

Country Insight Snapshot United States of America

March 2017



Written 24 March 2017

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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.

+ Both topline and core inflation are picking up, signalling an economy that is operating close to its full potential.

- Heightened uncertainty will weigh on business and consumer confidence while the new administration beds in.

- The dollar is expected to remain notably strong in the near term and will weigh on export-dependent industries.

KEY DEVELOPMENT

The government's failure to repeal Obamacare signals that divisions in the Republican Party could temporarily cause policy stalemate and weigh on business operations.

CREDIT ENVIRONMENT OUTLOOK

G

Trend: Stable

Key Development has had a neutral impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK

G

Trend: Stable

Key Development has had a neutral impact on the outlook.

MARKET ENVIRONMENT OUTLOOK

G

Trend: Stable

Key Development has had a neutral impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK

R

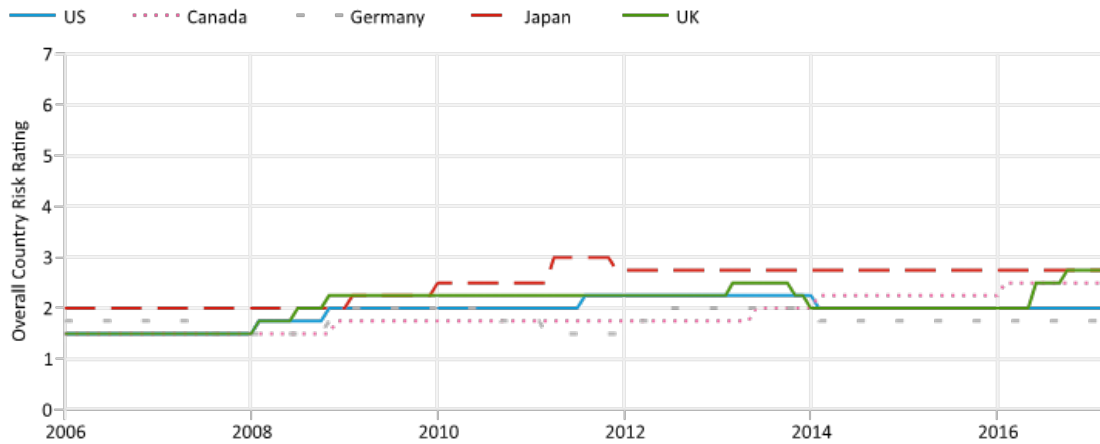
Trend: Deteriorating

Key Development has had a negative impact on the outlook.



