

United States of America

Rating Review Annex



AA

NEGATIVE
OUTLOOK

Credit strengths

- Large, diversified and wealthy economy
- US dollar as the leading reserve currency
- Globally-leading economic institutions
- Well-capitalised banks; deep markets

Credit challenges

- Misuse of the debt-ceiling instrument
- Longer-run governance risk
- Sustained elevated fiscal deficits
- Banking-system risks amid higher rates for longer

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 crises. Its leadership in innovation is exceptional, supporting medium-run potential growth.

US dollar as the global reserve currency: the US dollar's role as the global reserve currency carries unparalleled advantages with respect to funding flexibility, especially relevant during global financial crises, and reduces risk to long-run debt sustainability from public debt accrued since 2020.

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

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

Ratings challenges include: i) elevated medium-run risks associated with the partisan use of the debt-ceiling instrument; ii) political polarisation, hampering the efficacy of economic policy making; 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 rates for longer; and v) a comparatively weak external sector.

United States of America's sovereign-rating drivers

Risk pillars	Quantitative		Reserve currency*	Qualitative**	Final rating
	Weight	Indicative rating	Notches	Notches	
Domestic Economic Risk	35%	aaa	USD [+3]	+3/3	AA
Public Finance Risk	20%	cc		+1/3	
External Economic Risk	10%	cc		+3/3	
Financial Stability Risk	10%	bbb-		+2/3	
ESG Risk	Environmental Factors	5%		ccc	
	Social Factors	7.5%	bb	0	
	Governance Factors	12.5%	aa-	-1/3	
Indicative outcome		a		+3	
Additional considerations				0	

Note: *The reserve-currency adjustment applies to currencies in the IMF's SDR basket. **The qualitative-scorecard 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.

Outlook and rating triggers

The Negative Outlook reflects our view that risks to the ratings remain skewed to the downside.

Positive rating-change drivers

- Reform or removal of the debt-ceiling instrument
- Sustained reduction in political polarisation
- Public-debt ratio placed on a sustained declining trajectory

Negative rating-change drivers

- Rise in risks from the debt ceiling
- Weakening in governance
- Weakening of public finances
- A significantly reduced role for the US dollar as the global reserve currency

Ratings and Outlook

Foreign currency

Long-term issuer rating AA/Negative
Senior unsecured debt AA/Negative
Short-term issuer rating S-1+/Negative

Local currency

Long-term issuer rating AA/Negative
Senior unsecured debt AA/Negative
Short-term issuer rating S-1+/Negative

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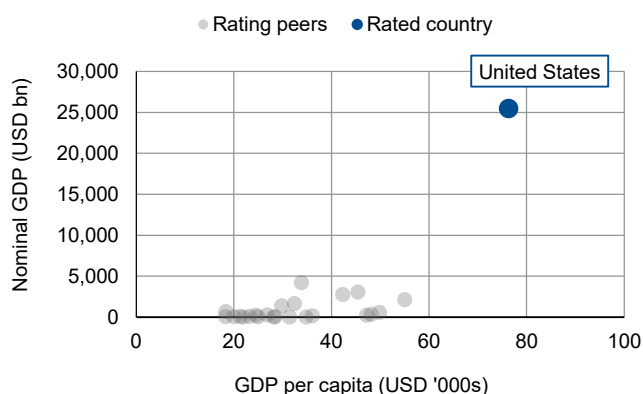
Bloomberg: RESP SCOP

Domestic Economic Risk

Overview of Scope's qualitative assessments for the United States of America's *Domestic Economic Risk*

