

Country Insight Snapshot United States of America

March 2020





OVERVIEW

OVERALL COUNTRY RISK RATING: DB2a

Low risk: Low degree of uncertainty associated with expected returns. However, country-wide factors may result in higher volatility of returns in future.



Rating Outlook: Stable

CORE OUTLOOK

- + The domestic economy's strong fundamentals are underpinned by the robust job market and consumer spending.
- + Monetary easing will help to boost spending and bring forward asset purchases.
- The rising number of goods facing restrictive tariff measures will continue to put negative pressure on US company profit margins while pushing up consumer prices.
- The government balance deficit is projected to widen after the passage of the Tax Cuts and Jobs Act.
- Repeated and persistent periods of asset price volatility can dent optimism and spill over into the real economy.

KEY DEVELOPMENT

The coronavirus outbreak will have a negative impact on US supply chains and prompt a temporary drain on market demand, resulting in a slowdown in 2020 growth.

CREDIT ENVIRONMENT OUTLOOK



Trend: Deteriorating

Key Development has had a negative impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK



Trend: Deteriorating

Key Development has had a negative impact on the outlook.

MARKET ENVIRONMENT OUTLOOK



Trend: Deteriorating

Key Development has had a negative impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK



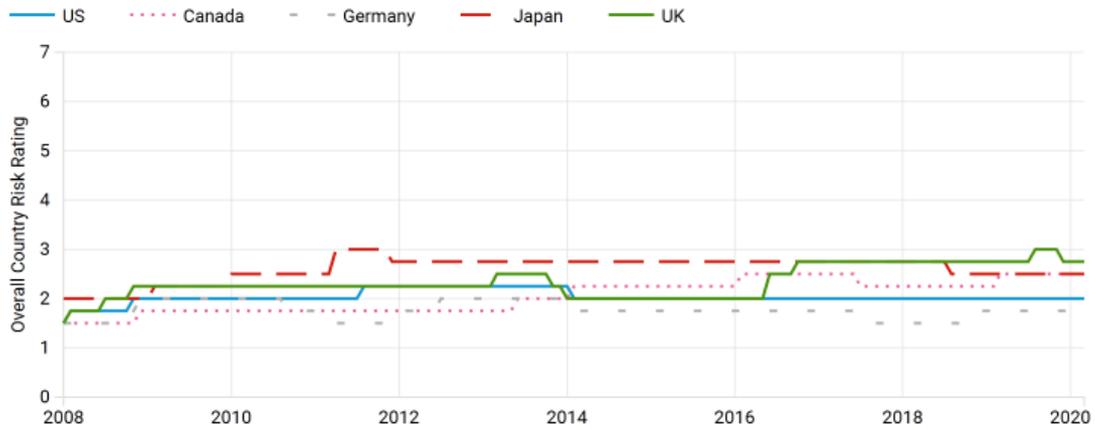
Trend: Stable

Key Development has had a neutral impact on the outlook.



KEY INDICATORS

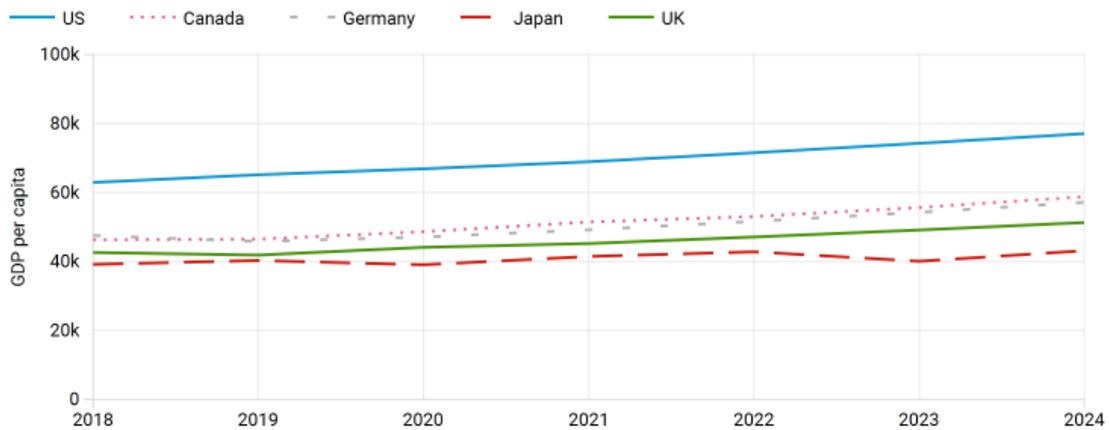
Rating History and Comparison



Source: Dun & Bradstreet

Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source: Haver Analytics/Dun & Bradstreet

Industrial Production Growth (Quarterly)



