

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. This update will be the last of this year; we will resume publication of the weekly table in January. Please do not hesitate to contact us if you want to discuss any of the countries mentioned in more detail.

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Overview of health and economic policy responses to Covid-19

	Measures to contain outbreaks	Economic Strategy		Political Consensus	Capacity to manage pandemic	Signposts
		Crisis Support	Recovery Support			
United States	As US caseloads continue to surge, individual states continue to impose new restrictions.	A USD 908bn compromise bill has stalled as Senate Majority Leader McConnell circulates a smaller proposal.	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.	Medium – Most states have health system capacity, but tracing and testing is shaky. Reopening remains political.	Confirming various leadership positions for both parties in the House continues.
European Union	Member states support 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, 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.	As the budget and recovery fund have been agreed, the next signpost to watch is the presentation of national recovery plans in Q1/2021.
China	Tighter inspection and disinfection procedures to prevent infections transmitted from chilled and frozen food imports.	Central bank signaled intention to gradually roll back pandemic-related stimulus measures. Precise timeline is unclear.	Economic policy is normalizing as the economy recovers. Policy focus shifting towards controlling financial risk.	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 inbound travel restrictions, but new visas for short-term business travelers, tourists, and students are still largely unavailable.
Japan	Travel subsidies suspended to and from Tokyo, Nagoya, Sapporo and Osaka. Travel subsidies will be suspended nationwide from 28 Dec to 11 Jan.	New stimulus package includes JPY 73tn in fiscal spending and credit guarantees. Subsidies for employment, small businesses will continue.	Much of the stimulus package targets structural transformation, including a green technology fund; continuing support for supply chain resilience.	Medium – Prime Minister Suga's approval ratings have plummeted, exposing him to wider criticism from within the ruling coalition.	Medium – Social distancing relies on voluntary cooperation. Government reluctant to ask businesses to close again.	The third wave has forced Suga to scrap plans for a snap election in early 2021. New stimulus package will be submitted to the Diet in January.
Germany	Strict nationwide lockdown during the festive period and into next year, non-essential shops and schools closed.	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.	Borrowing is now expected to reach EUR 180bn in 2021, to finance further lockdown support measures.
Canada	Provinces placing limits on holiday celebrations. Government stresses continued containment measures until after a majority of Canadians are vaccinated.	The federal government did not announce any new funding initiatives for hard-hit sectors such as airlines, tourism and restaurants in the Fall Economic Update.	Additional CAD 15bn in government funding to help reach carbon neutrality goals and create sustainable "clean" jobs by 2030.	High – Second country in the world to begin mass vaccination. Prime Minister Trudeau's approval ratings on this matter have remained high while criticism dwindles.	Medium – Cases continue hitting daily highs and provinces warn that hospital capacity will soon be impacted if the spike continues.	Case projections drop from 20,000 to 12,000 in January. The first shipments of vaccines will be distributed to 15,000 people. Provinces will distribute vaccines to health care workers and vulnerable communities such as long-term care homes.

