United States

Outlook

	Average 10-14	2015	2016	2017	2018	2019	Forecasts 2020	2021	2022
GDP growth (%)	2.1	3.1	1.7	2.3	3.0	2.2	-3.5	4.9	3.4
CPI inflation (%)*	2.0	0.1	1.3	2.1	2.4	1.8	1.2	2.3	2.0
Fiscal balance (% of GDP)	-8.8	-4.6	-5.4	-4.3	-6.2	-6.7	-18.7	-8.7	-6.5
Public debt (% of GDP)	100.0	103.7	106.6	104.9	106.6	108.2	131.2	133.6	134.5
Reference rate (%)*	0.3	0.3	0.5	1.1	2.0	2.3	0.5	0.3	0.3
Exchange rate (USD/EUR)*	1.3	1.1	1.1	1.1	1.2	1.1	1.1	1.2	1.2
Current account balance (% of GDP)	-2.5	-2.2	-2.1	-1.9	-2.2	-2.2	-3.1	-3.0	-2.7
External debt (% of GDP)	96.5	96.4	94.7	95.4	94.1	94.7	113.5	109.6	108.5

Note: * Annual average.
Source: CaixaBank Research, based on data from national statistical agencies, IMF and Oxford Economics.

- **Despite the high incidence of COVID-19 in the US, the economic shock has been less severe than in other advanced economies** and the recovery is also expected to be faster. This greater resilience is due to: (i) a quick and emphatic response in its economic policies, with direct spending measures playing a big part; (ii) an economy that was in a relatively strong state before the outbreak of the pandemic; (iii) limited importance of industries such as tourism and (iv) greater potential for remote working. For the future, the continuation of the significant fiscal and monetary support measures, combined with the extensive roll-out of the vaccination strategy, will aid a relatively quick recovery.

- **Real shock of COVID-19.** As with most economies, the US economy contracted greatly during Q2 2020 (–9.0% quarter-on-quarter). Afterwards, with the withdrawal of the numerous lockdown measures that had been established between March and May, it recovered strongly in Q3 (+7.5%). In the coming months, economic activity may slow down, but only to a very limited extent, as it will be well supported by the substantial fiscal package approved at the end of 2020 (worth 0.9 trillion dollars), which includes extending the additional unemployment benefits and a further stimulus checks for millions of citizens. Moreover, with both of Congress's Chambers now under the control of the Democrats, further substantial support measures are likely to be adopted. Therefore, the US economy may return to pre-pandemic levels of activity as early as the second half of 2021.

- **Macrofinancial imbalances**
  - **Corporate debt.** A more demanding financial environment, combined with the disruption to economic activity being caused by COVID-19, will mean increasing vulnerability to corporate debt. This is because, at the outset, the level of debt of companies with poor credit profiles was already a cause for concern. Now, the various business support programmes have increased recourse to borrowing, especially among highly indebted companies.
  - **Public debt.** The sharp increase in the fiscal deficit will continue to exert pressure on the bloated and growing public debt. Although this should not cause a problem in the short term, with extremely low interest rates and the country's vast capacity to attract investors in its public debt, in the medium term there is still a need to establish a fiscal adjustment strategy to achieve a more sustainable path.

Closing date of this edition: 14 January 2021

Outlook *(continued)*

- **Economic policy response**
  - **Monetary policy.** Since the beginning of March 2020, the Fed has taken decisive actions to tackle the economic crisis caused by COVID-19. These can be divided into three areas: lowering interest rates to levels approaching 0%, increasing the purchase of assets (treasuries and MBS) and launching numerous emergency lending programmes. These accommodative measures have made it possible to relax the financial conditions, they have added liquidity to the markets and they have provided direct support for families, businesses, states and local governments. This institution will also maintain the current rate of purchases until at least the end of 2021, to support the country's economic recovery.
  - **Fiscal policy.** The fiscal response has been swift and decisive. In total, we estimate that the fiscal packages approved in 2020 stand at around 4 trillion dollars (around 20% of GDP), half of which will have taken the form of direct spending. This is the highest direct spending among all advanced countries. The most notable measures include loans, guarantees and subsidies for businesses, direct payments to citizens (two stimulus checks) and extending cover for the unemployed (increasing the number of weeks and additional weekly payments).

Main risks

The risk balance is trending downward, although there are certain elements that may bring positive surprises in 2021.

