Dominican Republic Country Risk Report

Quarterly Report: Forecasts to 2034

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- We forecast that the Dominican Republic will see real GDP growth of 3.2% in 2025 and 3.6% in 2026. In H2 2025, we expect broad resilience in private consumption, given persistent tailwinds for household incomes, but fixed investment will likely experience further weakness. In 2026, we expect a small uptick in growth to 3.6% as stronger US demand will support export growth, but the upside will be limited.
- We expect the centrist government under President Luis Abinader will prioritise market-friendly reforms for the energy sector, labour code and social security system in an attempt to improve competitiveness as well as strengthen the export-facing economic model.
- We expect that the Dominican Republic's external account position for 2025 and 2026 will remain broadly positive and stable. We forecast that the current account will be broadly unchanged, going from a 3.4% of GDP deficit in 2024, to 3.3% in 2025, and back to 3.4% in 2026. A fairly large buildup of international reserves will provide a buffer against unforeseen external shocks or volatility.
- We forecast that the Dominican Republic's fiscal accounts will remain healthy, given a relatively narrow fiscal deficit and manageable public debt load. We believe that the public debt load will grow from 46.3% of GDP in 2024 to 48.4% in 2025, before resuming its downward trend from 2026 as the primary balance returns to surplus.
- We forecast that the Banco Central de República Dominicana will enact only modest interest rate cuts in 2025 and 2026, particularly given the volatile global trade and financial market back drop. Headline inflation is likely to end 2025 at 3.2% y-o-y, before inching up near the target to 3.9% by end-2026.
- We forecast that the Dominican peso will soften modestly to DOP63.5/USD by the end of the year from DOP61.7/USD on August 18 2025, maintaining its broader long-term depreciatory trend.
- We are fairly upbeat on the Dominican Republic's long-term growth outlook, with growth set to average 3.9% from 2026 through to 2034. The country will continue to benefit from responsible fiscal policy, robust political institutions, and close trade and financial ties with the US – although we see emerging risks to the latter. Major structural headwinds include the shared border with Haiti and its vulnerability to natural disasters.
- We believe that the Dominican Republic will continue to exhibit political stability in the quarters ahead. The government faces a very easy policymaking environment but has still decided to wait on key policy areas of concern, such as a tax or energy sector reform. On foreign policy, the Dominican Republic will continue to prioritise containing the economic and political headwinds stemming from the crisis in Haiti, while also maintaining strong relations with their key economic and political patron, the US. We believe Luis Abinader's business-friendly attitude and accommodative stance to the Trump administration's immigration push will ensure the country remains on Donald Trump's good side and will not be specifically targeted by the US with measures such as tariffs.

Key Risks

- While not directly impacted by the shift in US trade policy announced on April 2, it is worth noting that the tourism sector accounts for around 15% of Dominican GDP and 30% of visitors come from the US. Similarly, remittances - largely flowing from the US - total just shy of 10% of GDP. Additionally, a tightening of global financial conditions would feed through relatively quickly in the Dominican Republic, with the central bank likely to come under pressure to end or potentially even reverse its rate-cutting cycle.

Macroeconomic Forecasts (Dominican Republic 2023-2026)

Indicator	2023	2024	2025f	2026f
Real GDP growth, % y-o-y	2.2	5.0	3.2	3.6
Nominal GDP, USDbn	120.5	124.3	126.7	131.5
Consumer price inflation, % y-o-y, eop	7.2	3.3	3.3	3.9
Exchange rate DOP per USD, eop	58.26	61.32	63.50	64.20
Budget balance, % of GDP	-3.3	-3.1	-3.3	-3.1
Current account balance, % of GDP	-3.7	-3.4	-3.3	-3.4

