

United States of America

Rating report

Rating rationale

Wealthy, competitive and diversified economy: the US benefits from the largest economy globally, with high levels of wealth and significant economic diversification underpinning resilience to global economic crises. Its leadership in innovation is exceptional, supporting medium-run growth potential.

US dollar as the global reserve currency: the US dollar's role as the global reserve currency carries unparalleled advantages with respect to Treasury's funding flexibility, especially relevant during global financial crises, and reduces risk to long-run debt sustainability from comparatively higher government debt than many countries of the same ratings grade.

World-class economic institutions: the US benefits from a strong and resilient institutional framework, protecting the accountability and transparency of economic governance. The ratings are supported by world-class monetary and financial-supervisory institutions, anchoring price, financial and macroeconomic stability.

Well-capitalised financial system: the United States benefits from one of the world's most-advanced financial systems alongside deep capital markets. The banking system is well capitalised with strengthened profitability amid presently higher rates, while a strong financial-oversight framework anchors sound macroprudential policies.

Rating challenges: i) elevated medium- to long-run risks to the timely repayment of debt associated with politicised use of the US debt-ceiling instrument; ii) political polarisation, hampering the efficacy of economic policy making, with divisive 2024 elections fast approaching; iii) challenging long-run fiscal dynamics, with budget deficits staying elevated and public debt-to-GDP rising structurally; iv) economic and financial-stability risks amid higher-for-longer rates; and v) a comparatively-weak external sector.

Foreign currency

Long-term issuer rating/Outlook

AA/Negative

Senior unsecured debt

AA/Negative

Short-term issuer rating/Outlook

S-1+/Negative

Local currency

Long-term issuer rating/Outlook

AA/Negative

Senior unsecured debt

AA/Negative

Short-term issuer rating/Outlook

S-1+/Negative

Figure 1: United States of America's sovereign rating drivers

| Risk pillars | | Quantitative | | Reserve currency* | Political risk** | Qualitative*** | Final rating |
|-------------------------------------|-----------------------|--------------|-------------------|-------------------|------------------|----------------|--------------|
| | | Weight | Indicative rating | Notches | Notches | Notches | |
| Domestic economic risk | | 35% | aaa | USD | United States | 1 | AA |
| Public finance risk | | 20% | ccc | | | 1/3 | |
| External economic risk | | 10% | cc | | | 1 | |
| Financial stability risk | | 10% | bbb- | | | 2/3 | |
| ESG risk | Environmental factors | 5% | bbb- | [+3] | [-1] | 0 | |
| | Social factors | 7.5% | b+ | | | 0 | |
| | Governance factors | 12.5% | aaa | | | - 1/3 | |
| Sovereign Quantitative Model | | a | | | | 3 | |
| Additional considerations | | | | | | 0 | |

*The reserve-currency quantitative adjustment applies to currencies in the IMF's Special Drawing Rights (SDR) basket. **The political-risk quantitative adjustment is based on the World Bank's Political Stability & Absence of Violence/Terrorism index. ***The qualitative scorecard analyst adjustments, capped at one notch per rating pillar, are weighted equally with an aggregate adjustment rounded to the nearest integer. For details, please see Scope's [Sovereign Rating Methodology](#). Source: Scope Ratings.