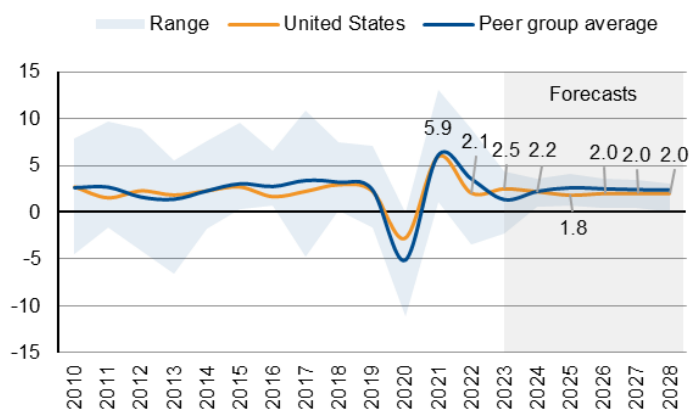
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Growth potential of the economy	Strong	+1/3	Moderate growth potential, supported by structural reforms and investment
	Monetary policy framework	Strong	+1/3	Federal Reserve is the globe's leading central bank; the US has an independent monetary policy
	Macro-economic stability and sustainability	Strong	+1/3	Competitive and highly-diversified economy; flexible labour market

Nominal GDP and GDP per capita



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

Real GDP growth, %



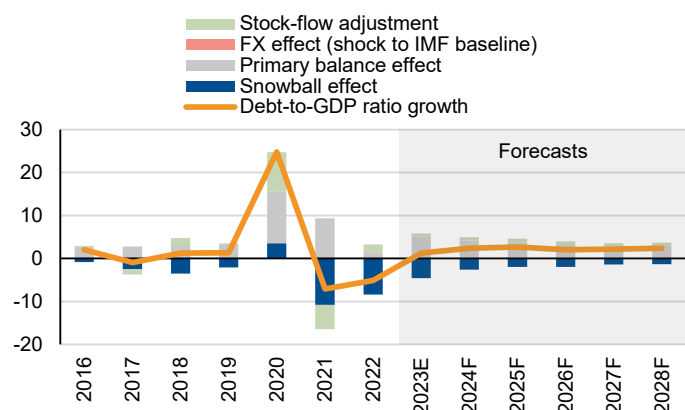
Source: IMF WEO, Scope Ratings forecasts

Public Finance Risk

Overview of Scope's qualitative assessments for the United States of America's *Public Finance Risk*

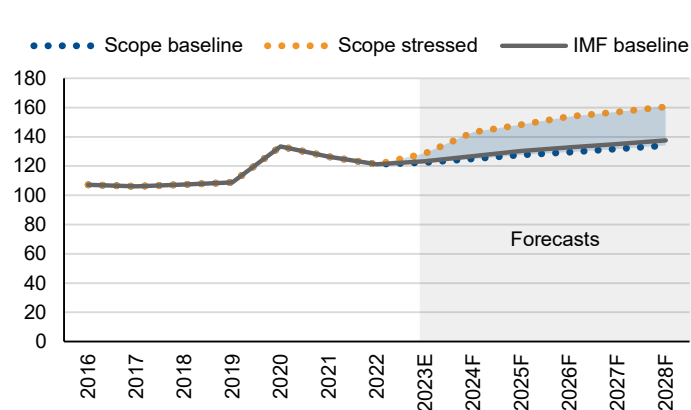
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
cc	Fiscal policy framework	Weak	-1/3	Weak fiscal framework including politicisation of the debt limit
	Debt sustainability	Strong	+1/3	Elevated debt ratio and challenges to long-run debt sustainability, but highest debt 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

Contributions to changes in debt levels, pps of GDP



Source: IMF WEO, Scope Ratings forecasts

Debt-to-GDP forecasts, % of GDP



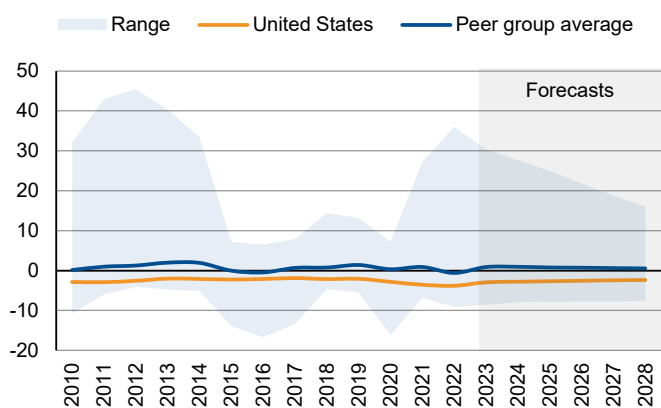
Source: IMF WEO, Scope Ratings forecasts

