Macau
CRT-2
August 22, 2019
Region: Asia
Country Risk Criteria Procedures
Guide to Best’s Country Risk Tiers
• The Country Risk Tier (CRT) reflects AM Best’s assessment of three categories of risk: Economic, Political, and Financial System Risk.
• Macau, a CRT-2 region, is a Special Administrative Region (SAR) of China, and a former Portuguese colony. It has moderate levels of economic and political risk and a low level of financial system risk. Its economy is closely tied to China’s and depends highly on the tourism and gaming sectors.
• With US-China trade tensions continuing, the uncertain external environment has weighed on Macau’s growth projects, which are now estimated at 3.9% for 2019. Some pickup in inflationary pressure is expected, stemming from China’s pork crisis, but inflation is still projected to be under 3% for the year.
• The countries pictured in the map hold a great deal of the world’s economic potential.

Vital Statistics 2018
Nominal GDP USD bn 54.55
Population mil 0.7
GDP Per Capita USD 82,388
Real GDP Growth % 4.7
Inflation Rate % 3.0

United Nations Estimates
Literacy Rate % n.a.
Urbanization % 100.0
Dependency Ratio % n.a.
Life Expectancy Years 84.6
Median Age Years 39.8

Insurance Statistics
Insurance Regulator Monetary Authority of Macau
Premiums Written (Life) USD mil 2,445
Premiums Written (Non-Life) USD mil 285
Premiums Growth % 6.4

Regional Comparison
Country Risk Tier
Macau CRT-2
China CRT-3
Hong Kong CRT-2
Japan CRT-2
South Korea CRT-2
Taiwan CRT-2

Source: IMF, UN, Swiss Re, Axxo and AM Best

Regional Summary: Eastern Asia
• Eastern Asia includes economies in various stages of development, from the MSCI-classified frontier market of Bangladesh to the MSCI-classified developed market of Japan.
• Growth in the region is facing several headwinds, including slowing exports, equity market corrections, decelerating global investment, and—especially important to both the region’s and the world’s economic outlook—a moderation of growth in China. China accounts for over half of the region’s GDP; the region as a whole accounts for around one-third of global economic growth.
• Despite weakening external conditions, many of the countries in the region have proven resilient in the face of headwinds. Inflation remains moderate and the region’s economic diversification has supported ongoing job creation. Governments have bolstered growth through stimulatory measures; growth has also been sustained through the rise of private consumption.
• In the face of external headwinds, monetary policy throughout the region has been loosening.
Economic Risk: Moderate

- Macau has an open, free-market economy. Tourism, including the gaming market, accounts for 55% of GDP.
- As the only legal destination for casinos in China, a majority of Macau’s tourists are from greater China. The structural economic slowdown in China poses a headwind to the SAR’s economic outlook.
- After China’s corruption crackdown in 2014, which led to a sharp decline in Macau’s gaming revenues, Macau has pursued diversification strategies to lessen its dependency on high-spending visitors. The IMF has stated that Macau’s growth outlook is now less volatile, as non-gaming tourism has grown.
- The Macau and Mainland Closer Economic Partnership Arrangement (CEPA) has significantly lowered trade and investment barriers between the two entities.
- The population enjoys one of the highest per capita incomes in the world. The labor market remains tight, with unemployment consistently below 2%. However, growing income inequality, along with housing affordability, are challenges.

Financial System Risk: Low

- Macau’s insurance industry is regulated by the Insurance Supervision Department of the Macau Monetary Authority (AMCM). The AMCM also regulates the banking industry.
- Macau’s currency is pegged to the Hong Kong dollar, limiting its control over interest rates. However, an ample amount of foreign reserves helps mitigate this restriction.
- Macau’s external position is strong, with high foreign exchange liquidity, ample external assets, and robust FDI inflows. The IMF has encouraged boosting infrastructure and social spending.