Lead Analyst

Dennis Shen
+49 30221823948
d.shen@scoperatings.com

Team Leader

Alvise Lennkh-Yunus
+49 69 6677389-85
a.lennkh@scoperatings.com

Credit strengths and challenges

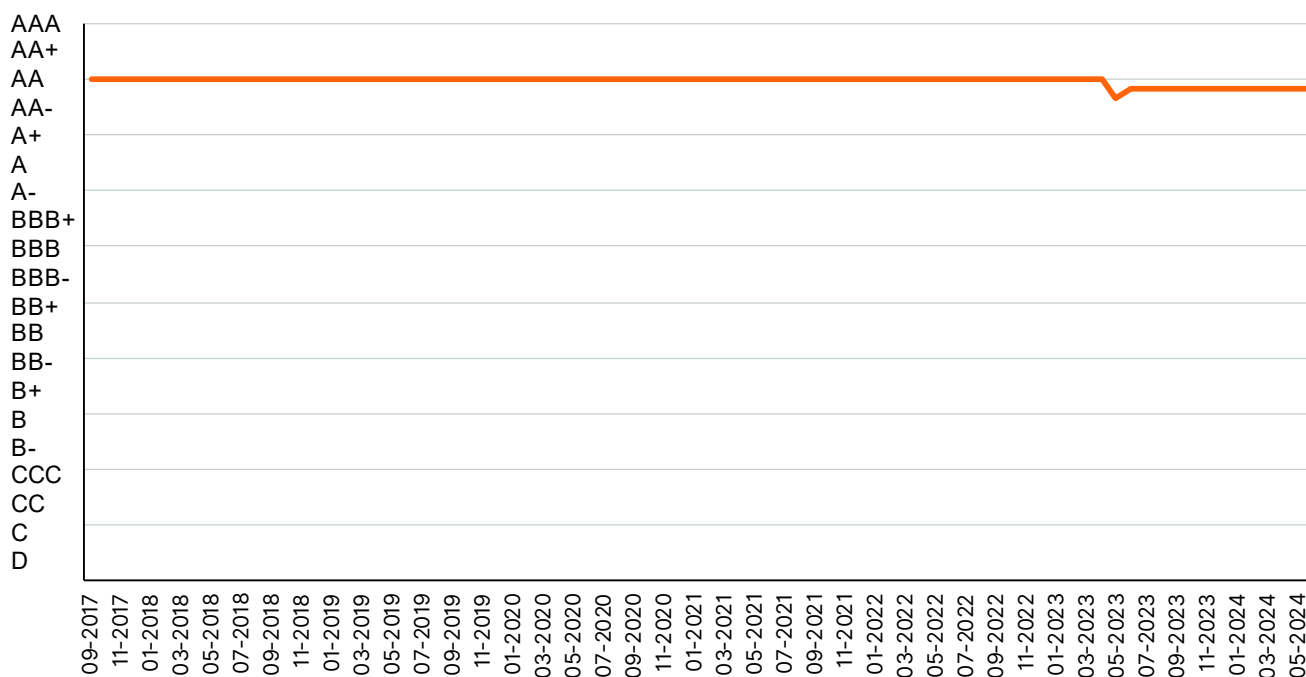
| Credit strengths | Credit challenges |
|--|---|
| <ul style="list-style-type: none"> • Large, diversified and wealthy economy • US dollar as the leading global reserve currency • Globally-leading economic institutions • Well-capitalised banks; deep capital markets | <ul style="list-style-type: none"> • Misuse of the debt-ceiling instrument • Long-run governance risks • Sustained elevated fiscal deficits • Banking-system risks amid higher rates for longer |

Outlook and rating triggers

The Negative Outlook reflects Scope’s view that risks for the ratings are skewed to the downside.

| Positive rating-change drivers | Negative rating-change drivers |
|---|--|
| <ul style="list-style-type: none"> • Reform or removal of the debt-ceiling instrument • Sustained reduction in political polarisation • Public-debt ratio placed on a sustained declining trajectory | <ul style="list-style-type: none"> • A rise in long-run risk from the debt ceiling • Structural weakening of governance • Weakening of public finances • A significantly-reduced role for the US dollar as the global reserve currency |

Figure 2: Rating history¹



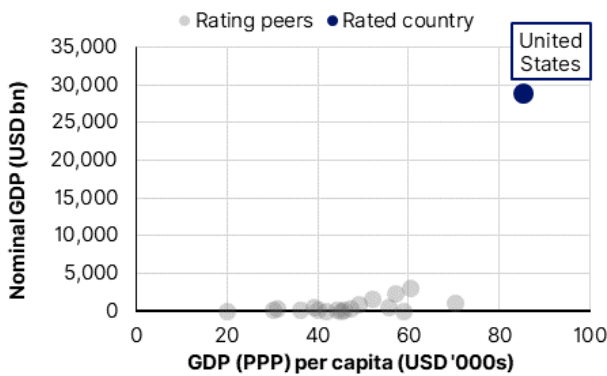
¹Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment. Source: Scope Ratings.

