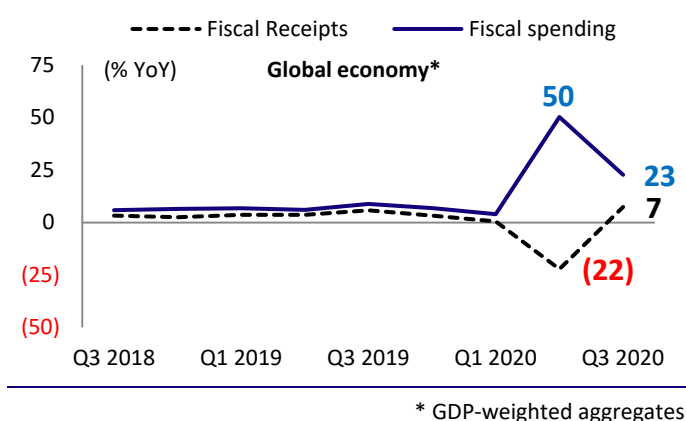


## Global fiscal deficit narrows to 6.5% of GDP in 3QCY20 from 20.4% in 2Q

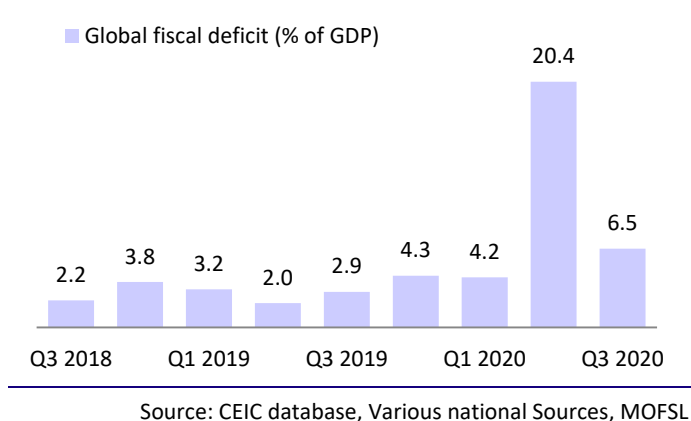
### Deployment of this huge transfer to private sector would determine global recovery

- Global fiscal spending grew 22.7% YoY in 3QCY20, coming in at 25.1% of GDP, following 50.3% YoY growth (or 37.1% of GDP) in 2QCY20. Fiscal spending in advanced economies (AEs<sup>1</sup>) grew 35.3% YoY, while it grew just ~8% YoY in emerging & developing economies (E&DEs<sup>2</sup>) and ~10% in E&DEs excluding China (E&DEs ex-CN). While government spending increased in all AEs, it declined in four E&DEs, with the highest decline (of 13.5% YoY) witnessed in India (IN).
- Global fiscal receipts also grew 7.4% YoY in 3QCY20, following the worst contraction of 22.2% YoY in 2QCY20. Strong growth of 36% YoY in the US (on account of postponed deadlines for individual and corporate tax payments from April and June to July 2020) resulted in growth of 16% YoY in government receipts in AEs. On the other hand, receipts shrank 13% YoY in E&DEs ex-CN, but grew 4.7% YoY in China in 3QCY20. The worst contraction in fiscal receipts continued in Malaysia (-32.5% YoY), followed by Russia (RU) and India (IN) (at ~25% YoY each), in 3QCY20.
- Global fiscal deficit, thus, stood at USD1.2t in 3QCY20 (or 6.5% of GDP), down from USD3.2t in 2QCY20 (or 20.4% of GDP). After fiscal deficit rose to 27.6% of GDP for AEs in 2QCY20, it narrowed to 6.9% of GDP in 3QCY20, similar to CY09 levels. For E&DEs ex-CN, fiscal deficit stood at 6.7% of GDP in 3QCY20, the second highest in the past two decades, following 12.4% of GDP in 2QCY20. South Korea (SKr), Taiwan (TW), Mexico (MX), and Thailand (TH) posted fiscal surplus in 3QCY20. In fact, TW has been the only nation to report fiscal surplus over 1Q–3QCY20 (2.6% of GDP). Hong Kong (HK) reported the highest fiscal deficit at 24.5% of GDP in 3QCY20, followed by 19% in South Africa (SAf).
- Overall, such substantial differences in fiscal support among AEs and E&DEs confirm the ability and willingness of the different governments. Eventually, these differences may play a pivotal role in determining the fate of economic recovery in the short term.
- More than a tripling in global fiscal deficit – to 9.8% of GDP over 1Q–3QCY20 from 3.1% of GDP in CY19 – implies equivalent savings in the private sector (households + corporates) as the external sector is balanced at the global level. Of course, the extent of this transfer is more prominent in AEs (with the fiscal deficit widening to 12.2% of GDP over 1Q–3QCY20 from 2.6% in CY19) than in E&DEs (to 6.5% of GDP from 2.9%). The deployment of this huge transfer to the private sector would determine recovery in global growth in the coming years.

