

THE IRONY OF BIDEN'S SUPER STIMULUS: USD360BN FOR EXPORTERS AROUND THE WORLD

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The USD1.9tn stimulus in the US will lead to an additional rise in imports of goods and services of USD360bn over 2021-2022. President Biden's stimulus package won final approval in Congress last week, and it is set to create a positive confidence effect on domestic demand. We are thus revising up our GDP growth projections for the US, to +5.3% y/y in 2021 (from +3.6% expected in December 2020) and +3.8% in 2022 (from +3.1%), after a -3.5% contraction in 2020. We now forecast the unemployment rate to reach 4.3% at 2022-end (vs. 6.2% in February 2021), meaning that households' excess savings accumulated during the crisis should be released faster than expected. We expect US households' savings rate to reach 7% of gross disposable income at 2022-end (vs. 20.5% in January 2021). The stimulus will also boost business confidence, supporting non-residential investment. This increase in domestic demand will not be fully absorbed by US producers. We expect the US trade deficit to widen to 4.5% of GDP on average over 2021-2022, compared with 2.9% on average over the past five years. More precisely, we estimate that a +1% increase in domestic demand leads to a +2.6% rise in imports in the US.

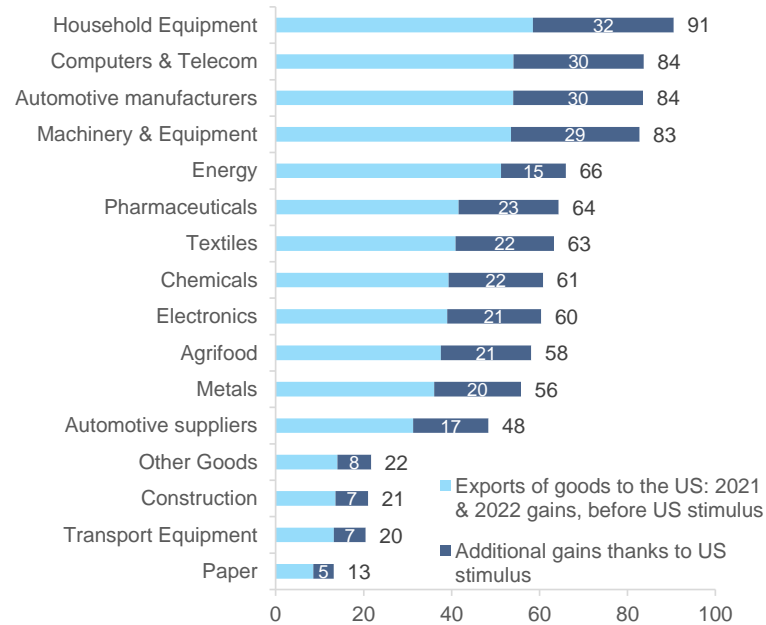
President Biden's super stimulus is thus set to support exporters across the world. By sector, additional gains in exports in 2021-2022 will be the largest in household equipment (+USD32bn), computers & telecom (+USD30bn), automotive manufacturers (+USD30bn) and machinery & equipment (+USD29bn) – see Figure 1. By region, gains over 2021-2022 will be the largest for Western Europe (+USD97bn), Asia excluding China (+USD75bn), China (+USD60bn) and Latin America (+USD59bn) – see Figure 2. Given the design of the US stimulus and economic recovery path, we estimate that around three-quarters of the boost in exports will be felt in 2021 (and around one-quarter in 2022).

In absolute terms, exporters in China, Mexico and Canada will benefit by far the most (see Figure 3). The boost to China's exports to the US (+USD60bn in total over 2021-2022) is likely to focus on computers & telecom, household equipment and textiles (see Figure 4). Additional export gains in Mexico (+USD45bn in total) will be comparatively more important in the automotive sector. In Europe, exporters in Germany are best positioned to profit from the US stimulus (+USD22bn in 2021-2022), followed by the United Kingdom (+USD16bn), Ireland (+USD13bn) and France (+USD10bn). In Germany, exporters in the machinery & equipment, automotive and pharmaceuticals sectors are particularly exposed.

