

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.**

[Client Portal >>](#)

Macro Research
+44 20 7186 8894
Macro@teneo.com

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.	Member state leaders will try to break the deadlock over the budget and recovery fund at the 10-11 December European Council.
China	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 and Osaka restrictions continue. National government suspends some subsidies for travel, dining out aimed at Sapporo and Osaka.	New stimulus package, to be approved on 8 Dec, to include JPY 73tn in fiscal spending and credit guarantees. Subsidies for employment, small businesses, travel and dining out will be continued.	A significant portion of the stimulus package will include funds for structural transformation, including a green technology fund; continuing support for supply chain resilience.	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	Nationwide lockdown continues until mid-January, Bavaria leads push for tougher rules in some states.	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 continue to post record-high case numbers, with those spared from the worst of the first wave now posting worrisome figures.	The Fall Economic Update did not announce any new funding initiatives for hard-hit sectors such as airlines, tourism and restaurants.	The 2020-2021 deficit will be CAD 399bn. Government plans to spend 3-4% of GDP over 4 years to create over a million jobs and boost growth.	Medium – The federal government is under pressure from opposition parties for large deficits and lack of clarity surrounding the vaccine rollout.	Medium – Hospital capacity is under control, despite a continuing surge in cases and some hospitals postponing routine surgeries.	Provinces continue hitting record daily case counts, some averaging over 2,000 cases a day. Canada has recovered over 80% of jobs lost at the onset of the pandemic.
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 from crop residue fires.	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 have been offered loans from the central bank to bridge 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.

	Measures to contain outbreaks	Economic Strategy		Political Consensus	Capacity to manage pandemic	Signposts
		Crisis Support	Recovery Support			
United Kingdom	Regional three-tier system in place again since 2 December, review on 16 December.	~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	Three-stage exit from second lockdown kicked in on 28 November.	Short-term employment scheme extended to 31 Dec; 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. 2021 budget under debate.	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/High – All epidemiological indicators have improved in recent days. State has ability to deploy vaccination campaign but vaccine mistrust is still among the highest in Europe.	The government will have to decide in the coming days if the second stage of lockdown exit will kick in on 15 December, given the number of daily cases is still far from the goal of 5,000.
Italy	Essential travel only between regions 21 Dec-21 Jan. The current 10pm-5am curfew will be extended to 7am on 31 Jan. Shops will be allowed to open until 9pm until 6 January, but larger shopping centers must close at weekends.	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 th stimulus package of EUR 8bn to support business hit by the latest restrictions. It delays tax deadlines for companies and expands cash handouts for workers in tourism and the arts.	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 – 564 Covid-related deaths were registered on 6 Dec, taking the country's toll to over 60,000 – the sixth highest globally. Fatalities remain high despite a deceleration in the contagion curve. The situation remains difficult in the south.	A rebellion within the Five Star Movement (M5S) risks undermining the government, in a clash over an overhaul of the European Stability Mechanism. Around 50 members of the M5S from both houses of parliament are considering rejecting the reform ahead of a 9 December vote.
Brazil	Death rate 18% higher, infection rate, 37% higher than two weeks ago. Localized restrictions expected in the coming weeks.	Economy Minister Paulo Guedes told to leave creation of a new financial transactions tax and the tax reform to congressional leaders.	Federal government settling for the inclusion of 6 million people into the existing <i>Bolsa Família</i> program, as creation of a new cash transfer program infeasible. Extension of emergency Covid aid losing ground.	Medium – Government and the Senate agreed not to include Bolsonaro's cash transfer program Renda Cidadã in the Federative Pact bill in order to facilitate approval.	Medium – Government favors AstraZeneca vaccine. Experts defend Pfizer and Moderna vaccines for health workers. São Paulo governor has presented plan for CoronaVac vaccination starting in Feb but still awaiting ANVISA approval.	Bolsonaro continues to ignore viable vaccines and not focus on necessary logistics. Obvious unnecessary delays are expected as a result. São Paulo state announcing detail plans as a means to expose and put pressure on the government.
Russia	In Moscow, 30% of employees required to work remotely, senior citizens to self-isolate until 15 Jan. Christmas/New year celebrations in Moscow cancelled.	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. Hospital bed reserve is around 63,000, or around 23% of total (as of 7 Dec).	New infections remain high and still rising. Large-scale vaccination of at-risk groups reportedly starting in Moscow. Regions preparing for vaccination.
South Korea	Stricter social distancing measures remain in greater Seoul region. National government has introduced enhanced measures 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 introduced "level 1.5" social distancing for the rest of the country for two weeks.

