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# Global Fiscal Analysis

*Using the latest data from IMF fiscal monitor, we make a global comparison in this note to understand position of major economies, in terms of key fiscal indicators. For this purpose, we focused on 4 major issues: overall fiscal balance (% of GDP), revenue and expenditure (% of GDP) and gross debt position (% of GDP). Our analysis shows that India's general government fiscal deficit is amongst the highest when compared to other EMs, but is gradually coming closer to pre-pandemic levels. Its revenue as a % of GDP is amongst the lowest in the EM sample set, while expenditure to GDP ratio has noted a pickup in recent years, given government's impetus to reviving the investment cycle and improving the quality of spending by focusing on capex. As a result, its gross debt to GDP ratio has also seen an increase post-pandemic, but is now gradually easing. Amongst the advanced economies, the US and UK have elevated deficit levels. US also has problem of rising net debt to GDP ratio. France and UK are also facing high levels of debt-GDP ratio.*

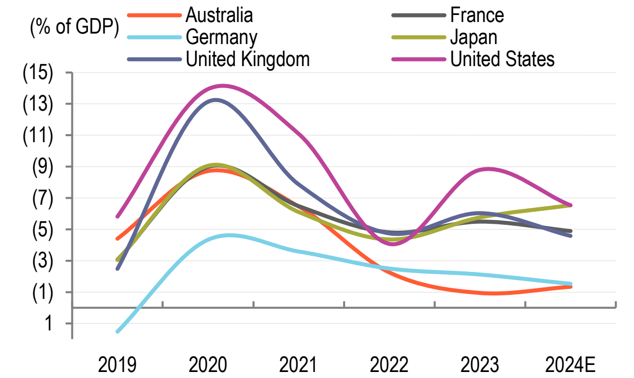
## Overall fiscal balance

In this study we focus purely on IMF data to make global comparison of fiscal indicators. This data set uses figures for general government, which includes: federal/central government, state governments, and local bodies. For the purpose of our study, we have focused the discussion on 4 key indicators: overall fiscal balance (% of GDP), revenue (% of GDP), expenditure (% of GDP), and gross debt (% of GDP). In our sample, we have analysed 6 major advanced economies (AEs) and 6 major emerging economies (EMs).

Starting with overall balance of general government, we note that amongst the AEs, the US and UK pushed the fiscal deficit envelope the most during the Covid-19 pandemic period. US still has significantly high deficit level (8.8% in 2023 and est.: 6.5% in 2024) and has not yet returned to the pre-pandemic levels (5.8% in 2019). Same is the case with UK. In contrast, Japan government's overall fiscal balance came down only in 2021 and 2022, but since then has seen inching up again. Following a deficit of 5.8% in 2023, IMF expects deficit to increase to 6.5% in 2024. This can be attributed to new industrial policy measures, continuation of pandemic era subsidies, and tax incentives. Germany and Australia are estimated to have lowest levels of fiscal deficit in 2024.

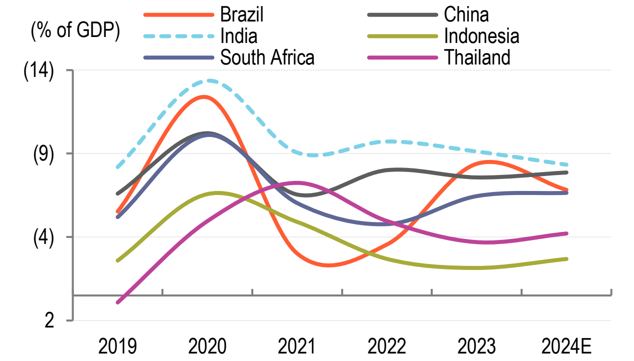
Amongst the EMs, India has had consistently high fiscal deficit in the recent years, with China/Brazil coming close second. This was due to significant fiscal measures announced during the Covid-19 period to protect the poor and vulnerable (expansion of food subsidy scheme, measures for MSMEs, street vendors, health insurance). However, much progress has been made in fiscal consolidation and in 2024-25 IMF expects deficit (7.8%) to closely align to pre-pandemic period (7.7% in 2019). In case of other EMs, only Indonesia is expected to reach pre-pandemic level (2.1%) in 2024 (2.2%). South Africa, Brazil, and China still remain 130-140bps above their pre-pandemic levels. Thailand, which was running a surplus in 2019 (0.4%), is expected to see a deficit of 3.7% in 2024, higher than 3.2% in 2023, owing corporate tax reform measures.