KEY INDICATORS

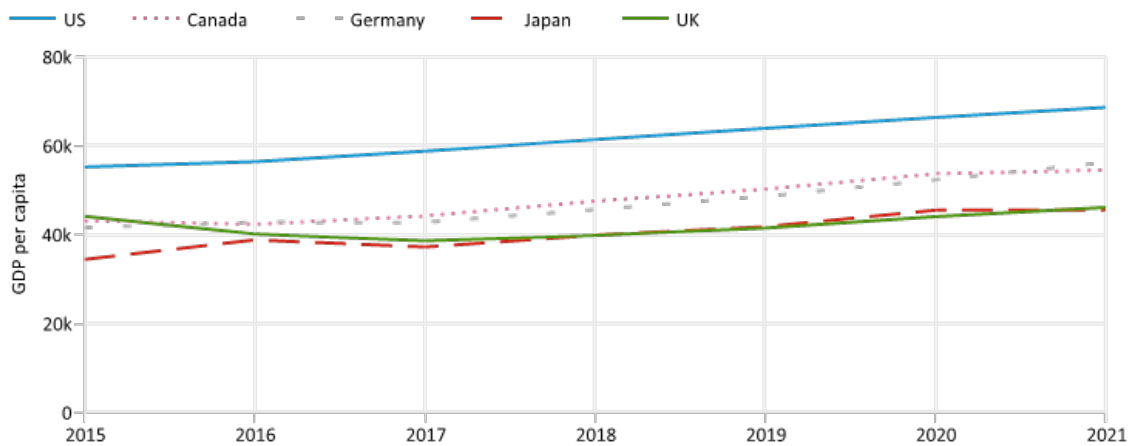
Rating History and Comparison



Source : Dun & Bradstreet

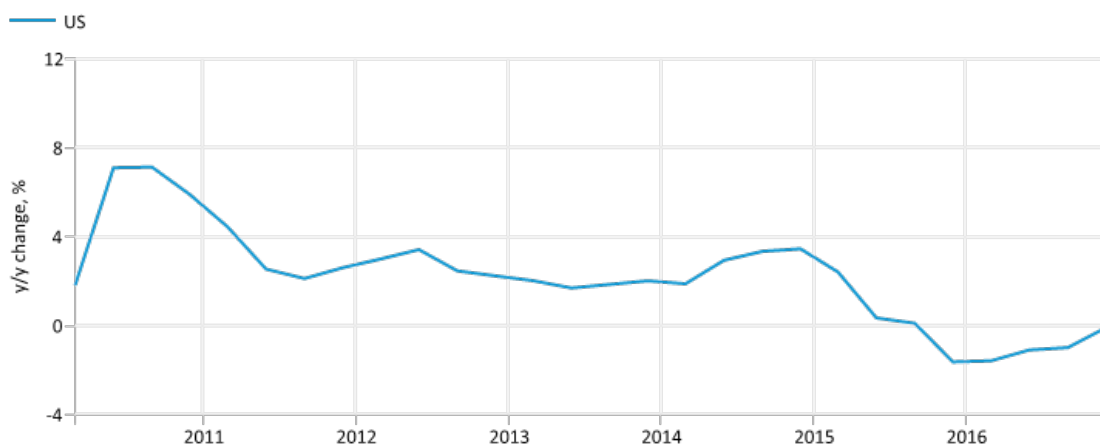
Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source : Haver Analytics/Dun & Bradstreet

Industrial Production Growth (Quarterly)



Source : Haver Analytics/Dun & Bradstreet



Economic Indicators

Indicator	2014	2015	2016e	2017f	2018f	2019f	2020f	2021f
C/A balance % GDP	-2.2	-2.5	-2.7	-2.9	-2.9	-2.9	-3.0	-3.0
Govt balance, % GDP	-2.8	-2.5	-3.2	-2.9	-2.4	-2.9	-3.2	-3.6
Inflation, annual avge %	1.6	0.1	1.3	2.7	2.5	2.5	2.3	2.1
Real GDP Growth, %	2.4	2.4	1.6	2.2	2.6	2.3	2.2	2.0
Unemployment, %	6.2	5.3	4.9	4.7	4.6	4.7	4.8	5.0

Source : Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

Dun & Bradstreet continues to recommend SD terms for most transactions with US customers, while usual terms are between 30 and 60 days. Local delays and FX/bank delays are one of the shortest among the countries monitored by Dun & Bradstreet, standing at 0-2 months. Abstracting from day-to-day fluctuations, the broad trade-weighted US dollar remains near a 15-year high following its appreciation after the US election. With the US Federal Reserve expected to hike interest rates two more times in 2017 (it hiked once already in March) while other major central banks keep interest rates ultra-low, and the expectations of a stimulus-driven acceleration in overall US growth, upward pressure on the USD is likely to continue in the near term. Export-dependent industries like manufacturing will bear the brunt.

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

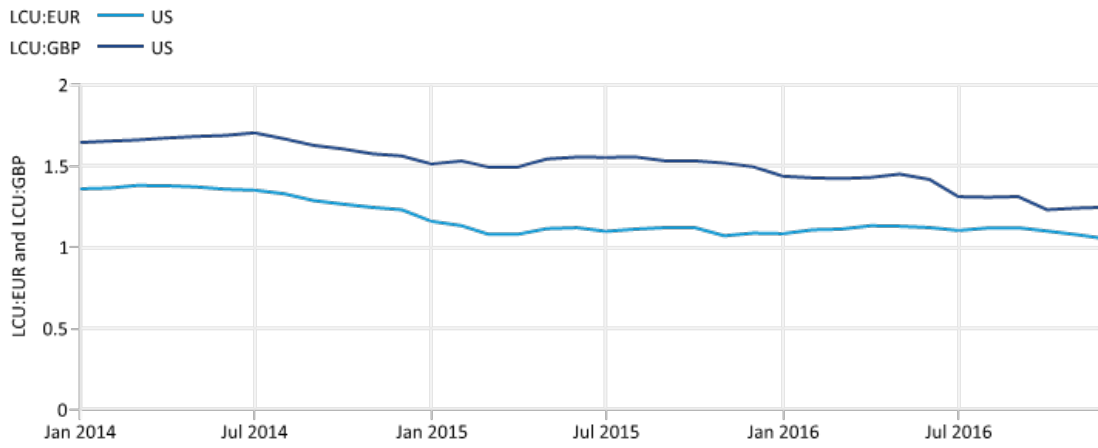
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