	Measures to contain outbreaks	Economic Strategy		Political Consensus	Capacity to manage pandemic	Signposts
		Crisis Support	Recovery Support			
Spain	Regions remain broadly in control of managing the pandemic, but vaccination campaign will be coordinated by central government.	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 frontline workers.	Regions will continue to announce potential restrictions for the holiday season in the coming days.
Australia	VIC and NSW ease restrictions; WA now open to all states except SA; VIC receives first international travellers since July.	AUD 130mn federal support package for travel agents.	Gov due to provide mid-year budget update in the coming weeks. First group of international students arrived as part of pilot program to reopen.	Medium – Ongoing debate and tensions around border closures, lockdowns, spending levels and support for Australians stranded overseas.	High – Planning underway for vaccine rollout in early 2021; CSL & UQ claim its vaccine could be more 'robust' than others; VIC reset quarantine program testing workers daily.	Mid-year budget update due this month. Government is due to introduce industrial relations overhaul prompted by the pandemic.
Mexico	Normalization based on traffic light system. Two states at red, 24 states at orange, 3 at yellow, and 3 green. System remains controversial amid signals that economic impacts are prioritized over health concerns.	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 possible return to "red" level restrictions. 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 to 22%. SMEs may be eligible for working capital loans and 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.
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, 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 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	First full weekend lockdown since May on 5 Dec amid a spike in infections. 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.	Possible US sanctions could harm already struggling economy. The US National Defense Authorization Act designated the purchase of a Russian defense system a significant transaction, mandating sanctions within 30 days.	Medium – Opposition politicians and medical professionals have expressed skepticism about whether the official death toll reflects the true picture. They have questioned how the numbers in Istanbul could be almost as high as those reported for the whole nation.	Low – Asymptomatic cases only included in the total daily number of infections on 25 Nov, bringing the total from around 6,800 to over 30,000. The daily infections, recorded as 31,896 on 5 Dec, are among the highest numbers in the world.	EU leaders will discuss the future of EU-Turkey relations at their 10-11 Dec 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. The risk of biting economic sanctions is low.

	Measures to contain outbreaks	Economic Strategy		Political Consensus	Capacity to manage pandemic	Signposts
		Crisis Support	Recovery Support			
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.	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.	After the expert-led no-lockdown strategy, the government's U-turn continues amid a strong second wave.
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.
South Africa	Lockdown at Level 1; international travel permitted, subject to testing. Fresh localized lockdowns (Nelson Mandela Bay).	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, particularly in the Eastern Cape.	The government is reluctant to return to hard lockdowns amid economic and fiscal travails, but localized restrictions may need to be expanded soon.

For further information, please contact Teneo's Political Risk Unit at antonio.barroso@teneo.com

© 2020 Teneo. All rights reserved. This material was produced by Teneo for use solely by the recipient. This communication is intended as general background research and is not intended to constitute advice on any particular commercial investment or trade matter or issue and should not be relied upon for such purposes. The views expressed here represent opinions as of this date and are subject to change without notice. The information has been obtained from sources believed to be reliable but no guarantees can be given as to its accuracy, completeness or reliability. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic or otherwise, without the prior consent of Teneo.