Domestic economic risk

Overview of Scope's assessments of United States of America's Domestic Economic Risk

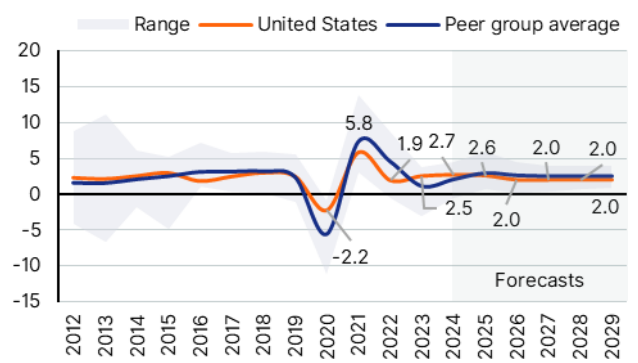
| SQM* indicative rating | Analytical component | Assessment | Notch adjustment | Rationale |
|------------------------|--|------------|------------------|---|
| aaa | Growth potential and outlook | Strong | +1/3 | Moderate growth potential, supported by structural reforms and investment; strong recent growth |
| | Monetary policy framework | Strong | +1/3 | Federal Reserve is the globe's leading central bank; the United States has an independent monetary policy |
| | Macroeconomic stability and sustainability | Strong | +1/3 | Competitive and highly-diversified economy; flexible labour market |

Figure 3: Nominal GDP and GDP per capita (2024)



Source: IMF World Economic Outlook (WEO) projections, Scope Ratings

Figure 4: Real GDP growth, %



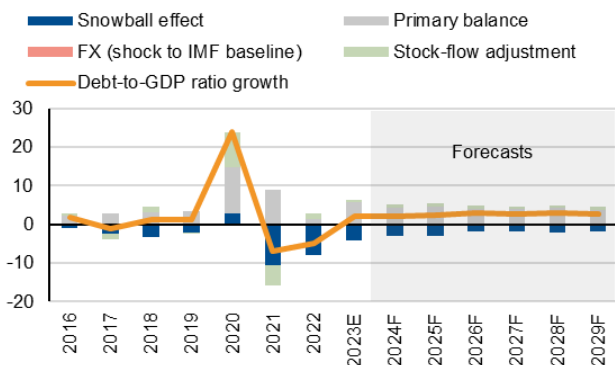
Source: IMF WEO, Scope Ratings forecasts

Public finance risk

Overview of Scope's assessments of United States of America's Public Finance Risk

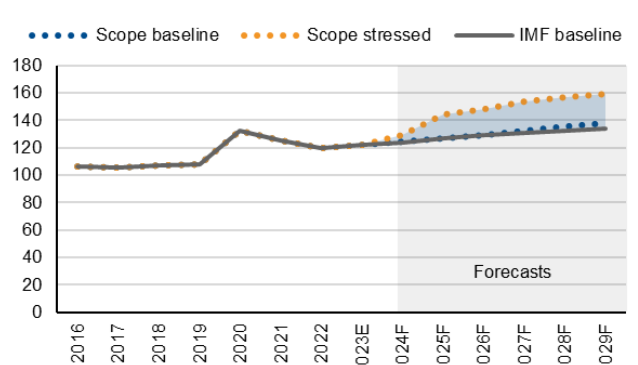
| SQM indicative rating | Analytical component | Assessment | Notch adjustment | Rationale |
|-----------------------|--------------------------------|------------|------------------|---|
| CCC | Fiscal policy framework | Weak | -1/3 | Weak fiscal framework including politicisation of the debt limit |
| | Long-term debt trajectory | Strong | +1/3 | Elevated debt ratio and challenges to long-run debt sustainability, but highest debt tolerance of globally-rated sovereigns |
| | Debt profile and market access | Strong | +1/3 | Global benchmark issuer status and excellent government market access; below-average maturity of debt for an advanced-economy sovereign and elevated yearly government gross financing requirements |

