

# Country Insight Snapshot

## United States of America

September 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.
- + 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 towards 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.

## KEY DEVELOPMENT

Real GDP in Q2 is growing faster than originally estimated, with additional indicators pointing towards an acceleration in the second half of 2018.

### 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 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

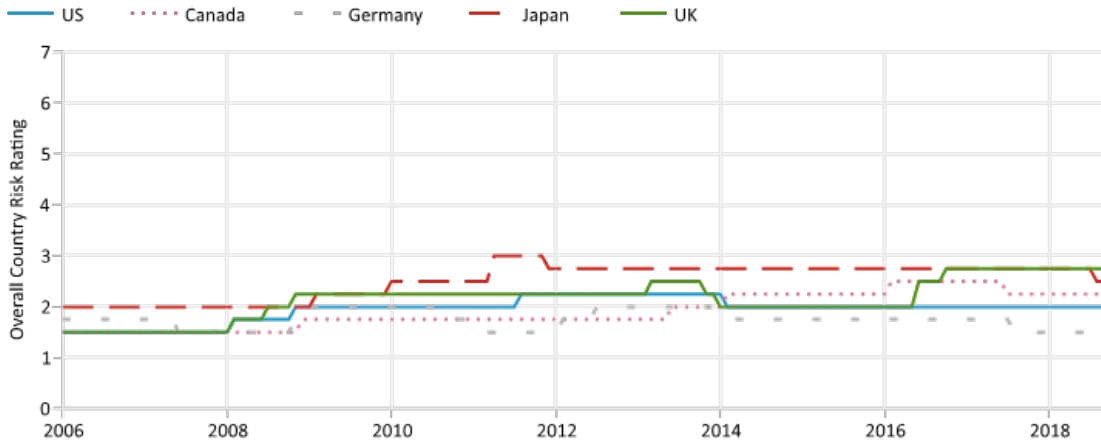
**Trend:** Stable

Key Development has had a neutral impact on the outlook.