f = BMI forecast. Source: National sources, BMI

Political Risk Key View

Core Views

- The Dominican Republic has recently ramped up its hardline immigration policy by deporting Haitians back to their country, sometimes sidestepping humanitarian norms. While this has sparked condemnation among international and local advocacy organisations, the move is broadly popular with the Dominican populace.
- The recent tariff announcements could threaten the market's economic outlook which could start to weigh on the incumbent government's political capital.
- **Political Risk:** The political risk outlook for the Dominican Republic is generally positive and stable, scoring 42.0 in August 2025 (from 41.8 in May 2025), with President Luis Abinader and his Partido Revolucionario Moderno (PRM) party holding supermajorities in both chambers of Congress. They are likely to remain successful in driving strong economic growth, preventing the spillover of crime and violence in neighbouring Haiti and improving public sector efficiency and accountability. However, potential economic downturns, particularly linked to the US economy, corruption scandals, or an uptick in crime and violence could undermine the government's popularity.
- **Governance:** Abinader's government has shown dedication to promoting investment and tackling corruption, boding well for institutional strengthening and the rule of law. Underpinning a stable score of 38.3 in August 2025, slightly higher from 37.8 in May 2025, the administration has overseen a robust post-pandemic economic recovery and has pursued corruption cases, exemplified by Operation Squid, which saw former government officials arrested. Supermajorities for the governing party and its allies will give the government additional latitude to enact reforms and set a fiscally conservative budget.
- **Society:** Social risks are relatively contained, with the Dominican Republic scoring 30.0 in August 2025, fairly stable from 29.1 in May 2025. Abinader's progress on government accountability and economic performance has broadly resonated with the public, demonstrated in positive polling data. The government's proactive approach to corruption may help mitigate social polarisation. However, a significant economic downturn affecting household purchasing power could exacerbate social tensions and influence public sentiment. Additionally, any spillover of violence or refugee flows from neighbouring Haiti could pose risks to social stability.
- **Security:** Security challenges related to organised crime and its potential diversification into theft and extortion pose a significant threat, underlining a 44.21 in August 2025, from a 44.17 score in May 2025. While the market has seen muted murder rates in recent years, the adaptability of criminal organisations to law enforcement strategies has led to a slight reversal of this trend in recent months. Internal security risks are being addressed through legislative efforts, such as the recently passed security bill aimed at creating a Directorate of National Intelligence and to enhance the capacity and efficiencies of the national police force.
- **Election Watch:** In the May 19 2024 election, incumbent President Luis Abinader and his PRM party won the presidency and supermajorities in both chambers of Congress in the first round of the elections, garnering more than the required 50% of valid votes to avoid a run-off. The main opposition parties, as expected, lacked the momentum to pose a serious challenge to Abinader's candidacy. Municipal elections held earlier in February 2024 also yielded a dominant performance for the PRM, which will create synergy between policy formation at the national level and implementation at the local level. The next election will be held in 2028.

Economic SWOT

Strengths	Weaknesses
• 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. • 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. • 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. • 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.	• The new tariff regime will act as a headwind to goods exports directly, but will also hurt employment in export-facing sectors. • Recurring damage caused by natural disasters is a severe impediment to the country's medium-term growth potential. • The Dominican Republic, along with other markets in the region, often suffers disproportionately from a downturn in commodity prices or global growth. • The economy remains heavily reliant on the US for investment flows, remittances and export demand, which exposes it to downturns in the US economy. • A large operating deficit for the central bank requires the government to make periodic transfers to recapitalise its balance sheet, taking up fiscal space.
Opportunities	**Threats**
• 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. • 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. • 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.	• 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. • A more pronounced migration crisis from Haiti could stress the welfare and social assistance programmes provided by the state, further exacerbating the fiscal deficit. • 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.

