic has delayed the adoption of public health measures.	Medium/Low – Lockdown fatigue seems to be on the rise, with protests taking place in various cities.	The Catalonia region might start lifting some of the imposed restrictions next week.
Australia	SA cluster grows – QLD, TAS, NT & WA place restrictions on travelers from the state while VIC declares SA hotspot but does not close border, NSW keeps borders open; new restrictions in SA to limit interactions and require masks when unable to socially distance.	Covid JobSeeker supplement extended to March but reduced, rather than ending in December. NSW state budget includes AUD 1.6bn for Covid-19 health response including keeping testing clinics open in 2021.	NSW state budget to raise payroll tax threshold from AUD 1mn to AUD 1.2mn; VIC state budget to spend AUD 5.3bn on housing to combat homelessness and create construction jobs, AUD 235mn for recovery workforce package and free kindergarten.	Medium – Prime Minister says measures following SA outbreak should be "temporary responses"; NSW opposition calls for border to SA closed.	High – QLD / CSL vaccine stage three trials to begin; govmt will spend AUD 1bn over 10 years to underwrite new vaccine production facility; National Cabinet has agreed national Covid-19 vaccination policy to prioritize the elderly and vulnerable.	NSW budget on 17 Nov; VIC budget on 24 Nov.
Mexico	Normalization based on traffic light system. Two states at red (Chihuahua and Durango), 18 states at orange, 11 at yellow, and one green. System remains controversial.	Limited fiscal measures at no more than 1.2% of GDP. Measures include advancing pension payments; credits for micro- and 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 was in process when pandemic struck, lacking PPE, limited testing capacities; government believes comprehensive testing is unnecessary.	The situation in Mexico City remains delicate as authorities are on alert for a return to the "red" level of restrictions. Testing rates remain very low.

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Indonesia	Governments easing restrictions despite rising case numbers.	~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.
Turkey	Entertainment venues and businesses must close at 10pm. Flexible working hours encouraged across private and public sectors. Residents 65 years and older in Ankara and Istanbul have been restricted from leaving their homes except for certain hours.	The government's economic program aims to achieve 5.8% growth in 2021, and 5% in 2022, 2023. This is utterly unrealistic absent structural reforms.	19 Nov meeting of the monetary policy committee will be crucial for the trajectory of the Lira. Following changes in the economic team, the markets expect a significant rate hike, more transparency and a simplified monetary policy framework.	Medium – The government continues to report only symptomatic cases, a practice criticized by the WHO. Medical professionals and opposition parties claim that the total number of cases is ten times greater than officially reported.	Medium – The government is resisting implementing tough measures despite fears that a second wave is taking hold. Turkey set a new record of daily coronavirus cases on 15 Nov. with 3,223 new cases registered.	Recent changes in the economic team have raised expectations of a new economic era unfolding in Turkey. This could become a reality only if President Tayyip Erdogan decides to embrace the proposed reforms and accept the attached political costs.
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 cause delay. Some state procurement will be required to target SMEs. Energy ministry pushing for USD 7bn projects. First phase of program to allow in limited number of tourists underway.	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	After the no-lockdown strategy led to a high death toll, local authorities are now able to impose lockdowns.	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 new local lockdowns are intended to work through strong recommendations from local authorities, for now lacking the element of hefty fines seen elsewhere.
Nigeria	Gradual phase-out. Stage 3 entered 4 Sept; renewed again for four weeks on 19 Oct; 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 agriculture and manufacturing, 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	Strict restrictions put in place in March have finally been loosened in Buenos Aires conurbation (AMBA). Easing measures to remain highly cautious.	~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 of slow lifting of restrictions and economic impacts. Occasional tensions between Buenos Aires and provincial authorities amid politicization.	Low – Health system has managed to avoid collapse. Human contact tracing program and contact tracing app are positive but not widely operational. Testing rates remain low.	Caseload remains high amid cautious easing of restrictions. A rise in positive cases as population circulates more freely could prompt return of some restrictions.
South Africa	Lockdown at Level 1; international travel permitted, subject to testing. Health measures remain in place.	A ZAR 500bn stimulus plan (including tax credits, social grants and credit guarantees) amid record fiscal constraints.	The economic recovery plan focuses on infrastructure, jobs, energy security, and 'reindustrialization'.	Medium – Tough tradeoffs between fiscal austerity and stimulating the economy are fueling divisions, as are PPE procurement scandals.	Medium – Rising infection rates could strain health services (including oxygen and PPE shortages) once more.	The government is concerned about a second wave, particularly in the Eastern Cape, but is reluctant to return to hard lockdowns amid economic and fiscal travails.

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