

Country Insight Snapshot

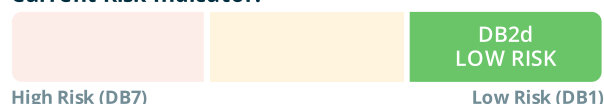
United States of America

April 2023



OVERALL COUNTRY/REGION RISK INDICATOR

Current Risk Indicator:



- Last change: March 2022 (DB2b → DB2d)
- Green indicates that **Positive** factors/influences dominate
- Rating outlook is **DETERIORATING**

LOW RISK Low degree of uncertainty associated with expected returns. However, country-wide factors may result in higher volatility of returns at a future date.

WorldWatch Headline

The banking system seems to have stabilised for now, but liquidity pressure is still evident; even if more bank failures are averted, credit conditions are likely to worsen further.

Recent Changes

- Credit conditions will likely worsen further as banks' propensity to take risk declines.
- The FX risk score has been downgraded as the US Fed is seemingly closer to ending its current tightening cycle, whereas the ECB may continue to push for higher rates given inflationary pressures.
- The transfer risk score has also been downgraded as the banking system's liquidity position is weak, with use of the Fed's special facilities such as primary credit and the emergency Bank Term Funding Program being ramped up considerably.
- The business continuity score has been downgraded, as several depositors struggled to access their funds at SVB just before its takeover by the Federal Deposit Insurance Corporation (FDIC), highlighting similar risks for other vulnerable banks.
- The US Fed persisted with a 25 bps rate hike in its March meeting, despite financial stability concerns.
- System-wide support for failed banks and for those seemingly in trouble, as well as the swift resolution of SVB's problems, has calmed nerves somewhat, but regulatory concerns and risk aversion will prompt lenders to pull back on risk origination.

Events to Watch

- There will be data releases on the use of the Fed's special facilities for banks to identify prevailing stress in the system.
- Upcoming inflation and labour market data releases need to be closely monitored to get a sense of monetary policy direction.
- The 'X date' - the date after which the Treasury may not be able to meet all its obligations - is expected in Q3 2023.
- China's reactions will be worth monitoring to the Taiwan Region's leaders' planned visit to the US.

Call to Action

- Note that while financial contagion is not our base case scenario, small-sized banks may continue to face deposit outflows.
- Follow the concessions being offered under the green subsidy discussions with the EU.
- Note that political noise and policy gridlock will likely increase given the divisions in Congress.
- Plan for higher borrowing costs for the long term; even if the Fed stops hiking, rate cuts are unlikely in 2023.
- Note that the US remains active in instituting tariff and non-tariff barriers to trade; continue to take that into account when making cross-border trade decisions.

COUNTRY INSIGHT HEADLINES

CREDIT ENVIRONMENT

Current Risk Indicator:



- Last change: April 2023 (DB2d → DB3a)
- Amber indicates that there is a **Balanced** mixture of negative/positive factors/influences
- Rating outlook is **DETERIORATING**

SLIGHT RISK Enough uncertainty over expected returns to warrant close monitoring of country risk. Customers should actively manage their risk exposures.

Risks and Opportunities

- The credit environment score has been downgraded on the expectation that recent bank failures - SVB and Signature - have rattled banks enough to pull back on new risk origination.
- Data on jobs and inflation and the recent failure of a key lender to the tech and start-up sector has complicated the Fed's rate decision-making process considerably; despite the recent 25 bps hike, and a still elevated level of inflation, we believe that the Fed is now closer to the end of its current tightening cycle.
- Interest rate decisions notwithstanding, financing costs for businesses are likely to remain high for the time being.
- The [US Small Business Health Index](#) showed a sixth consecutive decline in February 2023.