Political SWOT

Strengths	Weaknesses
• Democratic stability is well entrenched in the Dominican Republic, with free and fair elections taking place regularly, most recently in May 2024. This underpins the market's status as a relatively safe and stable place for investment and business growth relative to peers in Central America and the Caribbean. • President Luis Abinader's Partido Revolucionario Moderno, along with several smaller aligned parties, hold a majority in Congress, which will ensure a smooth and stable policymaking environment. • The political consensus includes a broad commitment to market-friendly policies, with President Abinader pledging to improve the business environment while in office.	• The Dominican Republic remains a key drug-trafficking hub for narcotics from South America to the US, Canada and Europe, which drives up violent crime rates, thereby negatively impacting tourism demand and business sentiment. • Tensions between Dominicans and Haitian migrants, fleeing violence and poverty, have continued to rise. According to Freedom House, a 2013 Constitutional Tribunal decision stripped Dominican-born descendants of Haitian migrants of their citizenship, deporting several thousand in 2015 and starting the construction of a border wall in 2020. • Perceptions of clientelist practices and a lack of transparency and accountability at the national government level persist and could become a vector for greater social instability.
Opportunities	**Threats**
• The political leadership recognises the need for structural reforms to the constitution, particularly around laws that govern fiscal policy and accountability. Policy reform proposals are ongoing and are subject to input from the opposition allowing for a less polarised legislative environment. • Signs of increased bilateral relations between the Dominican Republic and neighbouring markets such as Jamaica, Trinidad and Tobago, and even the US, could help coordinate a regional response to tackle issues such as climate change and transnational drug trafficking, which would be positive for the business environment. • The recently developed Alliance for Development in Democracy, which includes Panama, Costa Rica and the Dominican Republic, could help guide and support efforts to strengthen political and economic institutions, which will lead to a stronger rule of law and deeper economic integration.	• The deteriorating political and economic situation in Haiti raises the risk of exacerbating violence, drug trafficking and poverty in the Dominican Republic, given the two markets' porous border. • An outbreak of violence either stemming from narcotics trafficking groups or Haitian criminal groups could cause the government to take a more hardline, nationalistic approach, which could drive up social polarisation and instability. • Economic reliance on the US means that the Dominican government feels some pressure to align its foreign policy rhetorically, which could end up alienating the Dominican Republic from its regional peers.

Political Outlook

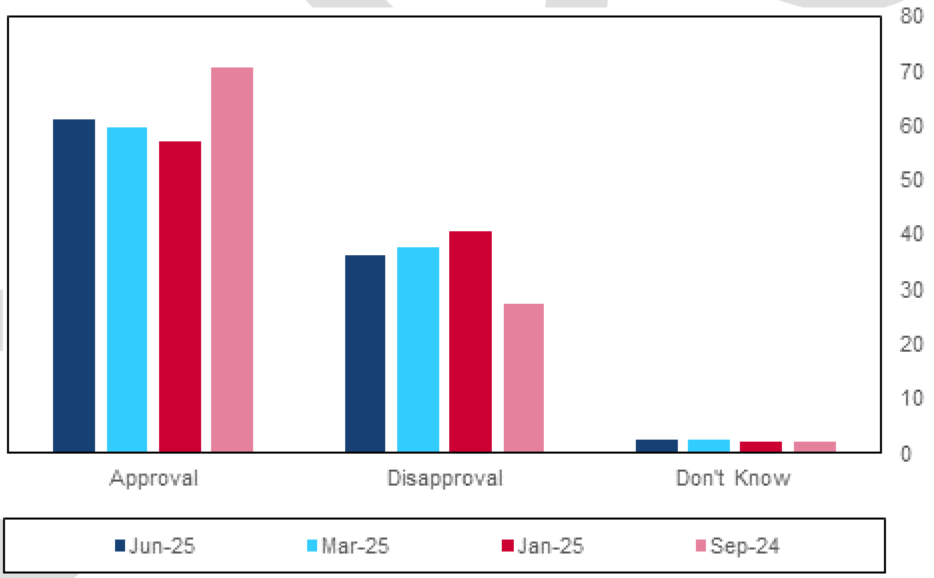
Domestic Politics

- We believe that the Dominican Republic will continue to exhibit political stability in the quarters ahead.
- The government faces a very easy policymaking environment but has still decided to wait on key policy areas of concern, such as a tax or energy sector reform.

