

BEST'S COUNTRY RISK REPORT

Antigua and Barbuda CRT-4

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 dual-island state Antigua and Barbuda grew an estimated 2.8% in 2017, a lower rate than in 2016; growth is projected to accelerate slightly, to 3.5% in 2018.
- Located on the hurricane belt, the country suffered severe infrastructure damages caused by Hurricane Irma in 2017.
- Antigua and Barbuda is part of the Eastern Caribbean Currency Union (ECCU). The Eastern Caribbean dollar is legal tender and is pegged to the US dollar at a ratio of ECCB\$2.70 to USD1.
- The map depicts the Caribbean countries A.M. Best evaluates.



Economic Risk



Political Risk



Financial System Risk

- **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: 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.

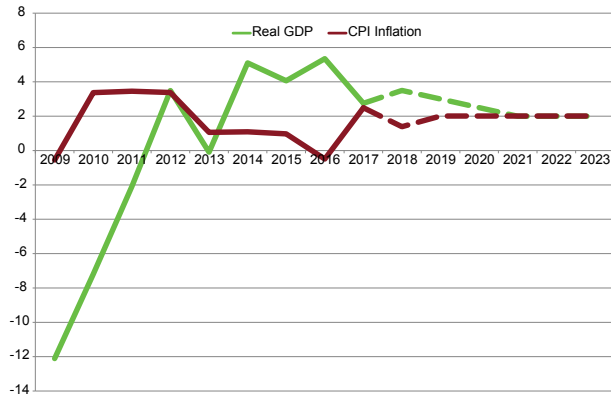
Vital Statistics 2017		
Nominal GDP	USD bn	1.52
Population	mil	0.1
GDP Per Capita	USD	16,702
Real GDP Growth	%	2.8
Inflation Rate	%	2.5
United Nations Estimates		
Literacy Rate	%	99.0
Urbanization	%	23.0
Dependency Ratio	%	45.2
Life Expectancy	Years	76.7
Median Age	Years	31.9
Insurance Statistics - As of 2016		
Insurance Regulator	Financial Services Regulatory Commission	
Premiums Written (Life)	USD mil	22
Premiums Written (Non-Life)	USD mil	60
Premiums Growth (2015 - 2016)	%	0.7
Regional Comparison		
	Country Risk Tier	
Antigua & Barbuda	CRT-4	
Anguilla	CRT-3	
Bahamas	CRT-3	
St. Kitts & Nevis	CRT-3	
Saint Lucia	CRT-3	
Trinidad and Tobago	CRT-4	

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



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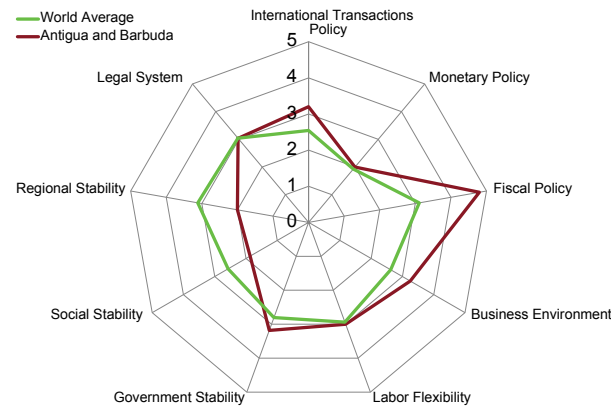
Economic Growth (%)



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

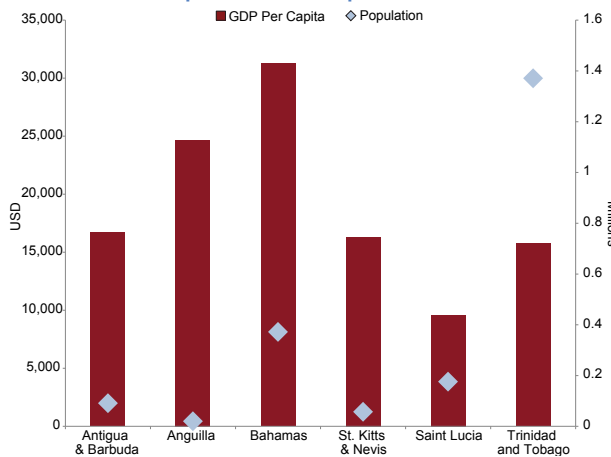
Political Risk Summary

Score 1 (best) to 5 (worst)



Source: A.M. Best

GDP Per Capita and Population



Source: IMF and A.M. Best

Economic Risk: Moderate

- The primary industry in Antigua's economy is tourism-related service exports, which accounts for approximately 82% of GDP. The main sectors after tourism are agriculture and export-oriented manufacturing. Owing to limited resources on the island, as well as weaker global demand, manufacturing has declined in recent years.
- The country's heavy dependence on tourism highlights its vulnerability to external economic shocks. The sector has been struggling recently, amid unstable global demand and rising regional competition.
- Hurricane Irma in June 2017 was devastating, impacting 90% of the island's relatively well-developed infrastructure and causing losses equivalent to 17% of GDP. Reconstruction projects have been prioritized, which, along with higher global economic growth in 2018, is expected to contribute to a recovery in the economy.
- Over the long term, the country needs to address persistent skilled labor shortages and modernize its tourism industry.

Political Risk: Moderate

- Gaston Browne has been prime minister of Antigua since 2014, with his party holding a majority in parliament.
- Antigua and Barbuda share close and strong ties, facing only some minor disagreements over land and private ownership rights that pose little risk for interstate conflict. Crime against tourists is relatively low, with terrorist attacks or large-scale strikes and protests unlikely. There is, however, a higher crime rate owing to drug trafficking and related activities.
- Relevant US agencies continue to collaborate with the country to curb trafficking-related violence and crimes. The government is focusing on curbing corruption, terrorism financing, and money laundering.
- The "Citizenship by Investment" program has been reasonably successful, but is criticized internationally for potential political interference in granting citizenship.

Financial System Risk: High

- The domestic and off-shore insurance market is regulated by the Financial Services Regulatory Commission (FSRC).
- The tax system is stable, but taxation is projected to increase, to finance reconstruction efforts.
- Antigua and Barbuda are members of the Eastern Caribbean Currency Union and the Eastern Caribbean Central Bank. As such, they do not have sole control over their monetary policy or currency as it is pegged to the US dollar.
- The government is working to improve its weak sovereign credit rating and lessen its heavy external debt burden. Over the last few years, it has cut spending and enhanced tax collection. Adopting policies recommended by the IMF has also helped the country's financial system advance significantly.