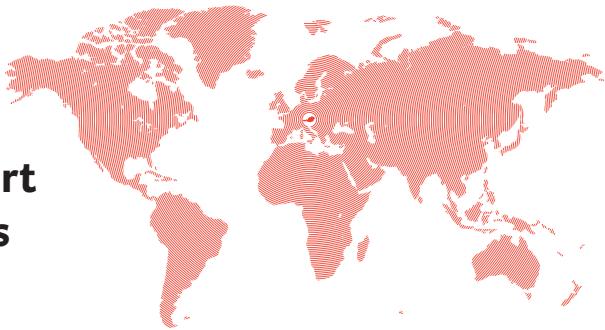


Oberbank

Economic and Banking Report

Global Financial Institutions



USA 

Economic situation

>GDP 2021 +6.0 %

USA - the world power on the road to recovery. After pandemic-related economic losses in 2020, the nation's course is set for „back on track“.

A **6 % GDP growth**, the highest increase since the 1980s, and a 7 % increase in consumer spending underpin this course and give hope for economic recovery. This upward trend has been supported in particular by substantial economic aid.

In general, the United States is considered a consumer-driven nation, with consumer spending accounting for 70 % of GDP, making it the main growth driver of the US economy. Despite this upward trajectory, the US as a global power is also struggling with challenges

in terms of increased inflation rates. Instead of a projected 4.3 %, inflation is hitting 7 % towards the end of 2021. A return to the desired level of 2 % is not expected until 2023.

With regard to the manufacturing economy, US companies continue to be concerned with ongoing supply chain problems, including persistent supply shortages.

Highest GDP growth since the 1980s

Away from this, the worsening skills shortage across industries is weighing on the US economy. Despite increased unemployment, partly caused by Co-

vid, it is becoming increasingly difficult to recruit productive and qualified workers. This leads to higher wage promises and subsequently to rising personnel costs. Furthermore, despite an upward trend, the employment rate is still below the pre-Covid level. In order to alleviate the precarious situation of congested transport corridors, the increasing demand for consumer goods coupled with the rising shortage of skilled labour, the focus is on two solutions: firstly, bringing production back from abroad closer to final assembly in the USA. Secondly, digitalisation and automation in the industrial sector are to serve as key components of the production factors.

Political developments

The US government, inaugurated in January 2021, is trying to set priorities in the areas of climate protection and infrastructure under the current President Joe Biden. In his first year in office, Joe Biden dealt, among other things, with the reversal of some of the decisions made by his predecessor Donald Trump. For example, the USA re-joined the Paris Climate Agreement and suspended punitive tariffs in the Boeing-Airbus dispute. Nevertheless, Democrat Joe Biden retains parts of Trump's „America First“ policy.

Accordingly, protectionist import duties on steel and aluminium from Europe remain in place, albeit through a quota system in a modified form. On the one hand, this quota system leads to a slight relief for European exporters; on the other hand, it tightens national value-added criteria for federal tenders. In addition, the president, like his predecessor, is taking a hard line against China. The motive here is the competition for global technological leadership.

Summary:

- Largest economy in the world
- Highest GDP growth since the 1980s
- „Build Back Better“ infrastructure project with trillions of dollars of investment
- 7 % inflation at the end of 2021

With regard to infrastructure measures, the „Build Back Better“ agenda was launched. The infrastructure package of over one trillion USD is intended to improve the US infrastructure, some of

which is getting on in years, and also to help achieve the climate goals and create jobs. Specifically, improvements are planned in the areas of road and bridge construction, water management, air-

ports and digital infrastructure. In order to finance these projects, corporate taxes and taxes on wealthy individuals will be increased.

Key economic figures	2019	2020	2021*	2022*
Nominal GDP in billion USD	21,433	20,933	22,920	24,478
Gross domestic product/capita at purchasing power parity in USD	65,134	63,240	68,846	73,111
Population in millions	329.1	331.0	332.9	334.8
Real economic growth in %	2.2	-3.4	6.0	3.7
Inflation rate in %	1.8	1.2	4.3	3.0
Unemployment rate in %	3.7	8.1	5.7	4.7
Exchange rate 1 EUR = in USD	1.12	1.14	1.19	1.17
Goods exports of the country in billion USD	1,652	1,429	1,742	1,940
Goods imports of the country in billion USD	2,517	2,351	2,828	3,069

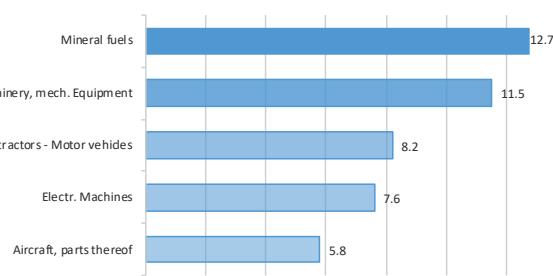
* Preliminary forecast; Source: WKO, Wirtschaftsbericht, Oktober 2021

** as of year-end 2021 7 %

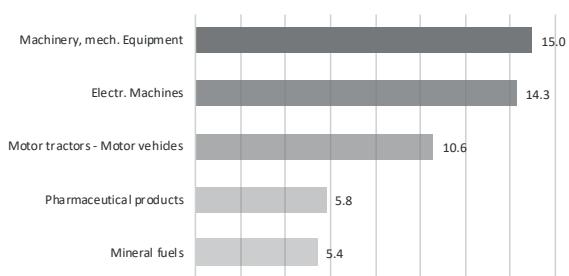
Exports/Imports

The United States dominates various sectors such as the financial and IT sector, the chemical and pharmaceutical sector, the electronics industry and the medical technology sector.