We believe that the Dominican Republic will continue to exhibit political stability in the quarters ahead. The centrist president, Luis Abinader, of the Modern Revolutionary Party (PRM), remains popular a year into his second term on the back of a broadly healthy economy while also addressing the public's concerns regarding the migration emergency stemming from the political and economic crisis in neighbouring Haiti. We do note that recent uncertainty regarding the new tariff environment and future relations with the US have both become large concerns for the public. Even though this has not weighed on Abinader's approval ratings yet, we do think the tailwinds from a robust economy are likely to fade going forward and the government could come under greater scrutiny.

Abinader's Popularity Falls Slightly, But Still Net Positive

Dominican Republic – Approval Rating, % of respondents

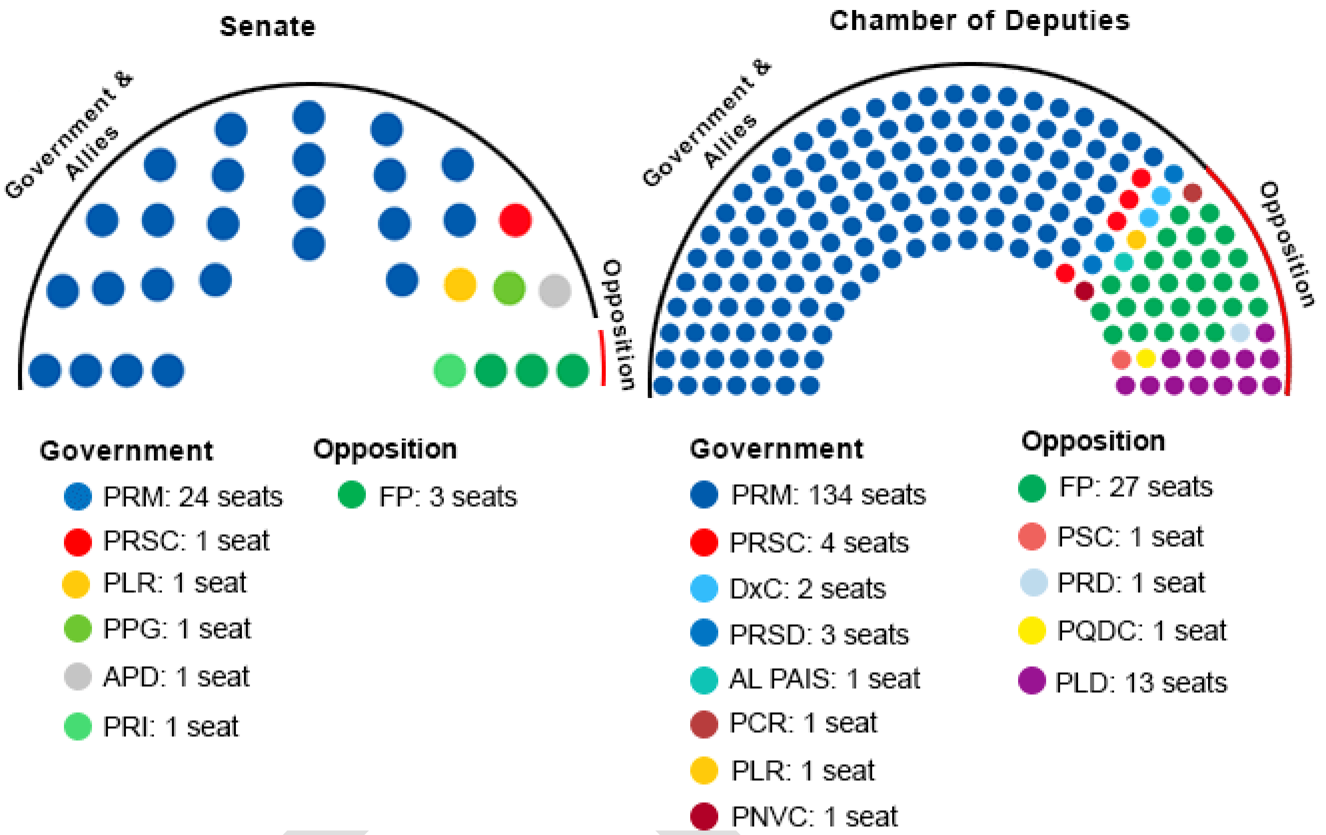


Source: ACD Media, BMI

The government faces a very easy policymaking environment but has still decided to wait on key policy areas of concern. The governing PRM party enjoys near super-majority levels of support in both chambers of Congress, which will endure until the next 2028 election. Even after an easy re-election in May 2024 for Abinader and a stronger presence in the legislature, the government failed to deliver on its promised tax reform in the subsequent months due to significant pressure from civil society and congressional opposition forces.

