Regional Summary: Caribbean

- The countries in the Caribbean vary by cultural origin, economic foundation, and population affluence, but their long-term growth and stability depend highly 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 resistance to external shocks—including social, economic, and climate-related events.
- Most of the countries in the Caribbean depend on tourism for economic growth. However, recent natural disasters have highlighted the region’s dependence on this sector as well as its continued vulnerability. Those countries that do not rely on tourism depend largely on commodity exports, which makes them sensitive to global economic conditions.
- The number of non-performing loans in the region is high and limits economic growth and credit availability, as well as making banks more vulnerable to shocks.
Economic Risk: High

- Despite a projected increase in growth, Jamaica is facing numerous headwinds, including weaker domestic demand, a slowdown in US growth, uncertain external demand, high levels of crime, and vulnerability to natural disasters.
- 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 economy is vulnerable to external shocks.
- The government is obligated by its fiscal responsibility law to bring public debt levels down to 60% of GDP by 2025. Currently, the public debt is about 95% of GDP.
- Unemployment has fallen due to an expansion in mining, construction and tourism, but unemployment remains high among younger people.

Political Risk: Moderate

- Prime Minister Andrew Holness' party, the Jamaica Labor Party, holds only a narrow majority in parliament (33 out of 63 seats) but has been successful in passing legislation.
- The administration remains focused on economic reforms. The country entered an agreement with the IMF in January 2016. This agreement allocates USD 1.7 billion to the Jamaican government over three years (currently in its final year) and focuses on reducing debt, building infrastructure, and cutting public spending by capping government salaries.
- The majority of murders and general crime in Jamaica is gang-related. The government has issued States of Emergencies in a number of districts owing to the increase in crime. The security issue is somewhat exacerbated by police inefficiency. Lowering crime is a government priority; the high crime rate leads to protests and could impede business operations.
- Jamaica faces elevated emigration rates, especially among college-educated professionals and students, leaving shortages of skilled labor in some sectors.

Financial System Risk: High

- The Financial Services Commission (FSC) regulates Jamaica's insurance industry.
- Monetary policy is currently accommodative. In May 2019, the Central Bank of Jamaica cut interest rates by 50 basis points, bringing the rate to 0.75%. The central bank is hoping to spur private credit growth and get inflation to its target range of 4.0% to 6.0%.
- Foreign entities are allowed to have only 49% of market share in the insurance industry.
- High debt levels, combined with the reliance on tourism, increase non-payment risk.