

## 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 manage pandemic	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, Democrat 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.	Following vetoes from Poland and Hungary, negotiations over the budget and recovery fund continue.
China	Recent outbreak in Xinjiang was contained after 4.7mn tested in city of Kashgar.	Central bank said it intends 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 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 inbound travel restrictions, but new visas for short-term business travelers, tourists, and students are still not being issued.
Japan	Hokkaido restrictions continue. National government suspends some subsidies for travel, dining out aimed at Sapporo and Osaka.	Negotiations underway for 3 <sup>rd</sup> supplemental budget to be introduced in early 2021, which will include some emergency relief.	3 <sup>rd</sup> supplemental budget will include funding for structural economic transformation, inc. supply chain resilience and digital transformation.	High – Prime Minister Suga has united his party behind him, so far.	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	Nation-wide lockdown until end-November. Hospitality, culture and sports venues closed, 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.	Borrowing is now expected to reach EUR 180bn in 2021, to finance further lockdown support measures.
Canada	Lockdown measures in most provinces to contain a second wave, Northern rural territories are beginning to see surges in cases as well.	The federal government to increase rent subsidy durations nation-wide and promises an increase in PPE and other medical equipment.	Fall Economic Update expected to include further extensions of stimulus programs, and targeted sectoral support.	High – Trudeau's government unveiled deployment plan for Covid-19 vaccine, now expected in the spring, which all major opposition parties have accepted.	Medium – Covid-19 vaccine news hasn't changed government positioning on restricting in person gatherings during the holidays as each region tries to fight the surge in cases.	Canada will use the army to organize infrastructure and logistics in the distribution of its Covid-19 vaccine next year.

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India	Many restrictions back in place: curfews, max 50 people gatherings, fines for not wearing a mask increased 400% in many state capitals. The health situation is compounded by pollution caused by burning of crop residue.	A third stimulus package of INR 9tn (USD 120bn) announced, taking the total virus relief to almost INR 30tn (USD 402bn), or 15% of GDP. Largely aimed at tourism, construction, and small business.	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. A production-linked incentive program worth INR 1.46tn (USD 20bn) for manufacturing units has been unveiled.	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.	A decision on opening international flights still pending. Government says half of India will be vaccinated by September 2021.
United Kingdom	Return to regional three-tier system as of 2 December, but restrictions for hospitality sector will persist in most of England.	~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 fears of a rebellion of Conservative backbench MPs, the government is trying to reassure local authorities about ways out of tier-two restrictions next year.
France	Three-stage exit from second lockdown kicked in on 28 November.	Short-term employment scheme extended to 31 Dec, and 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 <sup>th</sup> modification to 2020 budget + Debating 2021 draft budget.	Medium – Macron's popularity has recovered in recent weeks, but certain segments of the population remain quite critical of the government's handling of the pandemic.	Medium – All epidemiological indicators have improved in recent days. State has ability to deploy vaccination campaign but mistrust towards vaccine is among the highest in Europe.	Second stage of lockdown exit will kick in on 15 December.
Italy	Government will likely adopt new measures by 3 Dec to contain the virus over Christmas. Decree will likely limit movement across regions and maintain curfew. New rules for shops and other business activities will permit longer shopping hours for the holidays.	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.	4 <sup>th</sup> stimulus package of EUR 8bn to support business hit by the latest restrictions approved on 30 Nov. It delays tax deadlines for companies and expands cash handouts for workers in tourism and the arts, which have been severely disrupted by the pandemic.	Low – Exit strategy very politicized. Regional administrators and central government disagree on easing of restrictions ahead of Christmas. Rome wants to maintain a ban on movement across regions. Some regional governors oppose this due to the impact on tourism.	Low – Italy reported 541 coronavirus-related deaths on 29 Nov, against 686 the day before, and almost 21,000 new infections, showing that the fatalities remain high despite a deceleration in the contagion curve. The situation in some southern regions remains very difficult.	The health minister is expected to unveil Italy's plan for mass vaccination on 2 Dec. The Italian government has appointed a task force to plan how and where the first doses will be delivered when international regulators approve a successful vaccine. The vaccine will be free and voluntary.
Brazil	Infection rate as high as peak in May with hospitalizations increasing. With runoff municipal elections in 18 capitals behind, mayors may now revert to containment measures.	Economy Minister Paulo Guedes still pushing a "digitax" over financial transactions, now also focusing on a 0.15% tax over newly created electronic payment method, the "PIX".	President Bolsonaro is delaying his favored cash transfer program <i>Renda Cidadã</i> until a solution on how to finance it is found.	Medium – Municipal elections strengthened centrist parties and will change the dynamics of the relation between government and congress in favor of the latter.	Medium – Health Ministry to present national vaccination plan to States and Municipalities this week. Bolsonaro, less obstructionist, now ensures the government will buy and distribute vaccines as soon as one is approved by ANVISA.	End of municipal elections may now allow greater focus on containment measures. Resistance will be significant as population behaves as if the pandemic has already ended. Major hotels show 100% occupancy for New Year's. January is expected to see a surge in infections.