- **Macrofinancial risk.** Any worsening of the pandemic or slower progress in the vaccination process could lead to further and greater restrictions to mobility and, consequently, a more notable slowdown in economic activity in the short term.
- **Foreign policy risk.** The decoupling process between the US and China will continue with Biden in office. Although we expect a less disruptive approach to the rivalry with China under the new administration, an escalation of the confrontation with the Asian country remains a notable risk. Furthermore, the US's long-awaited reconnection with numerous multilateral organisations and the likely rapprochement with Europe may turn out to be more complicated than anticipated (especially with regard to the resulting actions in the form of domestic measures).
- **Positive risk in domestic policy.** The fact that both of Congress's Chambers are under the control of the Democrats may facilitate parts of President Biden's infrastructure plan – with a clear climate and green investment agenda. This plan is necessary to ensure more sustainable growth in the medium term. Furthermore, in the short term, it may help to revitalise regions where the pandemic has had a significant impact on the manufacturing sector.
- **Positive consumption risk.** The fiscal package approved in December 2020 – with a high proportion of direct spending measures – and the savings that have remained untapped during 2020 could boost domestic consumption more than expected.

	Rating	Last changed	Outlook	Last changed
STANDARD & POOR'S	AA+	05/08/11	Stable	10/06/13
MOODY'S	Aaa	18/07/13	Stable	18/07/13
FitchRatings	AAA	10/08/94	Negative	31/07/20

■ Indicates that the country has "investment grade".
□ Indicates that the country does not have "investment grade".

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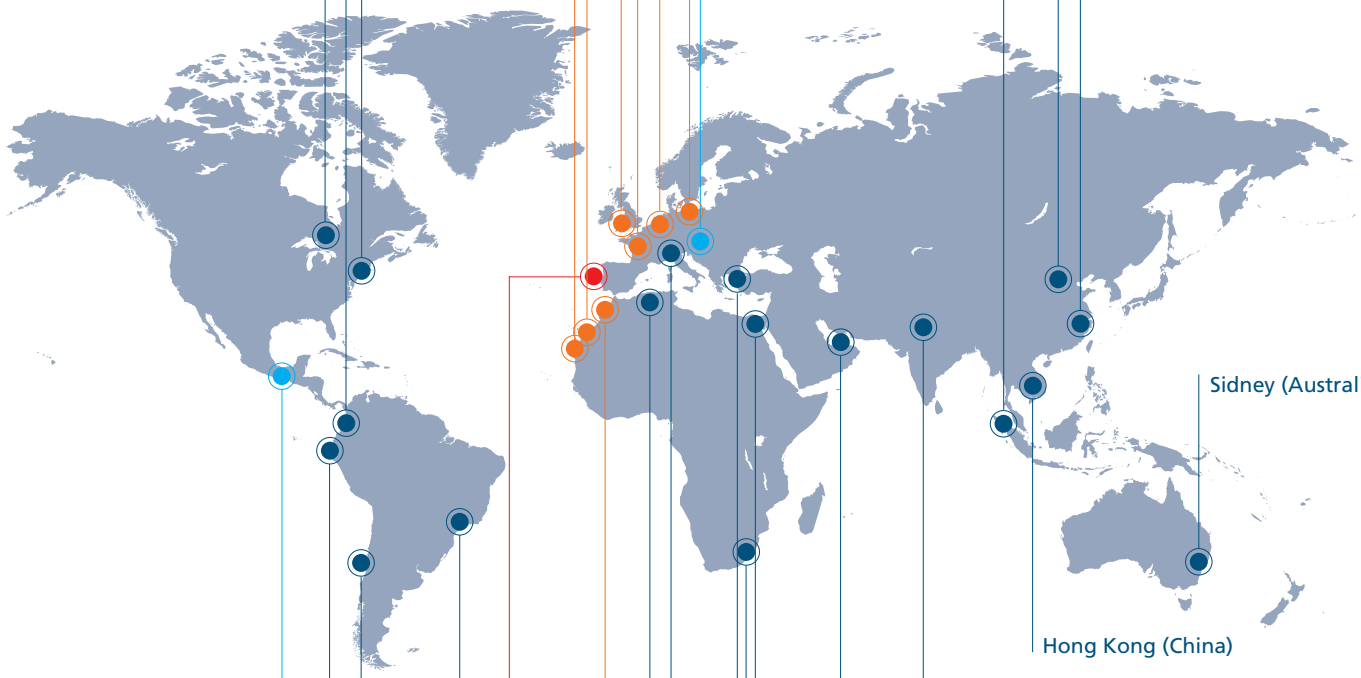

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