

BEST'S COUNTRY RISK REPORT

St. Kitts and Nevis CRT-3

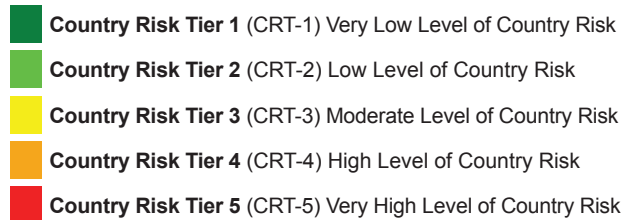
August 22, 2018

Region: Caribbean

[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.
- The Federation of Saint Kitts and Nevis is a CRT-3 country and a member of the Eastern Caribbean Currency Union (ECCU). Saint Kitts and Nevis has a moderate level of economic, political, and financial system risk.
- Real GDP growth slowed in 2017 owing to major hurricanes in September. Growth is projected to recover to 3.4% in 2018. Economic growth will depend on global economic conditions, which drive tourism revenues, as well as the frequency and severity of climate related events.
- The map below depicts the countries in the Caribbean A.M. Best evaluates.



Regional Summary: Caribbean

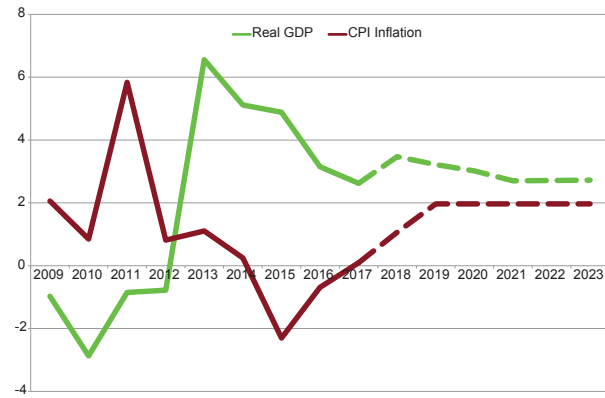
- The countries in the Caribbean vary by cultural origin, economic foundation, and population affluence, but their long-term growth and stability are highly dependent on their larger regional neighbors.
- Countries need to strengthen regional economic integration to become more globally competitive. They need to increase investment and savings, and build up their resilience to external shocks, which includes social, economic, and climate-related events.
- Most of the countries in the Caribbean depend on tourism to generate economic growth. Strong global growth will provide a tailwind for further tourism development. However, recent natural disasters have highlighted the region's dependence on this sector, as well as its continued vulnerability.
- Downside risks include a rise in US trade protectionism, further deterioration in fiscal deficits, and an economic slowdown resulting from either domestic policy uncertainty or a slowdown in global growth.

Vital Statistics 2017		
Nominal GDP	USD bn	0.93
Population	mil	0.1
GDP Per Capita	USD	16,296
Real GDP Growth	%	2.6
Inflation Rate	%	0.1
United Nations Estimates		
Literacy Rate	%	n.a.
Urbanization	%	32.3
Dependency Ratio	%	n.a.
Life Expectancy	Years	75.9
Median Age	Years	35.0
Insurance Statistics		
Insurance Regulator	Financial Services Regulatory Commission (St. Kitts & Nevis branches)	
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	
St. Kitts & Nevis	CRT-3	
Anguilla	CRT-3	
Antigua & Barbuda	CRT-4	
Barbados	CRT-4	
Cayman Islands	CRT-2	
Trinidad and Tobago	CRT-4	

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



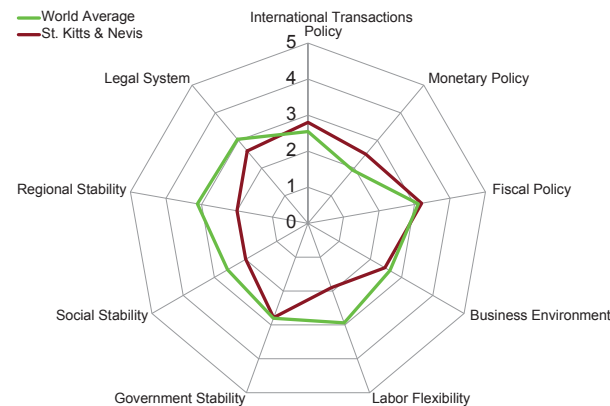
Economic Growth (%)



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

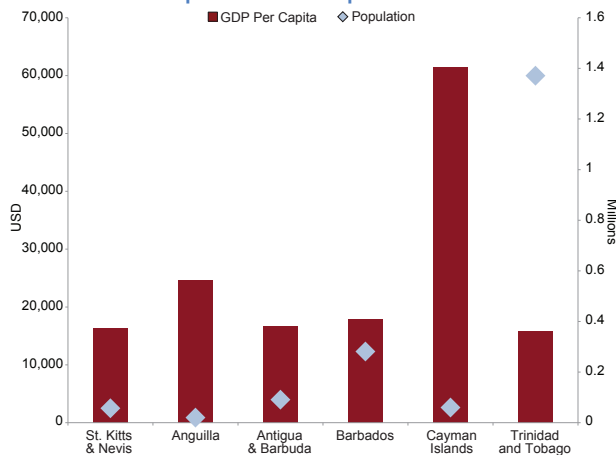
Political Risk Summary

Score 1 (best) to 5 (worst)



Source: A.M. Best

GDP Per Capita and Population



Source: IMF and A.M. Best

Economic Risk: Moderate

- Major hurricanes in September 2017 disrupted the economy, especially the tourism sector, which accounts for approximately 70% of GDP. Other main sectors include agriculture and manufacturing. The government is actively working on diversifying the economy.
- In May 2018, St. Kitts and Nevis hosted the Caribbean Investment Summit, during which it advocated its Citizenship by Investment (CIP) program, designed to attract investments and boost economic activities.
- The country is highly vulnerable to both international economic shocks and natural disasters. The relatively low-skilled workforce is another weakness of the economy.
- In 2018, the government is focusing on lowering crime, expediting hurricane reconstruction efforts, and raising infrastructure spending, especially in the tourism sector.

Political Risk: Moderate

- The Team Unity alliance, a coalition of three opposition parties, remains stable and in power. Government policy focuses on raising public investment, maintaining fiscal manageability, and promoting growth.
- The risk of opposition based on environmental activism is low. However, austerity measures, high unemployment rates, and delays in hurricane reparation efforts may increase social unrest risk.
- Drug trafficking contributes to the murder and violent crime rate. High levels of corruption and money laundering are also a primary concern, especially to international parties. The US State Department has criticized the country for insufficient action against bank secrecy. The government is focusing on strengthening the judicial system against terrorism financing and money laundering.
- The government has implied it plans to replace the UK's Privy Council with the Caribbean Court of Justice as its final appellate court, which would raise concerns among western investors.

Financial System Risk: Moderate

- Saint Kitts and Nevis have separate insurance regulators: the Saint Kitts Financial Services Regulatory Commission and the Nevis Financial Services Regulatory Commission.
- Saint Kitts is home to the Eastern Caribbean Central Bank (ECCB). Due to high levels of non-performing loans in the Caribbean region, the Eastern Caribbean Asset Management Corporation was established in 2015, a program that helps alleviate some of the burden felt by banks.
- In March 2018, the EU added St. Kitts and Nevis to a tax haven blacklist, although a move to a gray list is possible in the upcoming months.
- The current account deficit, which is equivalent to 19% of the nation's GDP, continues to burden the economy and increase the external deficit. The deficit could widen further, given the rising global oil prices.