

Global GDP shrinks 7.2% in 2QCY20

Surprisingly, government consumption spending remained stagnant

- In an effort to provide quarterly update on global GDP and its key components, we collected data on 39 nations¹. These include 19 Euro Areas (EA) countries, comprising 86% of the world economy, 94% of the advanced economies (AEs) and 73% of emerging and developing economies (E&DEs).
- Our estimates suggest global real GDP² contracted 7.2% YoY in 2QCY20, marking the worst decline since 1997 (since our series began). Global real private final consumption expenditure (PFCE³) declined at record 11% YoY last quarter (v/s 2.1% YoY decline in 1QCY09) while global real gross capital formation (GCF⁴) fell only 6% (v/s 16% in 1HCY09), and global real government final consumption expenditure (GFCE⁵) remained stagnant in 2QCY20 (*Exhibit 1-2*).
- Real GDP in AEs contracted 11%, while it shrank 14% in E&DEs, excluding China (CN). In fact, CN was the only nation in our sample of 39 nations, which posted growth in 2QCY20. Taiwan (TW) posted the slowest decline of only 0.2% YoY, while India (IN) posted the worst decline of 24% YoY last quarter (*Exhibit 3-5*).
- The record decline in PFCE is not a surprise amidst the economic lockdowns and social distancing practices due to COVID-19 globally. It declined in all 39 nations, ranging from -2.9% YoY in CN to -28% in Singapore (SG) (*Exhibit 6-8*).
- Despite the massive fiscal stimulus, no growth in real GFCE in 2QCY20 is definitely surprising. Real GFCE declined 0.6% YoY in AEs but grew 1.9% YoY in E&DEs. Excluding CN; however, real GFCE in E&DEs grew ~10% YoY in 2QCY20 (*Exhibit 9-10*).
- Limited details (available for Australia (AU) and the US) suggest that while the Federal governments have increased its spending, large declines in state and local governments' spending have offset it. It grew at the fastest pace in SG (23%), the Philippines (22%) and IN (16%), while it declined the most in the UK (17%), France (12%) and Belgium (11%) (*Exhibit 11-13*).
- Further, while the decline in global GCF is much lower compared to that during the Great Financial Crisis (GFC), it is almost entirely because of 10% growth in China, since it accounts for almost a third (the highest) of the global GCF. Investments shrank 15% YoY in AEs and 26% in E&DEs excluding CN (similar to that during the GFC). Real GCF declined the most in the Philippines (54%) and IN (47%), while it grew in CN, TW and was flat in South Korea (SKr) (*Exhibit 14-16*).
- Further break-up of total fixed investments (GFCF, available for 15 out of 39 nations) by private and public (government and public corporations) sector suggests that while private investments have fallen at an average of 15%, public sector's investments have declined ~5% in 2QCY20 (data not available for CN). Private investments have declined by more than a third in Mexico (MX) and the UK, while it has grown in SKr and TW. In contrast, while public sector's investments have grown in 9 out of 15 nations, it has contracted 35-40% YoY in Malaysia (MY) and SG, while increased 16% in TW and 13% in Hong Kong (HK) (*Exhibit 17*).
- The weights of sample nations in global GDP and its components are provided at the end of the report (*Exhibit 18-21*).

¹ Advanced economies (AEs) include 28 nations: Australia (AU), Hong Kong (HK), Japan (JP), Singapore (SG), South Korea (SKr), Taiwan (TW), 19 members of Euro Area (EA), the UK, Canada and the USA.

Emerging & Developing economies (E&DEs) include 11 nations: Brazil (BR), China (CN), India (IN), Indonesia (ID), Malaysia (MY), Mexico (MX), Philippines (PH), Russia (RU), South Africa (SAf), Thailand (TH) and Turkey (TR).

