

Country Insight Snapshot United States of America

January 2021





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

- + The USD284bn second round of Paycheck Protection Program funding will improve cash flow, help small and medium-sized businesses retain employees, and facilitate better credit behaviour compared to those who do not access PPP loans.
- + Ambitious stimulus and relief packages will boost disposable incomes, drive job creation and support growth while the national vaccination programme aimed at getting the majority of the population inoculated against Covid-19 is rolled out.
- The budget deficit will widen significantly (and persist over the long term) in the wake of unrivalled fiscal stimulus measures to limit the economic and financial impact of Covid-19.
- Repeated and persistent periods of asset price volatility can dent optimism and spill over into the real economy.

KEY DEVELOPMENT

The short-term economic outlook improves as the Biden administration prepares to push its recently-unveiled USD1.9bn stimulus and relief package.

CREDIT ENVIRONMENT OUTLOOK



Trend: Stable

Key Development has had a positive 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 positive impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK



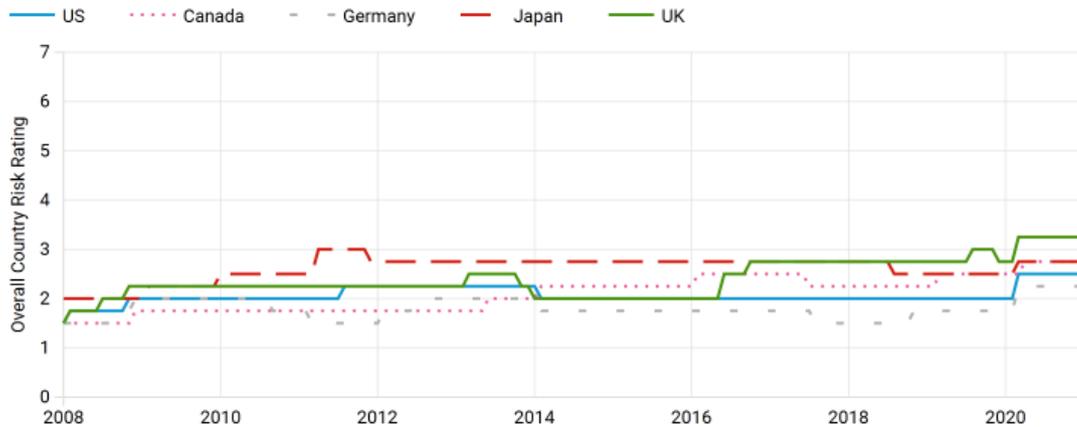
Trend: Stable

Key Development has had a neutral impact on the outlook.



KEY INDICATORS

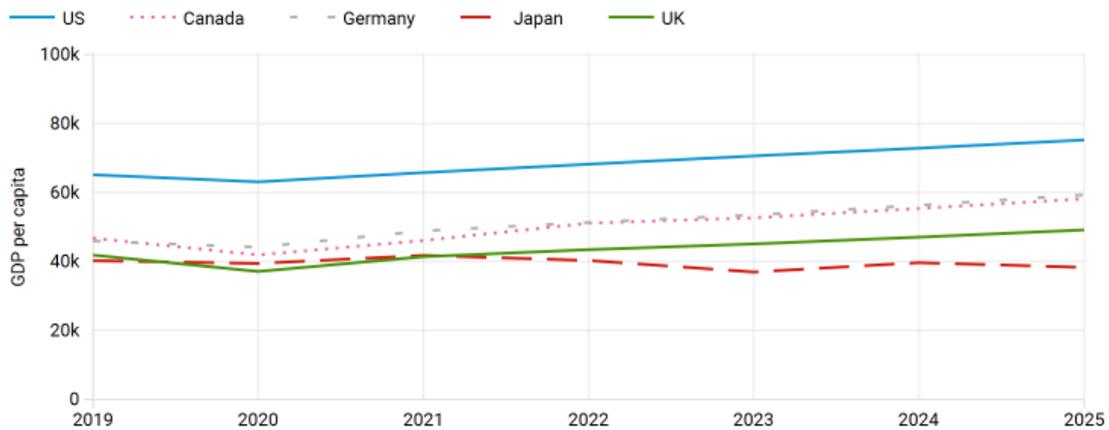
Rating History and Comparison



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	2018	2019	2020e	2021f	2022f	2023f	2024f	2025f
C/A balance % GDP	-2.2	-2.3	-2.6	-2.5	-2.6	-2.7	-2.8	-2.9
Govt balance, % GDP	-4.2	-4.6	-15.0	-9.7	-6.7	-5.8	-4.5	-4.0
Inflation, annual avge %	2.4	1.8	1.2	1.5	1.9	2.1	1.9	2.0
Real GDP Growth, %	3.0	2.2	-3.7	3.3	2.3	2.0	1.8	1.8
Unemployment (annual avge, %)	3.9	3.7	8.1	6.4	4.6	5.3	5.2	4.8

