

Country Insight Snapshot United States of America

March 2022





Overall Country Risk Rating: DB2d

Last change: March 2022



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

WorldWatch Headline

The US ban on oil, natural gas, and coal imports from Russia will fuel already-high inflationary pressures, hitting consumer sentiment and threatening growth prospects; our rating is downgraded.

Recent Changes

- The US bans Russian oil, natural gas and coal imports; our rating is downgraded.
- High inflation is weighing on growth prospects, potentially exacerbated by the Russia-Ukraine war. Real GDP will moderate to 3.3% in 2022.
- Non-farm payroll employment increased by 678,000 in February, with the jobless rate sliding to 3.8%, though still above pre-pandemic levels (3.5% in December 2019).
- Real personal consumption expenditure dropped 1.0% in December (2021) from a 0.2% decline in November.

Events to Watch

- The Federal Reserve will implement a 25bps hike in the Funds Rate in March.
- Commercial banks broadly expect a further easing of lending standards and an increase in loan demand across major lending categories in 2022.
- The outlook for loan quality is mixed - household loan quality will likely deteriorate.
- The US Fed will soon begin trimming its balance sheet, which swelled to USD9trn because of pandemic relief programmes.

Call to Action

- Borrowing costs will rise as the Fed tightens to combat record inflation.
- Plan for still-elevated shipping costs, input shortages and wage pressures to keep production costs high in the coming months.
- Consider the increasing importance of environmental, social and governance activities.
- Note that the US remains active in instituting tariff barriers to trade; continue to factor that into cross-border trade decisions.



Country Insight Headlines

Credit Environment

Score: DB2d



Last change: March 2022 (DB2b→DB2d)

Rating Outlook: Stable

Risks and Opportunities

- Our Overall Business Health Index (OBHI) was unchanged in January, at 48.95, a level the index has remained near since last October. The lack of improvement was primarily driven by a lack of gain within the viability and commercial credit sub-components.
- The US Financial Services sectoral risk rating deteriorated to DB3d in December (low-medium risk) from DB3b in November, amid massive Omicron-fuelled infection spikes.
- Commercial banks broadly expect a further easing of lending standards and an increase in loan demand across major lending categories in 2022, according to the January *Senior Loan Officer Opinion Survey* report.
- However, survey respondents had mixed expectations regarding the quality of loans as measured by delinquencies and charge-offs: generally, business loan quality was expected to improve while household loan quality will likely decline.

Trade Terms

Description	
Minimum Terms	OA
Recommended Terms	SD
Usual Terms	30-60 days

Source: Dun & Bradstreet

Note: OA: Open Account; SD: Sight Draft (Documentary Collection); LC: Letter of Credit; CLC: Confirmed Letter of Credit; CiA: Cash in Advance.

Export Credit Cover

Agency	Cover
US Eximbank	Full cover available
Eksport Kredit Fonden	Full cover available, conditions apply
ECGD	Full cover available
Euler Hermes AG	Medium- or long- term cover available, limited short-term cover

Source: Export Credit Agencies

Call to Action

- The U.S. Small Business Health Index (SBHI) ticked higher in January, rising to a 10-month high.
- A major improvement in the small business failures subcomponent in January, in which the rate of small business failure was the lowest since March 2021, pushed the index up 2.5 points on a sequential basis.
- Be aware that inflation pressures weigh heavily on consumer sentiment: the US CPI hit 7.5% y/y in January, the fastest pace of increase since 1982.
- Plan for higher financing costs as the FOMC hikes its policy rate in March to combat the highest inflation rates in decades.
- Explore credit options being offered through government-backed programmes that provide low-cost loans to small, medium-sized and non-profit organisations.
- [Assess counterparty risk](#) adequately, especially for energy-intensive companies, because of high hydrocarbon prices.



Supply Environment

Score: DB3a



Last change: March 2022 (DB2d→DB3a)

Rating Outlook: Stable

Risks and Opportunities

- The Russia-Ukraine war is jeopardising the availability of critical raw materials such as natural gas, crude oil, metals, and agri-commodities.
- A prolonged war will also disrupt global supply chains and increase transportation costs very significantly.
- Businesses across many countries, including the US, may experience supply-chain bottlenecks and increased input-cost pressures as long as the conflict is unresolved.
- Business continuity will continue to be affected by severe weather events as observed in the Midwest, when deadly tornados in December caused power disruption and the destruction of hundreds of businesses in at least six states.
- The labour market remains tight, despite an unemployment rate of 3.8% (February 2022).

Call to Action

- Consider alternative supplier countries for major products (such as copper, corn, crude oil, gold, iron and steel, iron ore, platinum, sunflower seed, safflower or cotton-seed oil, turbo-propellers, and wheat), which are exported by Russia and Ukraine.
- Note that the *America COMPETES Act of 2022* which seeks to boost US chip production substantially, is unlikely to succeed in its current form in the Senate.
- With the pandemic and extreme weather events exposing the need for greater supply-chain resilience, recalibrate supply-chain management as needed.
- Even after discounting the impact of coronavirus, tariff barriers remain in place; continue to compare the costs of onshoring versus offshoring supply chains.
- The US remains active in instituting tariff barriers to trade: factor this into cross-border trade decisions.



