

Country Insight Snapshot

United States of America

December 2018





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.

G

Rating Outlook: Stable

CORE OUTLOOK

- + The domestic economy's strong fundamentals are underpinned by the robust job market and consumer spending. Most economic indicators remain near multi-year highs.
- + Passage of the tax bill has ushered in policy support and boosted business sentiment and capex.
- The rising risk of retaliation over the US's stance on trade and multilateralism weighs on faster export growth.
- 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.
- Rate tightening by the FOMC has begun to negatively impact firms' standard Dun & Bradstreet risk scores.

KEY DEVELOPMENT

The yield curve undergoes a partial inversion in December, creating negative conditions for US credit markets.

CREDIT ENVIRONMENT OUTLOOK

A

Trend: Deteriorating

Key Development has had a negative impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK

G

Trend: Stable

Key Development has had a positive impact on the outlook.

MARKET ENVIRONMENT OUTLOOK

G

Trend: Improving

Key Development has had a positive impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK

A

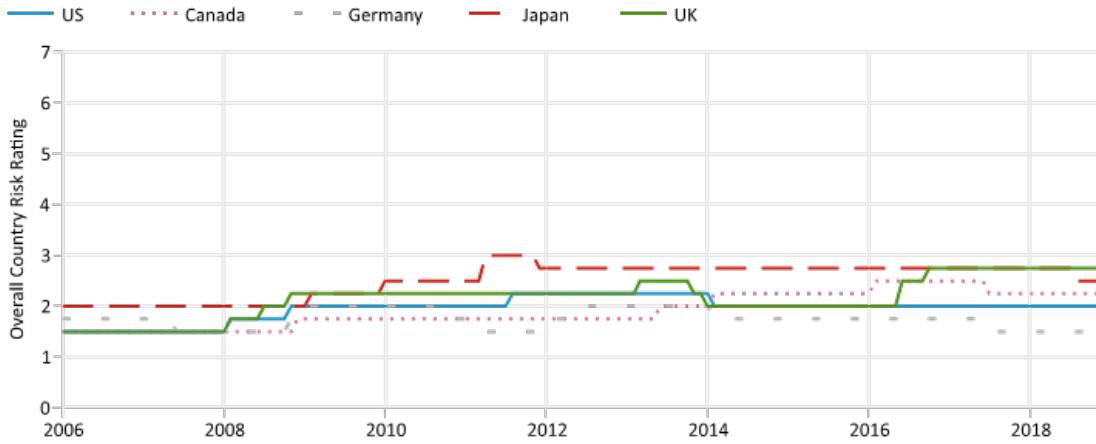
Trend: Stable

Key Development has had a neutral impact on the outlook.