² Global real GDP is weighted by USD GDP at current prices of sample nations

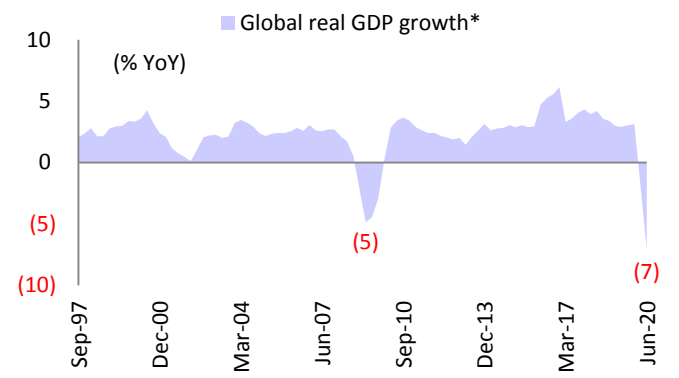
³ Global real PFCE is weighted by USD PFCE at current prices of sample nations

⁴ Global real GFCE is weighted by USD GFCE at current prices of sample nations

⁵ Global real GCF is weighted by USD GCF at current prices of sample nations

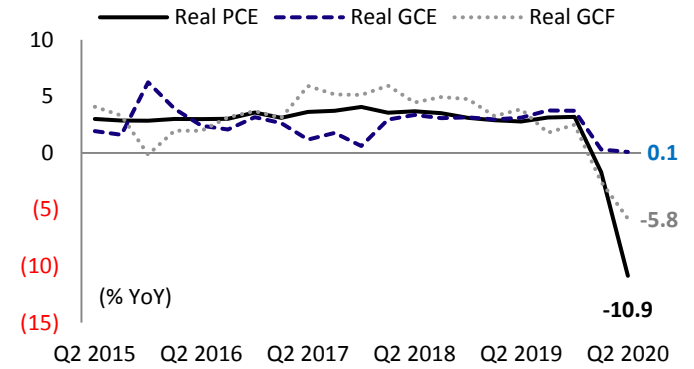
Please note data on Russia's PFCE, GFCE and GCF are our estimates. Also, China's quarterly GDP by expenditure provides data on final consumption expenditure, with no break-up on PFCE and GFCE. We have assumed their share in 1HCY20 to have remained unchanged vis-à-vis a year ago to include them in our calculations.

Exhibit 1: Global real GDP shrank 7.2% YoY in 2QCY20, the worst in quarter of a century...



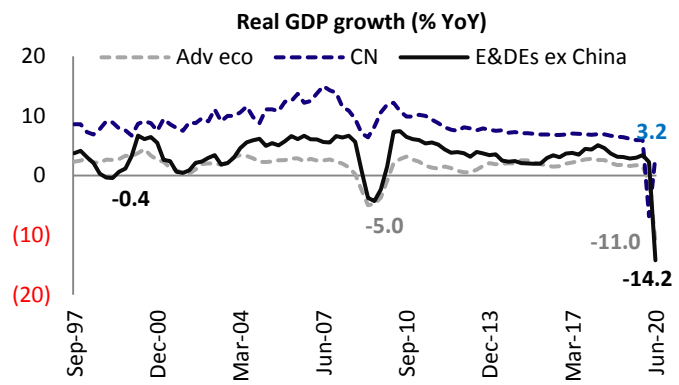
* Weighted by USD GDP at current prices

Exhibit 2: ...led by record fall of 11% YoY in PFCE, 6% decline in GCF, and stagnant GFCE



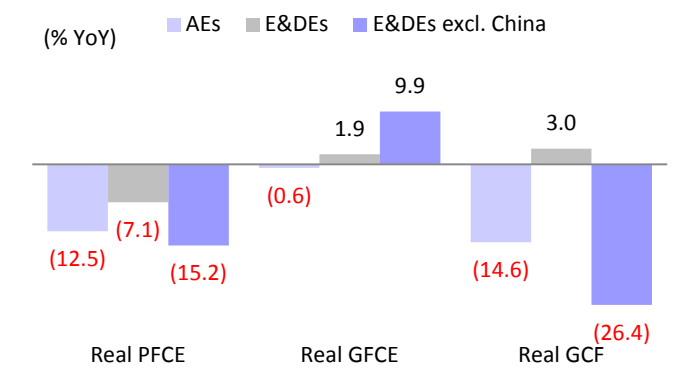
Source: CEIC, Various national sources, MOFSL

Exhibit 3: Real GDP shrank 11% in AEs and 14% YoY in E&DEs excl. China in 2QCY20...