In relative terms, the boost to GDP in 2021 will be the largest for Mexico, Vietnam, Ireland, Canada and Malaysia (see Figure 5).

Additional gains in exports of goods and services over 2021 and 2022 thanks to the US super stimulus amount to 1.7% of 2021-2022 GDPs in Mexico, 1.4% in Vietnam and 1.3% in Ireland. In Vietnam, exporters of textiles and computers & telecom in particular will take advantage of the US stimulus, while pharmaceuticals, chemicals and services in Ireland and electronics in Malaysia will gain relatively more.

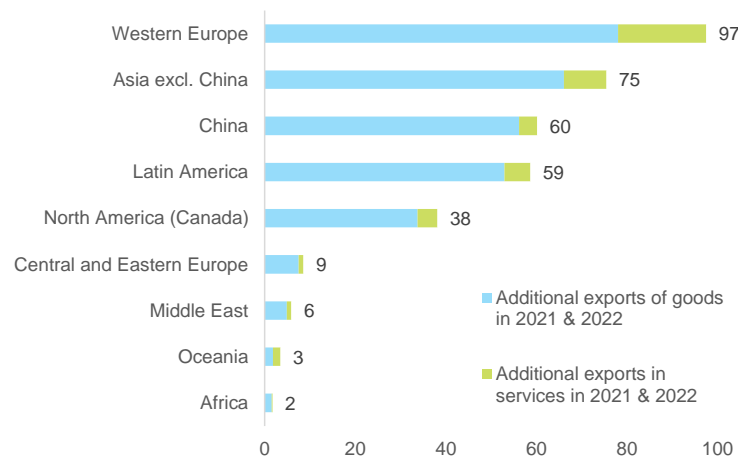
Figure 1 – Export gains by sector (USD bn)



Note: We define export gains as the increase in exports in value terms (USD) from one year to another.

Source: UNCTAD, Euler Hermes, Allianz Research

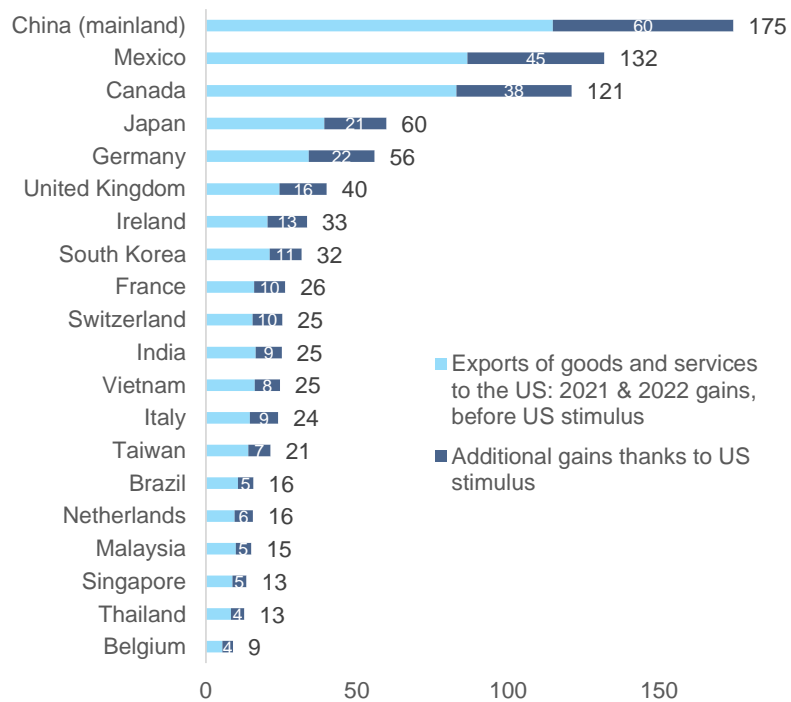
Figure 2 – Additional export gains in goods and services in 2021-2022 thanks to US stimulus, by region* (USD bn)



* based on our coverage of 70 economies, representing 95% of global trade.