KEY INDICATORS

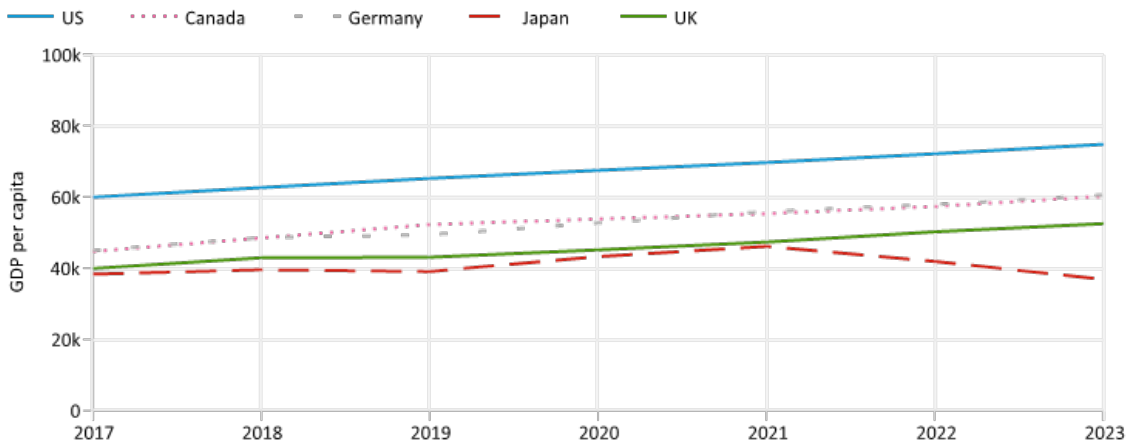
Rating History and Comparison



Source : Dun & Bradstreet

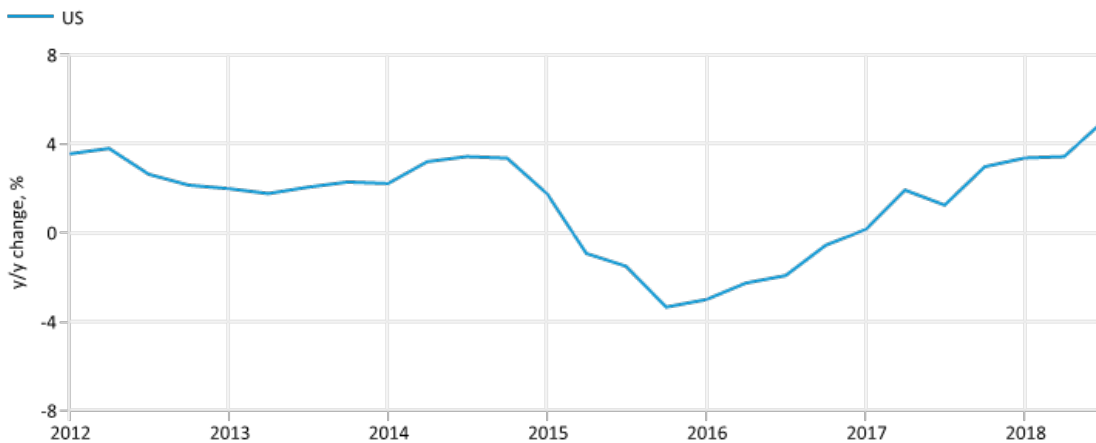
Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source : Haver Analytics/Dun & Bradstreet

Industrial Production Growth (Quarterly)



Source : Haver Analytics/Dun & Bradstreet



Economic Indicators

Indicator	2016	2017	2018f	2019f	2020f	2021f	2022f	2023f
C/A balance % GDP	-2.3	-2.3	-2.4	-2.4	-2.6	-2.5	-2.6	-2.7
Govt balance, % GDP	-3.2	-3.5	-4.5	-4.8	-4.9	-4.9	-5.4	-5.2
Inflation, annual avge %	1.3	2.1	2.4	2.3	2.2	2.1	2.1	2.1
Real GDP Growth, %	1.6	2.2	2.8	2.5	1.9	1.8	2.1	2.3
Unemployment, %	4.9	4.4	3.8	3.8	4.0	4.2	4.3	4.3

Source : Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

New guidance from the Treasury Department regarding tax rates on overseas corporate profits will limit the benefits for US companies shifting profits into low tax jurisdictions, but in some cases also creates higher tax burdens. A threshold of 10.5-13.125% for the tax rate on Global Intangible Taxed Income was established. While the minimum rate will discourage some companies from moving operations offsite to a low-tax country, pre-existing rules on foreign tax credits may in some cases lower tax credits and raise the tax burden for companies operating in high-tax foreign countries. Lower tax credits will erode some of the advantages passed in the 2017 Tax Reform Act, making some companies less competitive.