**Exhibit 1: Global fiscal spending continued to grow faster than receipts in 3QCY20...**



**Exhibit 2: ...however, global fiscal deficit narrowed to 6.5% of GDP from 20.4% in the previous quarter**



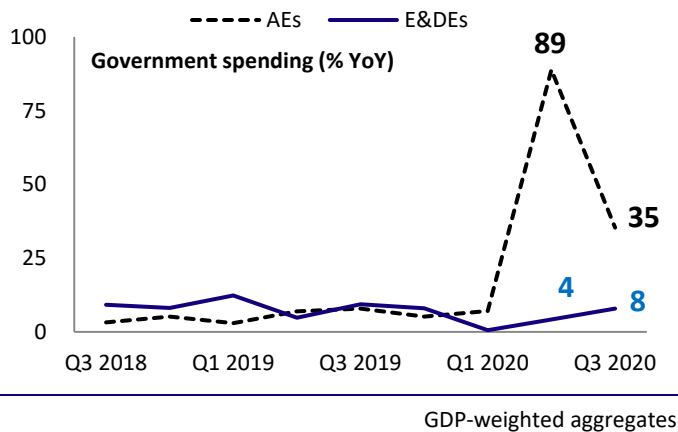
<sup>1</sup> AEs include 13 countries: Australia (AU), Canada (CA), Hong Kong (HK), France (FR), Germany (DE), Japan (JP), Italy (IT), Singapore (SG), Spain (ES), South Korea (SKr), Taiwan (TW), The United Kingdom (UK) and The United States of America (USA)

<sup>2</sup> E&DEs include 11 countries: Brazil (BR), China (CN), India (IN), Indonesia (ID), Malaysia (MY), Mexico (MX), Philippines (PH), Russian Federation (RU), South Africa (SAf), Thailand (TH) and Turkey (TR)

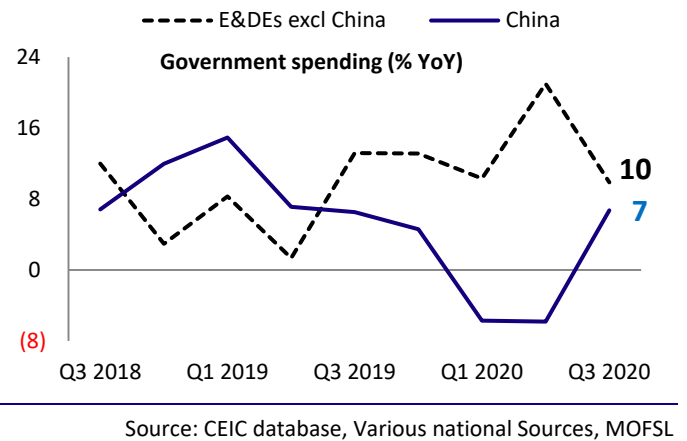
Aggregates are calculated as GDP-weighted

Based on our sample of 13 advanced economies (accounting for ~88% of GDP of all the AEs) and 11 E&DEs (accounting for ~73% of GDP of all the E&DEs), we prepare global aggregates (weighted by nominal GDP) of government finances up to Sep'20 (or 3QCY20). Together, these 24 nations account for nearly 82% of the global GDP. The following are key exhibits from actual government finances data published by respective authorities up to Sep'20:

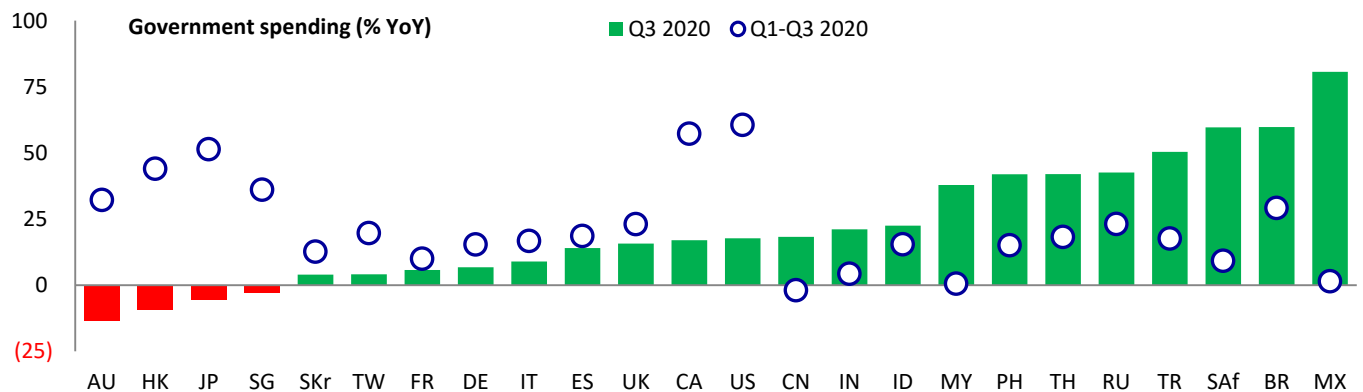
**Exhibit 3: Government spending continued to grow rapidly in 3QCY20...**