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India	Restrictions still in place including mandatory masks in public and a bar on international travel, but most shopping areas, places of worship and congregations are now open. It is wedding season in most of India but infection rates have largely been controlled.	A 3 rd stimulus package of INR 9tn is in place, taking the total virus relief to almost INR 30tn, or 15% of GDP. Largely aimed at tourism, small business and construction. Federal 2020-21 budget on 1 Feb will indicate the extent of the economic damage.	A production-linked incentive program worth INR 1.46tn (USD 20bn) for manufacturing units has been unveiled. Further stimulus is being planned for the tourism, construction and financial services sectors but when this will be announced is unclear.	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. Insurance pay-outs to the infection-hit underway but private insurers wary of honoring entire claim.	A decision on opening international flights still pending. Government says half of India will be vaccinated by September 2021. However, no firm orders for the vaccine placed by government as yet, and it is not clear whether every Indian citizen will be vaccinated or only a certain category.
United Kingdom	Regional three-tier system in place again since 2 December, review on 16 December. Considering tier three restrictions in London.	~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.	Amid the vaccination launch and a rebellion of Conservative backbench MPs, the government is under pressure to allow some local authorities to exit tier-two restrictions.
France	Second stage of lockdown exit kicked in on 15 Dec. Nighttime curfew in place from 8pm to 6am.	Short-term employment scheme extended to 31 Dec; long-term furlough scheme for specific firms. Up to EUR 10,000/month to cover new lockdown losses. Further EUR 9bn in 2021 budget under debate.	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 has recovered in recent weeks, but certain segments of the population remain critical of the government's handling of the pandemic.	Medium – The government will allow GPs to provide vaccinations in order to counter public skepticism towards the Covid-19 vaccine.	Draft 2021 budget is expected to be approved by the National Assembly in the coming days.
Italy	The government is likely to introduce strict nationwide restrictions from 24 Dec. to at least 2 Jan. This would ban non-essential movement, and close shops, bars and restaurants on weekends and holidays, with the exception for those selling essential goods.	The 2021 budget seeks to extend measures to support the economy. Expansionary measures in 2021 will total more than EUR 39bn. Rome is already considering another package worth EUR 20bn to approve in Jan.	The government has not yet approved its National Recovery Plan (to be submitted to the EC as part of the EU Recovery Fund process) due to political wrangling within the ruling coalition. Rome is expected to receive more than EUR 200bn from the Fund.	Low – Exit strategy very politicized. Regional administrators complained about the lack of consultation ahead of the latest decree that imposed new curbs ahead of the festive season.	Low – Italy has overtaken the UK as the worst European country for Covid-19 deaths. Government faces intensifying criticism of "amateurish" policies to prevent a second wave. 484 virus-linked deaths reported on 13 Dec., raising total fatalities to 64,520.	Five Star MPs in Prime Minister Conte's coalition are increasingly restive over EU policy. Desertions from the party have left him with a razor-thin majority. Italia Viva is threatening to pull out of the coalition, complaining that he amassed too much power over EU funds. Policy paralysis dominates.
Brazil	President Bolsonaro affirms pandemic reaching its end as 22 states face upward trend in death weekly moving averages.	Extension of state of calamity beyond 31 Dec back in discussion but opposition from both House Speaker and Economy Ministry prevailing.	Emergency Assistance will not be extended to 2021. Economy Minister says its end will help lowering inflation.	Medium – Policy on vaccines continues to pit congress against the government. Government seen as deliberately delaying the purchase of all vaccines available – and their approval.	Medium – Government belatedly entering into agreements with Pfizer and Moderna. Announcement by São Paulo state government for vaccination starting on 25 Jan prompted government to act.	Bolsonaro seems to have finally understood that lack of plan, logistics or agreements with vaccine companies could affect his popularity. He continues to downplay importance of vaccines to cater to his loyal minority.

