

Country Insight Snapshot United States of America

June 2019





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.



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 both business sentiment and capex.
- The rising number of goods facing restrictive tariff measures will continue to put negative pressure on US company profit margins.
- 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 the standard Dun & Bradstreet risk scores for companies.

KEY DEVELOPMENT

An expansion of the trade war has been narrowly avoided, but the threat and associated challenges for cross-border traders remain, especially for those with strongly-integrated supply chains.

CREDIT ENVIRONMENT OUTLOOK



Trend: Deteriorating

Key Development has had a positive impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK



Trend: Stable

Key Development has had a negative impact on the outlook.

MARKET ENVIRONMENT OUTLOOK



Trend: Stable

Key Development has had a negative impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK



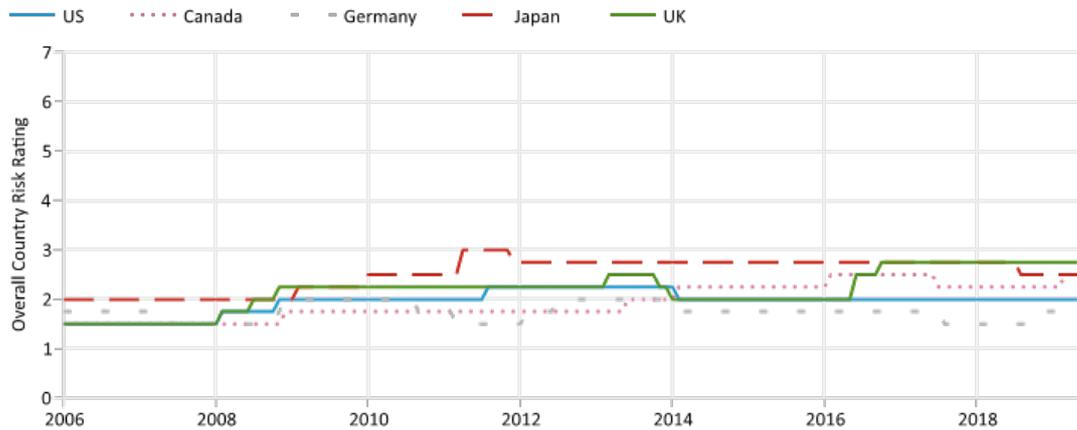
Trend: Stable

Key Development has had a neutral impact on the outlook.