Source: UNCTAD, Euler Hermes, Allianz Research

Figure 3 – Export gains in goods and services in 2021-2022, by country (USD bn)



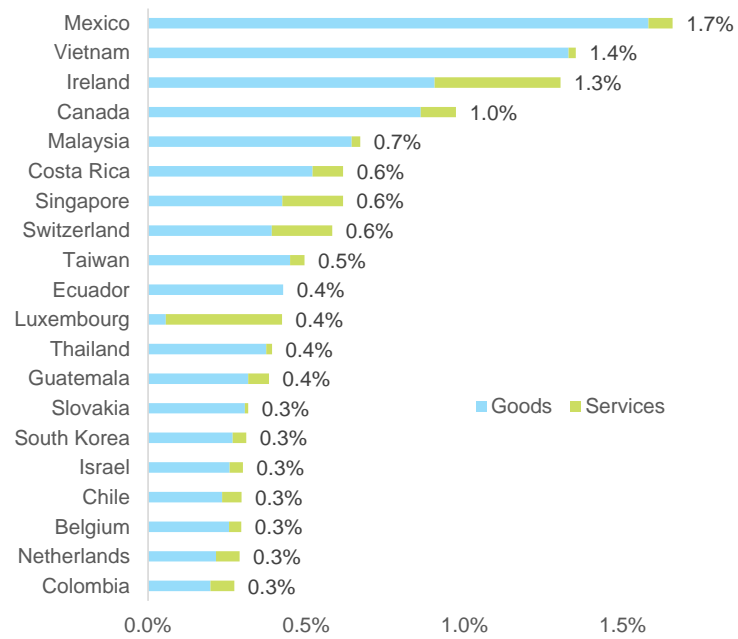
Source: UNCTAD, Euler Hermes, Allianz Research

Figure 4 – Additional export gains in goods and services in 2021-2022 thanks to US stimulus for top benefitting economies (in absolute terms), by sector (USD mln)

	China	Mexico	Canada	Japan	Germany	UK	South Korea
Agrifood	1,026	3,499	3,329	132	313	400	130
Automotive manufacturers	481	8,490	5,174	5,072	3,128	1,350	2,081
Automotive suppliers	2,199	4,285	1,834	1,977	1,658	250	1,066
Chemicals	3,548	1,547	2,807	1,049	1,540	883	679
Computers & Telecom	13,682	5,300	498	607	408	183	1,147
Construction	1,960	819	994	252	409	126	137
Electronics	3,769	4,110	897	1,202	1,643	520	725
Energy	408	527	5,423	273	199	457	358
Household Equipment	11,542	4,753	1,031	1,093	783	1,343	635
Machinery & Equipment	3,963	3,360	2,431	3,082	3,409	1,339	1,059
Metals	2,810	2,113	3,300	561	1,110	708	625
Paper	758	283	1,655	89	210	119	92
Pharmaceuticals	865	1,203	825	657	2,953	1,088	160
Textiles	8,477	832	354	93	198	132	189
Transport Equipment	707	813	861	509	763	419	138
Other Goods	0	1,349	2,356	959	362	108	2
Services	3,614	2,094	4,366	2,955	2,794	6,249	1,469
Total (USD mln)	59,808	45,377	38,133	20,561	21,878	15,674	10,693
Total (as % of 2021 & 2022 GDP)	0.2%	1.7%	1.0%	0.2%	0.2%	0.2%	0.3%

Source: UNCTAD, National sources, Euler Hermes, Allianz Research

Figure 5 – Additional export gains in goods and services in 2021-2022 thanks to US stimulus, by country (% of 2021-2022 GDP)



Source: UNCTAD, National statistics, Euler Hermes, Allianz Research

These assessments are, as always, subject to the disclaimer provided below.

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