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.



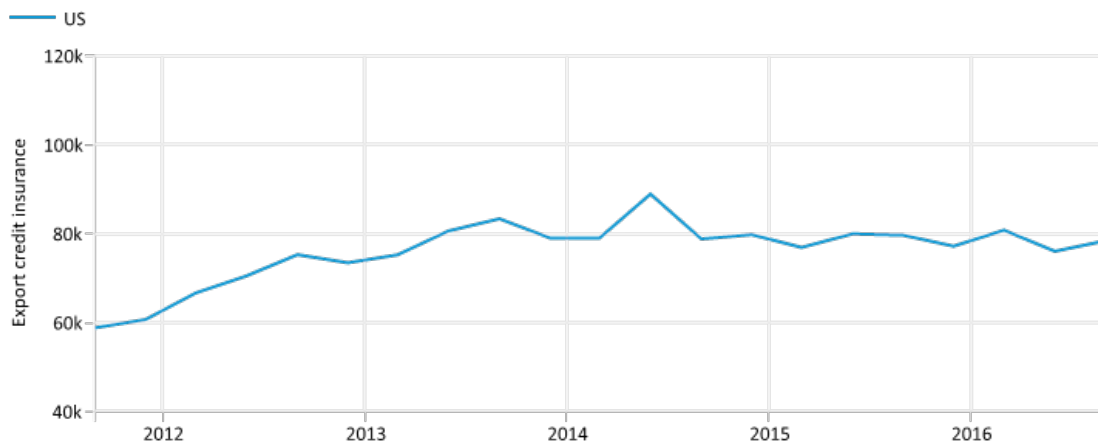
Exchange Rate



Source : International Monetary Fund/Dun & Bradstreet

LCU (local currency unit) = US dollar

Credit Conditions



Source : Export Credit Agencies

Insured export credit exposures, USDm



RISKS AND OPPORTUNITIES

Business Regulatory Environment

Rising risk of policy stalemate

Dun & Bradstreet has downgraded the US's Political Environment Outlook from amber to red, indicating that political risk is now a bigger impediment to business operations. The recent failure of the government's efforts to repeal Obamacare shows that there are considerable divisions within the Republican Party, which need to be addressed by future policy measures to ensure full passage of those policies. In other words, total Republican control of both the executive and legislative branch can no longer be relied upon to prevent policy gridlock. This has downside risks for near-term economic policy, and could weigh on business confidence, at least temporarily. We have held our overall country risk rating for the US at DB2a.

FX Risk

Upward pressure on dollar will persist

As expected, the Fed hiked the policy rate by 25 basis points at its 15 March meeting. The decision itself surprised no one, but has two important near-term implications. First, central bank communication was highly effective in guiding markets in the weeks before the rate hike, ensuring it did not disrupt financial markets. Second, there was no major hawkish shift in the Fed's post-meeting communication: the central bank signalled that it is not significantly changing its rate normalisation plans in view of the recent strength of inflation and the economy, either real or expected. We have thus left unchanged our baseline forecast for three rate hikes in total in 2017. The adequately dovish Fed reassured global investors, preventing a measurable appreciation of the US dollar. Note, however, that upward pressure on the USD will continue in the near term, partly due to the spreading interest rate differential between the US and other major advanced economies, and partly due to fundamentals. Brexit negotiations are likely to reinforce this via the pound's weakness.

