

BEST'S COUNTRY RISK REPORT

Jamaica CRT-4

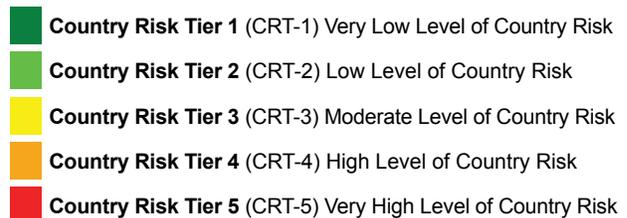
August 22, 2018

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.
- Jamaica is a CRT-4 country with moderate levels of political risk and high levels of economic and financial system risk.
- GDP growth is projected to reach 2.0% in 2018 and 2019, thanks to growing external demand and the US economic expansion, which supports Jamaica's tourism industry (25% of the GDP). Sectors such as construction and manufacturing have also benefited from tourism growth. Inflation will remain low despite higher oil prices, owing to low food prices and domestic demand.
- The map depicts the countries A.M. Best evaluates in the Caribbean.



Regional Summary: Caribbean

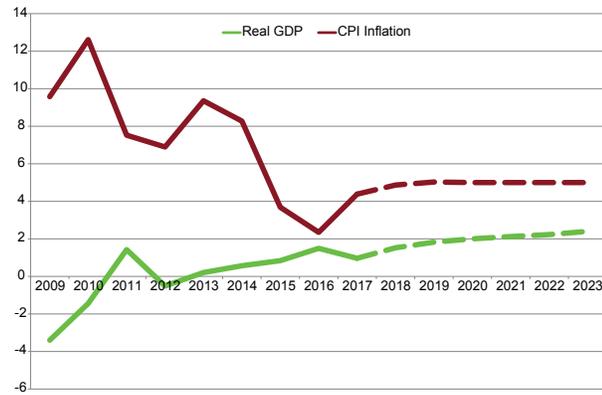
- The countries in the Caribbean vary by cultural origin, economic foundation, and population affluence, but their long-term growth and stability are highly dependent on their larger regional neighbors.
- Countries need to strengthen regional economic integration to become more globally competitive. 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	14.36
Population	mil	2.8
GDP Per Capita	USD	5,048
Real GDP Growth	%	1.0
Inflation Rate	%	4.4
United Nations Estimates		
Literacy Rate	%	88.7
Urbanization	%	55.3
Dependency Ratio	%	48.7
Life Expectancy	Years	73.7
Median Age	Years	26.0
Insurance Statistics		
Insurance Regulator	Financial Services Commission	
Premiums Written (Life)	USD mil	290
Premiums Written (Non-Life)	USD mil	442
Premiums Growth (2016 - 2017)	%	n.a.
Regional Comparison		
	Country Risk Tier	
Jamaica	CRT-4	
Antigua & Barbuda	CRT-4	
Bahamas	CRT-3	
Barbados	CRT-4	
Cayman Islands	CRT-2	
Trinidad and Tobago	CRT-4	

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



Economic Growth (%)



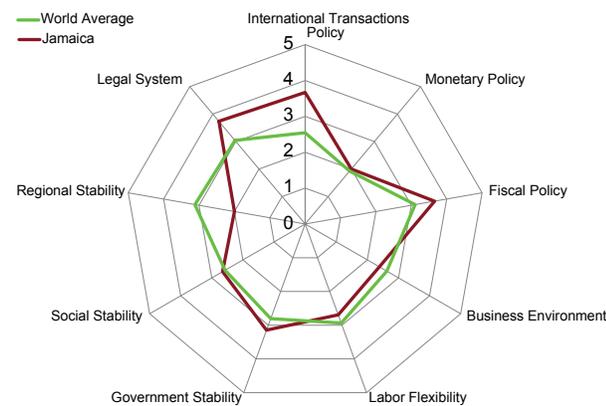
Source: IMF World Economic Outlook and A.M. Best

Economic Risk: High

- Jamaica's government is currently focused on making fiscal reforms and improving the efficiency of the taxation system. The income tax threshold was raised significantly, along with tax rates for the high-income population. Meanwhile, income tax for low-income households has been removed, while the corporate income tax remains broadly stable. This leaves 6% of the nation's population subject to personal income tax.
- The IMF arranged a successor standby program with Jamaica in 2016 and confirmed that all criteria have been met to date.
- Tourism is the island's main sector, followed by the mining and quarrying industry, which is closely associated with global demand for metals and minerals. Given that both sectors are sensitive to global price fluctuations, the country's economy is vulnerable to external shocks.

Political Risk Summary

Score 1 (best) to 5 (worst)

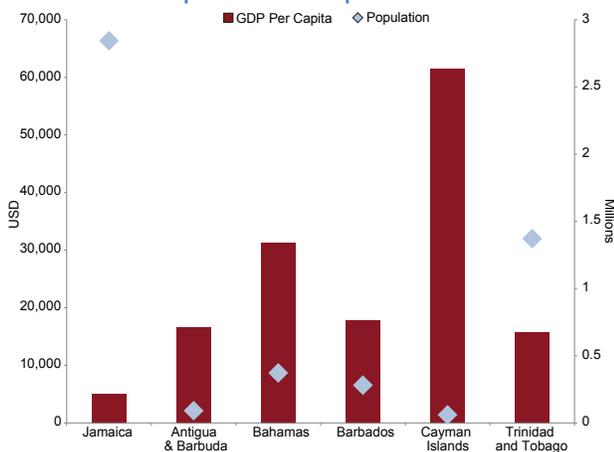


Source: A.M. Best

Political Risk: Moderate

- The government is a stable parliamentary democracy led by the Jamaica Labor Party (JLP), which holds a narrow majority. The party is facing more organized opposition following the appointment of Peter Phillips as the opposition leader of the People's National Party (PNP).
- Violent crimes and drug trafficking remain high. In 2017, the murder rate reached levels not seen since 2009. The security issue is somewhat exacerbated by police inefficiency and poor cooperation. Lowering crime is a government priority; the high crime rate leads to protests and could impede business operations.
- The legal process is relatively independent but corruption is high, and lacks crucial monetary and physical resources.
- Jamaica also faces elevated emigration rates (net migration rate is approximately -0.43%), especially among college-educated professionals and students, leaving shortages of skilled labor in some sectors.

GDP Per Capita and Population



Source: IMF and A.M. Best

Financial System Risk: High

- The Financial Services Commission (FSC) regulates Jamaica's insurance industry.
- One main bank in Jamaica no longer accepts remittances from some money transfer services. Should this grow to a larger scale, Jamaica's foreign exchange market could be disadvantaged.
- High debt, equivalent to around 110% of the country's GDP, combined with the reliance on tourism, increases non-payment risk.
- In the past four years, Jamaica's current account has been rising, although it was still negative as of 2017. It is expected to reach a surplus of 1.1% in 2018.
- The recovery in exports and tourism has led to an improvement in foreign exchange reserves and liquidity. The country's fiscal position is well improved, as the public sector deficit has declined.