Figure 5: Contributions to change in debt levels, pps of GDP



Source: IMF WEO, Scope Ratings forecasts

Figure 6: Debt-to-GDP forecasts, % of GDP



Source: IMF WEO, Scope Ratings forecasts

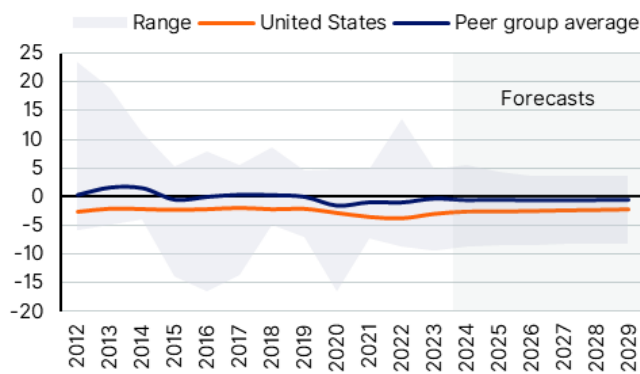
*Sovereign Quantitative Model.

External economic risk

Overview of Scope's assessments of United States of America's External Economic Risk

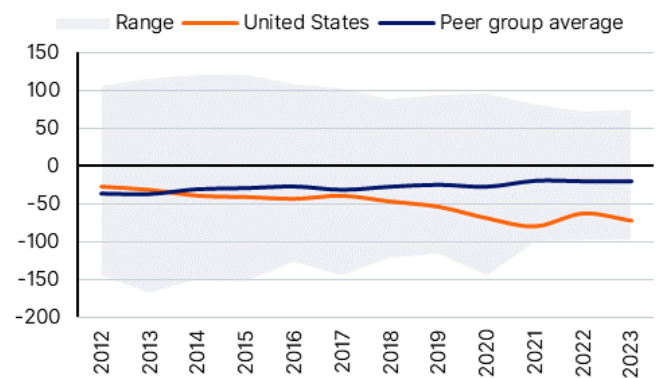
| SQM indicative rating | Analytical component | Assessment | Notch adjustment | Rationale |
|-----------------------|--|------------|------------------|---|
| CC | Current account resilience | Strong | +1/3 | Diversified export base; moderate current-account deficits |
| | External debt structure | Strong | +1/3 | Relatively low external debt; most foreign assets are in foreign currency, whereas liabilities are in the US dollar |
| | Resilience to short-term external shocks | Strong | +1/3 | US dollar as the prime global reserve currency mitigates vulnerabilities to external crises |

Figure 7: Current-account balance, % of GDP



Source: IMF WEO forecasts, Scope Ratings

Figure 8: Net international investment position (NIIP), % GDP



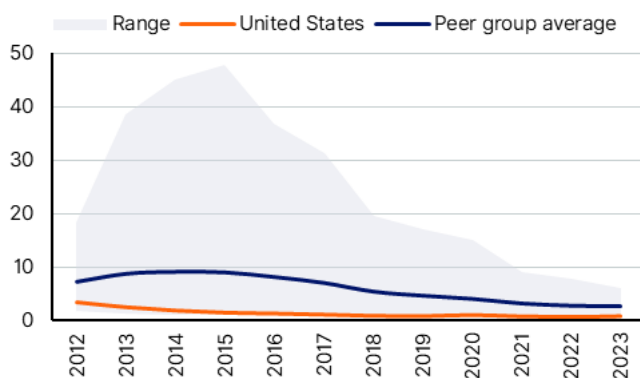
Source: IMF, Scope Ratings

Financial stability risk

Overview of Scope's assessments of United States of America's Financial Stability Risk

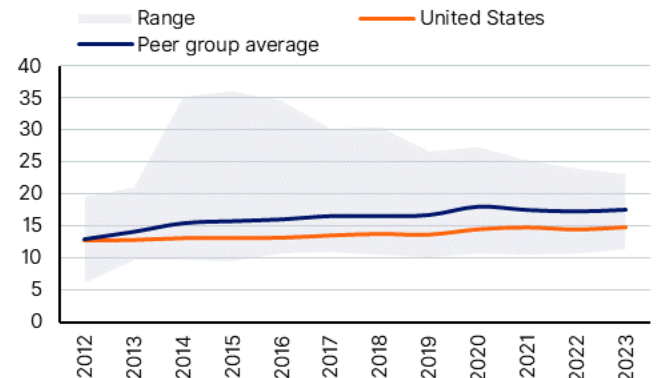
| SQM indicative rating | Analytical component | Assessment | Notch adjustment | Rationale |
|-----------------------|---|------------|------------------|--|
| bbb- | Banking sector performance | Strong | +1/3 | Pre-eminent banking system with sizeable capital buffers and strong asset quality; stronger profitability than peer European banking systems |
| | Financial sector oversight and governance | Strong | +1/3 | Sophisticated financial-regulatory system and strong financial governance framework under the Federal Reserve Board, Federal Deposit Insurance Corporation, and the Securities and Exchange Commission |
| | Financial imbalances | Neutral | 0 | Corporate debt risk; significant financial risks given conditions of higher rates for longer even as rates are eventually eased |

