



## **\*\*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

March 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:** Deteriorating

## 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 remain so over the long term following March's fiscal stimulus measures.
- Widespread closures of shops and businesses will result in immediate negative impacts on the labour market, revenue and earnings results, financial stability, and the investment outlook (as well as other areas).
- Repeated and persistent periods of asset price volatility can dent optimism and spill over into the real economy.

## KEY DEVELOPMENT

Dun & Bradstreet downgrades the US's country risk rating by two quartiles amid the extended impacts of the Covid-19 pandemic.

## 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



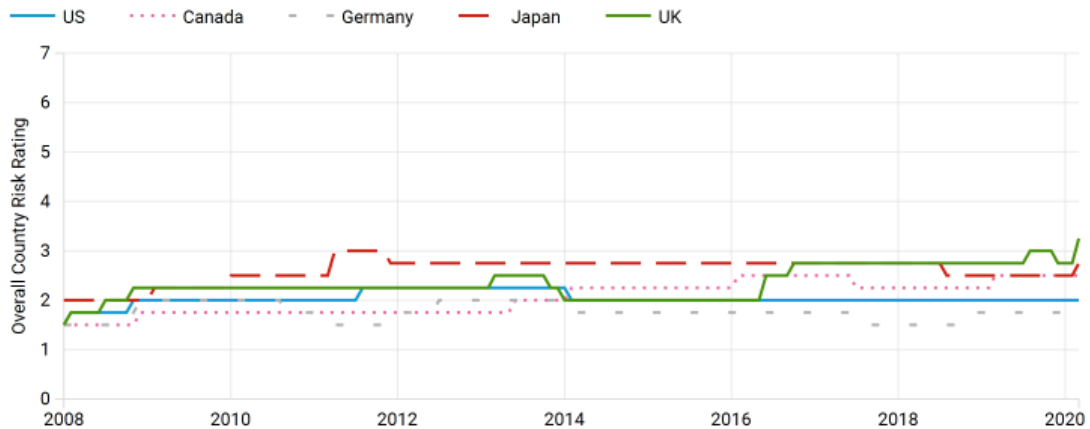
**Trend:** Stable

Key Development has had a neutral impact on the outlook.