Top 5 Export goods

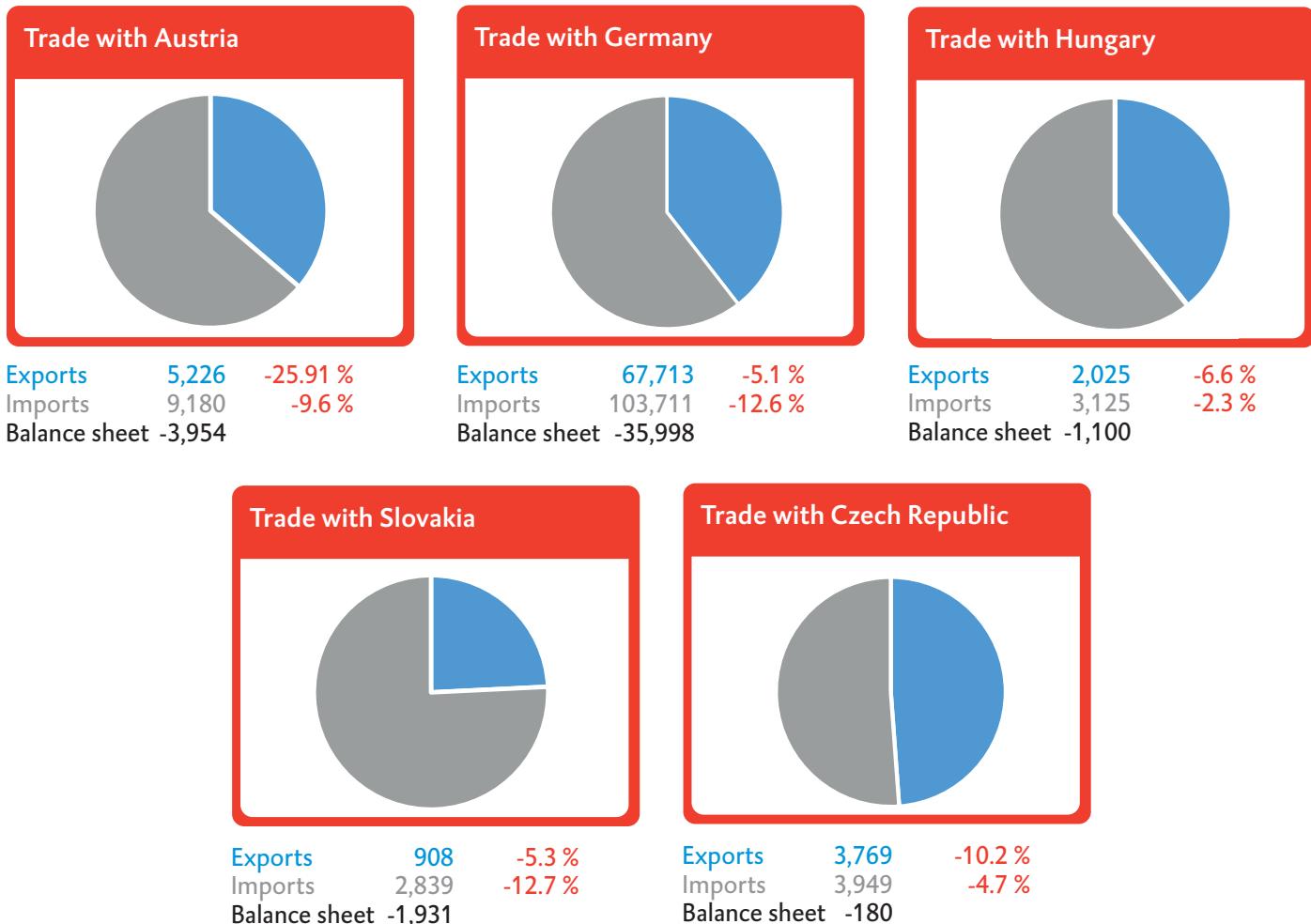


Top 5 Import goods



Source: WKO Länderprofil 2021; 2020, in %

The foreign trade of the USA



2020, change YOY, in EUR million

Imports, Exports and balance sheet from the perspective of the USA; own presentation

Source: Trademap

Foreign trade with Austria and the Oberbank regions

The USA is Austria's second most important export market - with increasing opportunities for Austrian companies. Besides the already diverse product range of Austrian goods, additional potential is expected from Industry 4.0. Austrian products enjoy great popularity due to their outstanding quality, coupled with hardly any substitutes.