External Economic Risk

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

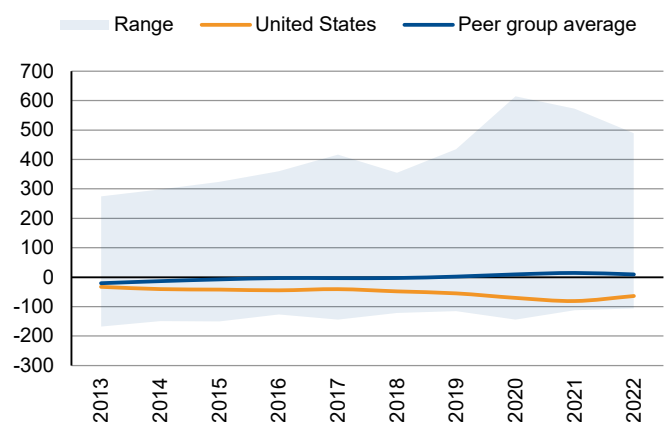
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
cc	Current account resilience	Strong	+1/3	Diversified export base; moderate current-account deficits
	External debt structure	Strong	+1/3	Relatively low external debt; most foreign assets are in foreign currency, whereas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

Current-account balance, % of GDP



Source: IMF WEO, Scope Ratings

Net international investment position (NIIP), % of GDP



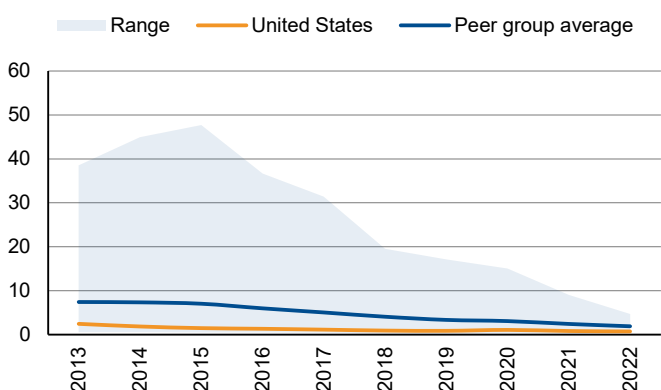
Source: IMF, Scope Ratings

Financial Stability Risk

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

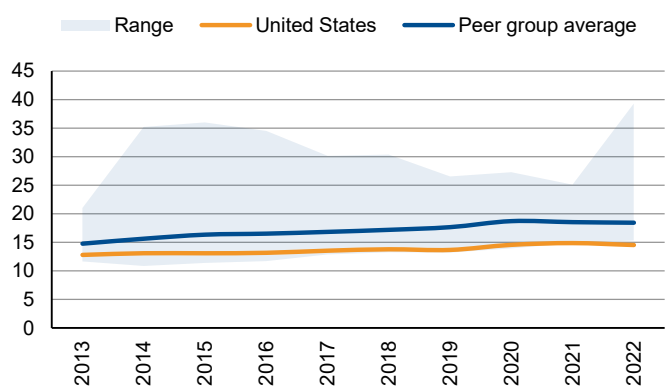
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bbb-	Banking sector performance	Strong	+1/3	Preeminent banking system with sizeable capital buffers and strong asset quality; stronger profitability than peer European banking systems
	Banking sector oversight	Strong	+1/3	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

