

BEST'S COUNTRY RISK REPORT

Barbados

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. Barbados has high levels of economic risk, moderate levels of political risk, and high levels of financial system risk.
- Barbados, a CRT-4 country, is an independent member of the British Commonwealth. It is home to a large offshore financial services sector, which includes participation by banks and insurance companies, the majority of which are of US or Canadian origin.
- The IMF estimates GDP growth of 0.5% in 2018, as the economy decelerates over the short term because of financial system difficulties. Inflation is estimated to rise to 5.4% in 2018, on an increase in indirect taxation and fiscal consolidation as a part of the new prime minister's debt restructuring plan.



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

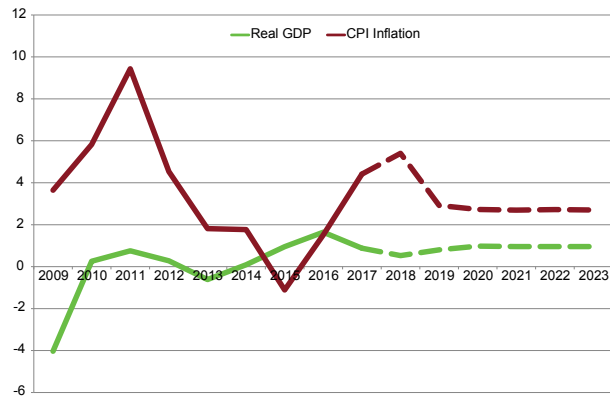
- The countries in the Caribbean vary by cultural origin, economic foundation, and population affluence, but their long-term growth and stability are highly dependent on their larger regional neighbors.
- Countries need to strengthen regional economic integration to become more globally competitive. 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	5.02
Population	mil	0.3
GDP Per Capita	USD	17,859
Real GDP Growth	%	0.9
Inflation Rate	%	4.4
United Nations Estimates		
Literacy Rate	%	n.a.
Urbanization	%	31.4
Dependency Ratio	%	50.4
Life Expectancy	Years	75.5
Median Age	Years	38.6
Insurance Statistics		
Insurance Regulator	Financial Services Commission	
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	
Barbados	CRT-4	
Antigua & Barbuda	CRT-4	
Bahamas	CRT-3	
Cayman Islands	CRT-2	
Jamaica	CRT-4	
Trinidad and Tobago	CRT-4	

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



Economic Growth (%)



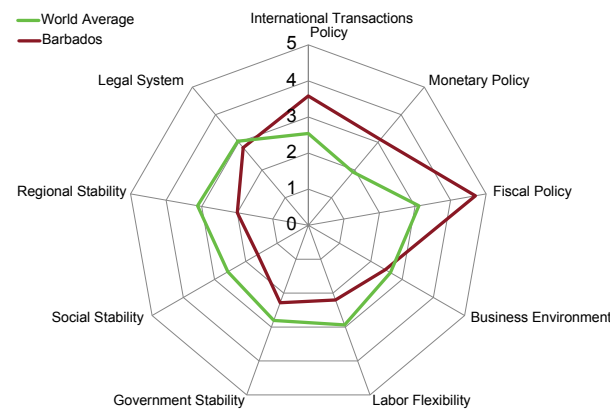
Source: IMF World Economic Outlook and A.M. Best

Economic Risk: High

- The new prime minister is likely to impose austerity measures and increase taxation to tackle the public debt, which has reached USD7.5 billion, or 171% of GDP.
- The country relies heavily on tourism, which accounts for 87% of GDP. Hurricane Irma in 2017 caused disruptions that led to a slowdown in the country's GDP growth. The crucial tourism sector has also been hurt owing to intensifying regional competition.
- Barbados has a well-educated and efficient workforce, but the cost of labor is high by regional standards. The Public Wage Bill and high fiscal deficits and public debt will require restructuring, given that they bring down international reserve levels and undermine the country's confidence.
- The country's economy contracted in early 2018, and the tighter fiscal policy needed to lower debt will further erode domestic demand. As a net oil importer, Barbados is also vulnerable to fluctuations in global oil prices due to inflation.

Political Risk Summary

Score 1 (best) to 5 (worst)

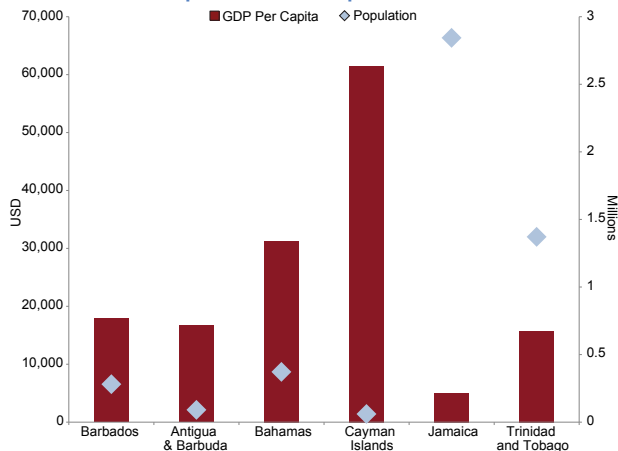


Source: A.M. Best

Political Risk: Moderate

- New Prime Minister Mia Mottley was elected in May 2018, and her party achieved an overwhelming majority in the House of Assembly. The former Parliament was dissolved in March 2018.
- On June 4, 2018, the government officially suspended payments on debts to external commercial creditors owing to its inability to service them. Mottley has engaged with the IMF, as she seeks debt restructuring. Austerity measures are likely to be imposed, which raises the risk of social unrest.
- Mottley also announced a review of contract renewals and tax incentives issued under the previous administration, worsening contract alteration risk.
- Neither social nor political unrest is common, and strikes and protests are typically resolved quickly and peacefully.

GDP Per Capita and Population



Source: IMF and A.M. Best

Financial System Risk: High

- The Financial Services Commission regulates a number of financial services, including insurance and pension business.
- Financial system risk has increased materially following the sovereign default in June.
- Traditionally, Barbados generates most of its revenue by indirect taxation. To confront its high debt, the government increased import duties in 2017. The EU removed the country from a tax haven blacklist in January 2018, after the government offered to modify its tax laws.
- Because of the central bank's extensive financing of the government's deficit, its ability to act as the lender of last resort is at risk.