

# BEST'S COUNTRY RISK REPORT

## St. Lucia CRT-3

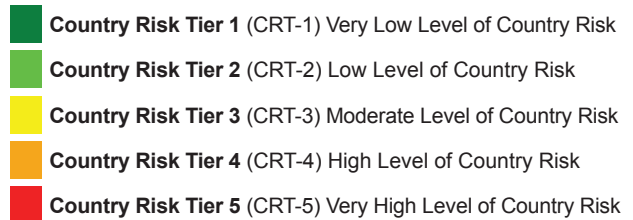
August 22, 2018

**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.
- St. Lucia, a CRT-3 country, is a British Commonwealth with a parliamentary democracy and is a member of the Eastern Caribbean Currency Union (ECCU).
- The economy depends highly on the tourism and the construction sectors, exposing it to volatility in global demand. Real GDP grew 3.0% in 2017 and is expected to grow at a slightly lower rate, 2.5%, in 2018. Growth will depend on the strength of the tourism industry, and on whether the country can improve its competitiveness in the global economy.
- The map depicts countries A.M. Best evaluates for country risk in the Caribbean.



## Regional Summary: The Caribbean

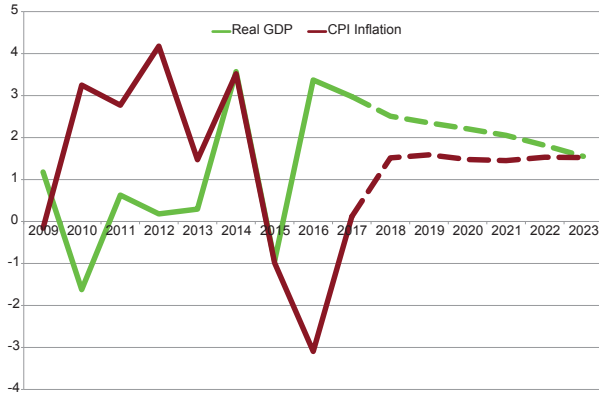
- The countries in the Caribbean vary by cultural origin, economic foundation, and population affluence, but their long-term growth and stability are highly dependent on their larger regional neighbors.
- Countries need to strengthen regional economic integration to become more globally competitive. 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	1.69
Population	mil	0.2
GDP Per Capita	USD	9,607
Real GDP Growth	%	3.0
Inflation Rate	%	0.1
United Nations Estimates		
Literacy Rate	%	n.a.
Urbanization	%	18.6
Dependency Ratio	%	41.1
Life Expectancy	Years	77.9
Median Age	Years	34.8
Insurance Statistics		
Insurance Regulator	Financial Services Regulatory 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	
Saint Lucia	CRT-3	
Anguilla	CRT-3	
Antigua & Barbuda	CRT-4	
Barbados	CRT-4	
Cayman Islands	CRT-2	
Trinidad and Tobago	CRT-4	

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



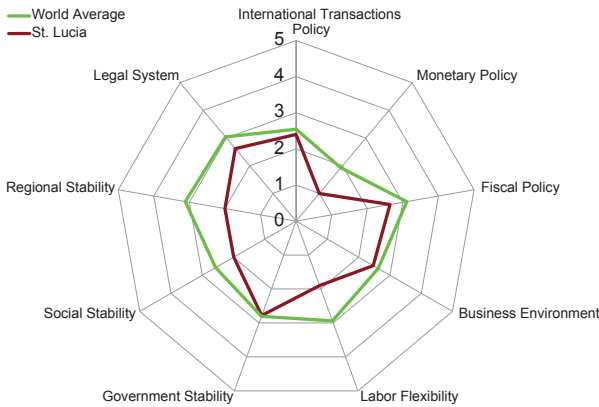
### Economic Growth (%)



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

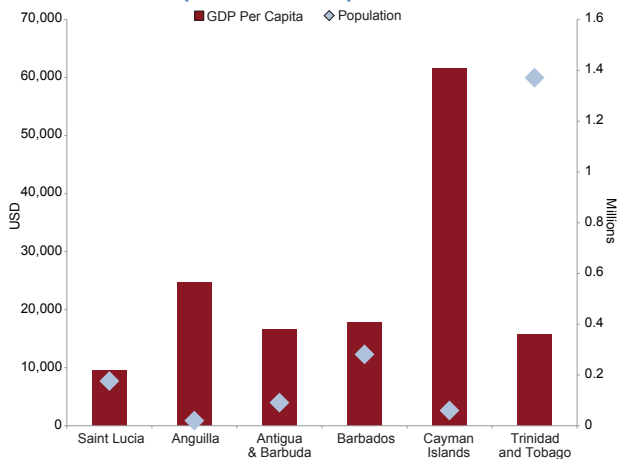
### Political Risk Summary

Score 1 (best) to 5 (worst)



Source: A.M. Best

### GDP Per Capita and Population



Source: IMF and A.M. Best

### Economic Risk: Moderate

- Tourism, financial services, and agriculture are the main industries in St. Lucia, with tourism accounting for 65% of GDP. St. Lucia used to be the leading destination in the region but is now facing rising competition. High crime rates and a high tax on international visitors could dampen the sector's growth.
- Growing poverty and social inequality, a rising crime rate, and a 20% unemployment rate are some of the key concerns.
- The country is vulnerable to natural disasters. In April 2018, the government announced an investment project on improving infrastructure, specifically targeting future severe weather conditions.
- The government maintains a good relation with the IMF and receives financial assistance from it.
- The economy relies highly on imports, especially fuels, which increases the country's vulnerability to global oil price fluctuations.

### Political Risk: Moderate

- The political system in St. Lucia is broadly stable. The United Workers Party, led by Prime Minister Allen Chastanet, holds a majority in the House of Assembly, ensuring policy stability and efficiency of legislation passage. The current government is pro-business and welcomes foreign investments.
- In 2015, the Constitutional Reform Commission suggested replacing the UK's Privy Council with the Caribbean Court of Justice, a move that could hurt western investors' confidence.
- Economic diversification remains a top priority, as both the agricultural and tourism sectors are vulnerable to external shocks. The government has begun to collect Citizenship by Investment proceeds in the sovereign wealth fund, aiming to decrease reliance on volatile revenues.

### Financial System Risk: High

- The Financial Services Regulatory Authority regulates St. Lucia's insurance market and handles all of the licensing, registration, supervision, and regulation of domestic, offshore, and captive insurers.
- Financial sector weakness persists, as non-performing loans remain high. The current account deficit (-4% of GDP) is expected to widen further because of the increase in global oil prices.
- As a member of the ECCU, St. Lucia has access to the reserves of the East Caribbean Central Bank, which provides an important buffer for the vulnerable economy.