Source: Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

The USD284bn second round of the Paycheck Protection Program (PPP) will help small and medium-sized businesses (SMEs), especially those owned by minorities and women which had not received funding in the first round, with loans up to USD2m. A notable new provision is for businesses to get second PPP loans if they have suffered losses greater than 25% y/y. The funding will improve cash flow, help businesses to retain employees, and facilitate better credit behaviour compared to those who do not access PPP loans and/or the Targeted EIDL Advance grant up to USD10,000. SMEs in the retail industry are expected to fare better with the additional funding, with lower B2B payment delinquency rates: Dun & Bradstreet's analysis of the impact of the first round of PPP, using proprietary data, found that small businesses in the retail industry - with its low wage structure - fared better than other industries such as mining. Overall, enterprises that received PPP funding demonstrated a 5.3% severe payment delinquency rate compared to 10% for businesses that had not received funding. The risk of B2B payment delinquency remains elevated, with the majority of sectors - 79 out of 84 at the SIC-2 level - having showed a 3% average increase since February 2020.

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

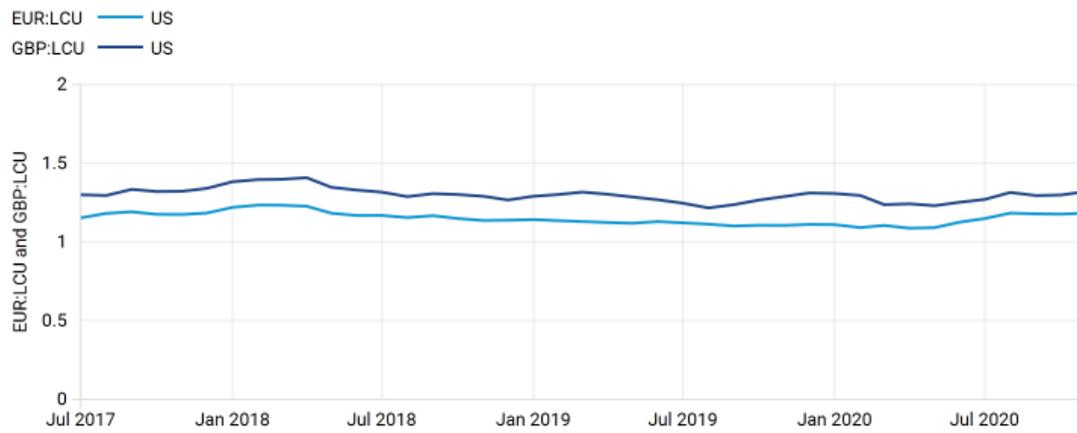
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

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.



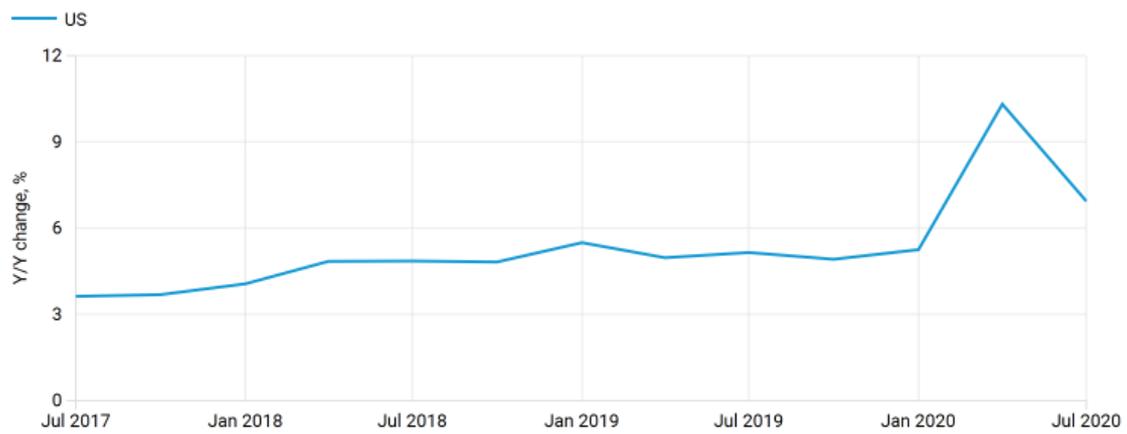
Exchange Rate



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

Stimulus and relief package could support recovery

The Biden administration's proposed USD1.9bn American Rescue Plan, if it gets through the Senate, will provide enormous economic stimulus and relief to households and businesses. It will help to support the economic recovery, which showed signs of flagging in the last quarter of 2020. The ambitious package will boost disposable incomes and help keep businesses open while the national vaccination programme aimed at getting the majority of the population inoculated against Covid-19 by end-H1 2021 is rolled out. The package includes payments of USD1,400 to individuals, increased federal weekly unemployment benefit to USD400 to end-September, extension of eviction and foreclosure moratoria to end-September, aid to state and local governments of USD350bn, USD20bn for the nationwide vaccination programme, and an increase in the minimum wage to USD15 per hour.