Source: Haver Analytics/Dun & Bradstreet



Economic Indicators

Indicator	2017	2018	2019e	2020f	2021f	2022f	2023f	2024f
C/A balance % GDP	-2.3	-2.4	-2.4	-2.5	-2.4	-2.5	-2.6	-2.7
Govt balance, % GDP	-3.5	-4.3	-4.6	-5.1	-5.2	-5.3	-5.2	-5.2
Inflation, annual avge %	2.1	2.4	1.8	1.6	1.7	2.2	2.1	2.0
Real GDP Growth, %	2.4	2.9	2.3	1.6	1.9	2.1	2.3	2.3
Unemployment, %	4.3	3.9	3.7	3.9	4.5	4.3	4.3	4.3

Source: Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

The impact from the onset of the Covid-19 coronavirus continues to evolve, but it is already clear that there will be immediate - albeit probably temporary - effects on the commercial environment: the greatest disruption to demand will be in the tourism and travel industries, and the entire leisure and hospitality sector will feel some marginal impact. Lost demand from the drop in numbers of Chinese tourists (who represented 3.8% of total tourist arrivals in full-year 2018) is likely to have only a small effect in terms of overall economic growth, but it will have a large sectoral impact. Given that the potential for lower arrivals of non-Chinese tourists - as well as for lower domestic spending - is still unfolding, risks will remain elevated for this sector. While the concentration of corporate profits is comparatively lower in the leisure and hospitality sector, the total share of employment is higher. A longer spell of lost demand would have an increasingly negative impact on the labour market outlook.

TRADE TERMS AND TRANSFER SITUATION

Minimum Terms: OA

The minimum form of documentation or trading method that Dun & Bradstreet advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms: SD

Dun & Bradstreet's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms: 30-60 days

Normal period of credit associated with transactions with companies in the stated country.

Local Delays: 0-2 months

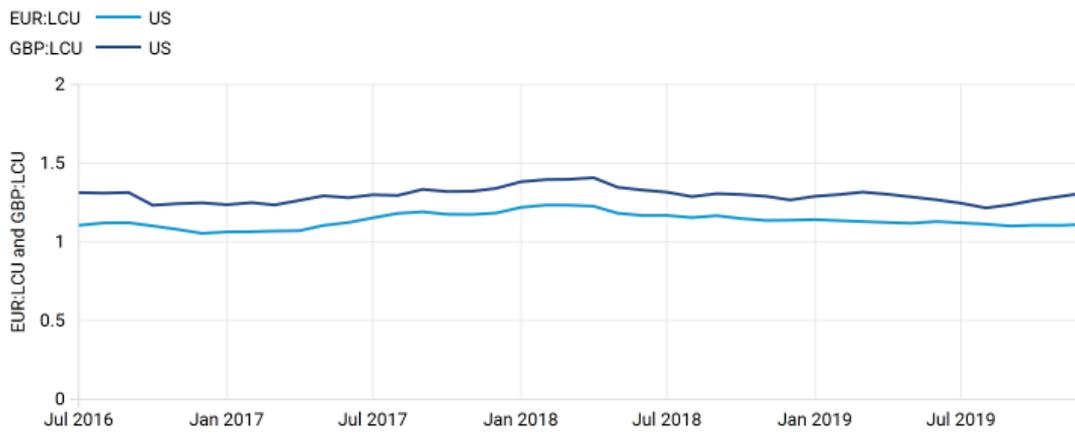
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: No delays reported

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.



Exchange Rate



Source: International Monetary Fund/Dun & Bradstreet

LCU (local currency unit) = US dollar

Bank Lending to the Private Sector



Source: IMF, Central Banks, Haver Analytics



RISKS AND OPPORTUNITIES

Business Continuity

Supply and market environment outlooks worsen

Business continuity risk has risen sharply within the US, and globally, amid the onset of the Covid-19 coronavirus, and we have downgraded both our supply and market environment outlooks from improving to deteriorating. Trade links between China and the US have deepened in the past two decades, growing - in terms of total trade - from 6.7% in 2001, when China joined the WTO, to 15.7% in 2018: this has increased the risk of supply-chain disruptions.

The extended lockdown of some cities in China will largely affect supplies to high-value manufacturing categories in the US, with the most impacted being manufacturers of computers, electronics, and machinery and equipment, as well as the motor vehicles, trailers and semi-trailers segment. Even after a typical seasonal slowdown in container traffic, early estimates of traffic into the port of Los Angeles/Long Beach show that the number of y/y cancellations nearly doubled in February amid supplier closures in China.

Some indications of a restart in China are under way, but the degree of recovery remains uncertain, with internal estimates ranging from 25-40% of businesses, primarily only among capital-intensive industries: small businesses remain shuttered, encompassing both manufacturing and services. Early indications on US-specific data are showing a negative impact on imports, including in ISM's Manufacturing PMI, where survey respondents indicated that imports deteriorated m/m during February, and at the fastest pace since the last recession; other areas of the index held up. Meanwhile ISM's non-manufacturing PMI was only marginally impacted on the import side and improved at a faster rate overall, indicating that specific US sectors may have avoided fallout from the virus for the time being.

