

# BEST'S COUNTRY RISK REPORT

## Curaçao 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.
- Curaçao, a CRT-3 country, has moderate levels of economic, political, and financial stability risk. It recently rebounded from an economic contraction in 2016, but growth is likely to remain subdued, at an estimated 0.2% in 2018 and 2019, owing to concerns about oil refinery production and exposures to Venezuela.
- Formerly part of the Netherlands Antilles, a dissolution agreement signed in October 2010 granted Curaçao *status aparte*. The island remains part of the Kingdom of the Netherlands and uses the Netherlands Antillean guilder as its currency.
- The map depicts the countries in the Caribbean 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.

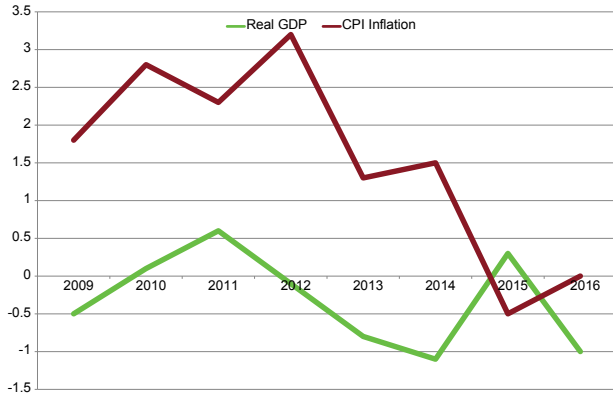
Vital Statistics 2016		
Nominal GDP	USD bn	5.60
Population	mil	0.2
GDP Per Capita	USD	15,000
Real GDP Growth	%	-1.0
Inflation Rate	%	0.0
United Nations Estimates		
Literacy Rate	%	n.a.
Urbanization	%	89.2
Dependency Ratio	%	52.4
Life Expectancy	Years	78.5
Median Age	Years	36.1
Insurance Statistics		
Insurance Regulator	Central Bank of Curacao and St. Maarten	
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	
Curacao	CRT-3	
Antigua & Barbuda	CRT-4	
Barbados	CRT-4	
Cayman Islands	CRT-2	
Jamaica	CRT-4	
Trinidad and Tobago	CRT-4	

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



Copyright © 2018 A.M. Best Company, Inc. and/or its affiliates. All rights reserved. No part of this report or document may be reproduced, distributed, or stored in a database or retrieval system, or transmitted in any form or by any means without the prior written permission of the A.M. Best Company. While the data in this report or document was obtained from sources believed to be reliable, its accuracy is not guaranteed. For additional details, refer to our *Terms of Use* available at A.M. Best website: [www.ambest.com/terms](http://www.ambest.com/terms).

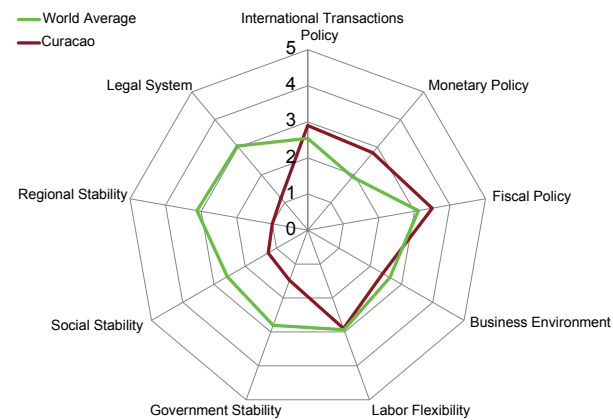
### Economic Growth (%)



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

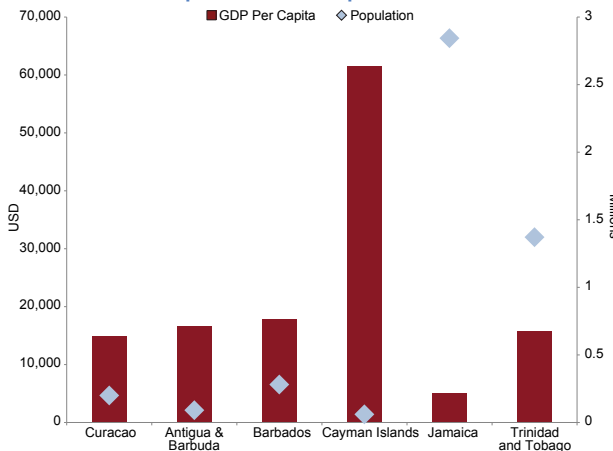
### Political Risk Summary

Score 1 (best) to 5 (worst)



Source: A.M. Best

### GDP Per Capita and Population



Source: IMF and A.M. Best

## Economic Risk: Moderate

- Curaçao's economic mainstays include tourism, offshore finance, and the oil industry, making the island's economy vulnerable to external changes in both demand and terms of trade. Because of its geography, the country's tourism industry, which generates 13% of national income, is vulnerable to natural disasters.
- The country has an attractive environment for business. It has adopted the Netherlands Antilles' fiscal framework, which provides tax exemptions for offshore businesses. Its tax legislation is also designed to attract international Internet companies. The economic free zone attracts foreign investments as well as money laundering, which remains a top concern.
- GDP growth has been limited, and per capita income has been falling. The current-account balance has also been high. The country does receive monetary support from the European Development Fund and its association with the Dutch kingdom also helps the country attract the EU's associate members.

## Political Risk: Moderate

- Curaçao became an autonomous territory in the Dutch Kingdom in October 2010. Under Prime Minister Eugene Rhuggenaath, relations with the Netherlands are expected to remain stable and constructive. The Netherlands monitors the island's political and economic activities, and controls its foreign policies.
- The government concentrates on attracting foreign investment. Public agencies are efficient, and corruption is low by regional standards.
- Growing environmental activism may pose an increased risk to business operations. For instance, the Isla oil refinery in the capital, Willemstad, is contending with moderate opposition because of pollution.
- Diplomatic relationships pose a low risk. St. Maarten's unbalanced budget may hurt the two countries' monetary union. Relations with Venezuela have worsened slightly this year, when the latter closed its mutual aerial and maritime borders, arguing that Curaçao had extracted and abused scarce basic goods.

## Financial System Risk: Moderate

- The Central Bank of Curaçao and St. Maarten serves as the regulator for Curaçao's insurance industry.
- Curaçao enjoys significant foreign direct investment inflows and light short-term foreign and public debt burdens.
- However, it has a large current account deficit, estimated at slightly below 15% of GDP. The deficit is due mostly to structural problems, such as market inflexibility, reliance on imports, and lack of competitiveness. The government is starting to address these issues in relevant policies, which if implemented efficiently, could shrink the deficit.