Non-performing loans (NPLs), % of total loans



Source: World Bank, Scope Ratings

Tier 1 capital, % of risk-weighted assets



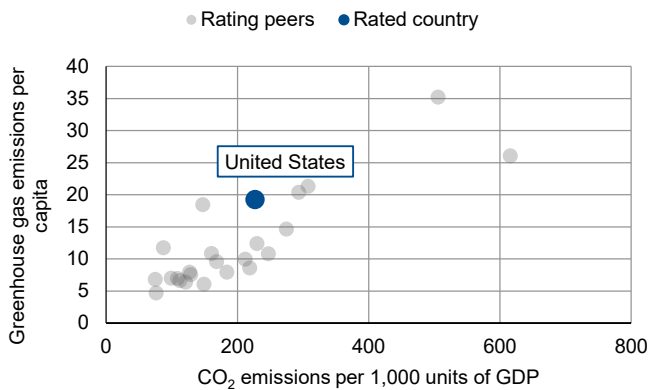
Source: IMF, Scope Ratings

Environmental, Social and Governance (ESG) Risk

Overview of Scope's qualitative assessments for the United States of America's ESG Risk

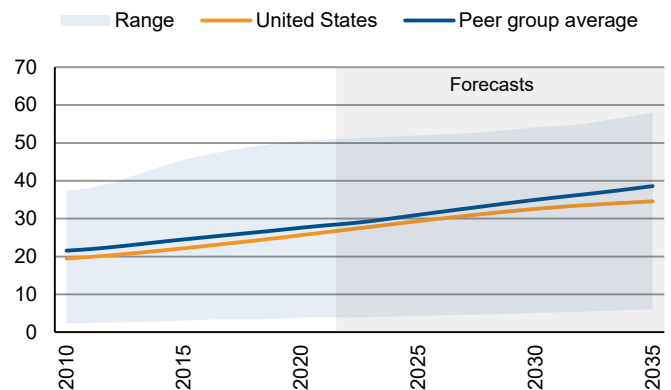
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bbb	Environmental factors	Neutral	0	Significant transition risks balanced by current government's ambitious environmental-policy initiatives; meaningful natural disaster risk exposure
	Social factors	Neutral	0	Erosion of 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 risk after 2024 elections

CO₂ emissions per GDP, mtCO₂e



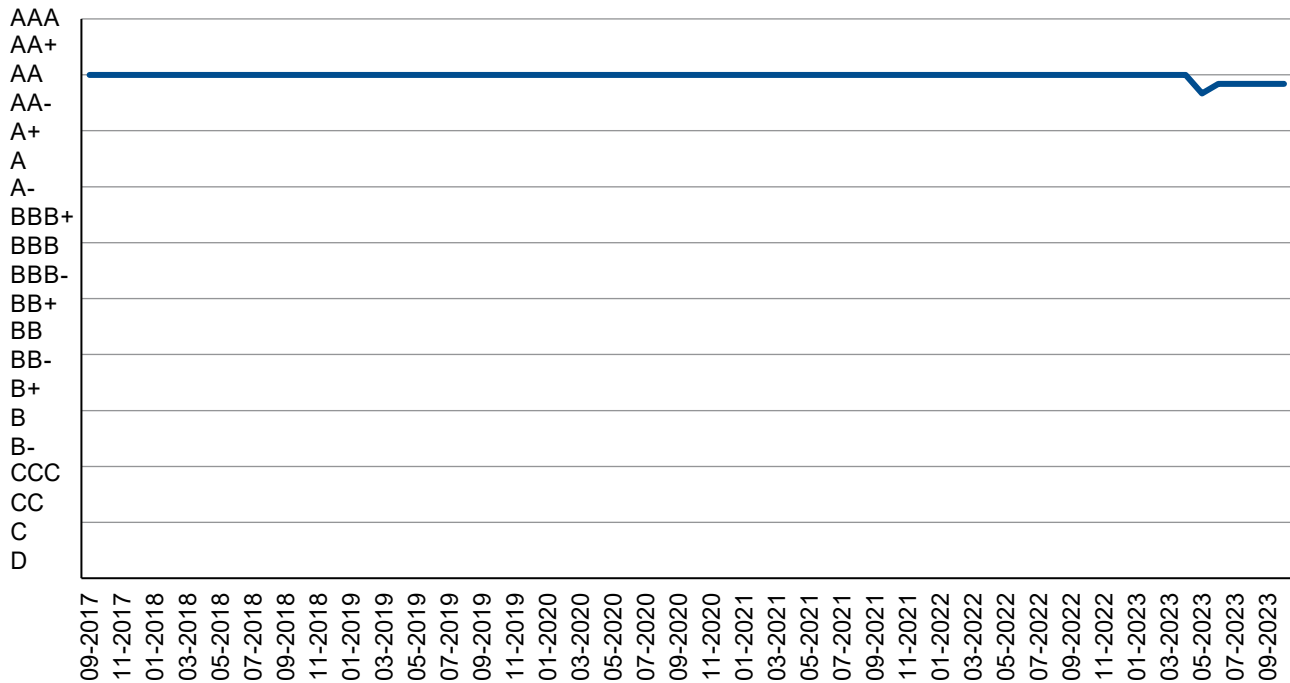
Source: European Commission, Scope Ratings

