



## **\*\*Coronavirus Covid-19 Update\*\***

The risks associated with doing business are likely to be negatively impacted by the global coronavirus pandemic. Severe disruption to supply chains caused by lockdown procedures in many countries will affect country risk ratings. Demand will also be lower than initially anticipated as export earnings will be reduced amid a global economic slowdown and falls in both business and consumer confidence, as well as lower investment due to decreasing corporate earnings. We advise clients to monitor the containment efforts, as the adverse economic and supply chain effects will persist until the outbreak is controlled.

# Country Insight Snapshot United States of America

August 2020





## OVERVIEW

### OVERALL COUNTRY RISK RATING: DB2c

**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

- + Monetary and fiscal programmes worth more than USD3trn will help to cushion the economic impact from Covid-19.
- + Monetary easing will help to shore up credit markets, while a return to/expansion of crisis-era programmes will improve functionality.
- Our downgrade of the US's overall risk rating in March took it to its poorest level on record amid widespread supply-chain disruptions and demand-side shocks.
- The government balance deficit will widen significantly (and persist over the long term) in the wake of the fiscal stimulus measures.
- A second wave of Covid cases also risks disrupting the recovery.
- Repeated and persistent periods of asset price volatility can dent optimism and spill over into the real economy.

## KEY DEVELOPMENT

The pace of economic recovery is set to slow gradually amid waning momentum in consumer spending and in the labour market. Output levels will remain below the pre-Covid peak well into Q4.

## CREDIT ENVIRONMENT OUTLOOK



**Trend:** Deteriorating

Key Development has had a neutral impact on the outlook.

## SUPPLY ENVIRONMENT OUTLOOK



**Trend:** Stable

Key Development has had a neutral impact on the outlook.

## MARKET ENVIRONMENT OUTLOOK



**Trend:** Stable

Key Development has had a negative impact on the outlook.

## POLITICAL ENVIRONMENT OUTLOOK



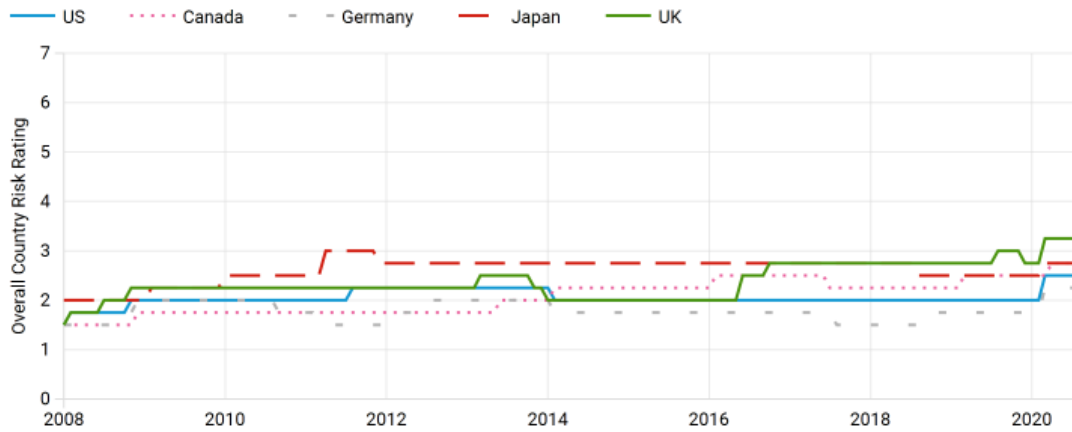
**Trend:** Stable

Key Development has had a negative impact on the outlook.