Government Enjoys Supermajorities In Both Chambers Of Congress

Dominican Republic - Congress Breakdown By Party, seats



Source: JCE, Congreso De La Republica Domincana, BMI

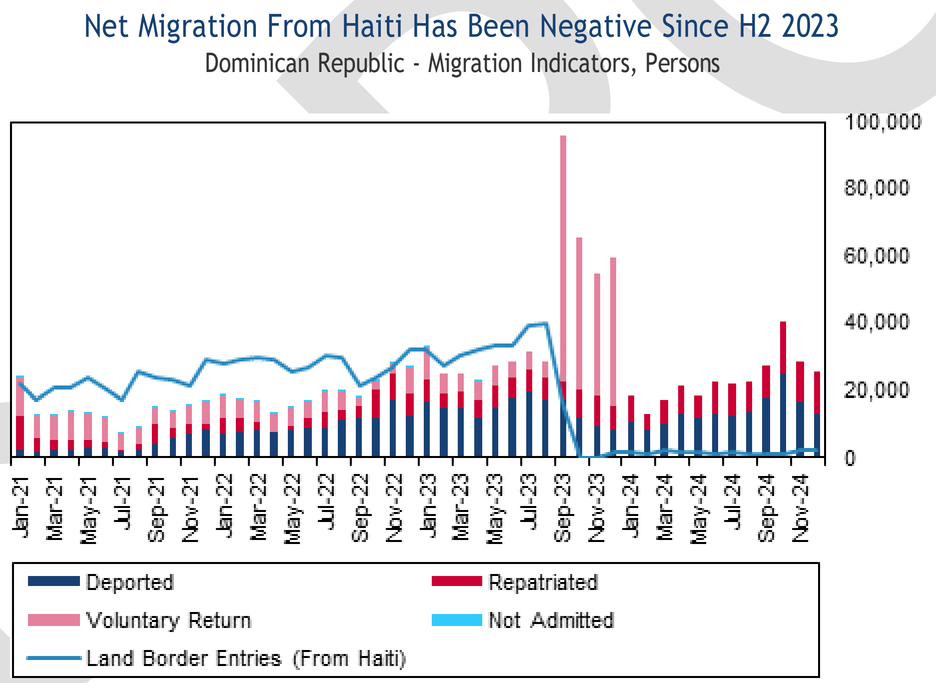
We believe that the government will wait and formulate an updated fiscal reform in early 2026 after back channelling with unions and business community members in the following months. The government is also likely to delay the much-discussed energy sector reform, as it is likely to require large upfront public investment and requires additional planning and coordination. Instead, we expect the government will tackle labour code and social security reforms in H2 2025 in order to address labour informality which stands at around half of total employment.

While the political opposition remains vocal they are effectively sidelined in the near term. While their representation in the legislature is small, opposition parties, particularly the left-leaning People's Force (FP), continue to point to crime and cost of living problems but are limited in their impact, as evidenced by the government's approval ratings. While anti-corruption scandals regarding parties like the PLD have led to some charges of lawfare by the current government, we do not believe there is a structural degradation institutions, which also underpins our longer-term expectation of political stability.

Foreign Policy

- The Dominican Republic will continue to prioritise containing the economic and political headwinds stemming from the crisis in Haiti, while also maintaining strong relations with their key economic and political patron, the US.
- We believe Luis Abinader's business friendly attitude and accommodative stance to the Trump administration's immigration push will ensure the country remains on Trump's good side and will not be specifically targeted by the US with measures such as tariffs.