## KEY INDICATORS

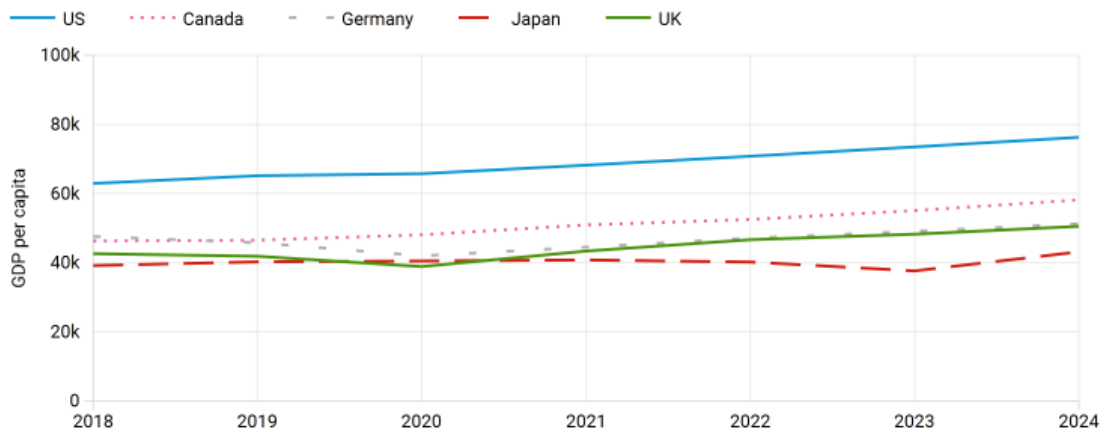
### Rating History and Comparison



Source: Dun & Bradstreet

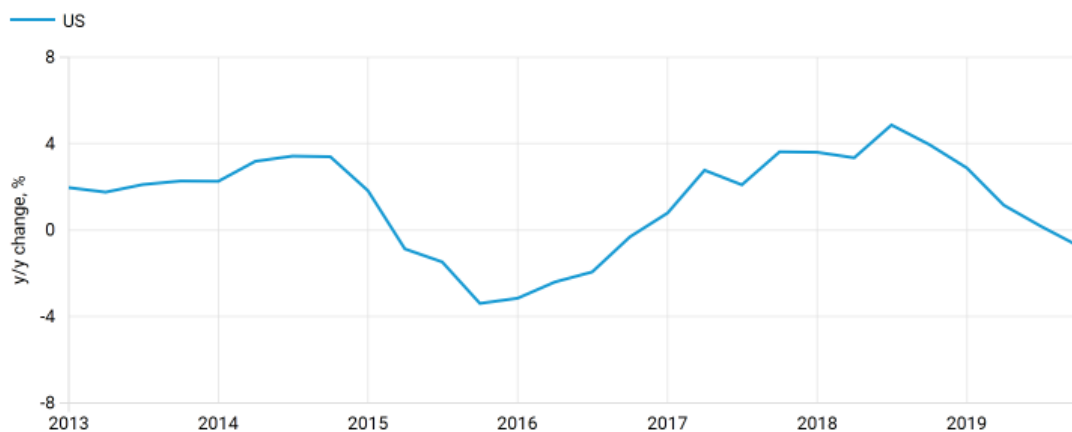
Note: 1 = Low Risk, 7 = High Risk

### 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	-2.5	-2.8	-2.6	-2.7	-2.8	-2.9
Govt balance, % GDP	-3.5	-4.3	-4.6	-7.5	-6.3	-5.8	-5.2	-5.2
Inflation, annual avge %	2.1	2.4	1.8	1.2	1.8	2.2	2.1	2.0
Real GDP Growth, %	2.4	2.9	2.3	-0.3	2.5	2.1	2.2	2.3
Unemployment, %	4.3	3.9	3.7	6.8	4.9	4.4	4.3	4.3

Source: Haver Analytics/Dun & Bradstreet

## TRADE AND COMMERCIAL ENVIRONMENT

A drastic contraction in growth in the context of the Covid-19 outbreak has prompted the US government to enact a record USD2.2trn stimulus package to limit the damage from the short-term shock to business activity, and to provide liquidity to households. Cash transfers and the expansion of unemployment benefits will provide a short-term safety net for those who become unemployed immediately or in the future. The fiscal stimulus package will also include USD350bn in small-business loans, with some provisions for the loans to be forgiven if employment levels are maintained. In addition, the airline and public transit sectors will receive over USD47bn, providing some cushion (albeit falling short of the sums that were requested). The virus outbreak's total estimated cost to the economy is still evolving, and will depend on which one of the possible scenarios plays out; if the outbreak lasts beyond Q2, greater provisions will be required.

## 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

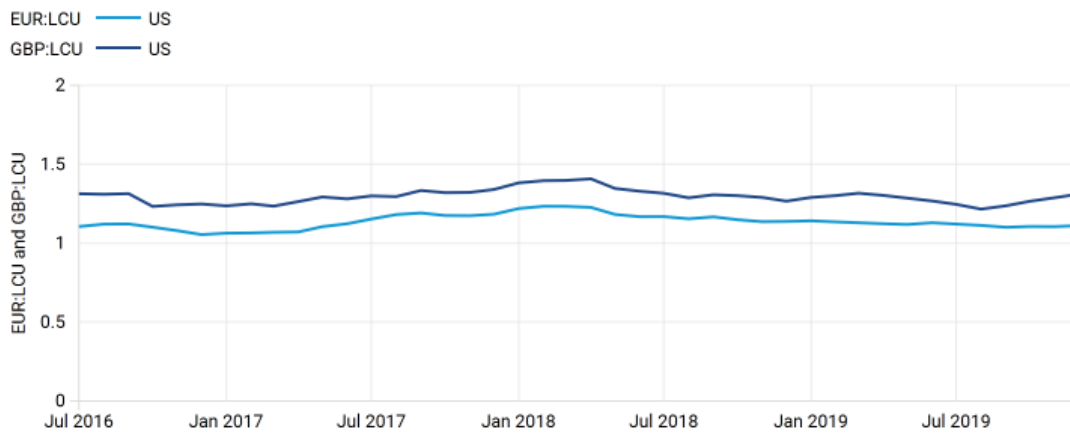
*The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.*