**Figure 1: General government overall balance of AEs**




Source: IMF Fiscal Monitor Apr 2024I, Bank of Baroda Research| Note: E is IMF estimates

**Figure 2: General government overall balance of EMs**



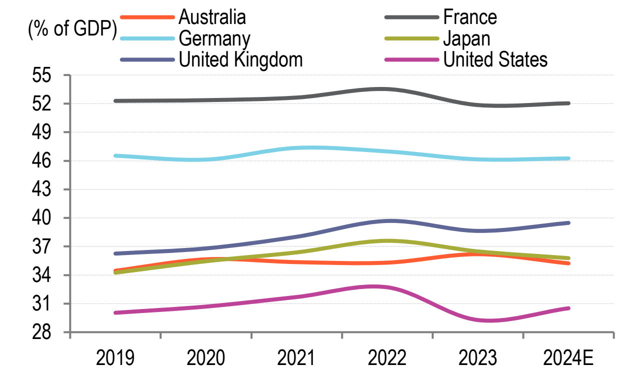

Source: IMF Fiscal Monitor Apr 2024I, Bank of Baroda Research| Note: E is IMF estimates

## General government revenues

Interestingly, amongst the AEs, US has the lowest revenue to GDP ratio, estimated at 30.5% in 2024, compared with 30% in 2019. Apart from this, economies like Australia (35.2% in 2024) and Japan (35.8%) also have revenue-GDP ratio on the lower side. On the other hand, France has the highest (within our sample size) revenue to GDP ratio (52% in 2024). As per revenue statistics of 2023, amongst the OECD countries as well, France is ranked number one, with highest tax-GDP ratio (46%; OECD average 34%). Germany is ranked 10th in there. As per IMF data, Germany's revenue to GDP ratio is estimated at 46.3% in 2024, close to 46.5% in 2019. While the current revenue to GDP ratio of major AEs continues to hover around the pre-pandemic levels, UK seems to have made notable progress in improving this ratio, from 36.3% in 2019 to estimated 39.5% in 2024.

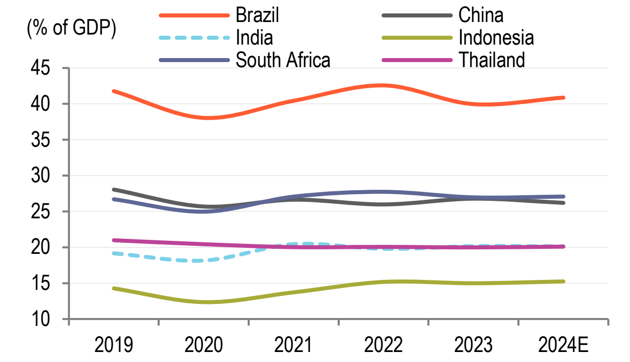
Amongst the EMs, while major countries have revenue to GDP ratio lower than 30%, Brazil is an outlier. Brazil's revenue as % of GDP is gradually inching back to pre-pandemic level of 41.8% (2019), with ratio settling at 40% in 2023 and 40.9% in 2024. On the other hand, Indonesia has the lowest revenue-GDP ratio, averaging ~14%. However, post Covid-19 period, it has seen ratio improving to ~15%. Other weak performers include, India and Thailand. India's revenue-GDP ratio has averaged 19.6% between 2019 and 2024, while that of Thailand has averaged 20.3% during the same period. In recent years, post Covid-19 period, India has registered improvement in its revenue to GDP ratio, from 19.8% in 2022-23 to 20.1% expected in 2024-25. In case of Thailand, this ratio is estimated to decline (20.1% in 2024) from 21% in 2019. China and South Africa both have revenue-GDP ratio close to 27%. Notably, while South Africa has seen an improvement in its ratio from 26.7% in 2019 to 27.1% in 2024, China has registered a decline (28.1% in 2019 to 26.2%). This is in line with persistently weak economic momentum in China.

**Figure 3: General government revenues of AEs**




Source: IMF Fiscal Monitor Apr 2024I, Bank of Baroda Research| Note: E is IMF estimates

**Figure 4: General government revenues of EMs**



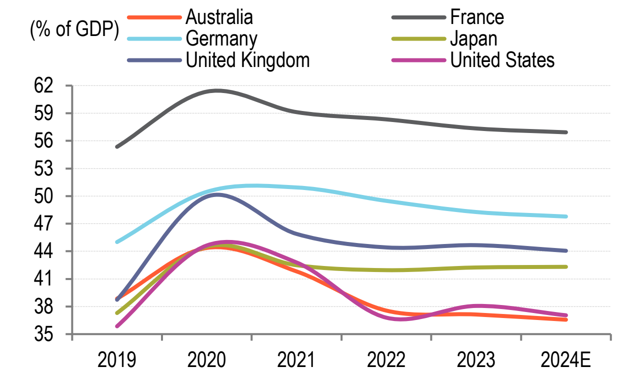

Source: IMF Fiscal Monitor Apr 2024I, Bank of Baroda Research| Note: E is IMF estimates