The Dominican Republic's foreign policy strategy will continue to prioritise containing the economic and political headwinds stemming from the crisis in Haiti, while also maintaining strong relations with their key economic and political patron, the US. Over the course of the past six months, the Dominican Republic has been enforcing a hawkish immigration policy against Haitian migrants in order to stem rising domestic concerns that immigrants are not only importing crime with them, but are also acting as a drain on social services and taking away economic opportunities. While 2025 data has yet to be released, the government repatriated and deported a combined 258,500 Haitian migrants (2.2% of Dominican Republic's population) in 2024.



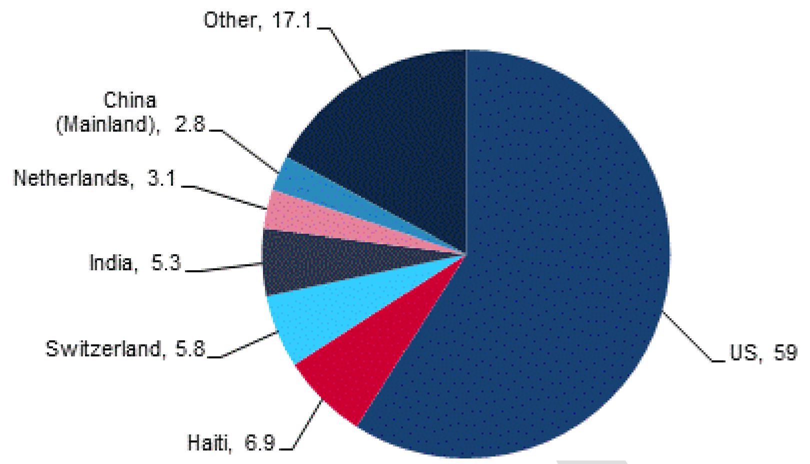
Source: ONE, BMI

Beyond that, the Dominican Republic has continued to speak out in regional and international forums like the OAS and UN in support of collaborative international effort to solve the crisis in Haiti. Our view is that while President Luis Abinader has been able to make some rhetorical wins, by getting Secretary of State Marco Rubio to back more forceful efforts for more international funding for a peacekeeping mission, we do not think concrete meaningful movement from the current status quo mission is likely. The US itself has ruled out more spending on an expanded peacekeeping mission.

Apart from efforts to solve and insulate itself from the problems stemming from their neighbour, the Dominican Republic's next key foreign policy aim is to maintain cordial relations with the US. The island economy sent 59% (~6.6pp of GDP) of its goods exports to the US in 2024 and remains a key tourism source market. As such the government has prioritised dialogue with the US government, which has successfully kept its tariff rate minimal.

US Remains The Main Trading Partner With The Dominican Republic

Dominican Republic - Goods Exports By Destination Country, % of total (2024)



Source: Trade Map, BMI

We believe Luis Abinader's business-friendly attitude and accommodative stance to the Trump administration's immigration push will ensure the country remains on Donald Trump's good side and will not be specifically targeted by the US with measures such as tariffs. The government has accepted deportation flights and has opened the door to more collaboration to combat transnational drug trafficking and organised crime.

Economic Outlook

Economic Policy Agenda

- We believe that the centrist government under President Abinader will prioritise market-friendly reforms for the energy sector, labour code and social security system in an attempt to improve competitiveness as well as strengthen the export-facing economic model.

Under the current centrist administration of President Luis Abinader, we believe that the government will prioritise making market-friendly reforms in order to improve competitiveness and strengthen the island's export-facing economic model. While there is some attention paid to macroeconomic issues, such as reducing government spending and reforming the tax code, the current government has been focused on efforts to improve specific key sectors of the economy.

Perhaps most importantly, the government has been formulating an energy sector reform, most likely through a public-private partnership framework. The reforms are aimed at updating electricity infrastructure to reduce loss throughout the distribution system and improve access and affordability in hard to reach rural and urban areas. These measures complement the government's efforts to incentivise foreign investment into the green energy sector as well, in order to reduce reliance on imported fossil fuels and thereby lower and stablise energy pricing.

