

# BEST'S COUNTRY RISK REPORT

## Trinidad and Tobago

**CRT-4**

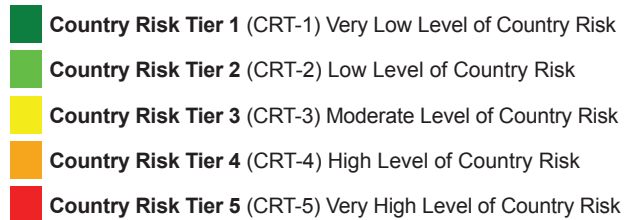
August 22, 2018

**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.
- Trinidad and Tobago, a CRT-4 country, has moderate levels of political risk and high levels of economic and financial system risk.
- In 2017, the economy recovered following a contraction in 2016. GDP is projected to grow slowly at 0.2% in 2018 and 2019. Inflation was stable in 2017, given low growth and limited domestic demand; it is expected to rise approximately 2.0% - 3.0% in 2018 and 2019.
- Trinidad's economy is dominated by the energy sector. The country benefits from significant natural resources, but needs to diversify its local economy to minimize vulnerability.
- The map depicts the countries A.M. Best evaluates in the Caribbean.



## Regional Summary: Caribbean

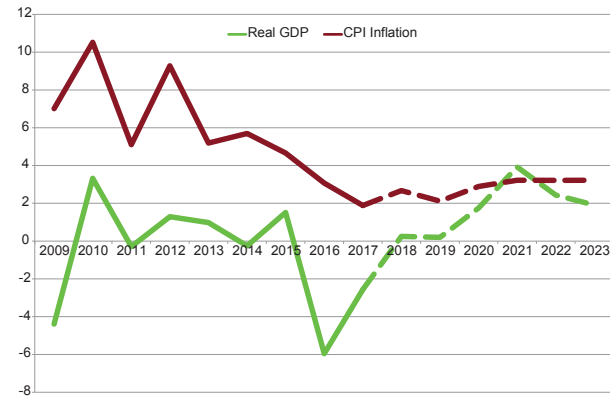
- The countries in the Caribbean vary by cultural origin, economic foundation, and population affluence, but their long-term growth and stability are highly dependent on their larger regional neighbors.
- Countries need to strengthen regional economic integration to become more globally competitive. 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	21.62
Population	mil	1.4
GDP Per Capita	USD	15,769
Real GDP Growth	%	-2.6
Inflation Rate	%	1.9
United Nations Estimates		
Literacy Rate	%	99.0
Urbanization	%	8.3
Dependency Ratio	%	43.2
Life Expectancy	Years	73.1
Median Age	Years	36.0
Insurance Statistics		
Insurance Regulator	Central Bank of Trinidad and Tobago	
Premiums Written (Life)	USD mil	515
Premiums Written (Non-Life)	USD mil	547
Premiums Growth (2016 - 2017)	%	-10.2
Regional Comparison		
		Country Risk Tier
Trinidad and Tobago		CRT-4
Antigua & Barbuda		CRT-4
Bahamas		CRT-3
Barbados		CRT-4
Cayman Islands		CRT-2
Jamaica		CRT-4

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



### Economic Growth (%)



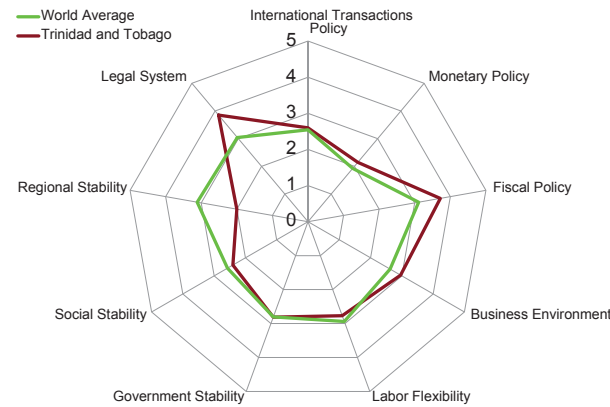
Source: IMF World Economic Outlook and A.M. Best

### Economic Risk: High

- The economy of Trinidad and Tobago benefits from abundant natural resources of hydrocarbon and oil. However, the country's reliance on the energy sector and lack of economic diversification can dampen growth, as energy prices and production fluctuate.
- Economic growth in the US and higher commodity prices have supported growth in Trinidad.
- By regional standards, Trinidad and Tobago has a well-trained workforce, with a highly educated/skilled populace. Trinidad and Tobago has one of the highest per capita incomes in the Caribbean.
- The country implemented a "Heritage and Stabilization Fund" by which it expects to diversify the economy, but some of the program funds are being used to offset the budget deficit.

### Political Risk Summary

Score 1 (best) to 5 (worst)

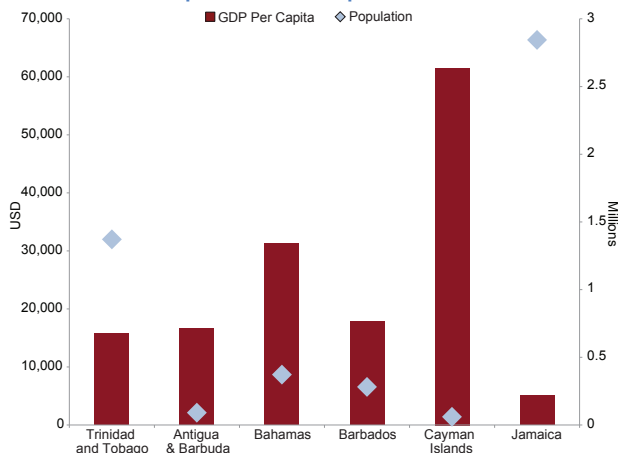


Source: A.M. Best

### Political Risk: Moderate

- The governing party, The People's National Movement, is stable and holds a majority in the House of Representatives. The pro-business government plans to pursue policies promoting foreign direct investment, cutting expenditures, and raising taxes to compensate for declining oil and gas sector revenue.
- Austerity measures and tax hikes on basic goods increase the risks of social unrest significantly, though protests have traditionally been peaceful. A lack of support may hinder implementation of these measures.
- Elevated murder rates, gang-related violence, and drug trafficking from Venezuela remain a top government concern. Ethnic polarization also diminishes political stability, although it has not caused serious disruptions. The 2018 Anti-Terror Bill faces strong domestic opposition from the Muslim community.
- The government lacks a two-thirds majority to adopt the Caribbean Court of Justice as its final appellate court. The country remains under the British common law system.

### GDP Per Capita and Population



Source: IMF and A.M. Best

### Financial System Risk: High

- The Central Bank of Trinidad and Tobago has regulated the insurance industry since 2004.
- The country's financial system has strong liquidity and low external debt.
- Weak oil prices in the past have cut the country's revenue approximately 72%. The current account deficit is now declining due in part to the higher oil prices, but the overreliance on the energy sector makes the country's liquidity vulnerable to changes in term of trade.
- Some correspondent banks have severed ties with the country, which increases the cost and the time to process international transactions. Other correspondent banking relationships are being maintained, but the loss of more correspondent banks could lead to financial exclusion.