Market Environment

Score: DB2b



Last change: March 2022 (DB2a→DB2b)

Rating Outlook: Stable

Risks and Opportunities

- Consumer spending dropped in December, with a 1.0% fall in real personal consumption, taking consumer spending below its trend growth path.
- Nominal personal income expanded by 0.3% in December. However, real disposable income dropped by 0.2% y/y in December.
- Our average demand recovery index, ranging from 0-1.2 (complete recovery), slid to 0.8393 on 31 January, significantly higher than its trough of 0.527 in April 2020.
- In addition to stubborn inflation, prolonged supply-chain problems because of the Russia-Ukraine war and the tight labour market are creating headwinds for the economy.

Call to Action

- Note that inflation weighs heavily on the market outlook, as the ban on Russian oil, gas and coal will fuel inflation: the CPI rose its fastest pace since 1982, hitting 7.5% in January.
- Recall that consumers' purchasing power is being eroded by high inflation as evidenced by another monthly fall in real disposable income.
- Despite the normalisation of business activities, expect online sales to remain solid.
- Consider alternative sourcing options and [explore alternative selling options](#), given disruptions caused by the Russia-Ukraine war.
- If competing for government contracts, monitor Federal Acquisition Regulatory Council proposals to ensure compliance with domestic content requirements.
- Note that broad-based resilient consumer prices affecting energy costs, housing and food are keeping consumer sentiment depressed due to an expected erosion of real disposable incomes.
- We recommend having a strong cash position given heightened global uncertainty.



Political Environment

Score: DB2c



Last change: March 2022 (DB2b→DB2c)

Rating Outlook: Stable

Risks and Opportunities

- The US vowed to ratchet up economic pain on Russia to end the war with Ukraine...
- ...so far, care is being taken to minimise the effect of sanctions on the US and its allies.
- However, prolonged conflict could trigger stronger measures against Russia, possibly against its oil and gas sector, which would have substantial negative shocks for European economies and fuel prices domestically.
- Despite broad bi-partisan support for America's sanctions on Russia and military assistance to Ukraine, the US electorate is deeply polarised ahead of the November 2022 mid-term elections.
- One of the Biden administration's biggest domestic challenges is stubborn inflation which is at a 40-year high: consumer prices hit 7.5% y/y in January.

Call to Action

- Monitor the Russia-Ukraine war for the imposition of additional sanctions by the US and its allies.
- Note that the Republican Party is expected to capture the House in the 2022 mid-terms.
- Be aware that the migrant crisis at the US border with Mexico is a major non-pandemic political challenge for the Biden administration.
- Note that Biden's economic platform, starkly different to Trump's, will affect corporate tax rates, the minimum wage and business environmental costs.
- Watch for disincentives for US firms to outsource to China.



User Guide

User Guide

Please click [here](#) to visit our online user guide.

Other Dun & Bradstreet Products and Services

Sales

Email: countryinsight@dnb.com
Telephone
UK: +44 20 7149 5000
US: +1 800 234 3867
Rest of World
contact your local office
or call +44 20 7149 5000

Publisher

Dun & Bradstreet
The Point
37 North Wharf Road
London W2 1AF
United Kingdom
Tel: +44 20 7149 5000
Email: countryinsight@dnb.com

Dun & Bradstreet, a leading global provider of business decisioning data and analytics, enables companies around the world to improve their business performance. Dun & Bradstreet's Data Cloud fuels solutions and delivers insights that empower customers to accelerate revenue, lower cost, mitigate risk, and transform their businesses. Since 1841, companies of every size have relied on Dun & Bradstreet to help them manage risk and reveal opportunity. Visit www.dnb.com for details.

For further information on Country Insight Group products and services please visit:

UK: <https://www.dnb.co.uk/products/finance-credit-risk/country-insight-for-global-risk-management.html>

US: <https://www.dnb.com/products/finance-credit-risk/country-insight-for-global-risk-management.html>

Canada: <https://www.dnb.com/ca-en/products/finance-credit-risk/country-insight-for-global-risk-management.html>

Hong Kong: <https://www.dnb.com.hk/Country-Insights/page.htm>

Legal and Copyright Notices

While the editors endeavour to ensure the accuracy of all information and data contained in this Country Insight Report, neither they nor Dun & Bradstreet Limited accept responsibility for any loss or damage (whether direct or indirect) whatsoever to the customer or any third party resulting or arising therefrom.

© All rights reserved. No part of this publication may be reproduced or used in any form or by any means graphic, electronic or mechanical, including photocopying, recording, taping, or information storage and retrieval systems without permission of the publisher.

Disclaimer

Whilst Dun & Bradstreet attempts to ensure that the information provided in our country reports is as accurate and complete as possible, the quantity of detailed information used and the fact that some of the information (which cannot always be verified or validated) is supplied by third parties and sources not controlled by Dun & Bradstreet means that we cannot always guarantee the accuracy, completeness or originality of the information in some reports, and we are therefore not responsible for any errors or omissions in those reports. The recipients of these reports are responsible for determining whether the information contained therein is sufficient for use and shall use their own skill and judgement when choosing to rely upon the reports.