## KEY INDICATORS

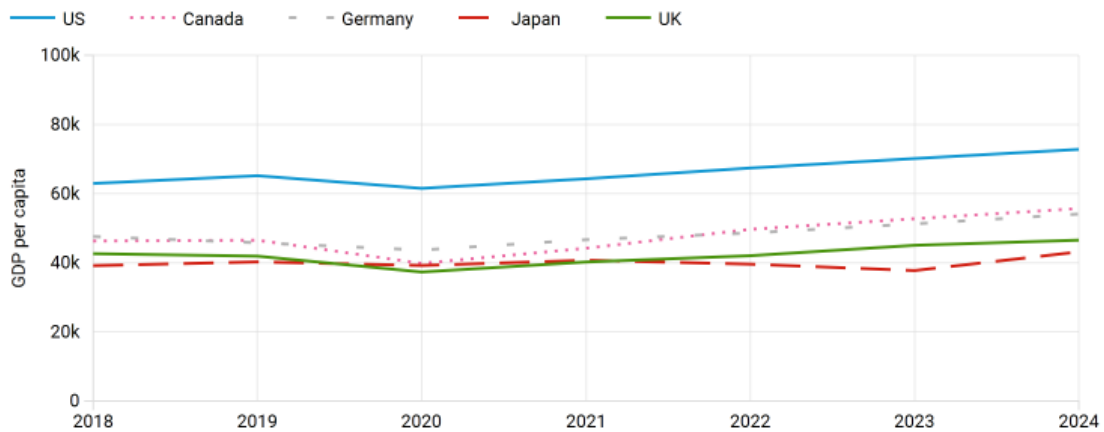
### Rating History and Comparison



Source: Dun & Bradstreet

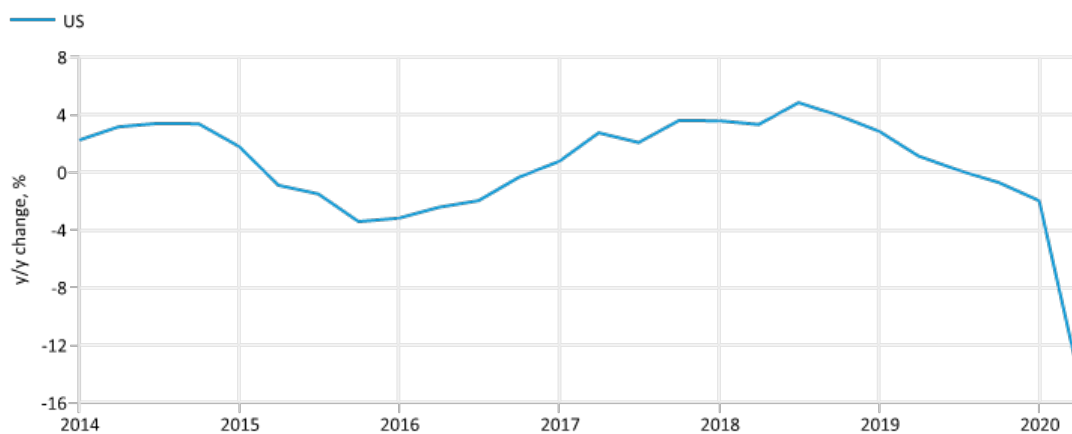
Note: 1 = Low Risk, 7 = High Risk

### Regional Comparisons



Source: Haver Analytics/Dun & Bradstreet

### Industrial Production Growth (Quarterly)



Source: Haver Analytics/Dun & Bradstreet



## Economic Indicators

Indicator	2017	2018	2019	2020f	2021f	2022f	2023f	2024f
C/A balance % GDP	-1.9	-2.2	-2.3	-2.7	-2.5	-2.6	-2.7	-2.8
Govt balance, % GDP	-3.5	-4.3	-4.6	-15.9	-12.9	-11.0	-8.8	-4.5
Inflation, annual avge %	2.1	2.4	1.8	0.8	1.9	2.3	2.4	2.0
Real GDP Growth, %	2.4	2.9	2.3	-5.8	3.2	3.1	2.2	2.3
Unemployment (annual avge, %)	4.3	3.9	3.7	10.4	8.6	6.8	5.5	4.7

Source: Haver Analytics/Dun & Bradstreet

## TRADE AND COMMERCIAL ENVIRONMENT

The US dollar has weakened significantly, falling to a five-month low on a nominal trade-weighted basis by the end of July. The dollar's weakness can partly be attributed to an increasing budget deficit (which widened to 44.0% of GDP during Q2) and to a resurgence in positive Covid-19 cases. A weaker dollar could support FDI inflows this year; according to the UN's *World Investment Report 2020* the US remained the largest recipient of inward FDI last year, despite flows declining slightly to USD246bn. According to data in Trepp's July *CMBS Delinquency Report*, delinquency rates remain highest in the logging (24.3%) and retail (18.1%) industries, making these sectors prime targets for takeover. In contrast, the industrial segment continues to record low levels of delinquency (1.6%).

