

BEST'S COUNTRY RISK REPORT

Belize CRT-4

August 22, 2018

Region: Latin America

[Country Risk Criteria Procedures](#)

[Guide to Best's Country Risk Tiers](#)

- The Country Risk Tier (CRT) reflects A.M. Best's assessment of three categories of risk: Economic, Political, and Financial System Risk.
- Belize, a CRT-4 country, has high levels of economic, political, and financial system risk. Real GDP contracted in 2016 but returned to growth in 2017. The economy is expected to maintain a moderate growth rate above 2% in 2018 and remain broadly stable, supported by strong global growth. Long-term growth, however, will be constrained by high and rising government debt.
- The map depicts the countries A.M. Best evaluates in Central America, South America, and the Caribbean. The majority of Latin American countries are categorized as CRT-4 or CRT-5, with the exceptions of Chile, Mexico, and Peru.



- Country Risk Tier 1 (CRT-1)** Very Low Level of Country Risk
- Country Risk Tier 2 (CRT-2)** Low Level of Country Risk
- Country Risk Tier 3 (CRT-3)** Moderate Level of Country Risk
- Country Risk Tier 4 (CRT-4)** High Level of Country Risk
- Country Risk Tier 5 (CRT-5)** Very High Level of Country Risk

Regional Summary: Latin America

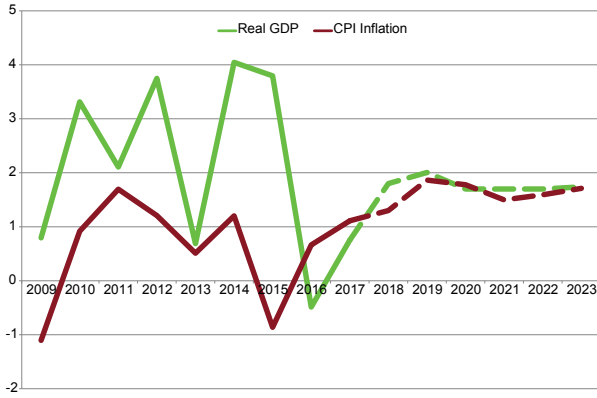
- Growth in the region is likely to continue in 2018 due to expanding global growth, rebounding commodity prices, and strengthening domestic demand. However, risks are tilted to the downside owing to rising domestic political uncertainty, currency volatility, growing trade protectionism, rising fiscal deficits, and negative spillover effects from international financial markets.
- Conditions are largely positive, but several countries in the region are experiencing heightened risk. Years of unsustainable social programs, higher spending, and growing corruption have led to significant challenges for Venezuela, as well as Brazil and Argentina, albeit to a lesser extent.
- So far this year, there have been several presidential elections in Colombia, Mexico, and Venezuela; Brazil's is scheduled for later this year. The election environment is complex owing to mounting social conflicts, corruptions scandals, and policy uncertainty. According to the IMF's 2017 estimates, four countries are responsible for the largest proportion of the region's economic output: Brazil at USD2,055 billion, Mexico at USD1,149 billion, Colombia at USD309 billion, and Venezuela at USD210 billion.

Vital Statistics 2017		
Nominal GDP	USD bn	1.85
Population	mil	0.4
GDP Per Capita	USD	4,806
Real GDP Growth	%	0.8
Inflation Rate	%	1.1
United Nations Estimates		
Literacy Rate	%	n.a.
Urbanization	%	43.7
Dependency Ratio	%	56.8
Life Expectancy	Years	68.9
Median Age	Years	22.7
Insurance Statistics		
Insurance Regulator	Supervisor of Insurance Under the Ministry of Finance	
Premiums Written (Life)	USD mil	n.a.
Premiums Written (Non-Life)	USD mil	n.a.
Premiums Growth (2016 - 2017)	%	n.a.
Regional Comparison		
	Country Risk Tier	
Belize	CRT-4	
Costa Rica	CRT-4	
El Salvador	CRT-4	
Guatemala	CRT-4	
Honduras	CRT-5	