Short-Term Economic Outlook

Near-term growth to slow sharply

The risks stemming from supplier disruption will limit output in 2020, sufficient enough to reduce our forecast for the 'changes in inventory category' of GDP - which was already lower due to impacts from production halts at Boeing. Additionally, we have cut our forecast for exports: this category will be negatively impacted by supply delays and by (forecast) slower global growth, while temporary impacts on demand will slightly reduce private consumption.

These evolving negative impacts have prompted a preliminary reduction of our overall 2020 real GDP forecast from 2.0% to 1.6%. Monetary policy action, including an emergency rate cut by the FOMC, will help to encourage demand among interest-rate-sensitive sectors, and will also generally provide a reprieve in terms of debt-financing costs - so long as access to lending remains widely available.

Volatility in bond yields has resulted in an increase in long-term corporate bond spreads, albeit not to the level seen at the time of the Global Financial Crisis, nor even the widening that occurred in early 2016. While the pace of widening in spreads has accelerated, it remains slower than in late 2018, suggesting that while there is stress in credit markets there are not yet any indications of a credit crisis. So far, only USD20m of a USD8bn fiscal package has been designated for loans to small businesses. While greater fiscal stimulus is expected - and needed - the budget balance deficit has rarely been this high at comparable stages of an economic expansion, and fiscal measures may be limited.



COUNTRY PROFILE AND STATISTICS

Overview

The world's fourth-largest country, the US (50 states plus the District of Columbia) has a total area of nearly 10m square kilometres, with borders on Canada, Mexico, the Atlantic and the Pacific.

While the US is still the top economy in the world, its dominance will come under challenge in the near term; China, in second place, is trying to close the gap with significantly faster growth. The US economy is predominantly market oriented, although government spending plays an important role in many states. The US currently has the most powerful, diverse and technologically-advanced economy in the world, but its position as the best place to carry out business could be threatened by protectionist pressures within the country. The US runs large current account and fiscal deficits, and relies on foreign financing to maintain the value of the dollar. However, its natural resources are vast and export potential remains good.

Key Facts

Key Fact	Detail
Head of state	President Donald TRUMP
Capital	Washington D.C.
Timezone	GMT -05-00
Main languages	English, Spanish
Population (millions)	329.1
GDP (USD billions)	21,442.0
GDP per capita (USD)	65,160
Life expectancy (years)	78.8
Literacy (% of adult pop.)	99.9
Surface area (sq km)	9,826,675

Source: Various sources/Dun & Bradstreet

Historical Data

Metric	2015	2016	2017	2018	2019e
Real GDP growth (%)	2.9	1.6	2.4	2.9	2.3
Nominal GDP in USDbn	18,225	18,715	19,519	20,580	21,442
Nominal GDP in local currency (bn)	18,225	18,715	19,519	20,580	21,442
GDP per Capita in USD	56,797	57,939	60,044	62,918	65,160
Population (year-end, m)	320.9	323.0	325.1	327.1	329.1
Exchange rate (yr avge, USD-LCU)	1.0	1.0	1.0	1.0	1.0
Current Account in USDbn	-407.8	-428.3	-439.6	-491.0	-504.3
Current Account (% of GDP)	-2.2	-2.3	-2.3	-2.4	-2.4
FX reserves (year-end, USDbn)	106.5	106.3	112.3	114.8	118.4
Import Cover (months)	0.5	0.5	0.5	0.4	0.4
Inflation (annual avge, %)	0.1	1.3	2.1	2.4	1.8
Govt Balance (% GDP)	-2.6	-3.1	-3.5	-4.3	-4.6

Source: Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2020f	2021f	2022f	2023f	2024f
Real GDP growth (%)	1.6	1.9	2.1	2.3	2.3
Nominal GDP in USDbn	22,140	22,945	23,952	25,006	26,094
Nominal GDP in local currency (bn)	22,140	22,945	23,952	25,006	26,094
GDP per Capita in USD	66,888	68,922	71,540	74,272	77,078
Population (year-end, m)	331.0	332.9	334.8	336.7	338.5
Exchange rate (yr avge, USD-LCU)	1.0	1.0	1.0	1.0	1.0
Current Account in USDbn	-562.5	-554.7	-603.3	-654.1	-707.0
Current Account (% of GDP)	-2.5	-2.4	-2.5	-2.6	-2.7
FX reserves (year-end, USDbn)	122.0	124.4	126.9	129.5	132.0
Import Cover (months)	0.4	0.4	0.4	0.4	0.4
Inflation (annual avge, %)	1.6	1.7	2.2	2.1	2.0
Govt Balance (% GDP)	-5.1	-5.2	-5.3	-5.2	-5.2

Source: Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	US	Canada	Germany	Japan	UK
Income per Capita (USD)	66,888	48,637	47,094	39,044	44,105
Country Population (m)	331.0	37.7	83.8	125.5	67.9
Internet users (% of population)	76.2	89.8	89.6	92.0	94.8
Real GDP Growth (% p.a., 2020 - 2029)	1.8 - 2.5	1.3 - 2.3	1.8 - 3.0	-0.5 - 1.2	1.8 - 3.5

Source: Various sources/Dun & Bradstreet



LINKS

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