### 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.*



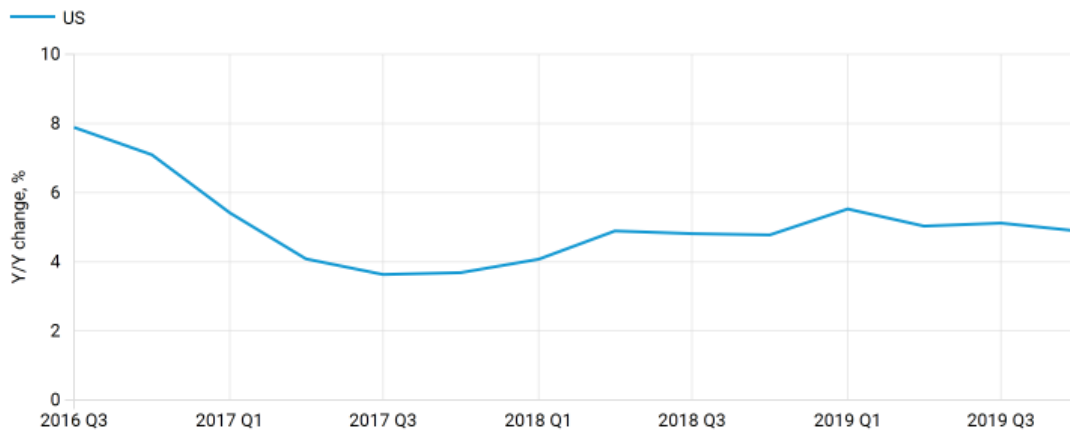
## Exchange Rate



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

#### *Risk rating downgraded*

We have downgraded the US's country risk rating from DB2a to DB2c and set the trend outlook to 'deteriorating' in March. This downgrade comes amid the forecast negative economic impact of the Covid-19 pandemic.

Disruptions associated with the coronavirus outbreak have spread beyond the initial supply-chain effects and are now seriously affecting commerce, leading to an unravelling of the labour market that will contribute to a severe slowdown in growth in 2020. Labour-market strength had long been a cornerstone of the US's economic expansion, but this was disrupted in March when widespread social-distancing policies forced businesses to temporarily close or shutter, leading to an explosion in the 'initial jobless claims' category, which rose to 3,280,000 for the week ending 21 March - the highest level on record. Higher unemployment will have a considerable effect on household spending: we estimate that household consumption growth will fall to -0.1% in 2020 (compared with growth of 2.6% in 2019).

During recessions in the US, the consumption of services as a component of personal consumption expenditure typically rises, while the durable goods component declines, but the practice of social distancing will disturb this relationship. The inability to stockpile services for use once the recovery has begun will impact the rate at which consumption declines, as well as the rate and timing of the recovery.

Preliminary macroeconomic information such as IHS Markit's flash composite PMI indicates a sharp contraction in output in March, which will likely translate into a sharply negative outturn in GDP in Q1. Regional Reserve Bank surveys such as the Kansas City Manufacturing Survey (-17) and the Philadelphia Fed Manufacturing Business Outlook Survey (-12.7) confirm the strongly negative March figures, signalling a return to levels of business activity not seen since 2008-09. Even though store closures are likely to be only temporary, the abrupt decline in activity will reduce 2020's overall GDP growth rate to -0.3%.

### Business Continuity

#### *Monetary programmes will help provide liquidity*

In addition to the Federal Funds Rate returning to crisis-era levels, the monetary policy response has been quicker than in 2008 - and larger in scale, including as it does the expansion of previous crisis-era programmes. Changes to these programmes are as follows: an expansion of funds and terms made available in the repo markets; the creation of a Money-Market Mutual Fund Liquidity Facility (and an expansion of the categories of securities that qualify for that programme); the establishment of a Primary Dealer Credit Facility; and an expansion of the Commercial Paper Funding Facility. Moreover, the establishment of three credit facilities will make extra credit available to both consumers and businesses.

Federal Reserve interventions and the creation of these new programmes are chiefly intended to make credit widely available and to maintain the functioning of lending markets. During the previous two recessions the total amount of banking business credit destroyed was between USD225bn and USD400bn, while about USD467bn in consumer and real estate lending was destroyed. The new measures have been appropriate in scope and effectiveness so far. Overall, these interventions will swell the Fed's balance sheet past the USD4.5trn peak established in 2014.



## 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	-529.5
Current Account (% of GDP)	-2.2	-2.3	-2.3	-2.4	-2.5
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 (%)	-0.3	2.5	2.1	2.2	2.3
Nominal GDP in USDbn	21,758	22,706	23,702	24,743	25,818
Nominal GDP in local currency (bn)	21,758	22,706	23,702	24,743	25,818
GDP per Capita in USD	65,733	68,204	70,793	73,491	76,261
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	-603.4	-595.7	-644.1	-694.6	-747.1
Current Account (% of GDP)	-2.8	-2.6	-2.7	-2.8	-2.9
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, %)	1.2	1.8	2.2	2.1	2.0
Govt Balance (% GDP)	-7.5	-6.3	-5.8	-5.2	-5.2

Source: Haver Analytics/Dun & Bradstreet

## Comparative Market Indicators

Indicator	US	Canada	Germany	Japan	UK
Income per Capita (USD)	65,733	48,062	41,982	40,490	38,878
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



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