

Dominican Republic

The Economic Commission for Latin America and the Caribbean (ECLAC) estimates GDP growth of 10.4% for the Dominican Republic in 2021, after a 6.7% contraction in 2020: a result that would outstrip the country's real-term levels prior to the coronavirus disease (COVID-19) pandemic. The remarkable upswing in economic activity can largely be attributed to the recovery of tourism-related activities, which benefited from the expansion of the United States economy, the drop in COVID-19 infections and the uptick in goods exports.

Year-on-year inflation at the end of 2021 is expected to be above 8.0% (compared to 5.6% in December 2020), which is above the central bank's target range of 4% (with a one-point tolerance band in both directions) and is the result of pressure from higher international commodity prices. The non-financial public sector fiscal deficit is expected to be around 5.0% of GDP—lower than the 7.6% reported in 2020—mainly because of increased revenues. The current account is likely to record a deficit equal to 1.9% of GDP (against 2.0% in 2020); this result is attributable to an increase in exports and family remittances, which together served to offset rising imports. An unemployment rate of 6.8% was recorded in September 2021, down from 7.4% at the end of 2020.

Between January and November 2021, central government revenues increased by 23.8% in real terms compared to the corresponding period in 2020. This was made possible by higher tax revenues, mainly from property taxes (up 66.6%), income tax and taxes on profits and capital gains (32.3%), taxes on international trade and transactions (40.9%) and goods and services taxes (29.1%).

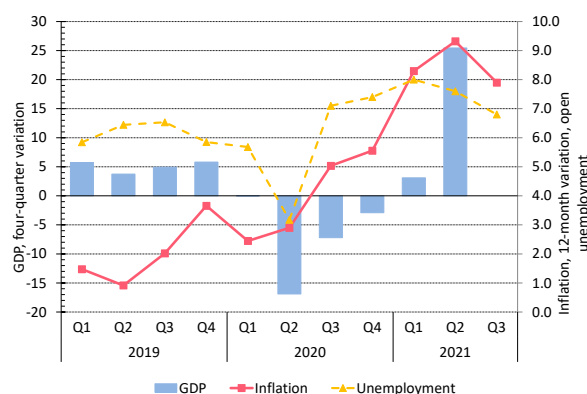
As of November 2021, central government spending fell by 9.2% in year-on-year real terms (compared to an increase of 28.7% in 2020), mainly because of the lifting of social protection measures adopted in 2020 to tackle the pandemic.

At year's end, the non-financial sector public debt is expected to be around 55.0% of GDP (against 56.6% in 2020), in particular thanks to robust growth in economic activity.

The central bank kept its benchmark rate at 3.0% per annum in the first 11 months of 2021, extending its expansionary stance to promote economic reactivation. Given the significant acceleration in inflation, however, in December the central bank increased the rate by 50 basis points.

The real-term weighted average lending rate for commercial bank loans fell from 4.07% in December 2020 to 1.57% in November 2021. In turn, the real-term weighted average deposit rate went from -2.32% to -5.65% over the same period. The significant reduction in lending rates has underpinned a favourable performance of credit to the private sector: thus, as of September 2021,

Dominican Republic: GDP, Inflation and Unemployment, 2019-2021



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

loans extended in local currency had grown by 10.4% over their September 2020 levels.

The average exchange rate between January and November 2021 was 57.22 pesos to the United States dollar, compared to 56.36 pesos per dollar over the same period in 2020, for a nominal depreciation of 1.53% (compared to a depreciation of 10.19% over the corresponding period in 2020). Between January and November 2021, the peso strengthened on the back of higher inflows of foreign exchange. In November 2021, international reserves stood at close to US\$ 12.200 billion (equal to seven months' imports), compared to US\$ 9.904 billion in November 2020: an increase of 23.2%.

