

BEST'S COUNTRY RISK REPORT

Bolivia CRT-5

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.
- Bolivia, a CRT-5 country, has high economic and political risk and very high levels of financial system risk. Growth in 2018 is expected to slow slightly, to an estimated 4.0%, from 4.2% in 2017. Widespread poverty, corruption scandals, and a high budget deficit all serve as deterrents to growth. Inflation is projected to moderate to roughly 4.5% in the medium term.
- The map depicts the countries A.M. Best evaluates in Central America, South America and the Caribbean. Almost all of the Latin American countries are considered to be 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	37.12
Population	mil	11.1
GDP Per Capita	USD	3,353
Real GDP Growth	%	4.2
Inflation Rate	%	2.8

United Nations Estimates

Literacy Rate	%	92.5
Urbanization	%	69.3
Dependency Ratio	%	63.7
Life Expectancy	Years	69.5
Median Age	Years	24.3

Insurance Statistics

Insurance Regulator	The Supervisory Authority of the Financial System of Bolivia (ASFI)	
Premiums Written (Life)	USD mil	144
Premiums Written (Non-Life)	USD mil	385
Premiums Growth (2016 - 2017)	%	13.4

Regional Comparison

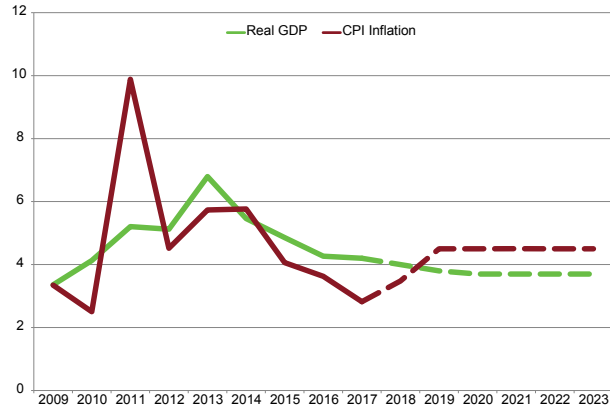
	Country Risk Tier
Bolivia	CRT-5
Argentina	CRT-5
Brazil	CRT-4
Colombia	CRT-4
Ecuador	CRT-5
Venezuela	CRT-5

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



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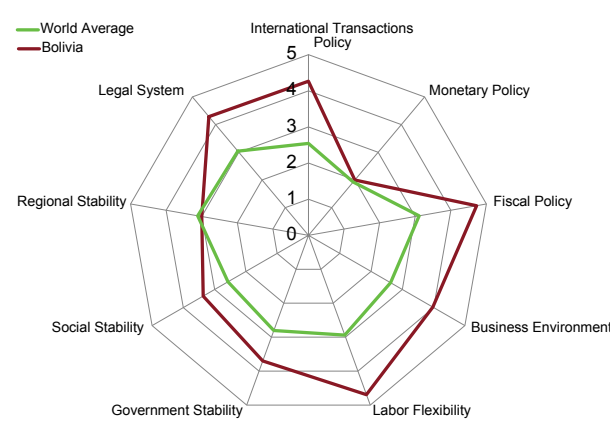
Economic Growth (%)



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

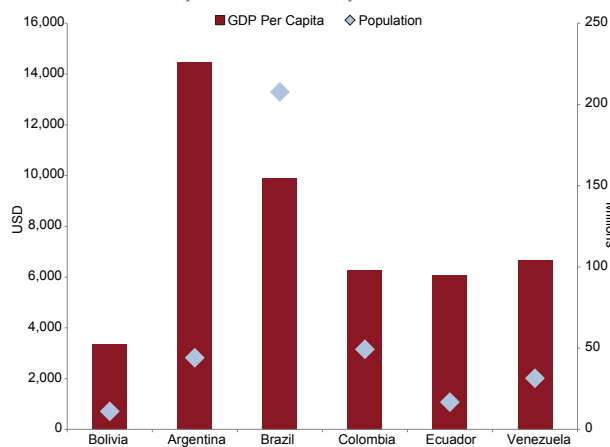
Political Risk Summary

Score 1 (best) to 5 (worst)



Source: A.M. Best

GDP Per Capita and Population



Source: IMF and A.M. Best

Economic Risk: High

- The government has one of the highest tax collection rates in the region, but the fiscal deficit is increasing. The recent decline in hydrocarbon production has decreased tax revenues and multiple sectors may face tax hikes this year.
- Bolivia relies on the hydrocarbon and mining sectors, and is thus highly vulnerable to external shocks and global price volatility. Growth has been supported by the recent increase in oil prices, but it is likely to remain volatile as prices fluctuate.
- Poverty is widespread. Bolivia's per capita GDP is ranked 154 out of 228 countries by the CIA. Progress has been made towards its Patriotic Agenda 2025, which calls for the eradication of extreme poverty and access to better health care and education, but it remains slow.
- The government is highly involved in the economy, particularly in banking and in sectors involving key resources.
- Inflation is moderate, at 4%, and enables the government to implement expansionary monetary policies when necessary.

Political Risk: High

- President Evo Morales is currently serving his third term in office. Despite a popular vote in 2016 that would prevent him from seeking a fourth term, Morales intends to run for office again in the 2019 election. The two-term limit has been lifted under his administration.
- The president's leftist party enjoys a majority. Political opposition remains fragmented, posing no significant threat to the president or his party with regard to running for office or passing legislation.
- Morales faces increasing civil opposition. His political ambition has triggered major strikes and demonstrations. Other issues, regarding labor disputes or environmental concerns, also often lead to violent protests.
- The legal system is weak and opaque. Corruption is widespread at all levels of institutions. Investigations into corruption scandals pose an increased risk for business operations. The country ranks 152 out of 190 countries in the World Bank's 2018 Ease of Doing Business Contract Enforcement Index.

Financial System Risk: Very High

- Regulation of the insurance sector is carried out by the Supervisory Authority of the Financial System of Bolivia (ASF).
- Tax burdens on banks have been elevated. Heavy state influence on the setting of interest rates also diminishes profit margins. Banks in Bolivia saw their lowest profitability in a decade in 2017.
- Although bank balance sheets remain relatively healthy, financial system sector vulnerability has increased, owing to both rising macroeconomic and inward spillover risks, reflecting the large fiscal and external deficits.