## KEY INDICATORS

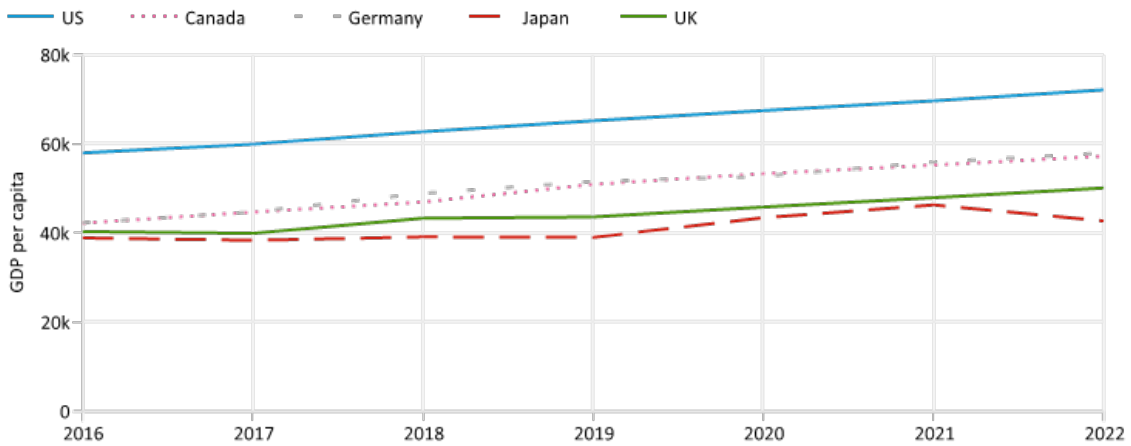
### Rating History and Comparison



Source : Dun & Bradstreet

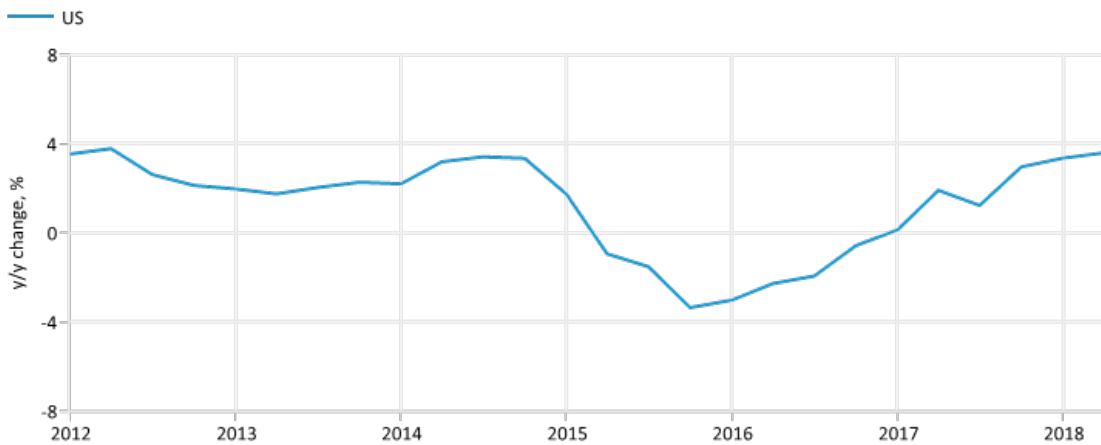
Note: 1 = Low Risk, 7 = High Risk

### Regional Comparisons



Source : Haver Analytics/Dun & Bradstreet

### Industrial Production Growth (Quarterly)



Source : Haver Analytics/Dun & Bradstreet



## Economic Indicators

Indicator	2015	2016	2017	2018f	2019f	2020f	2021f	2022f
C/A balance % GDP	-2.2	-2.3	-2.3	-2.6	-2.6	-2.7	-2.7	-2.8
Govt balance, % GDP	-2.4	-3.2	-3.5	-4.0	-4.6	-4.6	-4.9	-5.4
Inflation, annual avge %	0.1	1.3	2.1	2.5	2.3	2.2	2.1	2.1
Real GDP Growth, %	2.9	1.6	2.2	2.8	2.3	2.0	1.8	2.1
Unemployment, %	5.3	4.9	4.4	4.0	3.8	4.0	4.2	4.3

Source : Haver Analytics/Dun & Bradstreet

## TRADE AND COMMERCIAL ENVIRONMENT

Some progress is being made regarding a resolution to provide greater clarity on the trade front, with a bilateral deal to modify requirements for automobile manufacturing in North America having been reached between Mexico and the US. The deal would increase both North American content and wages paid to workers, while offering some framework regarding future FTA renewals. The bilateral deal is being used as a precursor to jump start previous failed attempts to renew NAFTA with updated terms. Some contentious issues surrounding Canada's dairy industry will likely need to be resolved before a final NAFTA agreement is reached. Additionally, the EU is expanding upon its July trade truce through its offer to allocate a greater import quota of US beef. The threat of broader tariffs on Chinese goods by the US remains in play.