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Russia	In Moscow, 30% of employees required to work remotely, senior citizens to self-isolate until 15 Jan. No easing of restrictions expected during winter holidays.	Subsidies for airlines/airports for losses incurred until Nov 2020. Moratorium on bankruptcies valid till 7 Jan; preferential mortgages to 1 Jul.	The 2021-2023 budget foresees RUB 639bn (around USD 8.4bn) spending on national economic and recovery plan.	Medium – Some tensions between federal and regional administrations, which are responsible for restrictions and vaccination.	Medium – Significant testing capacity and fiscal room. Limited healthcare capacity in some regions. Questionable reliability of data.	New infections remain high. Large-scale vaccination starting. Second Russian vaccine EpiVacCorona expected to be ready for public use in January. President Putin to hold annual press conference on 17 Dec.
South Korea	Stricter social distancing measures remain in greater Seoul region. Enhanced measures introduced elsewhere.	4 th supplemental budget with ~KRW 7.8tn in emergency relief programs for households, small businesses. FY2021 budget will include emergency relief.	FY 2021 budget proposal includes KRW 160tn 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 in cases.	High – South Korea has learned from past and current outbreaks, introduced wide-scale testing, is exporting tests and other equipment.	Heightened measures will remain in place for the greater Seoul region and "level 2" social distancing for the rest of the country for 2weeks. Government considering raising guidelines in Seoul to highest level, 3.
Spain	Regions are relaxing some of the restrictions in place ahead of the holiday season.	Short-term employment scheme covering ~3mn workers has been extended to 31 Jan. Another extension may be discussed in Jan.	EUR 40bn in loan guarantees for businesses. EU-supported EUR 72bn investment plan for 2021-2023. EUR 10bn to support car industry.	Medium – The management of the pandemic by the regions has removed some pressure from the central government.	Medium – Regions have shown different abilities to respond to a second wave. Government expects 70% of population to be vaccinated by the end of next summer.	Draft 2021 budget set to be approved on 29 December.
Australia	NSW lifts public health order to work from home and eases aged care facility visitor limit to allow Christmas visitors; SA eases rules for hospitality and at-home gatherings.	Despite push for foreign students to support education sector, national cabinet agrees 40,000 Australians stuck overseas will get priority over students & skilled migrants.	Prime Minister puts overhaul of federal-state relations on national cabinet's 2021 reform agenda to help economic recovery.	Medium – Debate around government industrial relations overhaul and ongoing tensions around quality of contact tracing, borders, and support for Australians stranded overseas.	High – Vaccine rollout for early 2021 back on track after CSL & UQ vaccine trials halted due to risk of false positive HIV test, CSL to manufacture Oxford vaccine in Melbourne facility.	Australia-NZ travel bubble due to start by March.
Mexico	Normalization based on traffic light system. Two states at red, 24 at orange, 3 at yellow, and 3 green. System remains controversial and close to collapse as compliance remains low and government all but admits system is not working.	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.	Situation in Mexico City remains delicate amid resurgence in cases. Testing rates remain very low. Vaccine plans are underway but government estimates for 10mn vaccinations per month would take a year to cover whole population.
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. SMEs may be eligible for working capital loans, some tax condonation. State banks promising targeted lending to support SMEs. New sovereign fund created for infrastructure.	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.	~USD 50bn support to the private sector, to protect 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 investments. General institutional capacity is mixed; 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	Nationwide weekend lockdown. Schools closed through year-end. Most businesses remain open for limited hours. Partial daily curfews for senior citizens and unemployed people under 20 years old.	GDP expanded by an annual 6.7% in Q3, growing at a faster pace than EM peers. Growth was boosted by a credit binge, which pummeled the Lira and is now being abandoned.	The Lira hit a two-week low versus the dollar on 11 Dec. It weakened 1.5% to trade past 8.00 per USD at one point as the US is poised to impose sanctions on Turkey over its purchase of Russian S-400 air defense systems last year.	Medium – Opposition politicians and medical professionals have expressed skepticism about whether the official death toll reflects the true picture.	Low – The increasing number of cases are wreaking havoc on the country's healthcare workers, who are overwhelmed by the workload, extended working hours and the virus itself, with over 11% of the workers in the field testing positive.	EU leaders have agreed to prepare limited sanctions on Turkish individuals over an energy exploration dispute with Greece and Cyprus. The EU will revisit the sanctions on Turkey in March.
Thailand	State of emergency continues but most local restrictions have been lifted. Implementation of health measures and social distancing is the focus, as well as constraints on border entries.	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.	Considering joining CPTTP but political infighting will cause delay. Energy ministry pushing for USD 7bn projects. Program to allow in limited number of tourists underway. More consumption subsidies planned.	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	Upper secondary schools to close as of mid-December; social distancing measures in place, but anti-pandemic law unlikely before March 2021.	SEK 812bn in measures, incl. tax deferrals, wage subsidies, credit guarantees; SEK 500bn in business loans, SEK 300bn bond buying.	Another SEK 200bn (USD 24bn) added to the Riksbank's asset purchase program in late November, extended until end-2021.	High – Minority government with broad parliamentary support.	Medium – Institutional capacity is generally high but initial no-lockdown strategy has proven to be especially problematic in care homes.	Sweden seems set on exhausting national ICU bed reserves (outside hard-hit areas like Stockholm) first before turning to Scandinavian support offered by Finland and Sweden.
Nigeria	Gradual phase-out. Stage 3 renewed again 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.
Argentina	Strict restrictions have 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 criticism of slow lifting of restrictions and economic impacts. Occasional tensions between Buenos Aires and provincial authorities.	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 (close to 1.5mn in total) amid cautious easing of restrictions. A rise in cases could prompt return of some restrictions. Government contract for widespread use of Russian vaccine could generate some hesitancy among certain sectors.

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South Africa	Lockdown at Level 1. Fresh localized lockdowns in three districts and additional nationwide restrictions amid resurgence.	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 – A second wave has officially arrived, with cases surging in four provinces (Eastern Cape, Western Cape, KwaZulu-Natal and Gauteng).	The government is reluctant to return to hard lockdowns given economic and fiscal travails, but restrictions (nighttime curfews, social gathering limits) are being expanded.

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