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

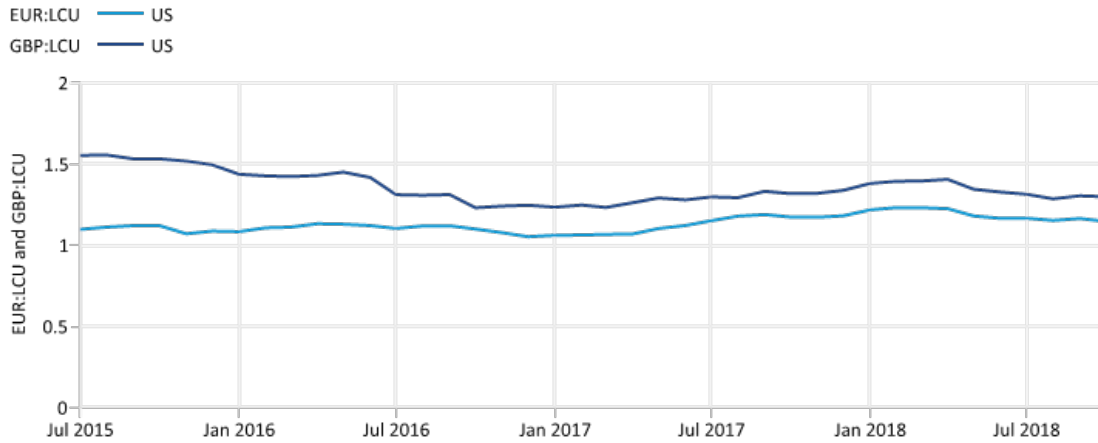
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: 0-1 month

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.



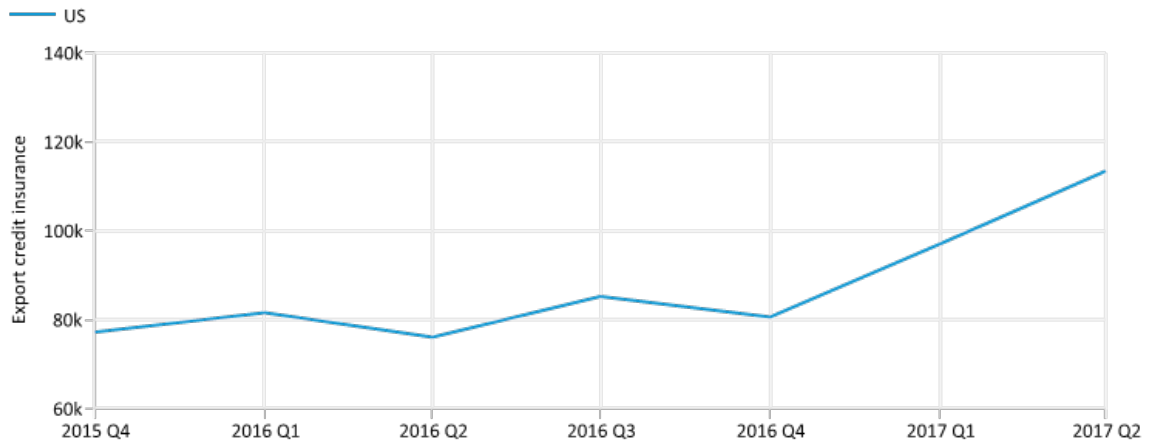
Exchange Rate



Source : International Monetary Fund/Dun & Bradstreet

LCU (local currency unit) = US dollar

Credit Conditions



Source : Export Credit Agencies

Insured export credit exposures, USDm; increase going into 2017 is partly due to methodology changes.



RISKS AND OPPORTUNITIES

Short-Term Economic Outlook

Yield-curve inversion to hit credit markets

For the first time since mid-2005, the spread between yields on a long- and short-dated treasury bond turned negative in December. The difference between yields on five-year bonds slipped below three-year bonds, partially inverting the curve. Traditionally, when yields of long-duration bonds against short-duration bonds turn negative a recession follows, but the exact timing of recession has historically varied from six months after inversion to three years. Although most yield spreads between longer-duration bonds against shorter-duration bonds remain positive, spreads have narrowed significantly since the beginning of the year and are trending toward inverting, indicating that market participants are inferring that both inflation and growth expectations have become softer in the US.

Additionally, a yield-curve inversion will have negative effects on the credit market. Some loan types will become unprofitable for lenders, which will likely result in a lower number of loans being originated and less credit being made available. Even before partial inversion was recorded, commercial paper and consumer credit growth was slowing; a further inversion would amplify that trend. Businesses need access to credit to grow: in the Federal Reserve's October Senior Loan Officer Survey, participants indicated that while they were easing lending standards on loans made to large and middle market firms to compensate for slowing demand, if the yield curve were to invert they would reverse that easing and tighten conditions across every loan category, effectively restricting credit.

