

Country Insight Snapshot

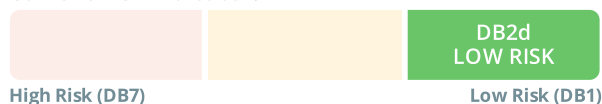
United States of America

July 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 **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.

WorldWatch Headline

The Fed's breather one year after inflation peaked in the US prefaces a difficult 'last mile' fight against still rising prices; as the economy trudges on, businesses brace for a slowdown ahead.

Recent Changes

- Inflation in the US continues to trend lower: the May 2023 print of CPI inflation came in at 4%, less than half the peak of 9.1% attained in June 2022.
- The inflation print came days after the US Fed took a breather on its 15-month rate hike campaign, choosing to hold rates at its June meeting while suggesting there could be at least two more hikes by the end of 2023.
- Meanwhile, positive readings on retail sales and housing market data suggest that the economy continues to show signs of resilience in the face of tightening credit conditions.
- Results of the latest stress tests at US banks suggests that the largest banks are likely to survive severe shocks under very adverse stress scenario conditions.

Events to Watch

- Watch for banks' upcoming Q2 results announcements, as any unexpected signs of trouble could reignite investor panic, especially among smaller banks.
- Follow labour market and inflation data to get a sense of monetary policy direction, as the current economic situation may warrant more rate hikes in 2023.
- Follow the Republican Party primary races to understand next year's presidential elections, as the field of candidates is now almost complete.

Call to Action

- Follow developments in the Republican presidential nominee races, as the field of candidates is now almost complete.
- Note that although a debt-ceiling deal has been reached, squabbling over specific spending cuts will continue.
- Note that while financial contagion is not our base-case scenario, small banks are still susceptible to collapse.
- Plan for high borrowing costs for the long term; rate cuts are unlikely in 2023.
- Note that the US remains active in instituting tariff and non-tariff barriers to trade; continue to take this 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 outlook for the credit environment is at 'deteriorating' given the expectation that recent bank failures – SVB, Signature and First Republic Bank – have rattled banks enough for them to pull back on new risk origination; we expect the Fed to hike at least one more time in Q3 2023.
- Economic data and the recent failures of mid-sized lenders have complicated the Fed's rate decision-making process.
- Expectations on the Fed's rate path are swinging wildly; interest rate decisions notwithstanding, financing costs for businesses are likely to remain high for the time being.
- The [US Small Business Health Index](#) showed an improvement in April, after deteriorating for seven consecutive months.

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
Eksport 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 retail sales and housing markets underpin the economy's resilience in the face of aggressive credit tightening, but a slowdown is still under way.
- Note that the recently concluded annual stress testing exercise for banks suggests resilience among the largest US banks; but the smaller banks, excluded from the analysis this year, remain at risk of losing investor and depositor confidence.
- Note that consumer sentiment remains strong, as inflation has started to fall, raising expectations of a soft landing.
- Plan for high financing costs even if the US Fed stops or skips hiking its benchmark interest rate in the near future.
- Assess [counterparty risk](#) adequately, and update trade credit and payment terms to reflect tight credit conditions.

SUPPLY ENVIRONMENT

Current Risk Indicator:



- Last change: June 2023 (DB3c → DB3b)
- Amber indicates that there is a **Balanced** mixture of negative/positive factors/influences
- Rating outlook is **STABLE**

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

Risks and Opportunities

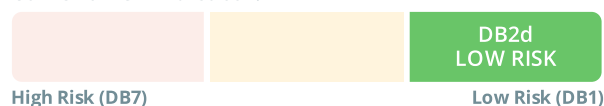
- The first agreement under the Indo-Pacific Economic Framework (IPEF, which includes the US and 13 Asia-Pacific economies) tackles supply chain resilience, thus improving long-term prospects.
- Leading indicators of supply chain pressures now show signs of near-normalisation; however, specific sectors relying on critical raw material supplies and semiconductors may face disruptions due to policy choices.
- The debt-ceiling deal has reduced the risk of government paralysis, though squabbling over spending cuts may continue as the authorities allocate the cuts to various agencies.
- Business continuity will continue to be affected by severe weather events; a 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