## 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

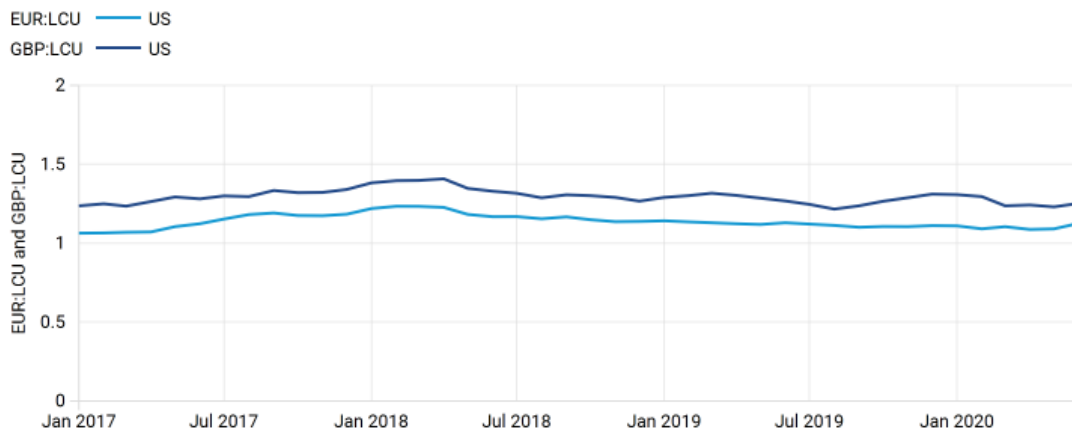
*The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.*

### 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.*



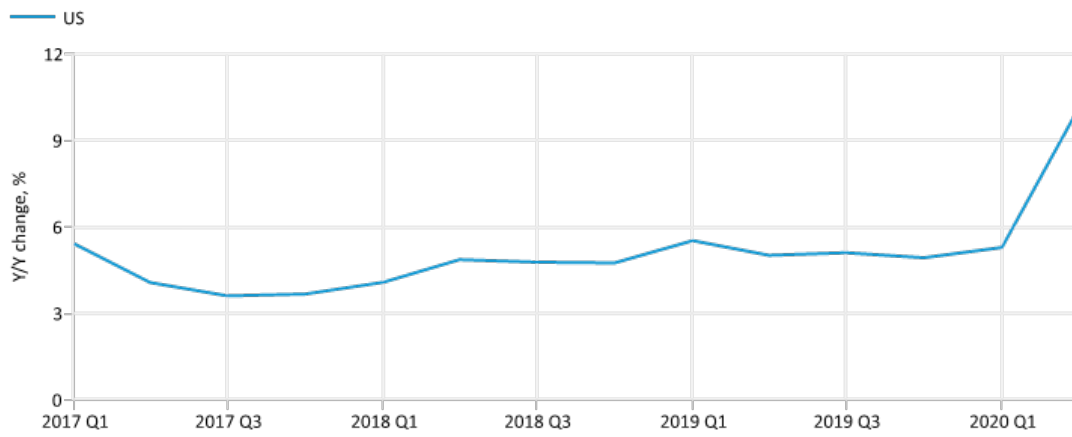
## Exchange Rate



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

### Short-Term Economic Outlook

#### *Growth momentum to wane*

While economic data continues to improve from the lows seen in April, the focus on the pace of the recovery is now beginning to carry greater importance. Some sectors of the economy, such as motor vehicle and general merchandise sales, have already recovered and remain above pre-Covid-19 levels, while other areas of activity - from capital spending to existing home sales - remain below-peak. While initial joblessness claims are down from the weekly 6m level that occurred in early March, claims have stalled within the range of 1.2m to 1.4m, providing an indication that recovery momentum is stalling.