Long-Term Economic Potential

Brexit could alter US-UK relations

Prime Minister Theresa May triggered Article 50 on 29 March, officially starting the process for the UK's departure from the EU. The process will take two years, and even longer for the new rules of global trade and finance to become clear. There are important long-term implications for the US economy and its relationship with the UK. First, it signals the shift in US trade policy from multilateralism to bilateralism. President Trump has repeatedly said the US will negotiate one-on-one with its trade partners to get better deals. The proposed TTIP deal between the US and the EU is unlikely to pass (some in the EU oppose it too). Brexit, too, shows the UK's intent to break away from a set of rules that govern multiple countries in a bid to obtain more favourable concessions via one-on-one negotiations. Theresa May's recent visit to the White House was demonstratively timed just as both the US and UK make this pivot to bilateralism. Both shifts are attempts to reach out to a voter base that in some ways sees globalisation and trade as the cause of domestic hardships and unemployment. Nevertheless, global trade policy will most certainly look different in the coming years.



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 located in North America, with borders on Canada, Mexico, the Atlantic and the Pacific. The US has been unchallenged as the world's only superpower since the collapse of the Soviet Union in 1991.

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)	324.1
GDP (USD billions)	18,315.0
GDP per capita (USD)	56,508
Life expectancy (years)	79
Literacy (% of adult pop.)	99.9
Surface area (sq km)	9,826,675

Source : Various sources/Dun & Bradstreet

Historical Data

Metric	2012	2013	2014	2015	2016e
Real GDP growth (%)	2.2	1.7	2.4	2.4	1.6
Nominal GDP in USDbn	16,155	16,692	17,364	17,802	18,315
Nominal GDP in local currency (bn)	16,155	16,692	17,364	17,802	18,315
GDP per Capita in USD	51,319	52,632	54,358	55,326	56,508
Population (year-end, m)	314.8	317.1	319.4	321.8	324.1
Exchange rate (yr avge, USD-LCU)	1.0	1.0	1.0	1.0	1.0
Current Account in USDbn	-446.5	-338.3	-382.6	-436.8	-502.0
Current Account (% of GDP)	-2.8	-2.0	-2.2	-2.5	-2.7
FX reserves (year-end, USDbn)	139.1	133.5	119.0	106.5	106.3
Import Cover (months)	0.6	0.6	0.5	0.4	0.4
Inflation (annual avge, %)	2.1	1.5	1.6	0.1	1.3
Govt Balance (% GDP)	-6.8	-4.1	-2.8	-2.5	-3.2

Source : Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2017f	2018f	2019f	2020f	2021f
Real GDP growth (%)	2.2	2.6	2.3	2.2	2.0
Nominal GDP in USDbn	19,224	20,217	21,199	22,163	23,081
Nominal GDP in local currency (bn)	19,224	20,217	21,199	22,163	23,081
GDP per Capita in USD	58,883	61,479	64,006	66,447	68,717
Population (year-end, m)	326.5	328.8	331.2	333.5	335.9
Exchange rate (yr avge, USD-LCU)	1.0	1.0	1.0	1.0	1.0
Current Account in USDbn	-554.7	-588.2	-622.4	-657.3	-692.9
Current Account (% of GDP)	-2.9	-2.9	-2.9	-3.0	-3.0
FX reserves (year-end, USDbn)	108.4	110.6	112.8	115.1	117.4
Import Cover (months)	0.4	0.4	0.4	0.3	0.3
Inflation (annual avge, %)	2.7	2.5	2.5	2.3	2.1
Govt Balance (% GDP)	-2.9	-2.4	-2.9	-3.2	-3.6

Source : Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	US	Canada	Germany	Japan	UK
Income per Capita (USD)	55,326	43,215	41,666	34,521	44,210
Country Population (m)	321.8	35.9	80.7	127	64.7
Internet users (% of population)	74.5	88.5	87.6	93.3	92
Real GDP Growth (% p.a., 2017 - 2026)	1.8 - 2.5	1.25 - 2.25	1.8 - 3	-0.5 - 1.2	1.8 - 3.5

Source : Various sources/Dun & Bradstreet



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