Dominican Republic

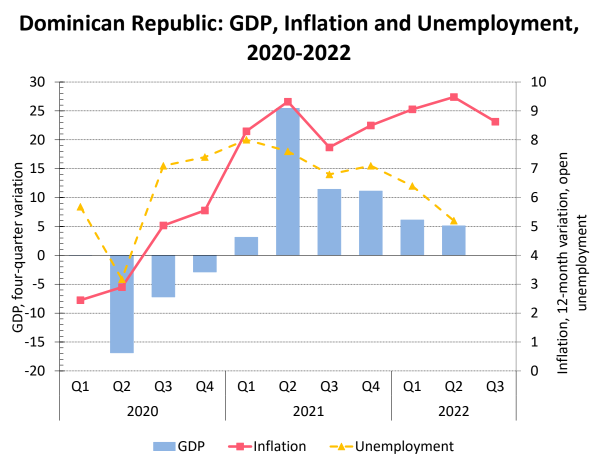
The Economic Commission for Latin America and the Caribbean (ECLAC) forecasts that the Dominican Republic's GDP will grow by 5.1% in 2022, compared to 12.3% in 2021. This marked slowdown is primarily a result of the end of the statistical effect of the low baseline from 2021 and of a complex international environment. However, in 2022, the Dominican Republic is still expected to have one of the highest growth rates in Latin America and the Caribbean. The central government's primary balance will end the year close to 1.5% of GDP (0.2% in 2021), while the financial balance will be around -1% of GDP (-3.2% in 2021). The current account deficit is expected to be around 2.5% of GDP (-3.1% in 2021). The cumulative annual change in the national consumer price index is forecast to be around 7% at year-end.

In the period from January to September 2022, central government revenues grew by 5.4% relative to the same period in 2021, compared to 22.9% from 2020 to 2021. This growth was driven by social contributions (56.5% in real terms), taxes on trade and international transactions (21.9%) and taxes on goods and services (10%), especially the industrialized goods and services transfer tax.

Over the first nine months of 2022, fiscal policy was expansionary. Central government budget expenditure grew at a real year-on-year rate of 9.0%, compared to a fall of 8.1% in the same period of 2021. There was a considerable increase in subsidies (156.3% in real terms). By 7 October, the Government had provided 49.4 billion Dominican pesos in subsidies to contain inflation, mainly for fuel (31.1 billion Dominican pesos) and electricity (10.9 billion Dominican pesos). Measures to address the impact of Hurricane Fiona (September 2022) also contributed to higher spending. Total public debt (domestic and external) amounted to US$ 52.6 billion (49.6% of GDP) in September 2022, compared to US$ 47.6 billion in 2021. The average maturity of the Ministry of Finance's external bond portfolio stood at 15.4 years at the end of August 2022. During the year, debt service for the 2022–2024 period was reduced.

To address inflationary pressures, the central bank adopted a contractionary stance and raised its monetary policy rate from 4.5% in January to 8.5% in November 2022. In September, the exchange rate averaged 53.50 Dominican pesos per dollar, compared to 57.16 at the end of 2021. This represented appreciation of 6.9%, driven in particular by growing income from tourism and remittances. These foreign-exchange inflows also boosted international reserves, which stood at US$ 13.8 billion at the end of September 2022, equivalent to 5.5 months of goods imports, up 6.8% year-on-year.

The current account deficit for the first half of the year (US$ 2.9 billion) was equivalent to 2.8% of GDP, compared to 0.9% in the first half of 2021, primarily owing to a rise in imports. Over the first six months of the year, exports grew at a



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

year-on-year rate of 16.5%, with an 18.9% rise in national exports and a 14.6% increase in free zone exports. Among national exports, industrial goods exports grew by 54.1%, which offset an 8.1% drop in minerals (especially owing to limits on the installed capacity of the mining company Barrick Pueblo Viejo) and a 1% fall in agricultural goods. In free zones, 15.7% growth in exports of industrial goods offset a 12.3% drop in exports of agricultural goods, and especially cocoa beans (-28.7%)

Imports grew by 36.6% in the first half of 2022, mainly driven by a 92.6% increase in oil and fuel imports, owing to higher international prices. Cumulative family remittances through to September 2022 fell 7.0% year-on-year. In that same month of 2021, social assistance programmes were still in place in the United States in response to the situation created by the coronavirus disease (COVID-19) pandemic. However, in absolute terms, remittance flows to the Dominican Republic topped US$ 8.1 billion in October, surpassing pre-pandemic levels. Net foreign direct investment showed an inflow of US$ 1.9 billion for the first half of 2022, up 14.9% year-on-year.

