GLOBAL WEEKLY ECONOMIC NEWS IN THE ADVANCED ECONOMIES

(12 October 2020 – 16 October 2020)

Countries	Highlights
US **Coronavirus spending pushes US 2020 fiscal year deficit to record USD3.132 trillion**	The US budget deficit hit a record USD3.132 trillion during fiscal 2020, more than triple the 2019 shortfall due to massive coronavirus rescue spending. The deficit more than doubled the previous record of USD1.416 trillion in fiscal 2009, when the US was battling a financial crisis. At the start of the 2020 fiscal year ended Sept. 30, the US Government had been forecast to rack up a USD1 trillion deficit before coronavirus lockdowns began in March, shutting down large portions of the travel, retail and small business sectors of the economy. Outlays for fiscal 2020 jumped USD2.105 trillion from 2019 to a total of USD6.55 trillion, with the increase made up almost entirely from coronavirus aid programs, increased healthcare costs, stimulus checks and unemployment compensation, along with the cost of small business and corporate rescue programs approved by Congress. *(Source: Reuters, 16 October 2020)*
UK **UK credit rating downgraded by Moody's**	The UK's credit rating was downgraded by Moody's as analysts at the agency warned of scarring to the country's economy from the coronavirus pandemic. The rating agency cut its grade one notch to Aa3 equivalent to a double-A minus rating from rival S&P Global while adding that its outlook was "stable". Moody's said it believed growth would be "meaningfully weaker" than it had previously believed, and that the country's economy had been struggling even before the pandemic reached Britain. The coronavirus crisis is expected to weigh more heavily on the UK economy than other large developed nations, given its heavy reliance on services that require human interaction, the credit rating agency added. The agency also specifically pointed to what it called "the weakening in the UK's institutions and governance". *(Source: The Financial Times, 16 October 2020)*
JAPAN **Japan manufacturers struggle to shake gloom in October: Reuters Tankan**	The pessimism hanging over Japan's manufacturers lifted slightly in October, suggesting businesses were emerging from the coronavirus pandemic's heavy blow to activity and earnings but at a glacial pace. Some sub-manufacturing sectors, however, believed conditions would stabilise in the next few months, according to the monthly Reuters Tankan. In the poll of 485 large- and mid-sized companies, in which 251 firms responded on condition of anonymity, many complained about the slow pace of recovery from the economic crisis, reporting weakening orders and capital spending. A negative reading means that pessimists outnumber optimists. The Reuters Tankan sentiment index for manufacturers in October rose for the fourth straight month, coming in at minus 26 from minus 29 the previous month. The index has been in negative territory for 15 straight months. *(Source: Reuters, 13 October 2020)*
CHINA **IMF lifts China's GDP forecast to 1.9% in 2020**	The IMF projects that China's GDP will grow by 1.9% in 2020, up from 1.0% in its last projection in June, citing a faster-than-expected recovery in China. China will be the only major economy to achieve growth this year, according to the IMF's latest report in October. The report forecast that Chinese economic growth will reach 8.2% in 2021, unchanged compared with its June outlook. As China is pivoting to a new development pattern focused on the domestic economy, which some analysts have called "internal circulation," consumption is expected to become a major driver of the economy starting in the current quarter. *(Source: The Financial Express, 16 October 2020)*

Knowledge Management & Strategy Division
SME Corp. Malaysia
16 October 2020