Figure 9: Non-performing loans, % of total loans



Source: World Bank (WB), Scope Ratings

Figure 10: Tier 1 capital, % of risk-weighted assets



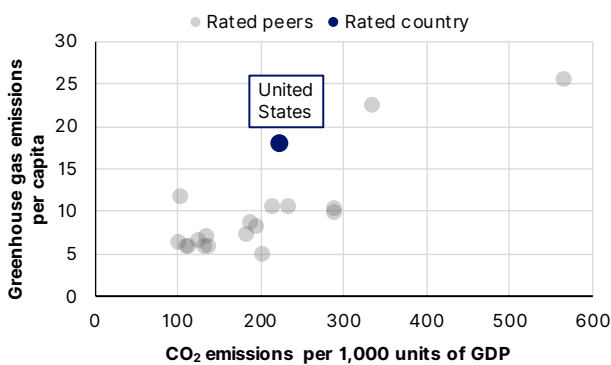
Source: IMF, Scope Ratings

Environmental, Social and Governance (ESG) risk

Overview of Scope's assessments of United States of America's ESG Risk

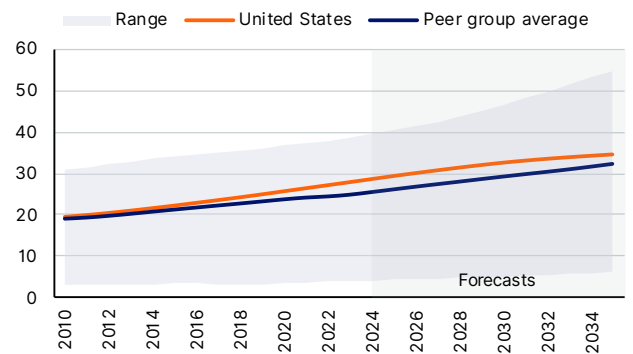
| SQM indicative rating | Analytical component | Assessment | Notch adjustment | Rationale |
|-----------------------|-----------------------|------------|------------------|---|
| a | Environmental factors | Neutral | 0 | Significant transition risks balanced by current government's ambitious environmental-policy initiatives; meaningful natural disaster risk exposure |
| | Social factors | Neutral | 0 | Erosion of socio-economic mobility and elevated inequality; weakening demographics; Joe Biden's social-reform agenda counters social crises |
| | Governance factors | Weak | -1/3 | Resilient democratic institutions despite erosion of institutional strengths since the Donald J. Trump presidency; polarisation prevents bipartisan problem solving; gridlock following 2022 elections and institutional risks after 2024 elections |

Figure 11: CO₂ emissions per GDP, mtCO₂e (2022)