Dominican Republic: main economic indicators, 2020-2022

	2020	2021	2022 [a]
	Annual growth rate		
Gross domestic product	-6.7	12.3	5.1
Per capita gross domestic product	-7.7	11.2	4.1
Consumer prices	5.6	8.5	8.2 [b]
Money (M1)	26.6	24.8	15.2 [c]
Real effective exchange rate [d]	6.2	-2.7	-4.3 [b]
Terms of trade	10.8	-9.7	-13.3
	Porcentaje promedio anual		
Open urban unemployment rate	5.8	7.4	5.2 [e]
Central government			
Overall balance / GDP	-7.9	-2.9	...
Nominal deposit rate [f]	5.2	2.8	6.5 [b]
Nominal lending rate [g]	11.0	9.6	11.5 [b]
	Millones de dólares		
Exports of goods and services	25 191	32 971	42 535
Imports of goods and services	37 407	52 685	69 016
Current account balance	2 398	-5 273	-6 212
Capital and financial balance [h]	2 903	9 684	...
Overall balance	5 301	4 410	...

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
a/ Estimates.
b/ Figures as of October.
c/ Figures as of September.
d/ A negative rate indicates an appreciation of the currency in real terms. Refers to the extraregional real effective exchange rate.
e/ Figures as of June.
f/ Rates for deposit certificates and/or deposits for 61-90 days.
g/ Weighted average of the system lending rates in local currency.
h/ Includes errors and omissions.

Over the first three quarters of 2022, average year-on-year growth in the Dominican economy was 5.6%, driven in particular by growth in activity in the hotel, bar and restaurant sector, and the health sector. In terms of components of aggregate demand, year-on-year rates for the first half of 2022 showed growth in final consumption of 4.3% (4.6% private and 2.1% public) and expansion in gross fixed capital formation of 4.2%, but the most significant growth was in exports (24.4%) and imports (15.4%).

From January to October 2022, the national consumer price index accumulated an increase of 9.0% (8.2% year-on-year), although the pace of rises slowed from April onward. From January to October, the most significant rises were in the transport sector, with an 11.3% increase (8.1% year-on-year), followed by food and non-alcoholic beverages, with 11.2% (9.9% year-on-year), and housing, with 11.2% (11.5% year-on-year).

The buoyant economic activity led to a reduction in the unemployment rate. However, because of the pickup in inflation, average real income remains below pre-pandemic levels, even though nominal minimum wages were raised in 2022. The sectors with sharper drops in income in the first half of 2022 were public administration and defence, health and social assistance, education, and employers or currently active businesspeople. The number of employed hit 4.7 million in the second quarter of 2022, compared to 4.5 million in the same quarter of 2021. The open unemployment rate was 5.2% in the second quarter of 2022 (3.0% for men and 8.1% for women), compared to 7.6% in the same period of 2021 (4.1% for men and 12.5% for women). The overall participation rate was 63.1% in the second quarter of 2022 (76.9% for men and 50.7% for women), compared to 62.8% in the same period of 2021 (75.3% for men and 51.1% for women).

In 2023, ECLAC projects growth of 4.6% for the Dominican Republic. The outlook is especially upbeat for the tourism sector, following the announcement that tourism visits from the United States would be made simpler. The labour market is also expected to continue to improve and inflation is set to return to the central bank's target range (4%, ±1 percentage point) in early 2023. This ought to be accompanied by a reduction in subsidies and changes in monetary policy. If progress is made towards normalizing fuel prices and reducing inflation, the current account is expected to show a smaller deficit in 2023 and the central government's primary balance is expected to be around 0.2% of GDP.