Political/Insecurity Risk

US-China relationship remains contentious

On the one hand, a face-to-face meeting between President Trump and China's President Xi eased some mounting political and trade tensions between the two countries, as both sides agreed to not increase tariff rates for 90 days. On the other hand, the arrest of a senior executive at Chinese networking device maker Huawei in Canada, on behalf of the US, immediately re-intensifies those tensions. The trade truce could not have come at a better time for the US. According to monthly trade data from the UN, US exports to China declined on an annual basis for five of its top ten exports to China by value during August. We interpret the trade truce as being mostly cosmetic, lacking substance and details, but it was at least a start to the thawing of relations, and by limiting the escalation of tariff rates it limited further export weakness. The truce also masked the persistent technology and intellectual property issues that once again come to the forefront after the CFO of Huawei, Meng Wanzhou was arrested in Canada. The ongoing tech rivalry between the countries remains the most contentious issue between them, and this arrest clouds negotiations while doing little to address these technology issues.



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)	324.5
GDP (USD billions)	19,486.0
GDP per capita (USD)	60,055
Life expectancy (years)	79.2
Literacy (% of adult pop.)	99.9
Surface area (sq km)	9,826,675

Source : Various sources/Dun & Bradstreet

Historical Data

Metric	2014	2015	2016	2017	2018f
Real GDP growth (%)	2.5	2.9	1.6	2.2	2.8
Nominal GDP in USDbn	17,522	18,219	18,707	19,486	20,519
Nominal GDP in local currency (bn)	17,522	18,219	18,707	19,486	20,519
GDP per Capita in USD	55,149	56,948	58,065	60,055	62,795
Population (year-end, m)	317.7	319.9	322.2	324.5	326.8
Exchange rate (yr avge, USD-LCU)	1.0	1.0	1.0	1.0	1.0
Current Account in USDbn	-365.2	-407.8	-432.9	-449.1	-496.9
Current Account (% of GDP)	-2.1	-2.2	-2.3	-2.3	-2.4
FX reserves (year-end, USDbn)	119.0	106.5	106.3	112.3	114.5
Import Cover (months)	0.5	0.5	0.5	0.5	0.4
Inflation (annual avge, %)	1.6	0.1	1.3	2.1	2.4
Govt Balance (% GDP)	-2.8	-2.4	-3.2	-3.5	-4.5

Source : Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2019f	2020f	2021f	2022f	2023f
Real GDP growth (%)	2.5	1.9	1.8	2.1	2.3
Nominal GDP in USDbn	21,516	22,415	23,308	24,303	25,376
Nominal GDP in local currency (bn)	21,516	22,415	23,308	24,303	25,376
GDP per Capita in USD	65,380	67,632	69,830	72,298	74,961
Population (year-end, m)	329.1	331.4	333.8	336.1	338.5
Exchange rate (yr avge, USD-LCU)	1.0	1.0	1.0	1.0	1.0
Current Account in USDbn	-520.0	-573.3	-592.7	-633.3	-675.0
Current Account (% of GDP)	-2.4	-2.6	-2.5	-2.6	-2.7
FX reserves (year-end, USDbn)	116.8	119.1	121.5	123.9	126.4
Import Cover (months)	0.4	0.4	0.4	0.4	0.4
Inflation (annual avge, %)	2.3	2.2	2.1	2.1	2.1
Govt Balance (% GDP)	-4.8	-4.9	-4.9	-5.4	-5.2

Source : Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	US	Canada	Germany	Japan	UK
Income per Capita (USD)	62,795	48,621	48,715	39,713	43,065
Country Population (m)	326.8	37.0	82.3	125.5	66.6
Internet users (% of population)	76.2	89.8	89.6	92.0	94.8
Real GDP Growth (% p.a., 2019 - 2028)	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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