Source: IMF, UN, Swiss Re, Axco and A.M. Best



Economic Growth (%)



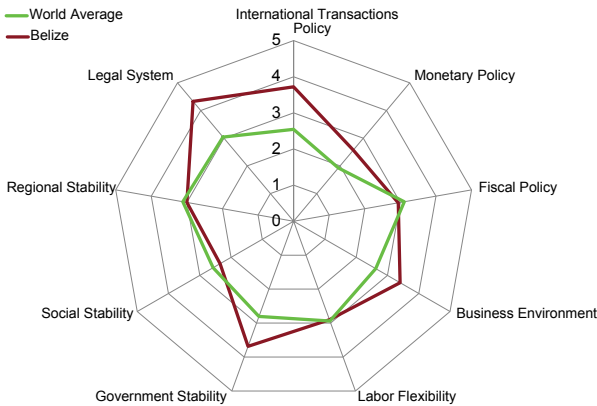
Source: IMF World Economic Outlook and A.M. Best

Economic Risk: High

- Belize's economy is driven by tourism, agriculture, and manufacturing, with the tourism sector becoming increasingly significant and accounting for 20% of GDP.
- The country depends heavily on trade and is thus sensitive to changes in commodity prices and terms of trade. Risks are to the downside, the agriculture sector exposed to weather-related events; the fishing industry is vulnerable to diseases; and tourism is facing rising regional competition.
- The US and UK are the country's main trading partners. Continued economic expansion in the US will support Belize's tourism and exports.
- The government has recently implemented austerity measures and tax increases to improve its fiscal condition. The country was recently removed from the EU's tax haven blacklist, owing to its commitment to reforming tax practices.

Political Risk Summary

Score 1 (best) to 5 (worst)

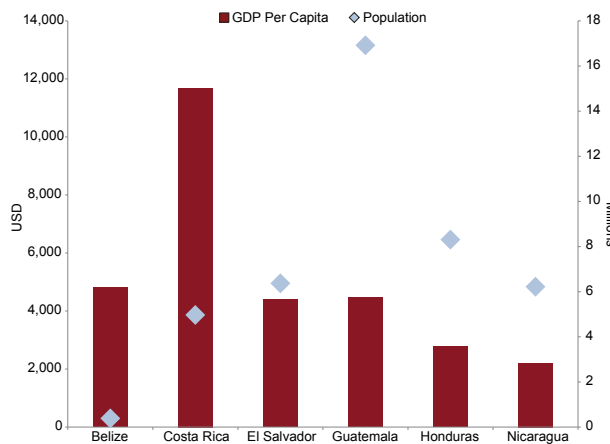


Source: A.M. Best

Political Risk: High

- Prime Minister Dean Barrow is currently serving out his third five year term, having been in power since 2005. Barrow's political party, the United Democratic Party (UDP), also enjoys a majority in parliament.
- While largely stable and democratic, the government suffers from periodic corruption scandals, an elevated violent crime rate, and high national debt. Barrow is currently focusing on attracting foreign investments for infrastructure and service projects.
- Because of limited infrastructure, a slow bureaucratic system, and inconsistent policies, operating a business in Belize is challenging. The country is ranked 121 out of 190 countries in the World Bank's 2018 Ease of Doing Business Contract Enforcement Index.
- Tax reform and public service cuts, along with wage disputes and rising oil prices, have increased the risk of strikes and protest, but do not pose a threat to overall political stability.

GDP Per Capita and Population



Source: IMF and A.M. Best

Financial System Risk: High

- The Office of the Supervisor of Insurance supervises the insurance industry, including licensing and regulating the conduct of companies, underwriters, and insurance intermediaries.
- In March 2017, Belize restructured its sovereign debt, pushing out amortization payments to 2030 from the original 2019 date. This was the country's third credit restructuring since 2006.
- Despite the restructuring, government debt remains high. The negative fiscal balance will be exacerbated by recent litigation losses. The current account deficit is expected to persist because of the country's high propensity for imports.
- The country is recovering from the termination of a significant number of correspondent banking relationships (CBRs) between 2015 and 2016.