

Country Insight Snapshot United States of America

February 2016





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 fundamentals of the domestic economy are strong, underpinned by consumer spending.
- + Some job losses and cuts in capital expenditure in the energy sector notwithstanding, the drop in gas prices will benefit the economy through higher consumer spending.
- A slowdown in the rest of the world could weigh on US exports, and the strong dollar is an added concern in this regard.
- FX and equity market volatility will remain elevated in the near term, weighing on business sentiment.

KEY DEVELOPMENT

Latest data show headwinds faced by small businesses increasing and prompt a downgrade to the near-term growth forecast.

CREDIT ENVIRONMENT OUTLOOK

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Key Development has had a neutral impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK

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Key Development has had a neutral impact on the outlook.

MARKET ENVIRONMENT OUTLOOK

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Key Development has had a neutral impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK

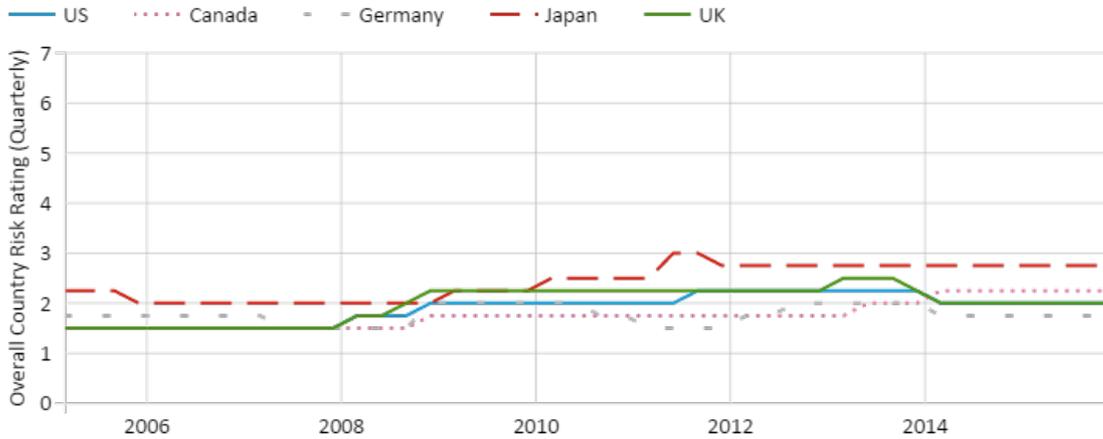
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Key Development has had a neutral impact on the outlook.