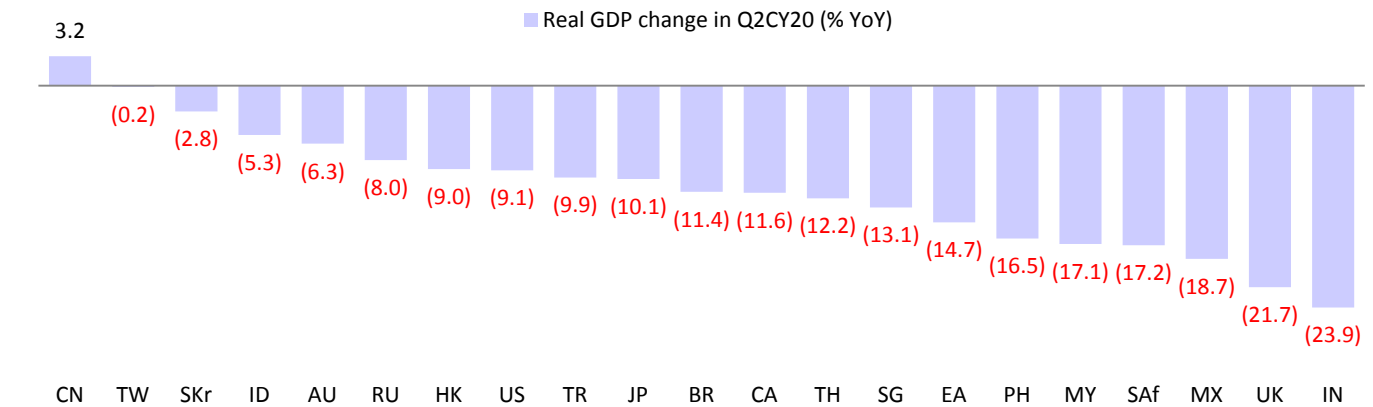
* Weighted by USD GDP at current prices

Exhibit 4: ...with real GFCE growing in E&DEs in 2QCY20, but PFCE and GCF declined



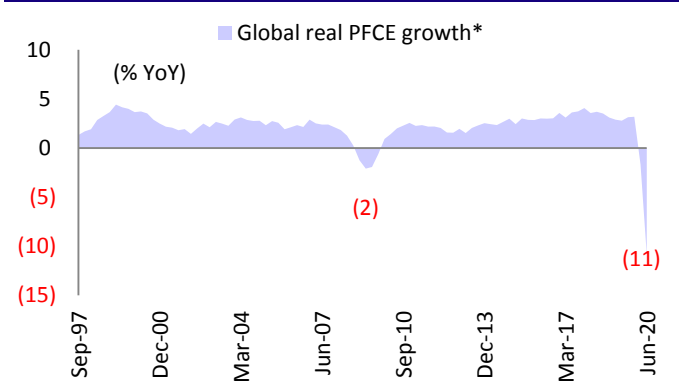
Source: CEIC, Various national sources, MOFSL

Exhibit 5: Comparison of growth/contraction in real GDP in sample economies for 2QCY20 (%)



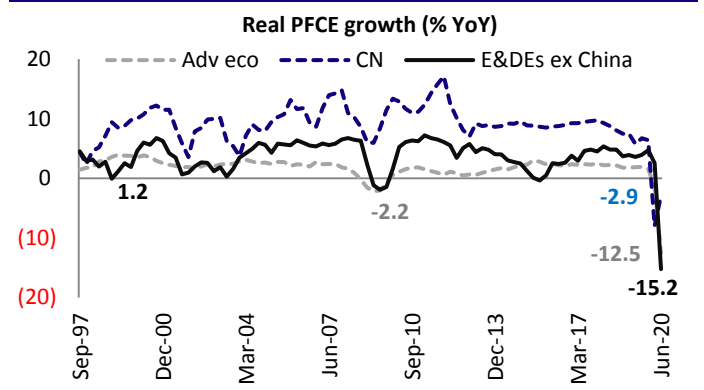
Source: CEIC, Various national sources, MOFSL

Exhibit 6: Global real PFCE shrank by a record 11% YoY in 2QCY20...