## General government spending

France, apart from having the highest revenue to GDP ratio, also has the highest expenditure to GDP ratio amongst the major advanced economies. In the pre-pandemic period it was around 55%, which then jumped to 61% in 2020, but has since then come down to 57.3% in 2023 and is estimated at 56.9% in 2024. Germany and UK also remain high spending states. Further, similar to trends observed on the revenue side, on the spending side as well, the US and Australia have the lowest ratios amongst the major AEs. In the US, historically expenditure-GDP ratio averaged ~35% (between 2015 and 2019), but it jumped to 44.6% in 2020 due toCovid-19 pandemic. Since then, the ratio is following a downward trajectory and is expected at 37% in 2024, down from 38% in 2023. This is in line with steady labour market conditions, which require lesser pay out in terms of unemployment benefits. Australia has historically seen expenditure to GDP ratio of ~37%. In 2024, spending is expected to cool down as it ratio is expected at 36.6% (even lower than pre-pandemic period) from 37.1% in 2023.

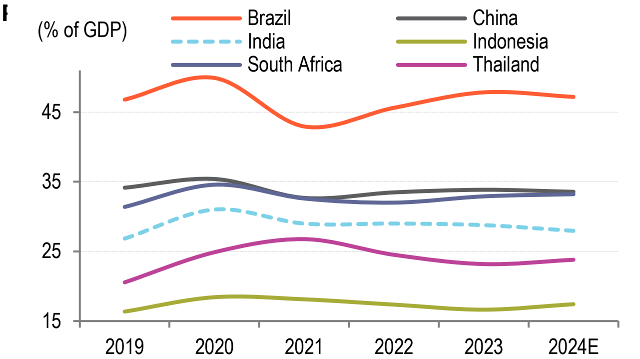
Amongst the EMs, in proportion to Brazil's higher revenue to GDP ratio, its expenditure to GDP ratio is also much higher than other EMs. Before Covid-19 pandemic (between 2015 and 2019), Brazil noted average expenditure to GDP ratio at ~48%. After increase this ratio to ~50% during the pandemic, it is now again normalising to 47.9% in 2023 and 47.2% in 2024. Apart from Brazil, China and South Africa are the other major spenders. In case of China, the pre-pandemic (2015-19) average was ~33%, post the pandemic (2020-24), the average is expected at ~34%. During the same period, South Africa has recorded much larger increase in spending from ~30% to ~33%. Even India, has seen pick up in spending as government have given significant impetus to capital spending to improve the quality of overall spending. The ratio has picked up from an average of 26.7% (2015-16 to 2019-20) to 29.2% (2020-21 to 2024-25). The lowest expenditure-GDP ratio is reported by Indonesia, traditionally hovering ~17%. It is expected to remain at similar levels in 2024 as well (est.: 17.4%). Even Thailand's expenditure to GDP ratio is on the lower side, as it averaged around 21% (2015-19), but post pandemic, the trend has seen some upward movement with ratio at 23.2% in 2023 and further estimated to increase to 23.8% in 2024.

**Figure 5: General government expenditure of AEs**




Source: IMF Fiscal Monitor Apr 2024I, Bank of Baroda Research| Note: E is IMF estimates

**Figure 6: General government expenditure of EMs**




Source: IMF Fiscal Monitor Apr 2024I, Bank of Baroda Research| Note: E is IMF estimates

## General government debt

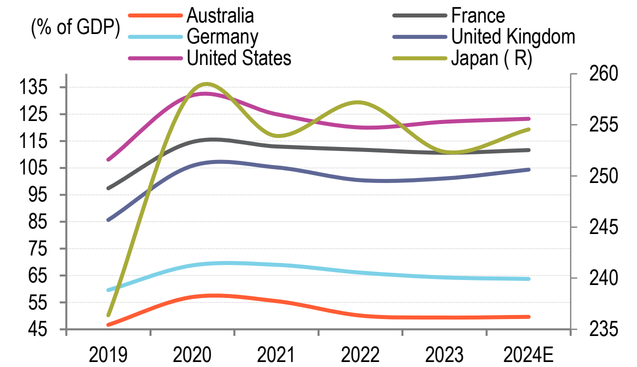
Gross debt-GDP ratio tells us, how much of fiscal deficit financing is done through borrowing. The higher the ratio, the higher is the interest repayment burden on countries, which then leaves little room for making quality expenditures. Another aspect of this is also that some countries (like Japan and US) borrow heavily at cheaper interest rates and then invest in riskier assets to earn higher returns. In such a scenario, comparing net debt levels are of more use. However, as net debt-GDP ratio is not available for a lot of emerging markets, we stick to analysing gross-debt ratio.

