

### Rating-Agentur Expert RA GmbH assigned 'AAA' ratings to the United States of America

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Rating-Agentur Expert RA GmbH assigned 'AAA' sovereign government credit rating (SGC) to the United States of America in national currency (Highest level of creditworthiness of the government) and 'AAA' in foreign currency (Highest level of creditworthiness of the government).

Rating-Agentur Expert RA GmbH assigned 'AAA' country credit environment rating (CCE) to the United States of America in national currency (Highest quality of credit environment of the country) and 'AAA' in foreign currency (Highest quality of credit environment of the country).

#### MAJOR FACTORS THAT INFLUENCED BOTH TYPES OF RATINGS:

##### Positive factors:

- Highly diversified, technologically advanced and dynamic national economy with high productivity. Favorable geographical and geopolitical position;
- The United States is one of the richest countries in the world with GDP per capita of USD 54 400 in 2014 and it markedly stands out among large advanced countries;
- The US stock market is the world's most developed and most liquid. Market capitalization of listed companies at 151,6% of GDP in 2014 and the total number of companies listed was 5 155 at end-2014. However the market capitalization figure might be an indication of a stock-market overheating fueled by a prolonged period of expansionary monetary policy;
- Stable real GDP growth since 2010. Real GDP expanded by 2,4% in 2014, well above other major advanced countries;
- Federal government deficit has narrowed over the past six years to 4,1% of GDP in 2014 from 13% of GDP in 2009;
- Unemployment rate has steadily declined over the last six years to 6,2% in 2014 from 9,3% in 2009;
- Moderate level of short-term debt at 8,4% of GDP and 26,4% of budget revenues in 2Q 2015;
- Inflation rate remains low and has declined by 2,5 p.p. over the past four years to 0,6% in 2014. Driven by potentially higher GDP growth rates and interest rates, the Agency expects the inflation rate to end 2015 at around 1% and to continue an increasing trend in the mid and long run;
- High volume of national savings at 19% of GDP in 2014, which shows the investment potential in the country. Moreover, this indicator has increased steadily over the past six years.

##### Restricting factors:

- Volume of private credit/GDP has constantly increased during the last six years reaching 245% at end-2014, indicating high leverage of the US private sector.

Negative factors:

- High government debt load at 104,8% of GDP and 331,4% of budget revenues by end-2014. These metrics have worsened over the past six years increasing by 19p.p. and 28p.p. respectively;
- Lack of a sustainable agreement between branches of the government on fiscal policies and public finances.

Support factors:

- The US has a strong financial system that affects other countries. US Treasury bonds serve as international benchmark fixed income securities (Exceptionally strong support factor);
- The country has a very strong and important global reserve currency (USD) (Moderate support factor);
- Participation in strong currency/economic unions (NAFTA, OECD) (Moderate support factor).

ADDITIONAL FACTORS THAT INFLUENCED CCE RATINGS:

Positive factors:

- High quality and large variety of instruments on the financial market;
- High quality of investor's protection - the US is ranked 35<sup>th</sup> out of 180 in protecting interests of minority investors according to the WB Doing Business 2016 report;
- Real interest rates remain low (1,8% in 2014), although have increased steadily in the wake of the declining inflation. However, the Agency expects real interest rates to resume a downward trend in the mid term as a result of higher inflation;
- Stock market has significantly increased over the last six years. However this might indicate an overheating of the equity market fueled by expansionary monetary policy.

Negative factors:

- Significant level of private sector debt/GDP (256% in 2014).

SENSITIVITY ASSESSMENT:

The following developments could lead to a downgrade:

- Increase of the fiscal deficit to figures observed prior to 2010 as a result of lower than expected fiscal revenues or unexpected contingent expenses;
- Sharp deterioration of government debt metrics.

"The ratings of the United States of America are supported by its technologically advanced, diversified and rich economy, as well as global reserve status of the US dollar and the global importance of US financial markets. The country has demonstrated sound macroeconomic indicators since 2010, although high government debt remains the major credit risk. Low oil prices since mid-2014 have contributed to a robust internal consumption that translated into strong GDP growth and low unemployment at 5,6% in 2014. The legislative and the executive branches in late October 2015 agreed on suspension of the government debt ceiling until 2017. This could weaken government debt metrics in the short- and mid-run, but long-term fiscal and debt dynamics will be clearer after November 2016 presidential elections." – Clarified Gustavo Angel, Expert of Rating-Agentur Expert RA GmbH.

