

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

15 March 2021

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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.

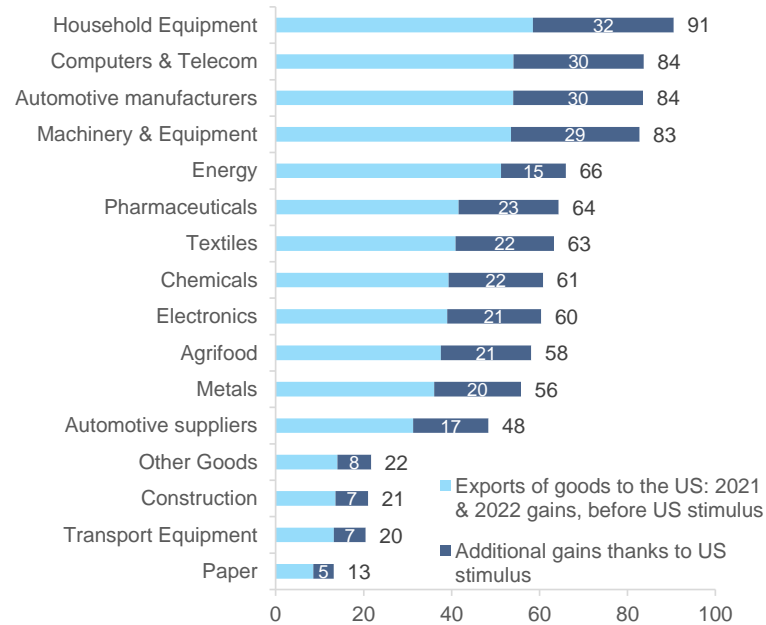
**President Biden's super stimulus is thus set to support exporters across the world.** By sector, additional gains in exports in 2021-2022 will be the largest in household equipment (+USD32bn), computers & telecom (+USD30bn), automotive manufacturers (+USD30bn) and machinery & equipment (+USD29bn) – 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.

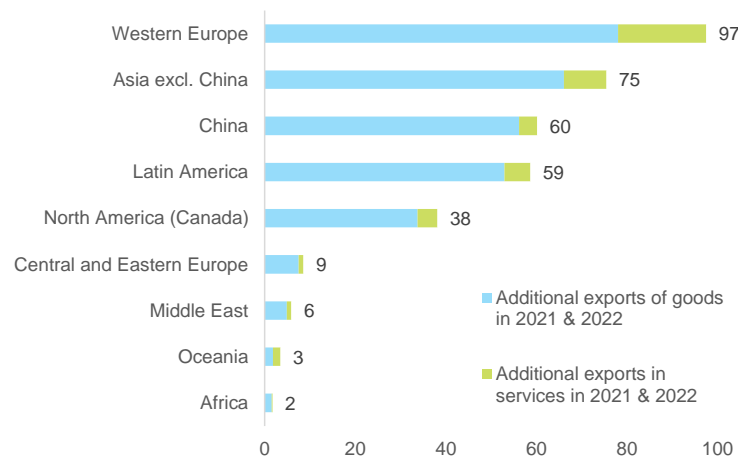
Figure 1 – Export gains by sector (USD bn)



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

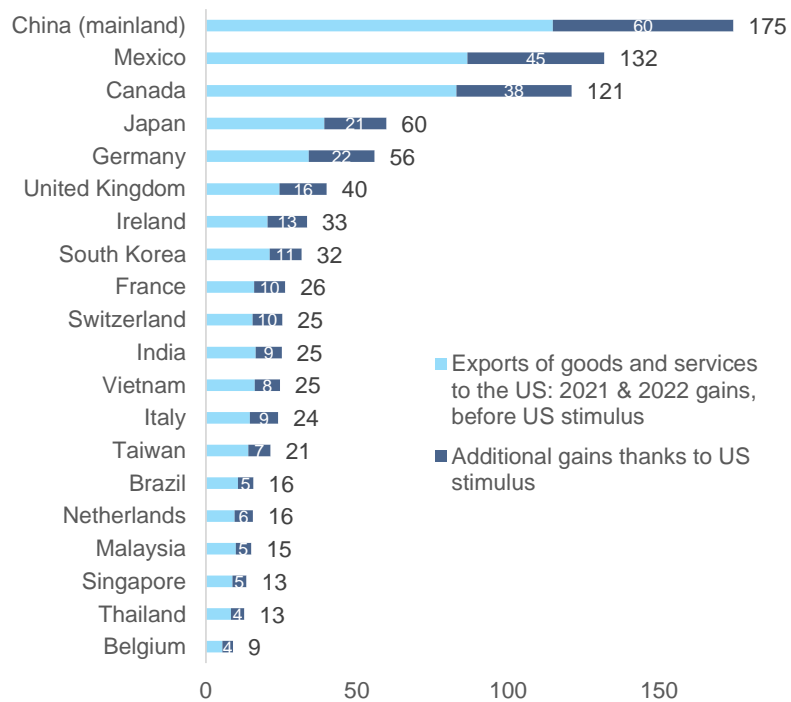
Figure 2 – Additional export gains in goods and services in 2021-2022 thanks to US stimulus, by region\* (USD bn)



\* 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)



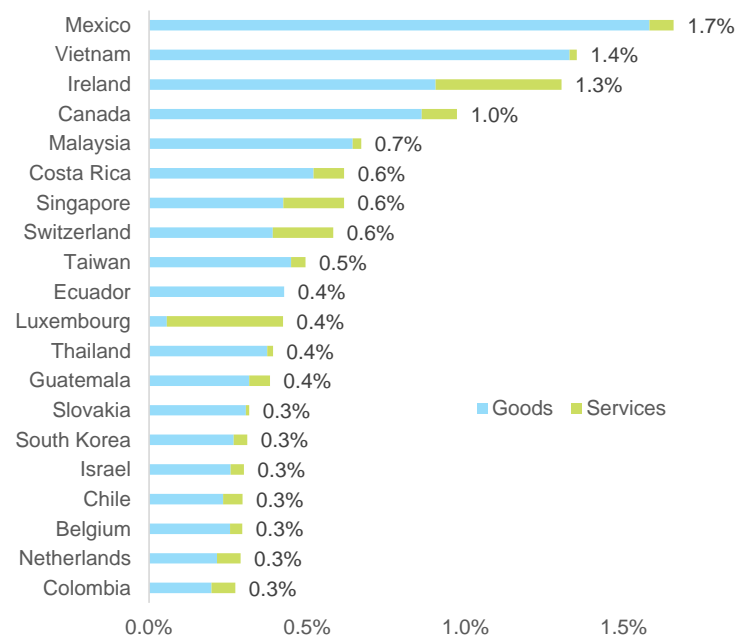
Source: UNCTAD, Euler Hermes, Allianz Research

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         |
| <b>Total (USD mln)</b>                     | <b>59,808</b> | <b>45,377</b> | <b>38,133</b> | <b>20,561</b> | <b>21,878</b> | <b>15,674</b> | <b>10,693</b> |
| <b>Total (as % of 2021 &amp; 2022 GDP)</b> | <b>0.2%</b>   | <b>1.7%</b>   | <b>1.0%</b>   | <b>0.2%</b>   | <b>0.2%</b>   | <b>0.2%</b>   | <b>0.3%</b>   |

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

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