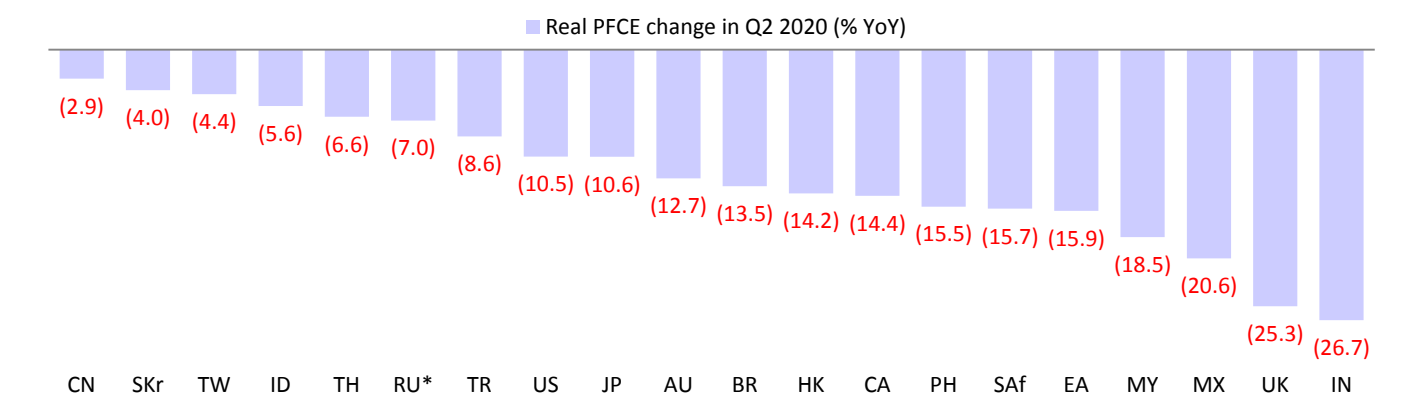
* Weighted by USD PFCE at current prices

Exhibit 7: ...led by 15% decline in EMs excl. China and 13% decline in advanced economies



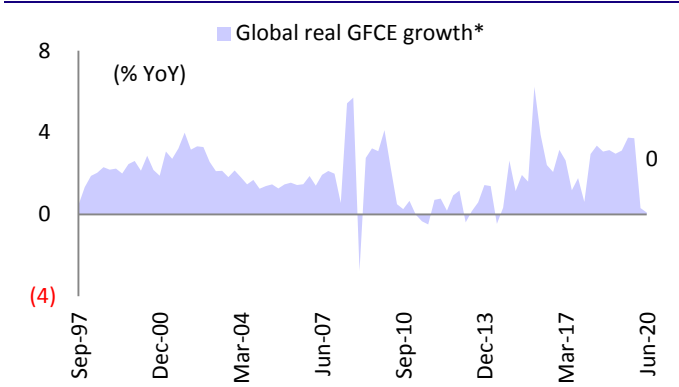
Source: CEIC, Various national sources, MOFSL

Exhibit 8: Comparison of growth/contraction in real PFCE in sample economies for 2QCY20 (%)



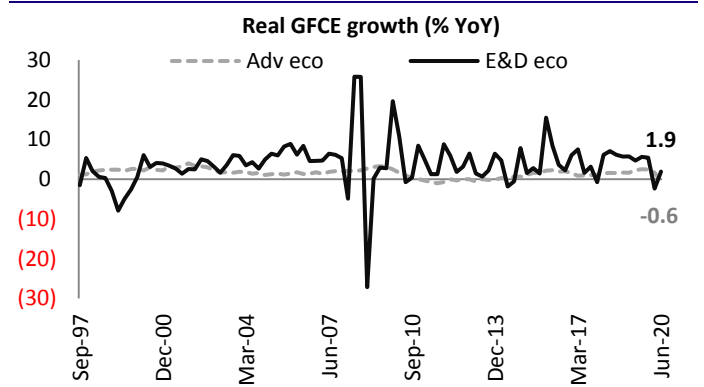
Source: CEIC, Various national sources, MOFSL

Exhibit 9: Despite massive fiscal stimulus, global real GFCE was stagnant in 2QCY20...



* Weighted by USD GFCE at current prices

Exhibit 10: ...as 10% growth in EMs excl. China was offset by 0.6% decline in advanced economies



Source: CEIC, Various national sources, MOFSL

Exhibit 11: Generally, states & local governments are bigger than federal/central government...

