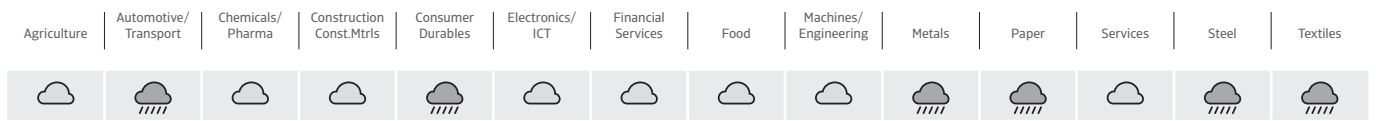




# United States

September 2020



Source: Atradius

## Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

### Agriculture



#### Remains Fair

The industry is largely supported by government programs, including the Coronavirus Food Assistance Program and the SBA Paycheck Protection Program. Increases in fruit and nut crop revenue are expected to offset a decline in corn, wheat, cotton and soybean revenues. Cash receipts for poultry and livestock are expected to decrease by more than 8%. Exports in the fiscal year 2021 are expected to increase, driven by soybeans (demand from China) and corn (higher volumes). While agriculture value added growth is forecast to shrink 2% in 2020, a rebound of more than 6% is expected in 2021.

### Automotive/Transport



#### Remains Poor

Following the initial coronavirus spread in early 2020, automotive demand decreased significantly due to lockdown measures and the spike in unemployment. This has led to liquidity concerns throughout the automotive supply chain. While major OEMs halted production for several weeks in April and May, production has rebounded again. Meanwhile, volumes are rising as capacity returns, and operators restock after running down inventory levels during the shutdowns. However, production volumes remain well below pre-coronavirus levels, and the cash flow of many businesses remains under pressure. Uncertainty related to future demand and a potential second coronavirus wave in the coming months remain downside risks. Automotive value added growth is forecast to decrease 27% in 2020.

Transport value added growth is forecast to contract by about 8% in 2020. Airlines have dramatically reduced number of flights, and cruise lines have suspended sailings until October at the earliest. Businesses in both subsectors continue to burn cash at a significant pace, given the sharp decrease in demand. Payment delays and defaults are expected to increase towards the end of the year.

### Chemicals/Pharmaceuticals



#### Remains Fair

Due to the significant decrease in oil prices, the energy and fuel subsector continues to suffer from a severe decline in investments and revenues. There has been strong pressure on profit margins of businesses, and insolvencies have substantially increased in this segment, particularly within exploration and production. Other subsectors within the chemicals trade group continue to suffer from deteriorating demand from key buyer end markets such as automotive. Chemicals value added growth is forecast to decrease 4.5% in 2020, while pharmaceuticals is expected to contract by almost 4%.

### Construction



#### Remains Fair

Construction value added growth is forecast to contract 6% in 2020, after several years of robust growth in line with the solid economic performance of the US before the coronavirus pandemic. In H1 of 2020, total new construction projects decreased 14% year-on-year (residential down 5%, non-residential down 22%, and non-building infrastructure down 14%). Fewer new projects in 2020 as a result of the pandemic adversely affect forecasts for 2021, as about 50% is spent in the year after a project starts.

At the same time, lumber costs have increased 120% since Q1 of 2020, while labour costs have risen due to a shortage of skilled workers. Labour productivity suffered from coronavirus related protocols, and many projects have been delayed or even cancelled. However, despite those challenges, the residential housing market should benefit from low interest rates, while big box retail outlets and nationwide wholesalers have been reporting high profits.

## Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

### Consumer Durables



#### Remains Poor

Retail value added growth is forecast to decrease by 8.5% in 2020. Non-food retail (in particular the brick-and-mortar segment) has suffered from store closures, subdued private consumption and increased unemployment due to the spread of coronavirus in the US. The household appliances segment has performed quite well so far under the given circumstances. However, persistently high unemployment would cause consumers to delay upgrading their household appliances. The furniture segment has experienced a rebound recently due to a combination of pent up demand, home remodeling and remote work/school. Large payment delays from early in the pandemic are recovered, but major uncertainties over the performance in the coming months remain.

Companies with a strong online presence and/or the ability to shift to remote sales have been capable of maintaining a solid operating profile. However, due to fierce market competition and substantial downside risks, many businesses continue to suffer, in particular brick-and-mortar retailers. In this segment, payment delays and insolvencies have already increased sharply, and a second wave of coronavirus infections could trigger another spike. Competitive pressure ahead of the holiday season could also lead to further rising insolvencies.

### Electronics/ICT



#### Remains Fair

ICT value added growth is forecast at almost 4% in 2020. Currently, the performance of businesses operating in this sector differs widely. It depends on the diversification of their supply chains, as well as on the impact of coronavirus-related lockdowns and factory closures on their manufacturing operations and supply availability. ICT businesses focusing on enterprise cloud, mobility and remote connectivity have generally performed well. Consumer electronics retailers with a strong online presence have also recorded steady demand, as consumers established home offices for remote work/learning. Most ICT businesses have sought to conserve liquidity in light of the coronavirus-related uncertainty with a combination of cost cutting measures and drawing down on lines of credit.

