

BEST'S COUNTRY RISK REPORT

Bahamas

CRT-3

August 22, 2017

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. Its economic, political, and financial system risk are all moderate.
- The economy of the Bahamas, a CRT-3 country, is heavily dependent on tourism, although it has been diversifying into financial services. Prominent sectors are banking, trusts, mutual funds, and insurance.
- The economic outlook for the Bahamas is improving, based on gains in tourism and construction. The country experienced only 0.01% growth in 2016. Future growth is expected to pick up due to rising tourism revenues.
- The map depicts the countries A.M. Best evaluates in the Caribbean.



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

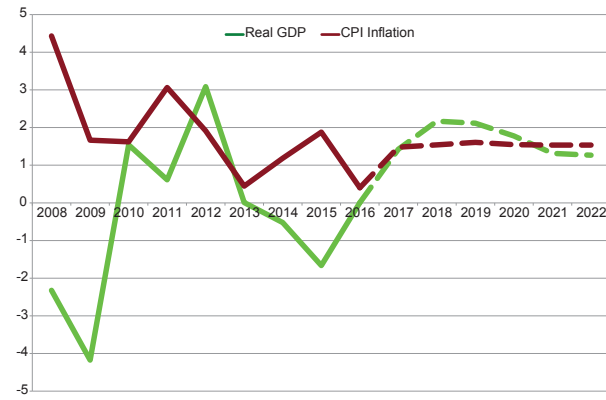
- The countries in the Caribbean vary by cultural origin, economic foundation, and population affluence, but their long-term growth and stability are highly dependent on their larger regional neighbors.
- Prospects for the region are improving, but elevated public debt levels remain a major vulnerability. However, debt in some tourism-dependent economies is decreasing from very high levels owing to fiscal consolidation efforts.
- Tourism is likely to improve in 2017, supported by higher economic growth in the US, the main market for most destinations in the region. Commodity exporters such as Trinidad and Tobago should expect an improvement in growth as a result of stabilized commodity prices.
- Countries need to strengthen regional economic integration to become more globally competitive. An increase in investment and savings will allow for improved resilience to external shocks, which could include social, macroeconomic, and climate-related events.

Vital Statistics 2016		
Nominal GDP	USD bn	8.94
Population	mil	0.37
GDP Per Capita	USD	24,272
Real GDP Growth	%	0.01
Inflation Rate	%	0.4
United Nations Estimates		
Literacy Rate	%	n.a.
Urbanization	%	82.9
Dependency Ratio	%	41.2
Life Expectancy	Years	75.6
Median Age	Years	32.4
Insurance Statistics		
Insurance Regulator	Insurance Commission of the Bahamas	
Premiums Written (Life)	USD mil	198
Premiums Written (Non-Life)	USD mil	581
Premiums Growth (2015 - 2016)	%	n.a.
Regional Comparison		
	Country Risk Tier	
Bahamas	CRT-3	
Antigua & Barbuda	CRT-4	
Barbados	CRT-4	
Cayman Islands	CRT-2	
Jamaica	CRT-5	
Trinidad and Tobago	CRT-4	

Source: IMF, UN (2015 figures), Swiss Re, Axco and A.M. Best



Economic Growth (%)



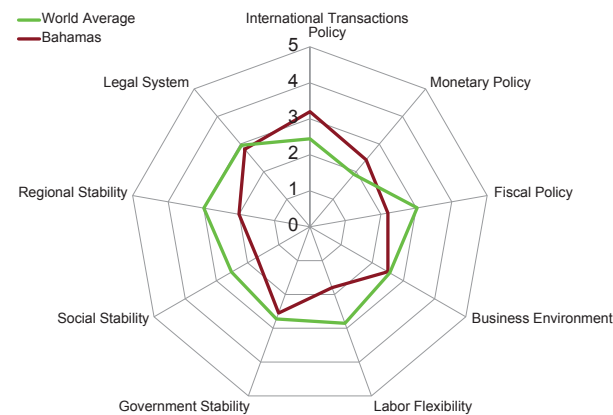
Source: IMF World Economic Outlook and A.M. Best

Economic Risk: Moderate

- The Bahamas' small trade-oriented economy is heavily dependent on tourism and international banking. Tourism accounts for over 70% of GDP. Due to a concentrated economy, it is vulnerable to downturns in the global economy. However, continued economic growth in the U.S. should bolster tourism revenues.
- Following more than a decade of delays, the long-awaited Baha Mar resort partially opened in April 2017. One of the largest resorts in North America, the resort expects to employ around 5,500 persons when it is fully operational and should provide a boost to the tourism industry.
- High unemployment continues to dampen economic activity. As of December 2016, the unemployment rate was 11.6%.

Political Risk Summary

Score 1 (best) to 5 (worst)

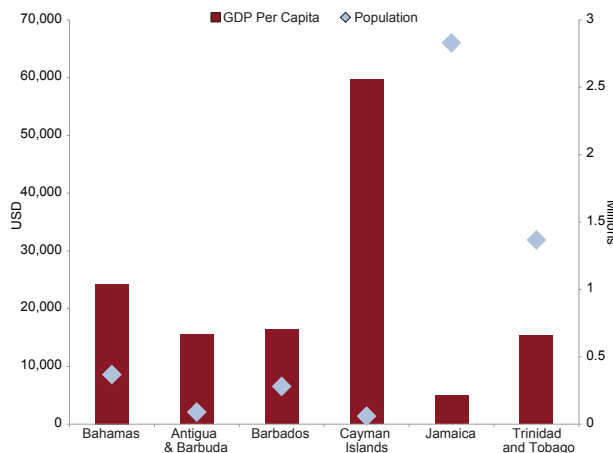


Source: A.M. Best

Political Risk: Moderate

- The Bahamas is an independent Commonwealth of the United Kingdom. The United Kingdom is responsible for the Bahamas' defense.
- A new government was elected in May 2017, placing the Free National Movement (FNM) in power. The government, headed by Hubert Minnis, is expected to reduce the VAT on certain products and implement electoral reform. The FNM's strong majority will facilitate passage of legislation.
- The Bahamas ranked 121st out of 190 economies in the World Bank's 2017 Ease of Doing Business Index. The business environment is hampered by corruption, limited access to credit, and a slow judicial system.
- Violent crime serves as a deterrent to foreign direct investment and tourism. The U.S. State Department has rated the crime threat as critical.
- Chronic fiscal deficits indicate the need to practice more prudent fiscal spending. Government debt is approximately 66% of GDP.

GDP Per Capita and Population



Source: IMF and A.M. Best

Financial System Risk: Moderate

- The insurance industry regulator is the Insurance Commission of the Bahamas.
- The Bahamas, like many Caribbean countries, has suffered the loss of some correspondent banking relationships. While this has not yet impacted the financial sector substantially, continuation of this trend could limit access to credit and inhibit growth.
- High rates of non-performing loans hinder the financial sector's lending abilities. Resolution of these loans should be accelerated to support growth.
- The Bahamian dollar is pegged to the U.S. dollar at a one-for-one ratio. Due to the peg, the Bahamas' monetary policy largely follows that of the U.S.