Amongst the advanced economies, as it is well known, Japan and the US are the two major countries with significantly high gross debt-GDP levels. Interest rates in Japan have hovered near 0% level for a long period of time now, which allows government to borrow at cheap rates and then invest elsewhere for higher returns. As a result, its gross debt averaged ~232% between 2015 and 2019, and jumped to ~255% in the post-pandemic period (2020-24). Comparatively, during the same period, its net debt was much lower at 149% and 157% respectively. Thus implying that on net basis, the increase in ratio was much smaller. In case of the US, its gross debt jumped from 106% (2015-19) to 125% (2020-24), and net debt rose from 82% to 97%. However, in here, equally sharp increase in US' net debt ratio is concerning.

Other major countries, with high debt levels are France and UK. In France, the average gross debt between 2015 and 2019 was ~97%. This rose to an average of ~112% post pandemic. Even on net basis, the debt-GDP ratio is not significantly different with levels at ~89% and ~102% respectively. In case of UK as well, gross debt rose from ~87% (2015-19) to ~103% (2020-24). However, in terms of net debt-GDP ratio, it is still lower than 100% (~92% between 2020 and 2024). In case of other advanced economies, Australia and Germany have the lowest gross debt-GDP ratio. Australia's gross debt-GDP averaged ~42% in 2015 to 2019 period. It jumped to 57% in 2020, but has since come down to 49.4% in 2023. It is estimated at 49.6% in 2024. Germany's gross-debt to GDP ratio has not changed much, as it averaged 66.4% between 2020 and 2024, compared with 65.5% between 2015 and 2019.

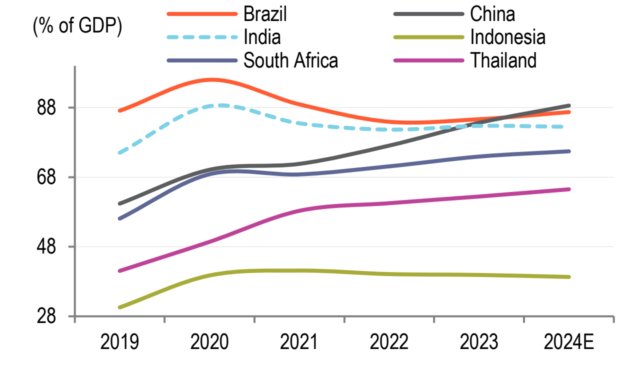
Amongst the EMs, China, Brazil and India are amongst the heavily indebted countries, while Indonesia has the lowest level of gross debt-GDP ratio. China's gross debt-GDP ratio has seen significant increase from 60.4% in 2019 to 83.6% in 2023. It is further estimated to increase to 88.6% this year. In case of Brazil as well, the gross-debt to GDP ratio is on the rise from ~81% between 2015 and 2019 to ~88% between 2020 and 2024. After falling post Covid-19 pandemic period, it has again started inching from 2023 onwards. In case of India as well, Covid-19 pandemic proved to be a significant financial burden on the government, as it gross debt to GDP ratio moved from ~71% (2015-16 to 2019-20) to ~84% (2020-21 to 2024-25). However, in the recent period, it has shown notable decline from 88.4% in 2020-21 to 82.5% estimated in 2024-25.

**Figure 7: General government gross debt of AEs**




Source: IMF Fiscal Monitor Apr 2024I, Bank of Baroda Research| Note: E is IMF estimates

**Figure 8: General government gross debt of EMs**




Source: IMF Fiscal Monitor Apr 2024I, Bank of Baroda Research| Note: E is IMF estimates

## In conclusion:

- Amongst the AEs, US and UK still have significantly high levels of general government deficit.
- Within EMs, India and Indonesia have trimmed down to their deficits to near pre-pandemic levels.
- Countries like Brazil, China and South Africa still have overall deficit levels 130-140bps above pre-pandemic levels.
- US has the lowest general government revenue-GDP ratio, Australia's ratio is also on the lower end.
- France has the highest revenue-GDP ratio, followed by Germany.
- In case of emerging markets, Brazil is an outlier in terms of significantly higher revenue-GDP ratio.
- Indonesia has the lowest revenue-GDP ratio. Other poor performers are India and Thailand.
- Spending wise also, France and Germany have high expenditure to GDP ratio. UK's ratio is also on the higher side.
- US and Australia have ratios on the lower side.
- Brazil is an outlier amongst the EMs in case of expenditure to GDP ratio as well. China and South Africa also have high ratio.
- India's ratio of expenditure to GDP is much higher than its ratio of revenue to GDP.

- On the face of it, gross debt-GDP has shown significant increase in US and Japan post Covid-19 pandemic. However, in terms of net debt-GDP level, the change is much smaller in case of Japan, while it is worryingly high in case of US.
- Other AEs facing gross debt to GDP ratio include France and UK.
- Amongst EMs, Brazil, China and India have high gross debt to GDP ratio.
- However, amongst these three, while China and Brazil will see gross debt to GDP ratio going up in 2024, India is expected to see marginal decline.

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