### Financial Services



#### Remains Fair

In general, financial service institutions are much more resilient now than during the 2008/2009 credit crisis. At the beginning of the coronavirus crisis, a significant number of businesses drew down borrowings against committed capital. This was largely a proactive measure to bolster liquidity, and some companies subsequently paid down the additional borrowings. However, many continue to recognize increased borrowings (cash on hand) to protect against volatile demand and uncertainty. In July of 2020, the Federal Reserve noted intentions to extend the emergency lending facilities established during the pandemic until the end of the year, in order to support short-term liquidity in the financial markets.

### Food



#### Remains Fair

Value added of the food sector is expected to level off in 2020. Competition in the sector is persistently fierce, especially in the distribution and retail segments. Increasing raw material and energy costs, as well as changing consumer preferences due to pursuit of healthier lifestyles, are having a negative impact on margins and profitability of many businesses active in food manufacturing. Food distributors shipping to restaurants or hotels have recorded a sharp decrease in demand. Business closures in the restaurant sector have significantly increased, putting additional financial pressure on the distribution channel.

### Machines/Engineering



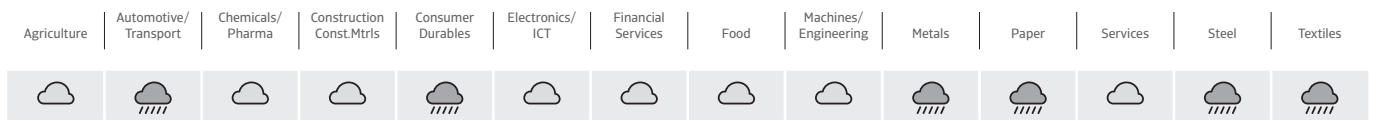
#### Remains Fair

Coronavirus-related shutdowns have negatively impacted the sector. Additional safety protocols have caused increased costs for many businesses, while reduced capital spending and project delays have reduced demand. Electrical machinery value added growth is expected to decrease by about 10%, while engineering value added is expected to decline by more than 11% in 2020. Payment delays are expected to increase for businesses dependent on particularly vulnerable end markets (e.g. automotive).



# United States

September 2020



Source: Atradius

## Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

### Metals



#### Down from Fair to Poor

Metals manufacturing value added growth is expected to decrease by 12% in 2020 after annual growth in 2018 and 2019. The individual performance of metal businesses is largely dependent on the strength of the respective end market. Businesses reliant on automotive and aerospace industries have recorded considerable revenue declines, increasing pressure on their profitability. The Oil Country Tubular Goods (OCTG) subsector has been under pressure in light of the pricing environment within the energy sector. While production resumption has improved with demand in the automotive sector, major uncertainty remains. Payment delays and insolvencies are expected to increase further in the coming months.

### Steel



#### Remains Poor

Iron and steel value added growth is expected to contract by 15% in 2020. The steel industry has been severely impacted by the sharp decline in demand from the automotive and oil and gas sectors. While demand has somewhat improved with the production resumption in the automotive sector, major uncertainty remain, and volumes and capacity levels remain depressed. The Oil Country Tubular Goods (OCTG) subsector is under significant pressure due to lack of spending within the energy exploration and production industry. While steel businesses supplying to a diverse selection of end-markets have performed better in the current environment, payment delays and insolvencies are expected to increase as the impact of initial government stimulus dissipates.

### Paper



#### Remains Poor

Paper producers and printing were structurally impacted by the ongoing digitalization process even before the coronavirus outbreak. The mandated restrictions imposed on offices, schools and universities have only accelerated the shift from paper to digital formats. At the same time, companies are limiting their discretionary spending and have cut back on advertising/marketing costs, leading to a decline in commercial printing demand. Paper value added growth is expected to contract by more than 5% in 2020, after decreasing 2.5% in 2019.

### Textiles



#### Remains Poor

Textiles value added growth is forecasted to contract by more than 11% in 2020 after shrinking 2% in 2019. Producers, wholesalers and retailers already suffered before the coronavirus outbreak from fierce competition and thin margins. Deteriorating sales due to coronavirus-related lockdowns have exacerbated the market crisis, and clothing retailers' insolvencies have sharply increased over the past couple of months, with further increases expected in the coming months. As many retailers are trying to regain some of the losses incurred in H1 of 2020 by offloading their goods, deep discounts should abound, increasing the competitive environment in the 2020 holiday season.

### Services



#### Remains Fair

Service value added is expected to decrease by almost 4% in 2020. Demand for healthcare, education and government services is expected remain stable or even increase. However, some sub-sectors like hotels and catering, restaurants, bars, entertainment and cultural events, travel agencies and tour operators have been heavily affected by sharply decreased footfall and closures due to the coronavirus pandemic.

Value added of the hotel and catering segment is expected to contract 17% in 2020. The increasing number of coronavirus cases in parts of the US will likely slow the recovery in travel and lodging demand that started over the past few months as economies reopened. Payment delays and business failures are expected to increase in the most impacted segments, with predictions that 10-15% of hotels may become insolvent.