

MACRO: Policy responses to Covid-19

Below is our updated bi-weekly summary table on the health and economic policies that selected governments are implementing around the world. Please do not hesitate to contact us if you want to discuss any of the countries mentioned in more detail.

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Global overview of health and economic policies

	Covid-19 containment policies and outlook	Vaccination strategy and rollout	Monetary and fiscal policies	Other business relevant policies	Political outlook and signposts
United States	CDC reports high transmission rates with almost all new cases resulting from the Delta variant. States, cities, and the federal govt are reinstating mask and vaccination mandates.	About 216.6mn Americans have received a first dose of a vaccine; 187mn have been fully vaccinated. 988,000 new first doses are being administered a day. Around 7.3mn individuals have received a booster dose since 13 Aug.	Senate Republicans agreed to a temporary measure to raise the debt limit through early December, which the House will take up early this week.	Last week, USTR Tai outlined the administration's strategy for approaching new trade talks with China.	Congress has yet to pass its bipartisan infrastructure framework (BIF) or the budget reconciliation bill, with in-party disagreements between moderate Democrats and progressives over the topline number holding up both measures.
European Union	Digital vaccination passports are operational, but lack of unified tourist policy allows national governments to set entry rules.	EC announced that on average 75% of adults across the bloc are vaccinated. Countries are being urged to focus on primary vaccination programs; boosters being downplayed.	EUR 500bn, mostly promises of loans from ESM rescue fund; guarantees and support for short-term work schemes; ECB bond buying.	Rising gas prices have led to debate among member states as to whether the Commission should propose changes to the bloc's energy market.	Clearance of recovery plans for major CEE economies such as Poland are hanging in the balance amid rule-of-law concerns.
China	Recent outbreak in Fujian is contained, but strict international travel restrictions remain in place. Sporadic lockdowns and travel restrictions will continue in response to local outbreaks.	75% of the population, is fully vaccinated as of 11 Oct. Goal is 1.1bn by end-Oct, but authorities warn that persuading remaining holdouts is becoming difficult.	After exiting from pandemic-related stimulus policies beginning in late 2020, the Politburo signaled that policy will gradually shift back towards loosening as growth slows.	"Common prosperity" campaign imposes tighter regulation on a range of industry sectors and pressures large companies to make quasi-charitable investments to address social inequality.	Anticorruption purges, ideological loyalty, and new personnel appointments to key posts will likely accelerate ahead of the five-yearly Party Congress in late 2022.
Japan	The 30 Sept easing of restrictions looks fully justified, with daily infection rates below 400 nationally, and zero cases in multiple prefectures	64% of the population has been fully vaccinated as of 11 Oct; 74% of people have received one dose. 90% of seniors are fully jabbed.	The new Cabinet is working on an economic stimulus package expected to exceed USD 200bn, and likely be passed in mid-December.	The new govt has no immediate plans to increase tax on investment income, but the issue remains on the medium-term agenda.	New PM Kishida has been outlining his fiscal ambitions, but has yet to specify a strategy to achieve wage growth and redistribution.
Germany	No consensus on Germany-wide imposition of "2G" restriction reduction for vaccinated and recovered people.	Lack of clarity on number of vaccinated people, but latest reassessment suggests up to 80% of people are now fully protected.	EUR 350bn+ in fiscal measures, EUR 800bn+ guarantees; tax delays, short-term work, payments to businesses.	Increased minimum wage, fast progress to net zero, and very limited tax hikes (if at all) are key demands in government formation talks.	Exploratory talks for a "traffic light" govt are likely to turn into more detailed coalition talks soon.