KEY INDICATORS

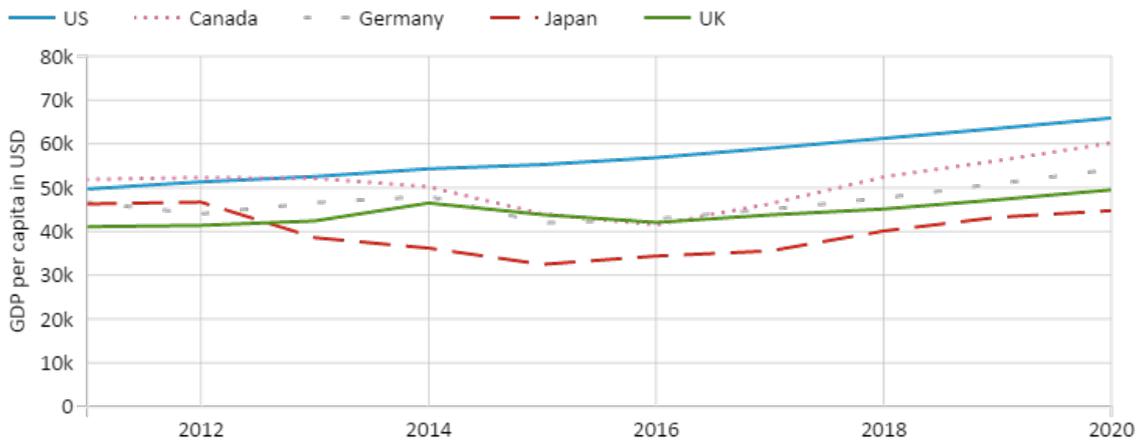
Rating History and Comparison



Source : Dun & Bradstreet

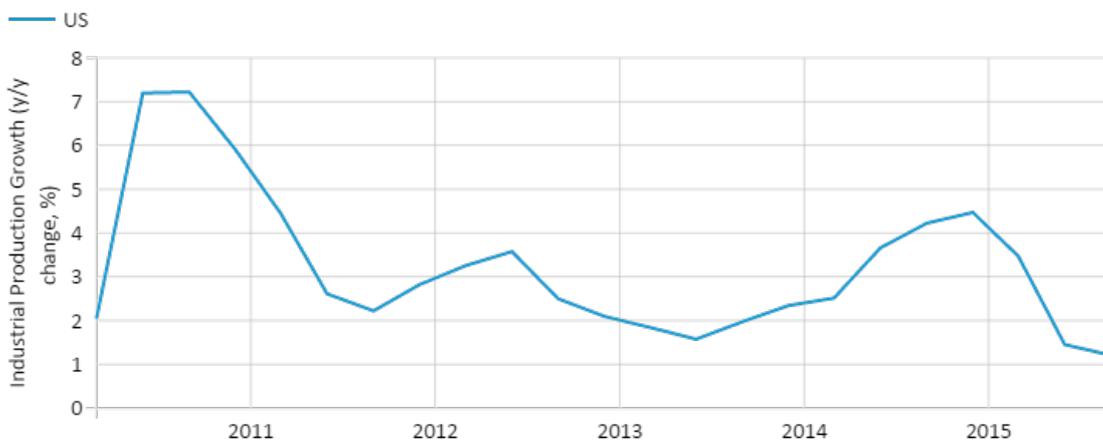
Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source : Haver Analytics/Dun & Bradstreet

Industrial Production Growth (Quarterly)



Source : Haver Analytics/Dun & Bradstreet



Economic Indicators

Indicator	2013	2014	2015e	2016f	2017f	2018f	2019f	2020f
C/A balance % GDP	-2.0	-2.2	-2.5	-2.7	-2.9	-2.9	-3.0	-3.0
Govt balance, % GDP	-4.1	-2.8	-2.5	-2.9	-2.9	-2.8	-3.5	-3.7
Inflation, annual avge %	1.5	1.6	0.1	1.5	2.1	2.2	2.2	2.2
Real GDP Growth, %	1.5	2.4	2.4	2.1	2.4	2.3	2.2	2.2
Unemployment, %	7.4	6.2	5.3	4.8	4.7	4.8	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. Our proprietary leading indicator, the *Severe Risk Index* (SRI), is a broad measure of the balance sheet health of US corporations; the SRI fell 0.1% in February but remains only slightly below its all-time high, indicating businesses are recording low levels of risk, synonymous with a healthy operating environment. On the other hand, current risk levels look a bit stretched in relation to the length of the current expansion, and the SRI may have peaked for now. The *Cleveland Fed Financial Stress Index*, a coincident indicator of systemic stress, also rose to its highest level in four months in January, consistent with moderate stress in the banking system.

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

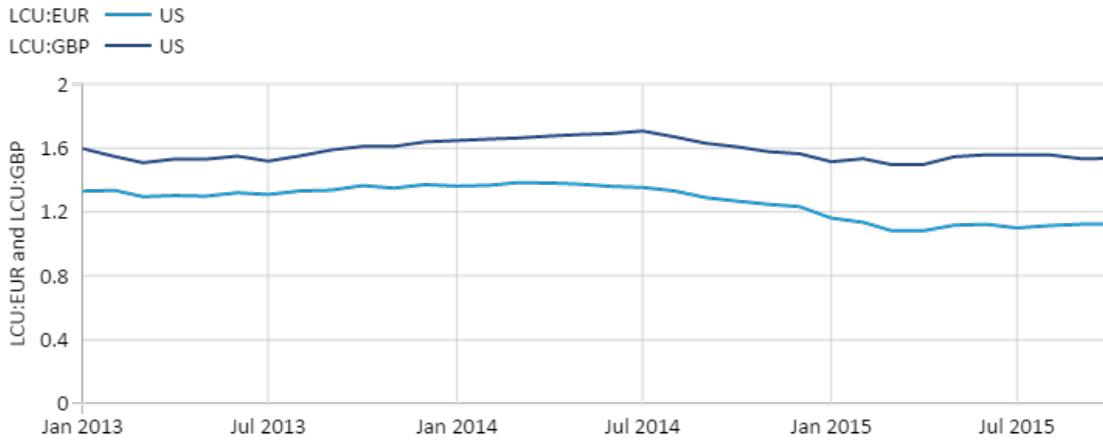
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

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.



