Libya
CRT-5

August 22, 2018

Region: Middle East & North Africa

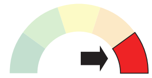
[Country Risk Criteria Procedures]

[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.
- Libya is a CRT-5 country and has very high levels of economic, political, and financial system risk.
- As a consequence of an extended political conflict, Libya's economic growth has been highly volatile in recent years. Following four years of economic contraction from 2013 to 2016, Libya's economy returned to growth in 2017. GDP was 70.8% in 2017 and is projected at 16.4% in 2018. Medium-term growth is expected to moderate and range between 1.0% and 1.5%.
- The map depicts countries in the region that A.M. Best evaluates for country risk. The region contains countries with risk levels ranging from CRT-3 to CRT-5.

Vital Statistics 2017		
Nominal GDP	USD bn	31.33
Population	mil	6.4
GDP Per Capita	USD	4,859
Real GDP Growth	%	70.8
Inflation Rate	%	28.0
United Nations Estimates		
Literacy Rate	%	91.0
Urbanization	%	79.0
Dependency Ratio	%	49.1
Life Expectancy	Years	76.7
Median Age	Years	28.9
Insurance Statistics		
Insurance Regulator	Insurance Supervision and Controlling Authority	
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	
Libya	CRT-5	
Algeria	CRT-5	
Egypt	CRT-5	
Ghana	CRT-5	
Morocco	CRT-4	
Tunisia	CRT-4	

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


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

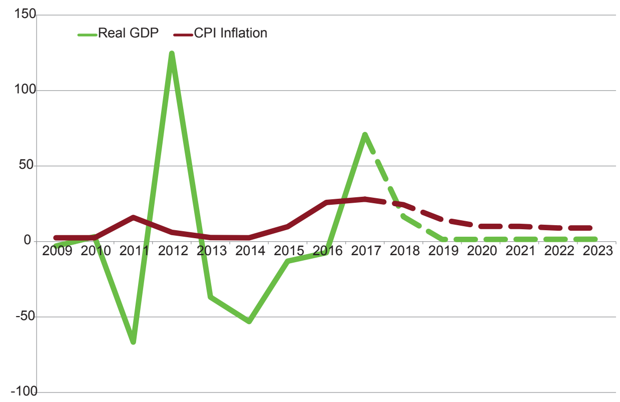
Country Risk Tier 4 (CRT-4) High Level of Country Risk

Country Risk Tier 5 (CRT-5) Very High Level of Country Risk

Regional Summary: Middle East & North Africa

- Higher global interest rates, particularly if interest rates increase faster than expected, raise the potential for greater fiscal vulnerabilities and tighter credit conditions. According to the IMF, debt in the region has increased an average of 10% of GDP each year since 2013, owing to countries financing large fiscal deficits through increased borrowing and draw downs of fiscal buffers.
- Economic growth for the region is estimated to increase in 2018 on strengthening global growth, a moderate rise in oil prices, easing fiscal adjustment, reforms to promote non-oil sector growth, and growing infrastructure investment.
- Fiscal consolidation and revenue generating programs implemented over the last few years continue, albeit at a slower pace. Revenue measures include the introduction of a value-added tax (January 2018) in Saudi Arabia and the United Arab Emirates, with other countries likely to implement similar measures by the end of the year. Improving the efficiency of public spending (via a bill that lowers the government wage bill, for example) on the expenditure side is also a priority.

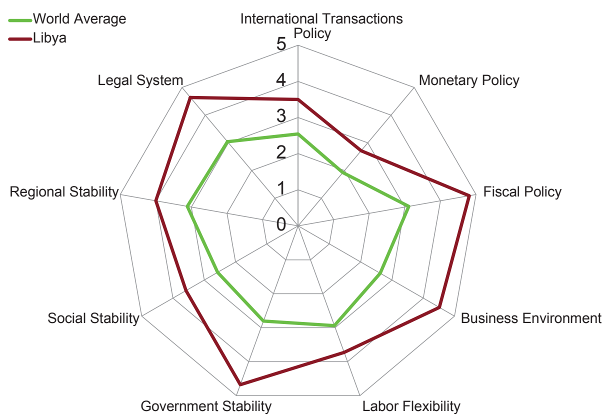
Economic Growth (%)



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

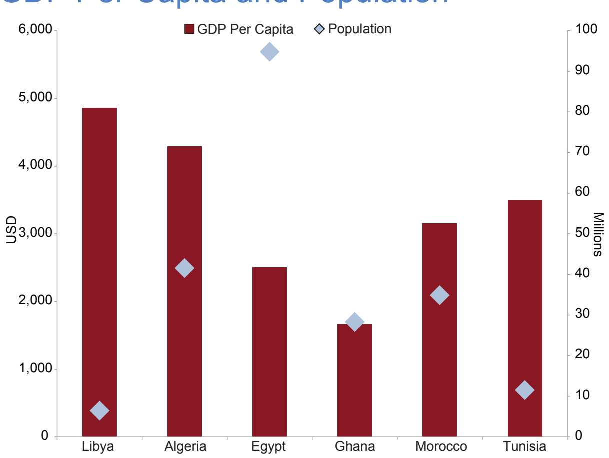
Political Risk Summary

Score 1 (best) to 5 (worst)



Source: A.M. Best

GDP Per Capita and Population



Source: IMF and A.M. Best

Economic Risk: Very High

- Libya's economy, while rich in natural resources, has been severely debilitated by erratic leadership, economic policies that have distorted incentives, and international and civil war. The economy depends almost entirely on oil exports.
- Libya has not undergone an IMF Article IV consultation since May 2013. The IMF notes the reason for the delay is an "unsettled and/or security situation."
- According to the World Bank's Ease of Doing Business Survey, Libya ranks 185 out of 190 countries, which makes the country one of the most difficult operating environments in the world. However, this is an improvement from last year's ranking, when Libya ranked 190.
- The country has several structural issues that need to be addressed, including inadequate and decaying infrastructure, high levels of unemployment, housing shortages, and poverty.

Political Risk: Very High

- The level of political instability is high owing to armed militant interference in the political system, government mismanagement of the country's oil revenues, and lingering resentment over the legacy of the Gaddafi regime.
- The country has not had a stable, elected government since the overthrow of the Gaddafi government. The assembly has not been able to approve a new constitution due to competing interests. A United Nations-backed government expired in December 2017.
- Following the expiration of the UN government agreement, military leader Khalifa Haftar announced that the Libyan National Army is the country's "sole legitimate institution," and that Libya is not ready for democracy.
- Security issues pose one of the biggest challenges for the country. Pressing security concerns include the civil war between competing governments, militia coalitions, and terrorism threats from Islamic State.

Financial System Risk: Very High

- Libya's insurance industry is supervised by the Insurance Supervision and Controlling Authority.
- Much of the country's foreign direct investment left in 2011 and has been slow to return. Many investors are waiting for clarity on the political situation, as well as better security. The country is open to foreign direct investment.
- Due to a collapse in the government's authority, financial sector reforms have largely been on hold. Confidence in the banking sector is low.
- Libya has a sovereign wealth fund, the Libyan Investment Authority, with an estimated value of USD67 billion in 2017. However, the assets have been frozen by the United Nations, to safeguard the money from potential misappropriations.