Moreover, current Austrian direct investments have quadrupled since 2008, underpinning the medium- to long-term lucrativeness of the US market. Similar to Austria, Germany also maintains a close economic relationship with the USA as its most important export market. In the other Oberbank re-

gions in the Czech Republic, Hungary and Slovakia, on the other hand, the USA only occupies export positions between 9th and 18th place. All five Oberbank regions recorded a trade surplus in 2020, with Hungary and Slovakia additionally achieving export growth of 2.3 % and 12.7 %, respectively.

> Exports from the USA to Austria

Medical and pharmaceutical products clearly stand out as the most important import goods in 2020 with a 25.1 % share of goods imports. After significant declines in goods imports of 25.7 % in 2020, a clear positive trend can be seen with a plus of 8.8 % in the first half of 2021.

Goods exports from the USA to Austria 1. HY. 2021: +8.8 %

> Austria's exports to the USA

In the course of the Covid 19 pandemic, both crisis winners and losers are manifesting themselves. While branches such as the pharmaceutical industry were able to keep their foreign trade more or less constant or even recorded an increase, branches in the machinery sector in particular recorded significant losses. In addition to the adversities of the Covid 19 crisis, the effects of punitive tariffs on steel and iron products will have an impact of -30 % in 2020.

Austria's goods exports to the USA 1. HY. 2021: +21.2 %

Assessment of the business environment

Ease of Doing Business 2020	Rank 6 of 190 countries
Global Competitiveness Index 2019	Rank 2 of 141 countries
Corruption Perceptions Index 2021	Rank 67 of 198 countries
Rule of Law-Index (World Justice Project) 2021	Rank 27 of 128 countries
Most important goods export market AT/DE 2020	Rank 2/Rank 1

Current rankings of Oberbank regions in the Global Competitiveness Ranking:

Germany	7
Austria	21
Czech Republic	32
Hungary	47
Slovakia	42

The USA stands out due to its dynamic business environment, which, supported by excellent competitiveness and business friendliness, leads to top rankings in the Ease of Doing Business and on the Global Competitiveness Index.

The economic relevance of the nation is also evident in the 1st and 2nd rankings for the most important export markets for Austria and Germany, respectively.

On the other hand, the 67th and 27th rankings in the areas of corruption and rule of law, compared to the other top rankings, indicate potential for improvement.

Rating USA

> Investment Grade

Agency	Rating	Outlook	Date
Fitch	AAA	Negative	13.07.2021
S&P	AA+	Stable	10.06.2013
Moody's	Aaa	Stable	19.06.2020

Source: Countryeconomy, FitchRatings

Triple or double A ratings with stable or negative outlook respectively

Fitch justifies the US country rating „AAA“ with the country's structural strengths, such as the size of the economy, a dynamic business environment and high per capita income. Despite a

better-than-expected economic recovery in public finances, Fitch reports a negative outlook. Although the current prevailing debt dynamics suggest a stabilisation of the debt-to-GDP ratio, the

level of debt remains 20 percentage points above pre-pandemic levels. In addition, key variables such as real interest rates and fiscal deficits pose downside risks.

Financial Centre USA

> Stock market developments in view of the Covid 19 pandemic

The pandemic-related burden on the US real economy contrasts with stable stock markets in 2020. While restrictive measures restricted companies in their actions and unemployment figures soared, the drive of the winners of the crisis (tech companies) and support measures of a governmental na-

ture enabled leading indices to reach new highs in some cases. After an initial fall in share prices in 2021 due to high Corona infection figures, record gains were again recorded from April onwards. Throughout the summer months, the share price remained largely stable. Given the high inflation to-

wards the end of the year, up to four interest rate hikes of 0.25 percentage points each are expected by the Fed in 2022. As a result, share prices could come under pressure in the future due to more attractive interest rate securities.

The largest banks in the USA

Place	Bank	Total Assets
1	JPMorgan Chase Bank National Association	3,025,285
2	Bank of America National Association	2,258,832
3	Wells Fargo Bank National Association	1,767,808
4	Citibank NA	1,661,507
5	US Bank National Association	544,774
6.	Truist Bank	498,944
7	PNC Bank National Association	463,097
8	TD Bank National Association	401,512*
9	The Bank of New York Mellon	386,515*
10	Capital One National Association	363,522

Total assets as of 31.12.2020 in USD million; *not consolidated
Source: Bankers Almanac, download on 02.02.2022

Oberbank expertise

Banks shaded in grey:

Oberbank has an active relationship (SWIFT/RMA) with these relationship banks and can thus represent documentary business for customers (documentary business only with Citibank with restrictions). In addition, payment transactions are possible with all banks in the USA via our clearing bank partners.

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