## 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

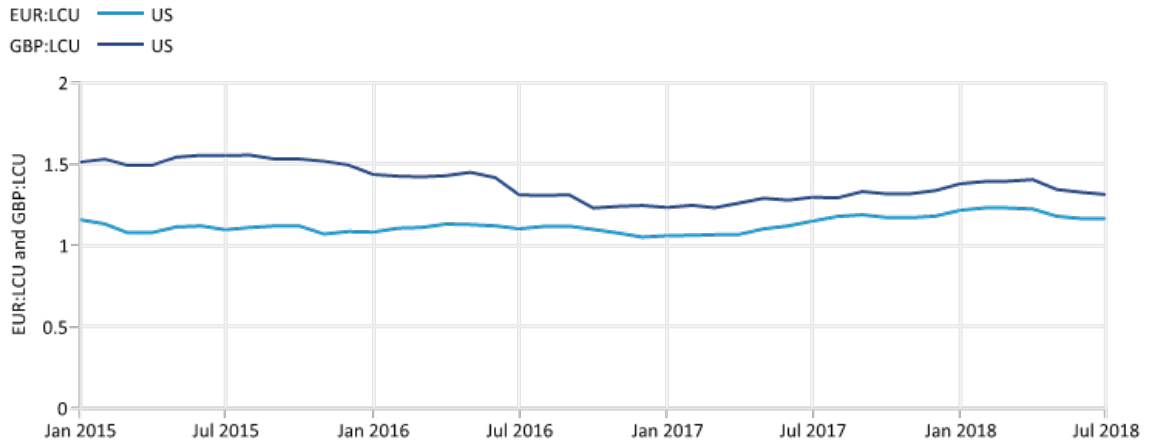
*The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.*

### 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.*



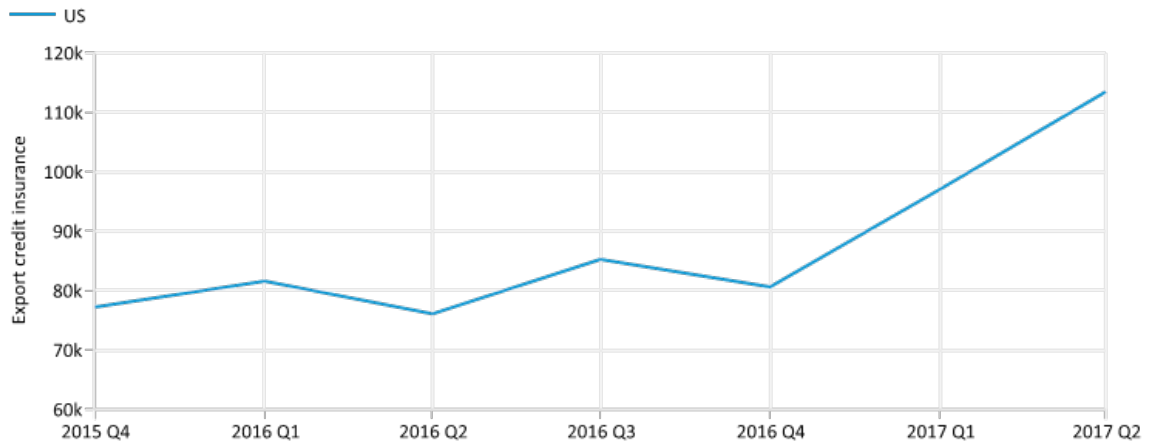
## Exchange Rate



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

#### ***Q2 GDP revised upwards***

Revisions to the Q2 real GDP figures reveal that the US economy is growing more than initially estimated, as the economy increased by an annualised 4.2% during the second quarter - the fastest q/q annualised gain since Q3 2014. The higher revision was partly due to increased levels of private sector investment, which is rising at the fastest y/y pace since Q1 2015. Furthermore, the Institute for Supply Management's (ISM) manufacturing Purchasing Managers Index (PMI) reached the highest level during August (61.3%) since May 2004, indicating that manufacturing activity will continue to increase - and at a quicker rate.

Additionally, ISM's non-manufacturing PMI rose to 58.5% in August, from 55.7% in July, also indicating that non-manufacturing activity will continue to grow (and at a faster pace), as survey participants pushed the index up above the 12-month average. When combined, the indices represent nearly all sectors of the economy, and with respondents of both surveys pushing up the index, it is likely overall GDP will show acceleration during H2 2018.