As of September 2021, the balance of payments current account showed a deficit of US\$ 1.998 billion, down US\$ 457.4 million from the close of 2020. Goods exports posted significant year-on-year growth in 2021 (23.3% between January and September). Mining exports increased by 17.3%, with particularly good performances by ferronickel (75.0%), non-monetary gold (6.3%) and copper (243.1%). Free-zone exports rose by 25.1% in the same period, while exports of travel services increased by 89.9%. While this resulted in a slight improvement in the current account balance compared to the close of 2020, this was partially offset by rising imports of consumer goods, up 37.3% between January and September 2021, and oil imports, up 97.9% during the same period.

The tourism sector recovered faster than expected, on account of factors including vaccination programmes for sector workers and the provision of free medical care to tourists. While these measures have been favourable and 4.3 million non-resident visitors arrived in the country between January and November 2021, that was only 73.3% of the visitor numbers recorded over the same period in 2019.

From January to September, foreign direct investment (FDI) flows totalled US\$ 2.485 billion, compared to US\$ 1.836 billion between January and September 2020. More than 80.0% of FDI went to the tourism, trade, industry, energy, real estate and —more recently— mining sectors.

Between January and November 2021, family remittances totalled US\$ 9.462 billion, an increase of 28.8% over the US\$ 7.347 billion reported in the corresponding period of 2020.

Up to the third quarter of 2021, GDP recorded an average growth rate of 12.7%. The economic recovery was driven in particular by manufacturing and construction, which posted year-on-year increases of 11.7% and 28.7%, respectively. On the demand side, private consumption recorded a year-on-year growth rate of 6.6%, while government consumption rose by 0.4%. Investment posted a notable increase of 26.1% as of the third quarter.

In that same quarter of 2021, according to the Continuous National Labour Force Survey, the number of registered workers stood at 4.6 million, for year-on-year growth of 7.1% and equal to 97.5%

Dominican Republic: main economic indicators, 2019-2021^a

	2019	2020	2021 ^a
Annual growth rate			
Gross domestic product	5.1	-6.7	10.4
Per capita gross domestic product	4.0	-7.7	9.3
Consumer prices	3.7	5.6	7.9 ^b
Money (M1)	10.6	26.6	27.0 ^b
Real effective exchange rate ^c	0.2	7.2	1.2 ^d
Terms of trade	4.5	10.8	-9.5
Porcentaje promedio anual			
Open urban unemployment rate	6.2	5.8	7.7 ^d
Central government			
Overall balance / GDP	-2.1	-8.3	...
Nominal deposit rate ^e	6.6	5.2	2.8 ^d
Nominal lending rate ^f	12.5	11.0	9.6 ^b
Millones de dólares			
Exports of goods and services	20 509	14 445	16 479
Imports of goods and services	24 526	20 189	25 138
Current account balance	-1 188	-1 541	-2 888
Capital and financial balance ^g	2 313	2 836	...
Overall balance	1 125	1 295	...

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

a/ Estimates.

b/ Figures as of September.

c/ A negative rate indicates an appreciation of the currency in real terms. Refers to the extraregional real effective exchange rate.

d/ Figures as of first semester.

e/ Rates for deposit certificates and/or deposits for 61-90 days.

f/ Weighted average of the system lending rates in local currency.

g/ Includes errors and omissions.

of the pre-pandemic level (fourth quarter 2019). The unemployment rate, meanwhile, fell from 7.1% in the third quarter of 2020 to 6.8% in the third quarter of 2021. Among women, unemployment was 3.2 times higher than among men (11.2% versus 3.5%).

Year-on-year inflation in November 2021 was 8.23%, while the cumulative total for January to November was 8.22%. Price pressure has been visible since November 2020 due to the reactivation of demand, a base effect and high energy costs.

For 2022, ECLAC forecasts GDP growth of 5.5%, driven by the expansion of goods exports, as well as increased income from tourism and FDI flows. The current account balance will remain below 2.0% of GDP. The fiscal deficit is expected to be close to 4.0% and will continue to decline as tax revenues continue to recover, in line with the robust reactivation of economic activity. Average inflation in 2022 is expected to maintain its convergence with the central bank's target range, although this will occur gradually because of the persistence of external shocks.