Responsible expert: Gustavo Angel, Expert of Rating-Agentur Expert RA GmbH

Reviewer: Hector Alvarez, Expert of Rating-Agentur Expert RA GmbH

Research report on the United States is available at:

[http://raexpert.eu/reports/Research report USA 11.12.2015.pdf](http://raexpert.eu/reports/Research%20report%20USA%2011.12.2015.pdf)

Next scheduled rating publication: TBD in December 2015. Approximate date of the next scheduled rating publication is 3 June 2016.

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### Minute's summary:

The rating committee for the United States of America was held on 8 December 2015. The quorum for the rating committee was present. After the responsible expert presented the factors, which influenced the rating assessment, the members of the committee expressed their opinions and suggestions within the framework of the Sovereign methodology. The chairman of the rating committee ensured that every member of the committee expressed his/her opinion before proceeding to the voting.

The following methodology was used for the rating assessment: Methodology for Assigning Sovereign Government Credit Ratings and Country Credit Environment Ratings. Short Public Version (from April 2015) can be found under the following link: ([http://raexpert.eu/files/methodology/MethodologyShort\\_Credit\\_Ratings\\_Sovereign\\_2015.pdf](http://raexpert.eu/files/methodology/MethodologyShort_Credit_Ratings_Sovereign_2015.pdf)). Descriptions and definitions of all rating categories can be found within the aforementioned methodology. The user of the rating shall read the methodology in order to have a full understanding of the rating procedure.

**These ratings are unsolicited. The rated entity did not participate in the rating process.**

Main sources of information: International Monetary Fund, World Bank, World Federation of Exchanges, World Economic Forum, Doing Business, United Nations, US Federal Reserve.

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### Limits of the Credit Rating

During the rating assignment process, Rating-Agentur Expert RA GmbH (the Agency) used publicly available information that was considered to be reliable, complete and non-biased. The responsible expert performed the rating assessment of the country with information considered as the most reliable and up to date in accordance to the overall position of the country and the Agency's internal criteria for selecting data providers. The information and data used for this specific assessment can be considered as of sufficient quality.

Despite similar methodologies, credit ratings of the United States of America from RAEX (Moscow) (both SGC and CCE) may be different from those assigned by Rating-Agentur Expert RA GmbH due to:

- Possible differences in expert assessments of individual factors;
- Some differences in methodologies (methodologies are similar but not identical);
- Differences in the date/period of assessment for individual factors.

### Conflict of interest

The responsible expert was neither influenced nor biased by third parties during the rating assessment. All employees involved in the rating assessment and revision of the rated entity have reported absence of conflicts of interests before initiation of the rating process.

Rating-Agentur Expert RA GmbH is completely independent from the activities of other agencies of the RAEX group.

### Risk warning

The Agency disclaims all liability in connection with any consequences, interpretations, conclusions, recommendations and other actions directly or indirectly related to the conclusions and opinions contained in the Agency's Research Reports.

This Report represents the opinion of Rating-Agentur Expert RA GmbH and is not a recommendation to buy, hold or sell any securities or assets, or to make investment decisions.

### Office responsible for preparing the rating

The office responsible for the preparation and issuance of this credit rating is the office of Rating-Agentur Expert RA GmbH in Frankfurt am Main, Germany.

Rating-Agentur Expert RA GmbH is a credit rating agency established in Germany and therefore shall comply with all applicable regulations currently in force in the European Union.

The European Securities and Markets Authority (ESMA), the EU's direct supervisor of credit rating agencies (CRAs), has registered Rating-Agentur Expert RA GmbH as a CRA under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, with effect from 1 December 2015.

Rating-Agentur Expert RA GmbH applies the Code of Conduct Fundamentals for credit rating agencies issued by the International Organization of Securities Commissions (IOSCO Code) and includes the basic principles of IOSCO Code in its Code of Conduct.