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Canada	Average daily cases on the rise reaching 3,747 from 1-8 October, declining 8% in the past week. Limited critical care capacity, especially in Western Canada. Supply chain issues remain.	72% of the population is fully vaccinated. Vaccine passports are now in force at many bars, restaurants, and events. Vaccination will be mandated for federal employees and anyone who wants to travel by plane or train, including staff.	Bank of Canada governor Tiff Macklem left the door open for further tapering of the central bank's bond-buying program, expressed confidence growth will be strong in second half of 2021. But pressure could remain to reduce monetary stimulus as CPI looks set to run ahead of the central bank's 2% target for another year.	Ottawa is in discussions regarding a potential extension of Covid-19 business support programs set to expire 23 October as the govt is currently examining options for extending some emergency wage and rent subsidies	The Liberal govt is expected to name its Cabinet this month and recall parliamentarians back to the House of Commons. The Prime Minister has made limited media appearances since election night.
India	Festival season begins with record flight and train reservations. Govt launches special Covid-19 alert drive as worries mount, despite downward trajectory of infection rates and deaths.	As of 10 Oct, 49% have at least one dose of the vaccine as the country prepares to celebrate 1bn doses mid-Oct. However, it is extremely unlikely that the govt will manage to keep its promise to the Supreme Court of fully vaccinating its entire population by the end of 2021.	Privatization plans move ahead with sale of national airline Air India complete. Sale of more state-owned companies to be completed in this financial year (March 2022). IPO of state-owned insurance behemoth Life Insurance Corporation by Dec.	New telecoms package will likely boost sectoral prospects. PM to announce more elements in the infra development plan, Gatishakti, in the coming days	Ongoing farmer protests continue to create political waves. High international coal prices cause concerns for power plants that depend on imported coal. Less than six months left for half a dozen crucial state govt elections.
United Kingdom	Two-scenario autumn and winter plan bets heavily on booster shots to keep virus at bay.	Vaccine rollout to 12–15-year-olds has been officially recommended.	In total ~GBP 300bn. Govt will outline next steps in 27 Oct spending review and budget.	Govt insists that worker shortages in logistics and other sectors will not be resolved quickly by immigration.	While party conference season revealed little news in terms of policy, major announcements are still coming up before winter.
France	Government has delayed decision to lift health pass obligation in some areas of the country.	Percentage of fully vaccinated population has stagnated at 73%. A decision on booster shots for the general population is expected in the coming days.	New EUR 30bn public investment plan to be announced on 12 Oct.	The govt recently introduced measures to cap gas prices until the end of Apr, as well as to limit the rise in electricity costs to 4% from Feb.	Former Labor Minister Xavier Bertrand has announced he will participate in LR's party congress, which means the center-right will have a common candidate.
Italy	From 15 Oct all workers will be required – in both the public and private sectors – to present a Green Pass in the workplace or face suspension without pay. The obligation will remain in force until the end of the year.	Italy reached its target of fully vaccinating 80% of the population over the age of 12 on 9 Oct. Around 70% of the total population is vaccinated. A third booster dose is currently being administered to over-80s and those in care homes.	GDP is expected to increase by 6% this year, higher than the initial budget figures projecting growth of 4.5%. Regardless, the 2022 budget will be expansionary, targeting a budget deficit of 5.6% of GDP.	The cabinet approved on 5 Oct the framework for a contested tax reform promised to the EU. After the bill has been approved by parliament it must be implemented within 18 months.	The outcome of the local elections (run-offs on 17-18 Oct) is unlikely to cause any problems for the national government. Prime Minister Mario Draghi's leadership remains unchallenged, with approval ratings close to 70%.

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Brazil	States considering lifting compulsory use of masks for open spaces; health experts against it.	46.5% of the population fully vaccinated. Health Ministry preparing 2022 vaccination plan, including booster shots for all 18+.	Still no solution to 2022 budget which is to include new cash transfer program. Tax reform rekindled in the Senate.	Brazil and Argentina agreed to reduce Mercosur's Common External Tariff (CET) by 10% across the board – instead of 50% as proposed by Brazil.	Senate inquiry into the pandemic to end on 19 Oct with the indictment of some 30 people, including President Jair Bolsonaro.
Russia	A growing number of regions across Russia are introducing restrictions on non-immunized and vulnerable residents, mandatory vaccination schemes for various occupational groups, and expanded testing systems. Federal-level lockdown remains unlikely, but regional lockdowns possible.	As of 11 Oct, 49.5mn people (33.8% of population) had received first dose, 45mn (30.8%) are fully vaccinated. At least eight regions plan to carry out mandatory vaccination schemes in Oct, which should boost vaccination rates.	Govt plans to invest RUB 4.6tn (USD 62.8b) through 2024 into 42 strategic initiatives aimed at improving the quality of life and modernizing the economy. President Putin called to accumulate more liquid assets in the National Welfare Fund due to potentially adverse fiscal effects from global transition to low carbon economy.	Govt is discussing a potential introduction of compulsory liability insurance for owners of hazardous facilities in case of environmental damage caused by their activities.	WHO representatives are expected to visit Russia in Oct as part of the approval process of the Sputnik V vaccine.
South Korea	The government is considering adopting a “vaccine pass” that allows only vaccinated people to access multiuse facilities.	56.9% (29.2 million) fully vaccinated; 77.6% (39.8 million) have received at least one dose. South Korea to begin inoculations next month for children aged 12-17.	Govt plans to sell KRW 13.6tn (USD 12bn) in bonds to finance fiscal spending for 2nd supplementary budget, while KRW 560bn (USD 486mn) will be cut from the defense budget to help fund it.	The National Tax Service (NTS) will suspend tax investigation until end of 2022 for around 2.91mn merchants who received the fourth round of relief funds.	Seoul-region governor Lee Jae-myung was chosen as nominee for the ruling Democratic Party for next year's presidential election. He is known for advocating populist policies like Universal Basic Income, and faces previous corruption allegations.
Spain	Regional govts have started to lift most of the restrictions to control the spread of the virus.	78% of population fully vaccinated. Over-70s to receive booster shots from 25 Oct.	2022 budget currently being discussed by parliament.	Govt considering new measures to reduce energy prices. Environment minister meeting with energy companies this week.	The first key parliament vote on the draft 2022 budget is likely to take place on 27 or 28 Oct.
Australia	NSW lockdown lifted on 11 Oct and international borders to reopen for vaccinated travelers in NSW from 1 Nov.	62.5% of eligible population fully vaccinated and third booster shots approved for people with weakened immune systems; all approved vaccines available to everyone 18+.	The RBA has held the cash rate at 0.1% and reduced purchases of gov bonds to AUD 4bn a week. Federal govt to end financial support payments for NSW businesses impacted by lockdown by end-Oct.	Federal Opposition Leader Anthony Albanese has pledged a 'buy Australian' policy pillar where new laws would lock the government into using more Australian-made goods.	Federal Parliament to decide on the extent of authority and power a new national integrity commission should have to address corruption in politics by the end of this year.