Source: European Commission (EC), Scope Ratings

Figure 12: Old-age dependency ratio, %



Source: United Nations (UN), Scope Ratings

Reserve-currency adjustment

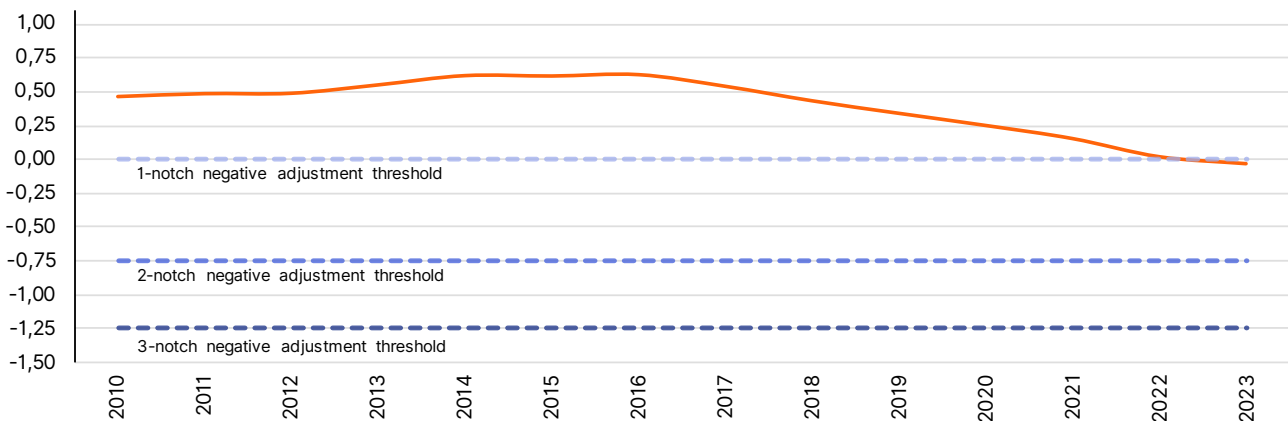
Figure 13: IMF SDR basket and Scope reserve-currency adjustment

| Currency | U.S. dollar | Euro | Chinese yuan | Japanese yen | Pound sterling | Other |
|------------------------------|-------------|------|--------------|--------------|----------------|-------|
| IMF SDR basket weights, % | 43.4 | 29.3 | 12.3 | 7.6 | 7.4 | 0.0 |
| Positive adjustment, notches | 3 | 1 | 1 | 1 | 1 | 0 |

Source: IMF, Scope Ratings

Political-risk adjustment

Figure 14: WB Political Stability & Absence of Violence/Terrorism index, United States of America, 3-year moving average



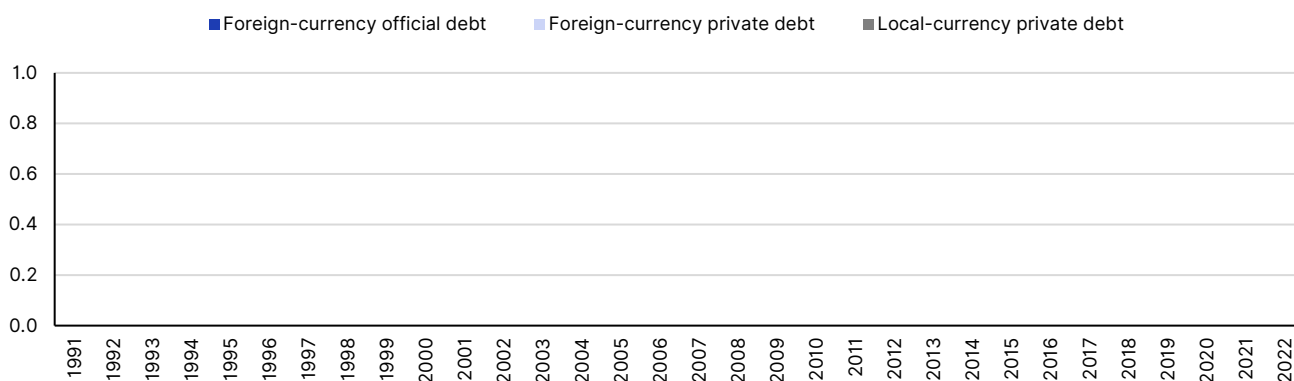
Source: WB, Scope Ratings

Additional considerations

No adjustment was applied to the rating from additional considerations.

Appendix I. Sovereign default history

Figure 15: Sovereign default history, USD m



Depicted private-debt defaults may not always constitute a credit event under [Scope's credit-rating definitions](#).
 Source: [Bank of Canada-Bank of England Sovereign Default Database](#), Scope Ratings.

Appendix II. Rating peers

Rating peers are related to sovereigns with an indicative rating in the same rating category or adjacent categories, as assigned by Scope's sovereign quantitative model after accounting for methodological reserve-currency and political-risk adjustments.

| Peer group* | | | |
|-------------|---------|----------|----------|
| Bulgaria | Estonia | Latvia | Slovakia |
| Croatia | France | Poland | Spain |
| Cyprus | Italy | Portugal | |

*Publicly-rated sovereigns only; the full sample of sovereign-rating peers may be larger.