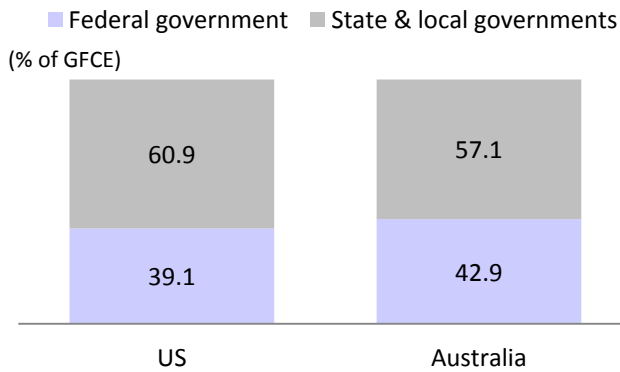
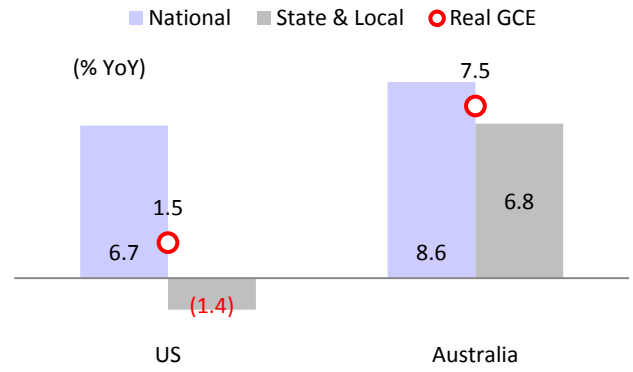
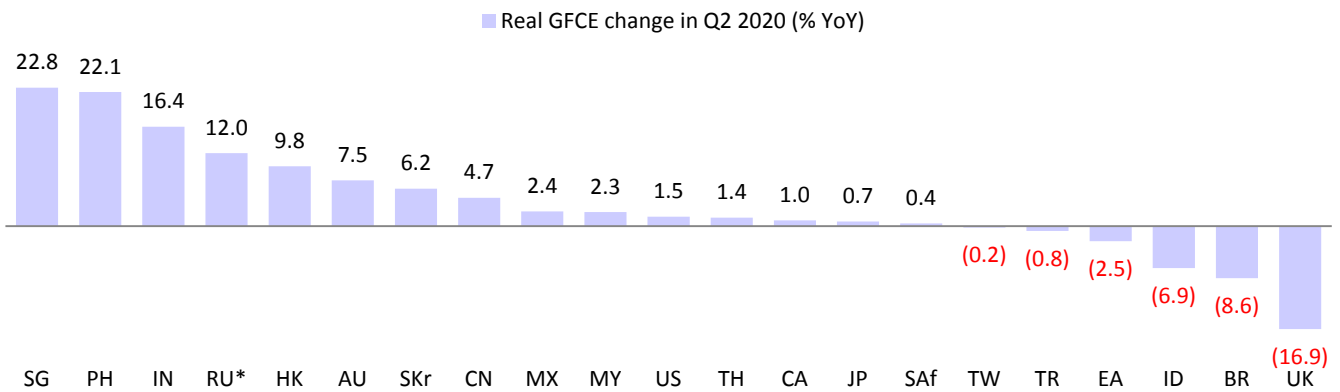


Exhibit 12: ...and the decline in spending by the former has offset the spending growth by the latter



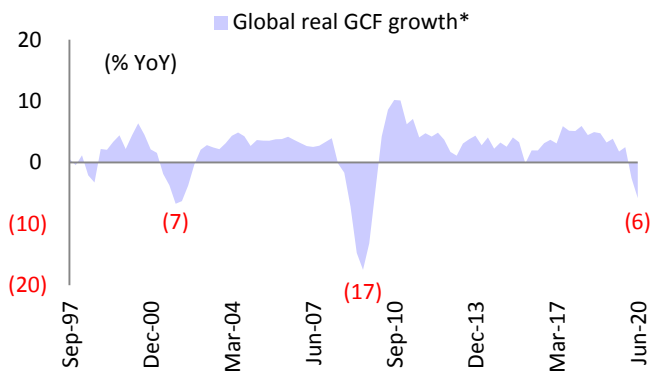
Source: CEIC, Various national sources, MOFSL