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Russia	In Moscow, 30% of employees required to work remotely, senior citizens to self-isolate extended until 15 January. National lockdown remains unlikely.	Moratorium on bankruptcies extended to 7 Jan; preferential mortgages to 1 Jul. Inspections of small businesses suspended until 31 Dec 2021.	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.	Medium – Significant testing capacity and fiscal room. Some regions have limited healthcare capacity including bed shortages.	New infections remain high and still rising. Mass vaccination expected to start in January/February (priority groups earlier).
South Korea	Rising case numbers has led authorities to re-introduce stricter social distancing measures in greater Seoul region. National government has introduced enhanced measures in the rest of the country.	4 <sup>th</sup> supplemental budget with ~KRW 7.8tn in emergency relief programs for households, small businesses. FY2021 budget will include more 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 of new cases.	High – South Korea has learned from past and current outbreaks, introduced wide-scale testing, is exporting tests and other equipment.	National government has announced that heightened measures will remain in place for the greater Seoul region and introduced "level 1.5" social distancing for the rest of the country for two weeks.
Spain	Regions remain in control of managing the exit from their respective partial lockdowns.	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/Low – The management of the pandemic remains politicized, but tensions have subsided in the last days.	Medium – Regions have shown different abilities to respond to a second wave. But the country has a good record in vaccinating the population.	Regions will announce the rules on private gatherings during the holiday season in the coming days.
Australia	Borders between SA / VIC and QLD / NSW & VIC reopen 1 Dec; QLD border restrictions remain for SA; NSW restrictions ease 1 Dec.	JobKeeper wage subsidy being paid to 700,000 fewer people than forecast in the October budget, which governor ascribes to an economic recovery.	VIC state budget includes plans to spend AUD 50bn over the next four years to create 400,000 jobs.	Medium – Ongoing debate and tensions around border closures, lockdowns, spending levels and support for Australians stranded overseas.	High – Case numbers low, driven by returning travelers. Government contact tracing app being overhauled; VIC hotel quarantine system improved.	Further VIC easing expected in early December; SA hopes to ease 10-person household cap on 14 Dec.
Mexico	Normalization based on traffic light system. Two states at red (Chihuahua and Durango), 14 states at orange, 14 at yellow, and two 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; five other states are also on alert for a return to "red." Testing rates remain very low.
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.

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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	The government announced on 30 Nov. new weekday curfews(9pm-5am) and full lockdowns over weekends. Schools closed through year-end. Shopping centers, restaurants, most businesses remain open for limited hours. Partial daily curfews imposed on senior citizens and unemployed people under 20 years of age.	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. Revised medium-term (2020-22) economic plans expected in a few weeks.	Following a shakeup in the economic team, Central Bank raised a key interest rate to 15% on 19 Nov, pledging to fight high inflation and bolster the economy. Observers will watch for orthodox policies to stay, to help restore confidence in the economy.	Medium – Turkey has started reporting all its positive Covid-19 tests again (not just symptomatic), shifting the country's status from one of least-affected in Europe to one of the worst-hit as daily caseload almost quadrupled. Concerns about the accuracy of official data still prevail.	Low -- Medical professionals say that Turkey is facing a "perfect storm" as the country's hospitals are overstretched, medical staff are burnt out and contract tracers – once credited for keeping the outbreak under check – are struggling to track transmissions.	European leaders will discuss the future of EU-Turkey relations at their 10-11 December summit. The EU has failed to persuade Ankara to stop exploring in waters disputed by Greece and Cyprus, but it has so far held off imposing sanctions that Athens and Nicosia are seeking.
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. 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 government is taking on a stronger role in public messaging, replacing the previously dominant, non-political health advisor.
Nigeria	Gradual phase-out. Stage 3 entered 4 Sept; 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.



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Argentina	Strict restrictions put in place in March 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 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 are beginning to 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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