Additional fiscal stimulus will boost momentum, but delays to that stimulus at the Congressional level have resulted in the expiration of some benefits and will cause damage to the recovery. The end of the additional USD600 a week in unemployment benefits will reverse a rise in household income and put pressure on personal consumption, an expenditure category that makes up the majority share of GDP. Meanwhile, our own high-frequency proprietary data that tracks weekly consumer demand has recorded a drop in nearly every state in recent weeks, with economically-important California, Texas and Florida recording some of the weakest levels. The recent turn lower will likely accelerate following the expiration of the additional benefit.

### Business Continuity

#### *Some benefits end; other stimulus no longer needed*

The additional unemployment benefit has raised income levels for about two-thirds of the unemployed, and they have used that money to boost spending by an additional 10% above typical spending levels for those looking for work. A likely reduction in government transfers to a level below the USD600 enhanced benefit will reduce that type of spending between 1.5-4.5%.

On the monetary side, previous aggressive interventions by the Federal Reserve have been successful at providing low-cost liquidity and in controlling short-term rates. As a result, in July the Fed reduced its balance sheet to the lowest level since April. Additionally, the amount of outstanding REPOs declined to 0, marking a stark reversal from a shortfall in bank reserves that sent REPO rates surging in September 2019. Reduced interventions in the REPO market represent a successful taming of volatility in short-term funding costs.

### Expropriation/Nationalisation Risk

#### *Covert expropriation under way*

Covert expropriation is occurring by way of the potential locking out of Tik Tok (an application sold by Chinese company ByteDance )in the US, unless US assets are sold to a US company. National security concerns have been raised regarding access to US personal data given the company's relationship with the Chinese government. This is an unprecedented step for the US to take, and could set a precedent for future behaviour. Additionally, the Committee on Foreign Investment in the United States is undertaking a review of previous US acquisitions by ByteDance, and has the power to retroactively reverse prior acquisitions.



## 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)	65,161
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	2019
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	65,161
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	-407.4	-394.9	-365.3	-449.7	-486.7
Current Account (% of GDP)	-2.2	-2.1	-1.9	-2.2	-2.3
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 (%)	-5.8	3.2	3.1	2.2	2.3
Nominal GDP in USDbn	20,356	21,398	22,561	23,611	24,638
Nominal GDP in local currency (bn)	20,356	21,398	22,561	23,611	24,638
GDP per Capita in USD	61,499	64,274	67,386	70,129	72,778
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	-547.9	-539.0	-584.1	-631.1	-680.0
Current Account (% of GDP)	-2.7	-2.5	-2.6	-2.7	-2.8
FX reserves (year-end, USDbn)	121.4	123.8	126.3	128.8	131.4
Import Cover (months)	0.5	0.5	0.4	0.4	0.4
Inflation (annual avge, %)	0.8	1.9	2.3	2.4	2.0
Govt Balance (% GDP)	-15.9	-12.9	-11.0	-8.8	-4.5

Source: Haver Analytics/Dun & Bradstreet

## Comparative Market Indicators

Indicator	US	Canada	Germany	Japan	UK
Income per Capita (USD)	61,499	39,811	43,664	39,195	37,304
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)	1.5 - 3.3	1.3 - 2.6	0.5 - 2.5	-0.8 - 1.3	1.5 - 2.8

Source: Various sources/Dun & Bradstreet



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Telephone  
UK: +44 20 7149 5000  
US: +1 800 234 3867  
Rest of World  
contact your local office  
or call +44 20 7149 5000

#### Publisher

Dun & Bradstreet  
The Point  
37 North Wharf Road  
London W2 1AF  
United Kingdom  
Tel: +44 20 7149 5000  
Email: [countryinsight@dnb.com](mailto:countryinsight@dnb.com)

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