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Mexico	<p>Around two-thirds of the country is at the “yellow” (medium risk) level in the official Covid-19 traffic light system. Expectations for more states (incl Mexico City) to turn “green” from 17 Oct, which would entail go-ahead for mass gatherings. Previous loosening of restrictions criticized for putting economic reactivation above public health but declining caseload now appears unambiguous.</p>	<p>As of 8 Oct, 106.7mn vaccine doses have been administered; 48.17mn people (37% of population) fully vaccinated.</p>	<p>Monetary tightening underway (benchmark rate currently at 4.75%) as inflation hit 6% in 12 months to end-Sep. Fiscal measures during pandemic have been limited to <1.3% of GDP. Govt has backed away from major fiscal reform plans and is now focused on longer-term drive to broaden taxpayer base.</p>	<p>Electricity reform proposals that would see the rollback of the 2013 energy sector liberalization continue to cause concern for business. The proposals would also leave Mexico in possible breach of its USMCA and other obligations, which would likely entail complex litigation.</p>	<p>Electricity reforms cannot pass in the legislature without the support of the opposition PRI. How much PRI support exists for the reforms – and whether the proposals could be diluted – will become apparent over the next 6-8 weeks.</p>
Indonesia	<p>Most localities are under restriction level 2 or 3 (with 4 being the highest), which allows for graduated activity and capacity constraints. Conditions have improved significantly from mid-year. The govt has added proof-of-vaccination as a requirement for certain activities and services.</p>	<p>Approximately 21% of the population has been fully vaccinated. However, there are some anecdotal reports that lack of healthcare workers and vaccine hesitancy may be starting to affect the rollout. Most vaccines are Sinovac, raising probability of boosters soon.</p>	<p>~4.8% of GDP for healthcare, social welfare, support for MSMEs, SOE bailouts. Reforms to attract investment; new sovereign wealth fund launch this year.</p>	<p>Parliament passed a law on Harmonizing Tax Regulations on 7 Oct. One of its main features is a carbon tax of IDR 30 per kilogram, equivalent to USD 2.1 per ton. Other features of the law are the creation of a 35% income tax tier for those earning more than USD 350,000 and an increase in the VAT rate from 10% to 11% by next year, and 12% by 2025.</p>	<p>Several factors, including the easing in Covid-19 cases and the passage of a new tax reform bill are providing President Joko Widodo with political momentum heading into the end of the year. Also, no major controversy or challenger to his political clout has emerged.</p>
Saudi Arabia	<p>KSA has some of strictest vaccine rules: employees can be dismissed for refusal to get vaccinated; individuals can be arrested for violating quarantine; and business fined for violating preventative measures. Anyone boarding planes or other public transport must have two doses of an approved vaccine.</p>	<p>More than 43mn administered doses as of 11 Oct; 58% of Saudis fully vaccinated. Moderna approved for 12–17-year-olds. Approved vaccine list now includes Sinopharm and Sinovac. Boosters being offered to those 60+ and high-risk individuals.</p>	<p>The Kingdom’s pre-budget statement for 2022 highlighted commitment to fiscal consolidation with support for economy set to come increasingly from outside the budget. Budget projected to record surplus in 2023 and 2024 based on more optimistic revenue expectations.</p>	<p>The Saudi sovereign wealth fund PIF is working with BlackRock to develop ESG framework and will soon announce first green debt issuance. MBS announced plans to invest USD 3.2tn through 2030 to spur local economic growth.</p>	<p>New National Investment Strategy announced 11 Oct aims to diversify economy, raise USD 103bn in FDI, increase annual domestic investment by 2030, and establish SEZs with competitive regulations and incentives.</p>
Turkey	<p>Proof of vaccination or a negative test for all users of intercity planes, buses, and trains, and for attending large indoor events. Masks and social distancing are required in public.</p>	<p>Turkey has vaccinated significantly fewer citizens than European average. Around 55% of the total population is fully vaccinated and another 10% are waiting for the second jab.</p>	<p>Turkey faces possible financial instability after the central bank cut interest rates to 18% from 19% last month despite surging inflation. The economy will probably expand by 8.5% this year while inflation will slow marginally to around 18%.</p>	<p>The continuation of loose monetary policy could further weaken investor confidence. Inflation accelerated to its fastest rate in 2.5 yrs in Sept as President Tayyip Erdogan stepped up his unconventional efforts to bring down soaring prices.</p>	<p>As opinion polls show backing for President Erdogan and his Justice and Development Party (AKP) in decline, six opposition parties are working to create a unified bloc ahead of the 2023 elections. This is an unprecedented development in Turkey.</p>

