

# Dominican Republic Economic SWOT

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• The Dominican Republic's strong reputation as a tourism centre will support the economy's recovery as foreign arrivals and investment have rebounded swiftly from the Covid-19 pandemic.</li> <li>• A somewhat flexible exchange rate regime and the Dominican peso's long-term depreciation will boost the competitiveness of the market's export-driven industries.</li> <li>• Increased foreign investments in the renewable energy and transportation infrastructure sectors will help reduce the reliance on fuel imports and help improve the overall self-sufficiency of the economy.</li> <li>• Its membership in the CAFTA-DR free trade agreement with the US reduces costs of trading goods and services, which has supported the market's export-facing industries.</li> </ul>	<ul style="list-style-type: none"> <li>• The new tariff regime will act as a headwind to goods exports directly, but will also hurt employment in export-facing sectors.</li> <li>• Recurring damage caused by natural disasters is a severe impediment to the country's medium-term growth potential.</li> <li>• The Dominican Republic, along with other markets in the region, often suffers disproportionately from a downturn in commodity prices or global growth.</li> <li>• The economy remains heavily reliant on the US for investment flows, remittances and export demand, which exposes it to downturns in the US economy.</li> <li>• A large operating deficit for the central bank requires the government to make periodic transfers to recapitalise its balance sheet, taking up fiscal space.</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• A track record of business-friendly policies will help catalyse investment in the tourism sector and could provide a foundation for greater economic diversification over the long term.</li> <li>• The country's free trade agreement with the US and strong manufacturing sector may benefit if US-based companies nearshore their supply chains, although the Trump administration's trade policy has made such moves more dubious.</li> <li>• The implementation of the Pacto Eléctrico electricity sector reform, which was finalised in H1 2021, will help attract private investment, particularly in renewable energy projects, while also leading to a long-term decline in energy cost volatility.</li> </ul>	<ul style="list-style-type: none"> <li>• The Dominican Republic faces a rising debt burden, which will likely incur higher financing costs. The elevated debt load, combined with limited appetite to advance fiscal reforms, may limit the government's future ability to borrow.</li> <li>• A more pronounced migration crisis from Haiti could stress the welfare and social assistance programmes provided by the state, further exacerbating the fiscal deficit.</li> <li>• A shock to the US labour market, or a slow recovery in overseas travel, would limit inbound remittances or tourist arrivals to the Dominican Republic, constraining growth</li> </ul>