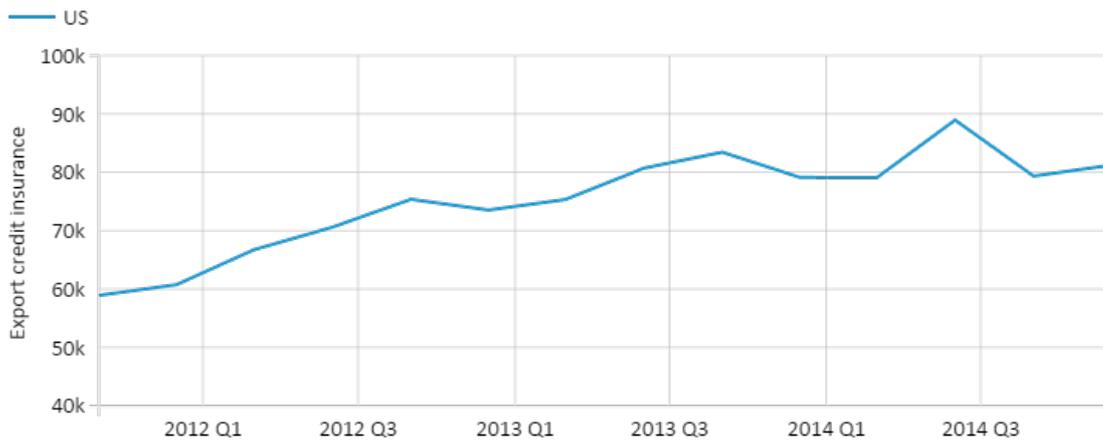
Exchange Rate



Source : International Monetary Fund/Dun & Bradstreet

LCU = Local Currency Unit

Credit Conditions



Source : Export Credit Agencies

Insured export credit exposures, USDm



RISKS AND OPPORTUNITIES

Short-Term Economic Outlook

Near-term growth forecast downgraded

While Dun & Bradstreet maintains its country risk rating for the US at DB2a (with a stable outlook), we have revised our near-term growth forecasts downward. Real GDP is estimated to have grown 2.4% in 2015; we now forecast growth of 2.1% in 2016 (down from our previous forecast of 2.5%), accelerating to 2.4% in 2017 (down from 2.6%). Slippage in Dun & Bradstreet's proprietary leading indicator, the *Small Business Health Index* (SBHI), is the single-most important driver of the downgrade of our forecast; the SBHI started 2016 on a weak note, dropping to 93.5 in January from 94.2 in December 2015. This was the fourth-consecutive monthly decline in the index, bringing it 4.5 points below the latest peak of 97.8 set in September 2015. More importantly, the SBHI has now fallen on a y/y basis for three straight months, which puts it on a steady downward trend that implies headwinds to small businesses and the US economy over the next few months. Growth in 2016 will be led by domestic consumer spending, which will benefit from low energy prices and a robust job market. On the other hand, a strong dollar and slowing global growth will be the main drags on growth.

The second estimate of GDP released by the Bureau of Economic Analysis shows that the US economy expanded 1.0% in Q4 2015, slightly faster than the 0.7% pace reported in the advance estimates released earlier. Revisions to inventories account for the bulk of the differences between the first and second data estimates; inventory accumulation was revised upward in the second estimate, and subtracted only 0.14% from growth in Q4. While that pushed up growth in Q4, the higher inventory overhang implies weaker contribution of investment to growth in Q1 2016. Other indicators also signal a gradual improvement in business spending: new orders for durable goods jumped 4.9% in January, wiping out the 4.6% drop in December 2015. Orders for core capital goods (i.e. non-defense capital goods excluding aircraft), a reliable leading indicator of capex, also grew 3.9% in January, erasing the 3.6% drop in December 2015.