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Thailand	Thailand is removing most restrictions on retail and dining, public places, and schools. Bangkok is introducing vaccine requirements for dining in the capital. Reopening to tourism will continue in the fourth quarter.	Vaccine rollout started with Sinovac; now broader AZ rollout has begun but faces supply-constraints. Govt exploring new orders and liberalization of private importation.	USD 4.5bn stimulus approved for Jul to spur consumption; an additional USD 14bn borrowing program also approved. The central bank is recommending USD 30bn stimulus for 2022.	The govt plans to reopen many parts of the country to foreign tourists in the fourth quarter – including key cities such as Bangkok and Chiang Mai. If successful, this could boost domestic perceptions of the economy.	Although the Covid-19 and economic situation appear to make for a better Q4 compared to earlier in the year, political criticism of the PM remains high and public demonstrations continue. If the trajectory does not change, early elections could take place next year.
Nigeria	Fairly liberal containment policy remains effectively unchanged since Sept 2020. Most restrictions earlier in place have been removed, but international travelers remain subject to quarantine procedures.	1% fully vaccinated to date (2.4% have a first dose) vs 40% target for 2021 and 70% by end-2022. Vaccine deliveries picked since Aug, but official vaccination targets remain elusive.	Record budget of NGN 16.39tn (USD 39.8bn) for 2022 presented on 7 Oct, with a projected 25% y-o-y rise in government spending. Implementation hinges on optimistic GDP growth projection (4.2%) and reforms to mobilize revenue.	Government continues to ration FX supplies to avoid official devaluation as well as to ban the import of certain goods as part of its strategy to boost industrialization.	Both main parties will hold national conventions in Q4 that will determine internal distribution of power ahead of primaries to select candidates for the Feb 2023 general elections.
Argentina	Strict, lengthy lockdown failed to limit Covid-19 spread in 2020. Following Sept 2021 election primary defeat for governing coalition, Covid-19 restrictions largely lifted. From Nov, fully vaccinated international travelers can enter without need for quarantine.	As of 11 Oct, 54mn vaccine doses administered; 23.9mn people (53.1% of population) fully vaccinated. Vaccine rollout has stuttered at times. Heavy reliance on Sputnik V initially, but diversification has helped ease delivery issues.	Fiscal and monetary policy in expansive mode ahead of Nov mid-terms, raising questions about effects on inflation and precarious govt finances in 2022.	Govt regulations remain subject to regular and unpredictable intervention; new price controls on food products expected soon, meat export cap unexpectedly imposed in Apr remains in place despite promise to scale it back.	Partial legislative mid-term elections take place on 14 Nov; following primaries held in Sept, the governing FdT coalition is expected to lose, which would risk congressional gridlock and in the worst-case scenario a governability crisis.
South Africa	Lockdown eased to Level 1 on 30 Sept after third wave eased in all 9 provinces. Remaining restrictions include shortened nighttime curfew, some limits on gatherings and mask mandate.	Rollout is accelerating, but public demand is now a concern. As of 10 Oct, 33.84% of adults fully or partially vaccinated (24.7% fully). Plans to vaccinate 35mn by end-2021 and 40mn by Mar 2022.	Recovery driven mainly by commodity prices; structural reforms badly needed for medium-term growth. Debt burden is forcing fiscal consolidation, but some additional relief announced on 25 Jul.	Ahead of COP26, plans for a 'just transition' away from South Africa's coal reliant economy are emerging. On 11 Oct, the National Climate Change Bill was tabled in parliament, while govt is seeking climate financing.	1 Nov municipal elections will test (waning) support for President Ramaphosa's ANC govt. The election outcome will also influence Ramaphosa's re-election chances ahead of ANC policy and elective conferences in 2022.

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