KEY INDICATORS

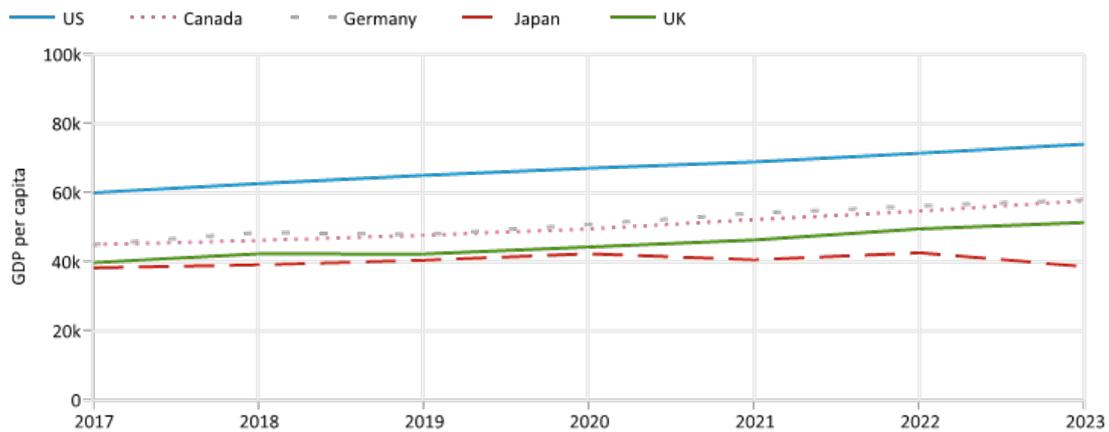
Rating History and Comparison



Source: Dun & Bradstreet

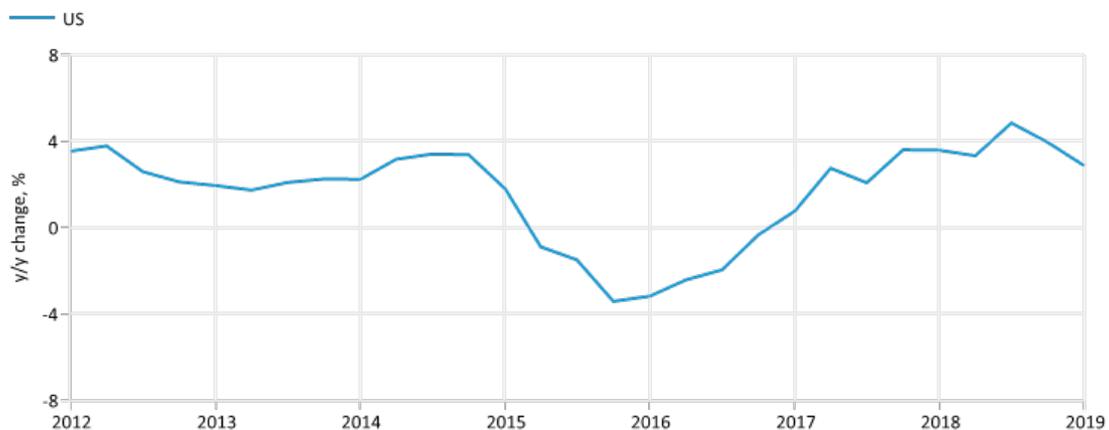
Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source: Haver Analytics/Dun & Bradstreet

Industrial Production Growth (Quarterly)



Source: Haver Analytics/Dun & Bradstreet



Economic Indicators

Indicator	2016	2017	2018	2019f	2020f	2021f	2022f	2023f
C/A balance % GDP	-2.3	-2.3	-2.4	-2.5	-2.6	-2.5	-2.6	-2.7
Govt balance, % GDP	-3.1	-3.5	-4.3	-4.7	-5.1	-5.2	-5.3	-5.2
Inflation, annual avge %	1.3	2.1	2.4	2.0	2.0	1.7	2.2	2.1
Real GDP Growth, %	1.6	2.2	2.9	2.5	1.9	1.7	2.1	2.3
Unemployment, %	4.9	4.4	3.9	3.7	3.9	4.4	4.5	4.5

Source: Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

US large tech companies Facebook Inc., Alphabet Inc., Amazon Inc. and Apple Inc., who have a combined market cap of USD2.9trn, are coming under increasing scrutiny for anti-competitive practices, and will likely face a full investigation from government enforcement agencies, the FTC or the justice department. The number of mergers & acquisitions rose to an all-time high in 2017, followed by the second-highest figure in 2018 as economic growth accelerated and the movement towards a deregulatory environment encouraged consolidation. However, the FTC and justice department investigation into these marquee US companies for anti-competitive behaviour likely signals a turn in the business environment towards antitrust. This will bring new scrutiny regarding any new mergers or acquisitions, likely stifling M&A activity, especially in the high-tech area - the sector that generated the highest number of deals since 2000.

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

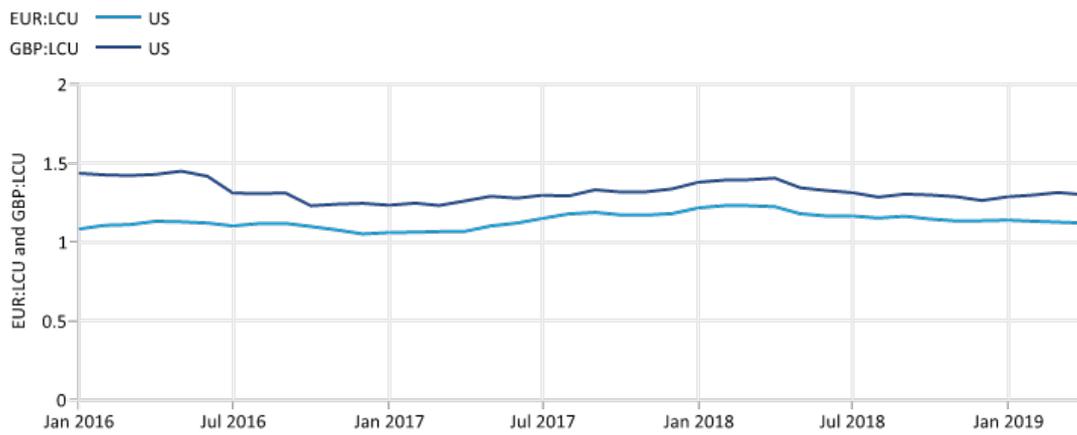
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

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.