Old age dependency ratio, %



Source: United Nations, Scope Ratings

Appendix I. Rating history (foreign-currency long-term issuer rating)



NB. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment.

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 core variable scorecard after accounting for a methodological reserve-currency adjustment.

Peer group*
Belgium
Croatia
Cyprus
Czech Republic
Estonia
France
Japan
Latvia
Lithuania
Malta
Poland
Portugal
Slovakia
Slovenia
Spain
United Kingdom

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

Appendix III. Statistical table for selected CVS indicators

This table presents a selection of the indicators (24 out of 30 – with the governance indicator reflecting a composite of six indicators) used in Scope's quantitative model, the core variable scorecard, 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
Domestic Economic	GDP per capita, USD '000s	IMF	62.8	65.1	63.6	70.2	76.3
	Nominal GDP, USD bn	IMF	20,533.1	21,381.0	21,060.5	23,315.1	25,462.7
	Real growth, %	IMF	2.9	2.3	-2.8	5.9	2.1
	CPI inflation, %	IMF	2.4	1.8	1.3	4.7	8.0
	Unemployment rate, %	WB	3.9	3.7	8.1	5.4	3.6
Public Finance	Public debt, % of GDP	IMF	107.4	108.7	133.5	126.4	121.3
	Net interest payment, % of revenue	IMF	7.4	7.5	6.7	7.3	7.4
	Primary balance, % of GDP	IMF	-3.1	-3.5	-11.9	-9.3	-1.3
External Economic	Current-account balance, % of GDP	IMF	-2.1	-2.1	-2.8	-3.6	-3.8
	Total reserves, months of imports	WB	1.4	1.6	2.1	2.0	1.7
	NIIP, % of GDP	IMF	-47.7	-54.6	-69.9	-80.6	-63.5
Financial Stability	NPL ratio, % of total loans	IMF	0.9	0.9	1.1	0.8	0.7
	Tier 1 ratio, % of risk-weighted assets	IMF	13.5	13.9	13.8	14.8	13.6
	Credit to the private sector, % of GDP	WB	180.5	191.2	215.8	216.3	-
ESG	CO ₂ per EUR 1,000 of GDP, mtCO ₂ e	EC	257.7	244.4	225.4	227.0	-
	Income share of bottom 50%, %	WID	13.3	13.6	13.9	13.8	-
	Labour-force participation rate, %	WB	72.4	72.9	71.7	72.1	-
	Old-age dependency ratio, %	UN	24.2	24.9	25.7	26.4	27.1
	Composite governance indicators*	WB	1.2	1.1	1.0	1.0	1.0

* Average of the six World Bank Worldwide Governance Indicators.

Appendix IV. Economic development and default indicators

IMF Development Classification

Advanced economy

5y USD CDS spread (bps) as of 20 October 2023

42.3



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