**Exhibit 4: ...although it increased faster in AEs compared to E&DEs**

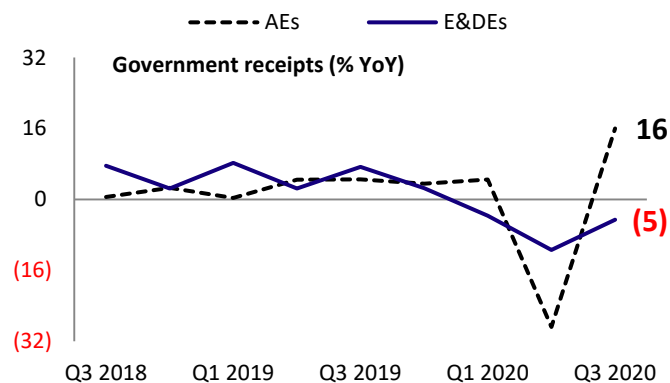


**Exhibit 5: Change in government spending by nations in 3QCY20 and over 1Q–3QCY20 (% YoY)**

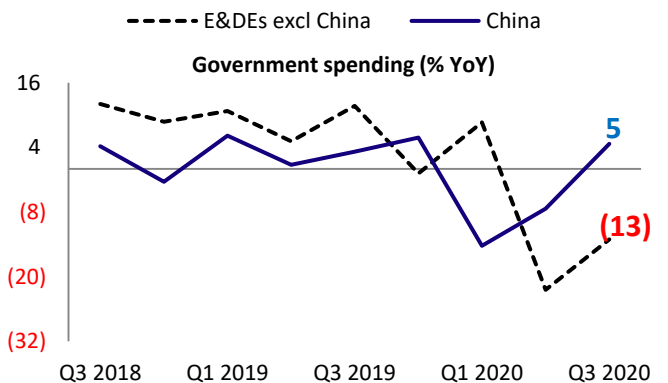


Source: CEIC database, Various national Sources, MOFSL

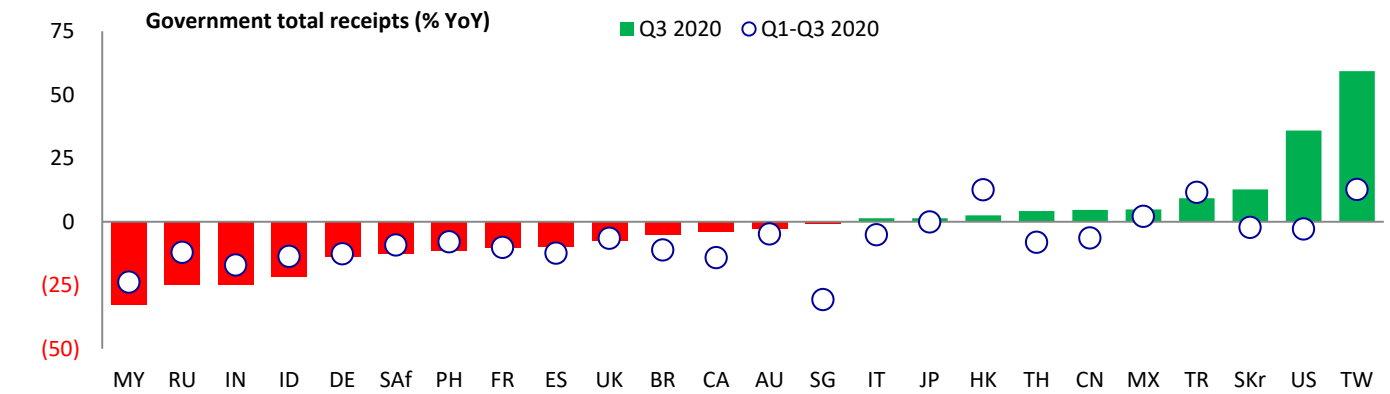
**Exhibit 6: Fiscal receipts grew in AEs v/s continued decline seen in E&DEs in 3QCY20...**



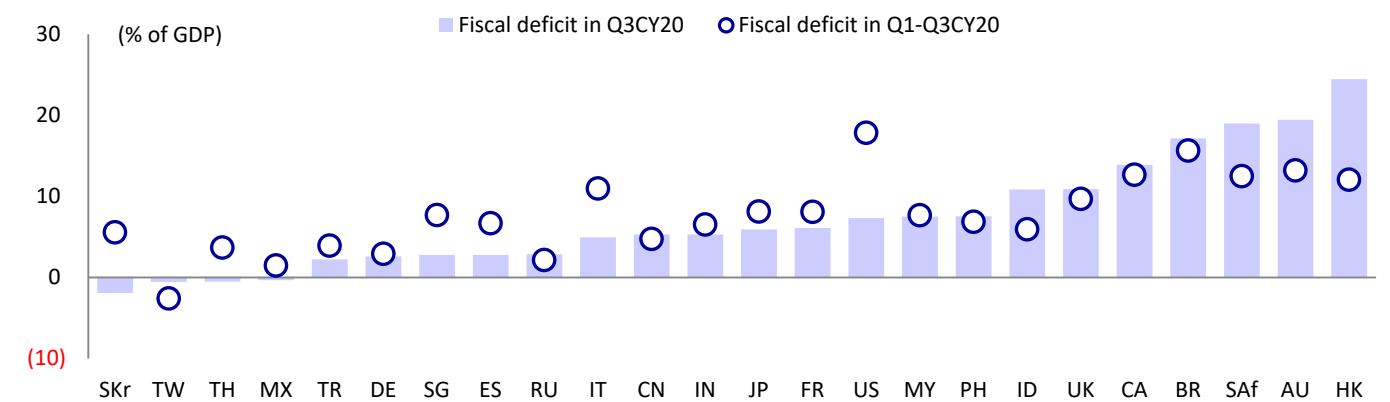
**Exhibit 7: ...and the fall in receipts was deeper for E&DEs, excluding China**



Source: CEIC database, Various national Sources, MOFSL

**Exhibit 8: Change in total govt. receipts by nations in 3QCY20 and over 1Q–3QCY20 (% YoY)**

Source: CEIC database, Various national Sources, MOFSL

**Exhibit 9: Fiscal deficit by nations in 3QCY20 and over 1Q–3QCY20 (% of GDP)**

Source: CEIC database, Various national Sources, MOFSL

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NEUTRAL	> -10 % to 15%
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