FX Risk

Strong dollar will weigh on manufacturing

The strong dollar will continue to be a drag on growth in the near term. Its effect will be felt through lower exports and higher imports (widening the trade deficit) as well through reduced overseas profits for US multinational corporations, which will eventually weigh on investment. One sub-sector of the economy that has already borne the brunt of the strong dollar is manufacturing – weakness in the global economy is dampening demand for US manufacturing exports. The troubles of the manufacturing sector are clearly reflected in sentiment; the *ISM Manufacturing Index*, compiled from a survey of purchasing managers, edged up to 48.2 in January from 48.0 in December 2015, but for the fourth straight month in a row it stayed below the 50-point mark that separates expansion from contraction.



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 Ocean and the Pacific Ocean. 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; however, its position as the best place to carry out business could be threatened by protectionist pressures within the country.

The country runs large current account and fiscal deficits, and relies on foreign financing to maintain the value of the US dollar. However, its natural resources are vast and export potential remains good.

Key Facts

Key Fact	Detail
Head of state	President Barack OBAMA
Capital	Washington D.C.
Timezone	GMT -05-00
Main languages	English, Spanish
Population (millions)	321.8
GDP (USD billions)	17,782.0
GDP per capita (USD)	55,262
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	2011	2012	2013	2014	2015
Real GDP growth (%)	1.6	2.22	1.49	2.43	2.4
Nominal GDP in USDbn	15,518.0	16,155.0	16,663.0	17,345.0	17,782.0
Nominal GDP in local currency (bn)	15,518	16,155	16,663	17,345	17,782
GDP per Capita in USD	49,675	51,319	52,543	54,295	55,262
Population (year-end, m)	312.39	314.8	317.14	319.45	321.77
Exchange rate (yr avge, USD-LCU)	1	1	1	1	1
Current Account in USDbn	-460.36	-449.67	-338.26	-382.62	-436.84
Current Account (% of GDP)	-2.97	-2.78	-2.03	-2.21	-2.46
FX reserves (year-end, USDbn)	136.91	139.13	133.53	119.05	106.54
Import Cover (months)	0.61	0.6	0.58	0.49	0.42
Inflation (annual avge, %)	3.2	2.1	1.5	1.6	0.1
Govt Balance (% GDP)	-8.5	-6.8	-4.1	-2.8	-2.5

Source : Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2016	2017	2018	2019	2020
Real GDP growth (%)	2.1	2.4	2.3	2.2	2.2
Nominal GDP in USDbn	18,428.0	19,266.0	20,143.0	21,039	21,975.0
Nominal GDP in local currency (bn)	18,428.0	19,266.0	20,143.0	21,039	21,975.0
GDP per Capita in USD	56,855	59,013	61,255	63,524	65,883
Population (year-end, m)	324.1	326.5	328.8	331.2	333.5
Exchange rate (yr avge, USD-LCU)	1	1	1	1	1
Current Account in USDbn	-502	-554.7	-588.2	-622.4	-657.3
Current Account (% of GDP)	-2.72	-2.88	-2.92	-2.96	-2.99
FX reserves (year-end, USDbn)	108.7	110.8	113.1	115.3	117.6
Import Cover (months)	0.41	0.39	0.38	0.36	0.35
Inflation (annual avge, %)	1.5	2.1	2.2	2.2	2.2
Govt Balance (% GDP)	-2.9	-2.9	-2.8	-3.5	-3.7

Source : Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	US	Canada	Germany	Japan	UK
Income per Capita (USD)	55,262	43,993	41,955	32,480	43,844
Country Population (m)	321.8	35.9	80.7	126.9	64.7
Internet users (% of population)	87.4	87.1	86.2	90.6	91.6
Real GDP Growth (% p.a., 2016 - 2025)	1.8 - 2.5	1.25 - 2.25	1.8 - 3	-0.5 - 1.2	1.8 - 3.5

Source : Various sources/Dun & Bradstreet



LINKS

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