- Audit supply chains for their environmental impact to ensure compliance under ESG initiatives.
- Note that despite headlines about high-profile layoffs in the tech industry, the labour market in the US remains historically tight.
- Review supply routes in the South China Sea amid heightened tension and possible military drills in the Indo-Pacific.
- Assess supply chain vulnerabilities and test business continuity protocols against the risk of extreme weather events.
- 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

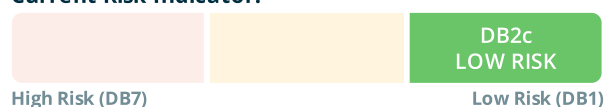
- The Securities and Exchange Commission's actions against crypto exchanges Binance and Coinbase may lead to complex legal battles before regulatory clarity is achieved.
- The tight labour market will ease in the coming months; now that new job postings have started to decline, hiring freezes and layoffs are likely to follow soon.
- Fresh rounds of tension over Taiwan Region may complicate the next phase of US-Mainland China trade dealings; first-phase targets remain unmet, and tech decoupling with Mainland China, which is a bipartisan priority in the US, has gathered pace, with more countries now being drawn in.
- US authorities are aiming to plug any existing gaps in Mainland China's access to high end semiconductor technology – so far, gaps have allowed firms to continue supplying Mainland China by producing chips just below the specified threshold.

Call to Action

- Note that softening inflation readings and buoyant retail sales underpin the resilience of the US consumer, but expect a slowdown, as household savings have begun to come down.
- Follow developments on the legal battles against crypto exchanges to get a sense of regulatory direction in the sector.
- We recommend maintaining a strong cash position, given heightened economic uncertainty.
- Note that the US administration closely scrutinises breaches of export controls to sanctioned entities in Russia and Mainland China; stay up to date on the entity list.

POLITICAL ENVIRONMENT

Current Risk Indicator:



- Last change: June 2023 (DB2d → DB2c)
- 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 Republicans have a crowded field of presidential nominees for the 2024 elections, but the former president, Donald Trump, remains in the lead despite his recent indictments.
- The US electorate is deeply polarised, despite bipartisan support for US foreign policies on Russia and Mainland China.
- The last-minute agreement on suspending the debt ceiling came as a big relief to financial markets, underscoring the ability of the political centre to work together.
- Efforts to ease mounting tensions between the US and Mainland China are under way; the US Secretary of State made a belated trip to Beijing in June 2023, followed by a visit by the Treasury Secretary.
- Tense relations between the US and Mainland China may increase compliance and operational costs for companies, especially those in the tech sector.

Call to Action

- Note that although the debt-ceiling deal postpones further debate until after the next presidential elections, a divided Congress is likely to continue to create policy gridlock.
- Follow efforts to put a floor under US-Mainland China relations, but prepare for higher compliance costs as both sides continue with new regulations to preserve national security interests.
- Monitor the security situation in the South China Sea; specifically, review supply routes against the possibility of a military incident, as Sino-US military communication has weakened.
- Watch for disincentives for US firms to outsource to Mainland China, plus incentives for chip manufacturers to move to the US; 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	1.1	2.1	1.9	1.7	2
Nominal GDP in USDbn	20,533	21,381	21,061	23,315	25,463	26,834	28,261	29,505	30,627	32,325
Nominal GDP in local currency	20.5tn	21.4tn	21.1tn	23.3tn	25.5tn	26.8tn	28.3tn	29.5tn	30.6tn	32.3tn
GDP per Capita in USD	61,821	63,954	62,691	69,185	75,269	78,925	82,680	85,871	88,681	93,130
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 ave, USD-LCU)	1	1	1	1	1	1	1	1	1	1
Current Account in USDbn	-439.8	-441.8	-597.1	-831.4	-971.6	-957.2	-961.3	-964.8	-967.8	-942.8
Current Account (% of GDP)	-2.1	-2.1	-2.8	-3.6	-3.8	-3.6	-3.4	-3.3	-3.2	-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 ave, %)	2.4	1.8	1.2	4.7	8	4.2	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)	78,925	57,184	53,342	35,719	48,371
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	0-1 month

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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