Trade Terms

Description	Terms
Minimum Terms	OA
Recommended Terms	SD
Usual Terms	0-60 days

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

Export Credit Cover

Agency	Cover
US Eximbank	Full cover available
Ekspost Kredit Fonden (EKF)	Full cover available, conditions apply
ECGD	Medium- or long- term cover only
Euler Hermes AG	Medium- or long- term cover available, limited short-term cover

Source: Export Credit Agencies

Call to Action

- Note that start-ups and businesses that have deposits at small banks may be prompted to move their deposits to larger institutions.
- Note that inflation pressures continue to weigh heavily on consumer sentiment; PCE inflation in February 2023 came in at 5%, with services inflation still rising.
- Plan for higher financing costs even if the US Fed stops hiking its benchmark interest rate in the near future.
- Assess [counterparty risk](#) adequately and update trade credit and payment terms to reflect tighter credit conditions.

SUPPLY ENVIRONMENT

Current Risk Indicator:



- Last change: February 2023 (DB3a → DB3b)
- Amber indicates that there is a **Balanced** mixture of negative/positive factors/influences
- Rating outlook is **DETERIORATING**

SLIGHT RISK Enough uncertainty over expected returns to warrant close monitoring of country risk. Customers should actively manage their risk exposures.

Risks and Opportunities

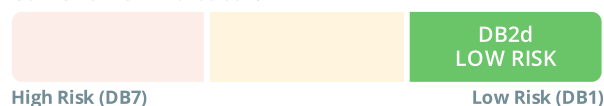
- Leading indicators of supply chain pressures now show signs of near normalisation following declines in supply chain pressure for three consecutive months.
- The labour market remains tight; with a historically low unemployment rate of 3.5%, hiring costs for businesses remain elevated.
- The US has dipped into its strategic reserves of oil to help reduce energy prices, which spiked sharply in the aftermath of the war in Ukraine.
- Business continuity will continue to be affected by severe weather events - the hurricane in Florida, floods in Eastern Kentucky, droughts in Western states and flooding in parts of California are examples of some recent events.

Call to Action

- Note that despite high-profile layoffs in the tech industry making headlines, the labour market in the US remains historically tight, with unemployment at 3.5%.
- Review supply routes in the South China sea amid heightened tension and possible military drills in the Indo-Pacific.
- Assess supply chains against the risk of extreme weather events and for an environmental impact assessment.
- Note that the US remains active in instituting tariff and non-tariff barriers to trade; factor this into cross-border trade decisions.

MARKET ENVIRONMENT

Current Risk Indicator:



- Last change: July 2022 (DB2c → DB2d)
- Green indicates that **Positive** factors/influences dominate
- Rating outlook is **STABLE**

LOW RISK Low degree of uncertainty associated with expected returns. However, country-wide factors may result in higher volatility of returns at a future date.

Risks and Opportunities

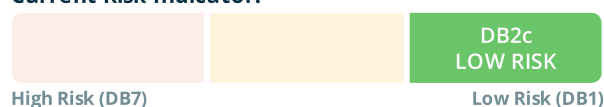
- The dollar could weaken in 2023, reversing course on its strengthening spree throughout 2022.
- Inflation, which came down marginally to 6% in February, is depressing consumer sentiment.
- The tight labour market will ease in the coming months, as rising inflation, reduced savings and higher wages are compelling or luring workers back to the workplace; now that new job postings have begun reducing, hiring freezes and layoffs are likely to follow soon.
- Fresh rounds of tension over Taiwan Region may complicate the next phase of US-China trade dealings; first-phase targets remain unmet, and tech decoupling with China, which is a bipartisan priority in the US, has gathered pace.

Call to Action

- Follow developments on bilateral trade with the EU, especially on discussions around green subsidies, to assess any potential impact on your business.
- Recommend maintaining a strong cash position given heightened economic uncertainty.
- Note that the Biden administration has imposed more sanctions on Russian entities on the first anniversary of the Russia-Ukraine conflict - stay current on the updated entity list.
- Note that although inflation expectations have begun to fall, consumer sentiment remains volatile.

POLITICAL ENVIRONMENT

Current Risk Indicator:



- Last change: March 2022 (DB2b → DB2c)
- Green indicates that **Positive** factors/influences dominate
- Rating outlook is **DETERIORATING**

LOW RISK Low degree of uncertainty associated with expected returns. However, country-wide factors may result in higher volatility of returns at a future date.