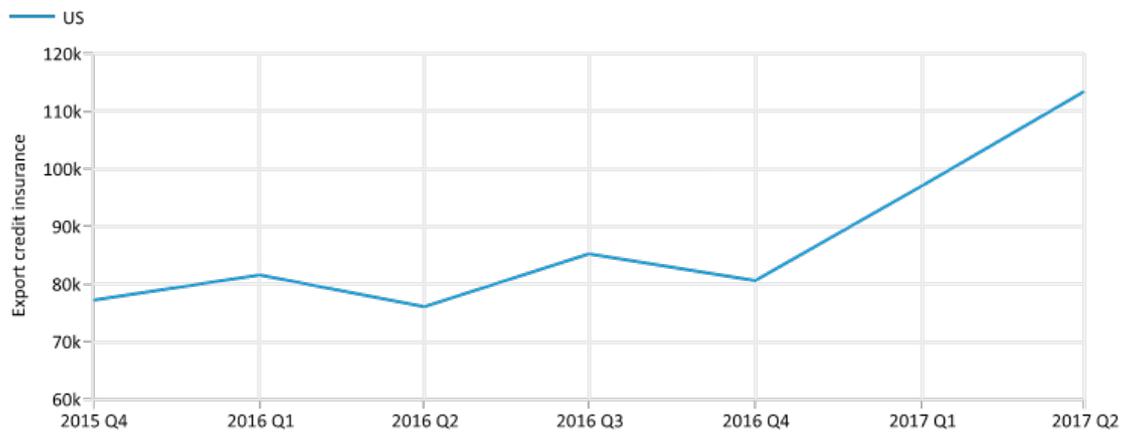
Exchange Rate



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

Market Potential

Trade war on two fronts averted

The expansion from a trade war on one front to two for the US has been averted; however, the threat could reignite at any time, posing challenges for cross-border traders exporting into the US. The impact on businesses from a Mexican-induced tariff barrier would be more varied compared to the Chinese tariffs due to the broad mix of products that would likely be affected: including cars, car parts, furniture, tech equipment and fruit and vegetables. Given the close geographic proximity of the two nations, and the complicated integration of supply chains for the automotive and technology industries, a 5% tariff could be applied each time a product passes between the borders - which frequently occurs - as production-process phases are completed. The added cost would further depress margins at a time when US corporate profits after tax in Q1 2019 grew at their slowest annual rate since Q3 2016 - and this is before considering any further retaliatory efforts from China and Mexico.

Retaliation from these key trading partners could come in the form of additional tariff and non-tariff barriers. For China, on top of the already-implemented higher tariff levies on US goods in June, this will include the expansion of US companies on the 'unreliable' entities list, as well as the banning of rare earth mineral exports. With regards to Mexico, the country has a history of pursuing a tit-for-tat strategy when tariffs are levied against them - as seen in the 2018 response to US steel and aluminum tariffs. However, Mexico is far more dependent on trade, and counts on unfettered access to US markets for economic growth, giving the country less bargaining leverage and making any strong retaliation unlikely.

Short-Term Economic Outlook

Significant acceleration in CPI unlikely

A review of US consumer categories most impacted by tariff rates so far reveals that while price pressures have picked up recently, they have yet to significantly add pressure to consumer prices. Additionally, growth in producer prices according to the intermediate demand segment - also known as price changes for goods sold to businesses for inputs - has slowed since mid-2018. This indicates that an imminent upswing in price pressures, despite new tariffs, have receded, but weak price growth is also equally a function of declining demand.

Industrial production has slowed in April to the slowest annual growth since February 2017, with growth in manufacturing non-farm payrolls turning net negative in 2019 after recording positive month-to-month growth since November 2016. However, the consumer impact from any implemented tariffs on Mexican imports and existing tariffs on USD250bn of Chinese imports will be non-negligible. Besides from an expected modest consumer price increase on some consumer goods, the disconnect between wholesale sales growth and wholesale inventory growth indicates that buyers remain in command of pricing. Retailers will have limited powers to push costs on to final users, and will likely cut back on offering specific goods.



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)	326.8
GDP (USD billions)	20,494.0
GDP per capita (USD)	62,718
Life expectancy (years)	79.3
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	2018
Real GDP growth (%)	2.5	2.9	1.6	2.2	2.9
Nominal GDP in USDbn	17,522	18,219	18,707	19,486	20,494
Nominal GDP in local currency (bn)	17,522	18,219	18,707	19,486	20,494
GDP per Capita in USD	55,149	56,948	58,065	60,055	62,718
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	-488.5
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	114.8
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	-2.6	-3.1	-3.5	-4.3

Source: Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2019f	2020f	2021f	2022f	2023f
Real GDP growth (%)	2.5	1.9	1.7	2.1	2.3
Nominal GDP in USDbn	21,429	22,265	23,036	24,041	25,100
Nominal GDP in local currency (bn)	21,429	22,265	23,036	24,041	25,100
GDP per Capita in USD	65,115	67,179	69,016	71,519	74,146
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	-526.3	-588.7	-573.9	-619.7	-667.1
Current Account (% of GDP)	-2.5	-2.6	-2.5	-2.6	-2.7
FX reserves (year-end, USDbn)	117.1	119.4	121.8	124.2	126.7
Import Cover (months)	0.4	0.4	0.4	0.4	0.4
Inflation (annual avge, %)	2.0	2.0	1.7	2.2	2.1
Govt Balance (% GDP)	-4.7	-5.1	-5.2	-5.3	-5.2

Source: Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	US	Canada	Germany	Japan	UK
Income per Capita (USD)	65,115	47,812	47,960	40,537	42,365
Country Population (m)	329.1	37.3	82.4	126.0	67.0
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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