The trade balance, which widened to a USD50.1bn deficit during July, will likely continue to be a drag on overall growth. This is due to increased domestic activity and consumption as noted by a six-and-a-half-year high in the annual pace of retail sales in July. This will continue to raise imports, while weakness among international economies and a stronger USD will discourage exports; however, a further slide in the trade balance will only limit an acceleration in the domestic economy. With monthly net new non-farm employment gains outpacing the post-recession average of 166,000 in six of the last eight months in 2018, and non-farm labour productivity output rising during Q2 at the highest q/q pace since Q1 2015, the data supports two more rate hikes in 2018 by the FOMC. We expect the range of the federal funds rate to rise to 2.0-2.25% at the September meeting, and to 2.25-2.50% at the December meeting. Additionally, we are raising our real GDP forecast up to 2.8% from 2.7%.

### Business Regulatory Environment

#### ***Tax repatriation guidelines revealed***

While further rises in the federal funds rate and an acceleration in economic activity will likely encourage greater capital inflows into the US, another boost to investment is likely to come from the repatriation of overseas corporate income. In August, The Treasury Department released initial rules governing the repatriation of these funds, setting a tax rate of 15.5% on cash and 8.0% on illiquid assets. Estimates put the additional revenue between USD300-340bn spread over the next decade, resulting in an initial boost in revenue before fading.

But the additional tax revenue will have a minimal impact on the total budget, and would result in only a 0.7-0.8% annual boost to the CBO's tax receipt forecast to 2027. While this will not balance the federal budget, the timing of the repatriation flows could provide additional stimulus to the economy, as the initial benefits from the tax cuts and jobs act begin to diminish next year. Any additional investment in the private sector or boost to wages from the repatriation will be a net benefit.



## 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	2013	2014	2015	2016	2017
Real GDP growth (%)	1.8	2.5	2.9	1.6	2.2
Nominal GDP in USDbn	16,785	17,522	18,219	18,707	19,486
Nominal GDP in local currency (bn)	16,785	17,522	18,219	18,707	19,486
GDP per Capita in USD	53,195	55,149	56,948	58,065	60,055
Population (year-end, m)	315.5	317.7	319.9	322.2	324.5
Exchange rate (yr avge, USD-LCU)	1.0	1.0	1.0	1.0	1.0
Current Account in USDbn	-348.8	-365.2	-407.8	-432.9	-449.1
Current Account (% of GDP)	-2.1	-2.1	-2.2	-2.3	-2.3
FX reserves (year-end, USDbn)	133.5	119.0	106.5	106.3	112.3
Import Cover (months)	0.6	0.5	0.5	0.5	0.5
Inflation (annual avge, %)	1.5	1.6	0.1	1.3	2.1
Govt Balance (% GDP)	-4.1	-2.8	-2.4	-3.2	-3.5

Source : Haver Analytics/Dun & Bradstreet



## Forecasts

Metric	2018f	2019f	2020f	2021f	2022f
Real GDP growth (%)	2.8	2.3	2.0	1.8	2.1
Nominal GDP in USDbn	20,529	21,489	22,394	23,285	24,278
Nominal GDP in local currency (bn)	20,529	21,489	22,394	23,285	24,278
GDP per Capita in USD	62,824	65,296	67,568	69,760	72,224
Population (year-end, m)	326.8	329.1	331.4	333.8	336.1
Exchange rate (yr avge, USD-LCU)	1.0	1.0	1.0	1.0	1.0
Current Account in USDbn	-532.5	-557.7	-613.2	-635.0	-678.0
Current Account (% of GDP)	-2.6	-2.6	-2.7	-2.7	-2.8
FX reserves (year-end, USDbn)	114.5	116.8	119.1	121.5	123.9
Import Cover (months)	0.4	0.4	0.4	0.4	0.4
Inflation (annual avge, %)	2.5	2.3	2.2	2.1	2.1
Govt Balance (% GDP)	-4.0	-4.6	-4.6	-4.9	-5.4

Source : Haver Analytics/Dun & Bradstreet

## Comparative Market Indicators

Indicator	US	Canada	Germany	Japan	UK
Income per Capita (USD)	62,824	47,051	49,033	39,243	43,430
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., 2018 - 2027)	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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