Risks and Opportunities

- The US electorate is deeply polarised, despite broad bipartisan support for US foreign policies on Russia and China.
- President Biden's USD6.9trn budget proposal is unlikely to be passed in the Republican-controlled Congress, but it sets the stage for a political showdown and also hints at the key agenda for the 2024 presidential elections.
- The midterms have delivered a mandate that increases the chances of policy gridlock, including on matters related to the US government's debt ceiling and taxes.
- A fresh round of tensions between the US and China has hampered military communication and climate cooperation between the two countries.
- Tense relations between the US and China may increase compliance and operational costs for companies, especially those in the tech sector.

Call to Action

- Note that a divided Congress is likely to create policy gridlock, most importantly on raising the US government's debt ceiling, which was breached recently.
- Monitor the security situation in the South China sea; specifically, review supply routes against the possibility of a military incident.
- Monitor the Russia-Ukraine war for the imposition of additional sanctions by the US and its allies.
- Watch for disincentives for US firms to outsource to China, plus incentives for chip manufacturers to move to the US, and stay updated on all licence requirements for exports.

STATISTICAL REFERENCE

KEY INDICATORS AND FORECASTS

Historical Data/Forecasts

Metric	2018	2019	2020	2021	2022	2023f	2024f	2025f	2026f	2027f
Real GDP growth (%)	2.9	2.3	-2.8	5.9	2.1	0.9	2.1	1.9	1.7	2
Nominal GDP in USDbn	20,533	21,381	21,061	23,315	25,465	26,730	28,154	29,397	30,518	32,209
Nominal GDP in local currency	20.5tn	21.4tn	21.1tn	23.3tn	25.5tn	26.7tn	28.2tn	29.4tn	30.5tn	32.2tn
GDP per Capita in USD	61,821	63,954	62,691	69,185	75,274	78,619	82,365	85,555	88,363	92,794
Population (year-end, m)	332.1	334.3	335.9	337	338.3	340	341.8	343.6	345.4	347.1
Exchange rate (yr avge, USD-LCU)	1	1	1	1	1	1	1	1	1	1
Current Account in USDbn	-439.8	-446	-619.7	-846.4	-974.4	-956.8	-957.3	-957.1	-956.1	-926.8
Current Account (% of GDP)	-2.1	-2.1	-2.9	-3.6	-3.8	-3.6	-3.4	-3.3	-3.1	-2.9
FX reserves (year-end, USDbn)	114.8	118.4	133.8	240.2	232.7	225.7	219	212.4	206	199.8
Import Cover (months)	0.4	0.5	0.6	0.8	0.7	0.7	0.6	0.6	0.6	0.5
Inflation (annual avge, %)	2.4	1.8	1.2	4.7	8	4	3.2	2.5	2.1	3.5
Govt Balance (% GDP)	-4.3	-4.8	-16.4	-11.2	-5.5	-5.7	-4.5	-4	-4	-5.8

Source: Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	US	Canada	Germany	Japan	UK
Income per Capita (USD)	78,619	57,235	54,192	37,223	47,945
Country Population (m)	340	38.8	83.3	123.3	67.7
Internet users (% of population)	90.9	92.3	89.8	90.2	94.8

Source: Various sources/Dun & Bradstreet

Transfer Situation

Type	Delay
FX/Bank Delays	No delays reported
Local Delays	0-2 months

Note: Length of delay for completion of local and foreign transfers Source: Dun & Bradstreet

Trade Payment Restrictions

Trade Payment Restriction	US	North America	OECD Average
Restrictions on non-Residents' Accounts	0	0	0.06
Restrictions on Payments for Imports	0	0	0.06
Restrictions on Payments for Invisible and other Current Transfers	0	0	0.35

Note: for a definition of the Trade Payment Restrictions please see the online [user guide](#) Source: International Monetary Fund



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User Guide

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