The Biden administration is expected to use the budget reconciliation process to fast-track passage of its stimulus package bill, given the Democrat's simple Senate majority. However, this limits items that could be approved to only those related to revenue and expenditure. The second round of PPP and the Biden administration's near-USD2bn relief plan will also support the labour market recovery. Tightened Covid-19 containment measures introduced towards the end of Q4 2020 contributed to the loss of 140,000 non-farm payroll jobs in December. Despite this first net monthly loss since April, the unemployment rate remained at 6.7% and the number of unemployed was unchanged at 10.7m. The loss of jobs in private education, leisure and hospitality, which are among the hardest-hit sectors, was partially offset by job gains in retail trade, professional and business services, and the construction sectors. A second large spending bill is expected in February, focusing on infrastructure, climate change and job creation.

Political/Insecurity Risk

Political violence risk is elevated

In the aftermath of a deadly attack on the US Capitol on 6 January, the risk of violent protests at state capitals remained elevated across the country ahead of the inauguration of Joe Biden as the 46th president of the US on 20 January 2021. The electorate is deeply polarised: the majority of Republicans believe, without evidence, that the election was fraudulent, while the majority of Democratic Party supporters believe that it was fair. As such, the risk of violent protests and clashes is unlikely to disappear after the inauguration. National Guard troops were activated in several state capitals, including California, Michigan and Florida for the inauguration day, and a heavier-than-usual security presence will persist in the coming months.

Biden will reiterate his message of national unity and healing at the beginning of his presidency in an attempt to bridge the divide. But given the chasm between Republicans and Democrats vis-a-vis allegations of election fraud, the risk of a domestic terrorism event is elevated. A Quinnipiac University poll on 11 January found that 73% of Republicans believed there was widespread voter fraud in the 2020 presidential election, compared to 5% of Democrats and 36% of Independents. Moreover, the division within the Republican party along pro- and anti-Trump (far-right and moderate) lines is weakening the party, although voting in Congress will largely remain along partisan lines.



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 Joe BIDEN
Capital	Washington D.C.
Timezone	GMT -05-00
Main languages	English, Spanish
Population (millions)	331.0
GDP (USD billions)	20,886.0
GDP per capita (USD)	63,099
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	2016	2017	2018	2019	2020e
Real GDP growth (%)	1.7	2.3	3.0	2.2	-3.7
Nominal GDP in USDbn	18,745	19,543	20,612	21,439	20,886
Nominal GDP in local currency (bn)	18,745	19,543	20,612	21,439	20,886
GDP per Capita in USD	58,032	60,117	63,015	65,152	63,099
Population (year-end, m)	323.0	325.1	327.1	329.1	331.0
Exchange rate (yr avge, USD-LCU)	1.0	1.0	1.0	1.0	1.0
Current Account in USDbn	-394.9	-365.3	-449.7	-486.7	-547.9
Current Account (% of GDP)	-2.1	-1.9	-2.2	-2.3	-2.6
FX reserves (year-end, USDbn)	106.3	112.3	114.8	118.4	124.4
Import Cover (months)	0.5	0.5	0.4	0.4	0.5
Inflation (annual avge, %)	1.3	2.1	2.4	1.8	1.2
Govt Balance (% GDP)	-3.1	-3.5	-4.2	-4.6	-15.0

Source: Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2021f	2022f	2023f	2024f	2025f
Real GDP growth (%)	3.3	2.3	2.0	1.8	1.8
Nominal GDP in USDbn	21,899	22,838	23,773	24,665	25,612
Nominal GDP in local currency (bn)	21,899	22,838	23,773	24,665	25,612
GDP per Capita in USD	65,781	68,213	70,611	72,855	75,240
Population (year-end, m)	332.9	334.8	336.7	338.5	340.4
Exchange rate (yr avge, USD-LCU)	1.0	1.0	1.0	1.0	1.0
Current Account in USDbn	-539.0	-584.1	-631.1	-680.0	-730.8
Current Account (% of GDP)	-2.5	-2.6	-2.7	-2.8	-2.9
FX reserves (year-end, USDbn)	126.8	129.4	132.0	134.6	137.3
Import Cover (months)	0.5	0.4	0.4	0.4	0.4
Inflation (annual avge, %)	1.5	1.9	2.1	1.9	2.0
Govt Balance (% GDP)	-9.7	-6.7	-5.8	-4.5	-4.0

Source: Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	US	Canada	Germany	Japan	UK
Income per Capita (USD)	65,781	46,092	48,881	41,764	41,398
Country Population (m)	332.9	38.1	83.9	125.0	68.2
Internet users (% of population)	87.3	91.0	89.7	84.6	94.9
Real GDP Growth (% p.a., 2021 - 2030)	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



LINKS

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Sales

Email: countryinsight@dnb.com
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

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