Exhibit 13: Comparison of growth/contraction in real GFCE in sample economies for 2QCY20 (%)



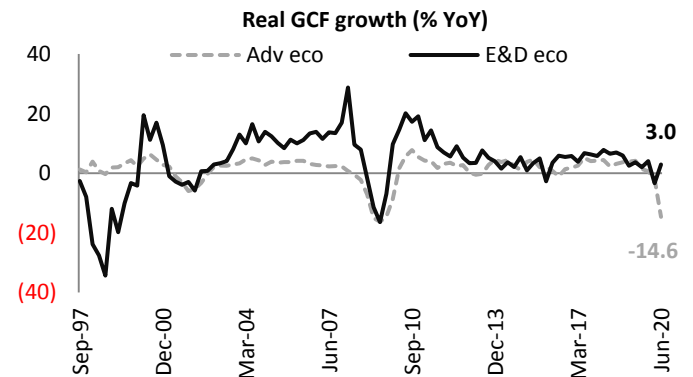
Source: CEIC, Various national sources, MOFSL

Exhibit 14: Global real investments (GCF) shrank by only 6% YoY in 2QCY20...



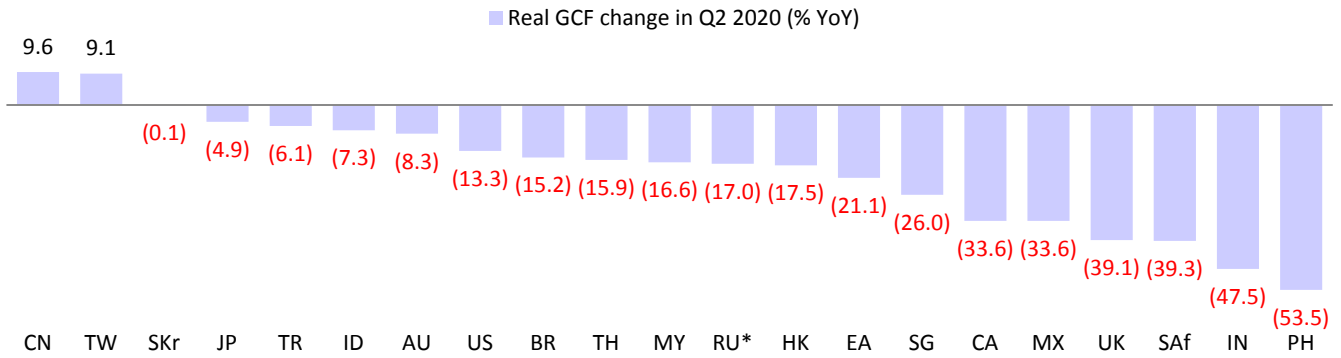
* Weighted by USD GCF at current prices

Exhibit 15: ...as 10% growth in China partly offset 15%/25% fall in advanced economies/EMs excl. China



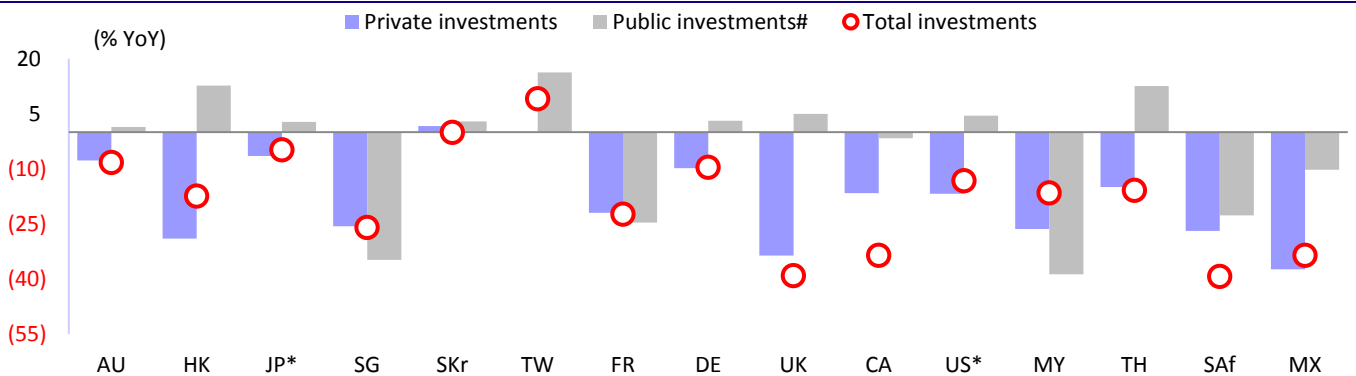
Source: CEIC, Various national sources, MOFSL