Appendix III. Economic development and default indicators

| | |
|---|------------------|
| IMF Development Classification | Advanced economy |
| 5y USD CDS spread (bp) as of 19 June 2024 | 36.0 |

Appendix IV. Statistical table for selected SQM indicators

This table presents a selection of the indicators (24 out of 30 – with the governance indicator reflecting a composite of five indicators) used in Scope's quantitative model, in line with Scope's Sovereign Rating Methodology. The metrics and sources for the data presented here ensure comparability across global country peers and may therefore differ from data from national and other select international statistical series.

| Pillar | Core variable | Source | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---------------------|---|--------|--------|--------|--------|--------|--------|--------|
| Domestic Economic | GDP per capita (PPP), USD '000s | IMF | 63.2 | 65.5 | 64.4 | 71.0 | 77.2 | 81.6 |
| | Nominal GDP, USD bn | IMF | 20,657 | 21,521 | 21,323 | 23,594 | 25,744 | 27,358 |
| | Real growth, % | IMF | 3.0 | 2.5 | -2.2 | 5.8 | 1.9 | 2.5 |
| | CPI inflation, % | IMF | 2.4 | 1.8 | 1.2 | 4.7 | 8.0 | 4.1 |
| | Unemployment rate, % | WB | 3.9 | 3.7 | 8.1 | 5.4 | 3.7 | 3.6 |
| Public Finance | Public debt, % of GDP | IMF | 106.8 | 108.1 | 132.0 | 125.0 | 120.0 | 122.1 |
| | Net interest payment, % of government revenue | IMF | 7.4 | 7.6 | 6.7 | 7.2 | 8.6 | 10.3 |
| | Primary balance, % of GDP | IMF | -3.1 | -3.5 | -11.9 | -8.8 | -1.3 | -5.8 |
| External Economic | Current-account balance, % of GDP | IMF | -2.1 | -2.1 | -2.8 | -3.5 | -3.8 | -3.0 |
| | Total reserves, months of imports | WB | 1.4 | 1.6 | 2.1 | 2.0 | 1.7 | - |
| | NIIP, % of GDP | IMF | -47.4 | -54.2 | -69.0 | -79.6 | -62.8 | - |
| Financial Stability | NPL ratio, % of total loans | IMF | 0.9 | 0.9 | 1.1 | 0.8 | 0.7 | 0.8 |
| | Tier 1 ratio, % of risk-weighted assets | IMF | 13.5 | 13.9 | 13.8 | 14.8 | 15.2 | 14.7 |
| | Credit to the private sector, % of GDP | WB | 180.5 | 191.2 | 215.8 | 216.3 | 216.3 | - |
| ESG | CO ₂ per EUR 1,000 of GDP, mtCO ₂ e | EC | 255.2 | 242.2 | 224.0 | 225.7 | 225.1 | - |
| | Income share of bottom 50%, % | WID | 13.3 | 13.6 | 10.2 | 10.3 | 10.4 | - |
| | Labour-force participation rate, % | WB | 72.4 | 72.9 | 71.7 | 72.1 | 72.7 | - |
| | Old-age dependency ratio, % | UN | 24.2 | 24.9 | 25.7 | 26.4 | 27.1 | 27.9 |
| | Composite governance indicators* | WB | 1.4 | 1.3 | 1.1 | 1.2 | 1.2 | - |
| | Political stability, index | WB | 0.4 | 0.1 | 0.0 | 0.0 | 0.0 | - |

*Average of the following five World Bank Worldwide Governance Indicators: *Control of Corruption, Voice and Accountability, Rule of Law, Government Effectiveness, Regulatory Quality*.

Scope Ratings GmbH

Lennéstraße 5
D-10785 Berlin
[scoperatings.com](https://www.scoperatings.com)

Phone: +49 30 27891-0
Fax: +49 30 27891-100
info@scoperatings.com

in
Bloomberg: RESP SCOP
[Scope contacts](#)

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