Exhibit 16: Comparison of growth/contraction in real GCF in sample economies for 2QCY20 (%)



Source: CEIC, Various national sources, MOFSL

Exhibit 17: Comparison of growth/contraction in private/public real GFCF in selected economies for 2QCY20 (%)

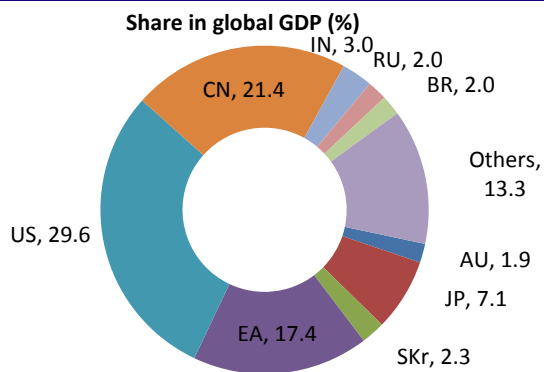


Only general government for JP, SKr, US, FR, DE CA and the US

* Break-up of GCF (GFCF for others)

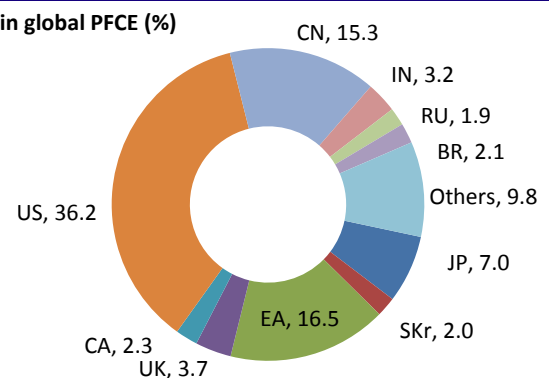
Source: CEIC, Various national sources, MOFSL

Exhibit 18: Share of sample nations in global GDP estimates



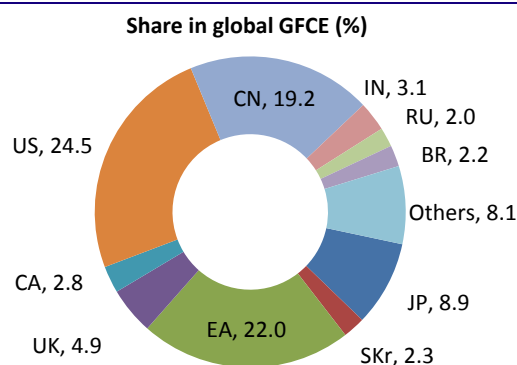
Based on USD billion GDP at current prices

Exhibit 19: Share of sample nations in global PFCE estimates



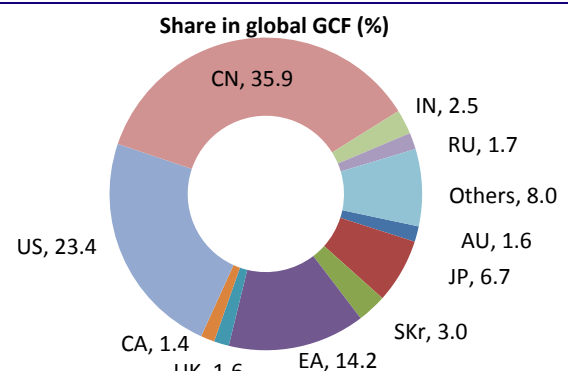
Source: CEIC, Various national sources, MOFSL

Exhibit 20: Share of sample nations in global GFCE estimates



Based on USD billion GFCE at current prices

Exhibit 21: Share of sample nations in global GCF estimates



Source: CEIC, Various national sources, MOFSL

NOTES

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Investment Rating	
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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