Apart from energy sector policy, the government is also committed to simplifying labour market regulation and sustaining its export-oriented free zone framework. The governing PRM party has stated that over the remainder of 2025, it will be focused on reforming the social security system, alongside the labour code. The law looks to define the legal bounds, protections, and social security integration for 'teleworkers' in order to combat high levels of informal employment (near 50% of the labour force). Labour code reforms also look to strengthen anti-discrimination and family leave protections, while at the same time also moderating restrictions to terminating employees. Senate leaders have said that this reform push will complement an upcoming social security system reform that will look to reduce costs and red tape for businesses.

The government will continue to protect the free zones framework, where much of the export-facing industrial production destined for the US takes place. More than half of Dominican Republic's goods exports are purchased by the US. Because the new tariff regime has diluted the tailwinds provided by low trade barriers and duties as part of the CAFTA-DR free trade agreement, free zones and the competitive advantage they provide vis-à-vis other US-oriented producers will become all the more important. While not a key short-term policy item, we believe that the government is likely to expand tax benefits for operators in industrial free zones, to strengthen the island's export-facing manufacturing base in order to offset the drag posed by US tariffs.

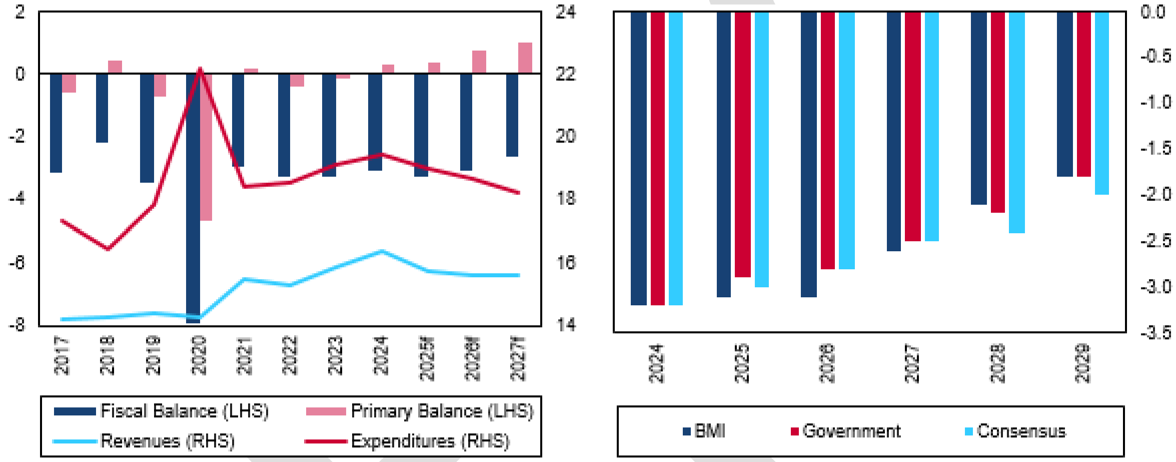
Public Finances

- We forecast that the Dominican Republic's fiscal accounts will remain healthy, given a relatively narrow fiscal deficit and manageable public debt load.
- We believe that the public debt load will grow from 46.3% of GDP in 2024 to 48.4% in 2025, before resuming its downward trend from 2026 as the primary balance returns to surplus.

The outlook for the Dominican Republic's public finances remains broadly upbeat. We forecast that the government will run a fiscal deficit of 3.3% of GDP in 2025 and 3.1% in 2026. While this remains above the pre-pandemic average deficit of 2.4% of GDP, a newly implemented fiscal responsibility rule should see it narrow in the coming years.

Fiscal Deficits To Narrow As Expenditures Continue To Fall In The Medium Term

Dominican Republic - Fiscal Balance Breakdown (LHC) & Medium-Term Fiscal Balance Projections (RHC), % of GDP

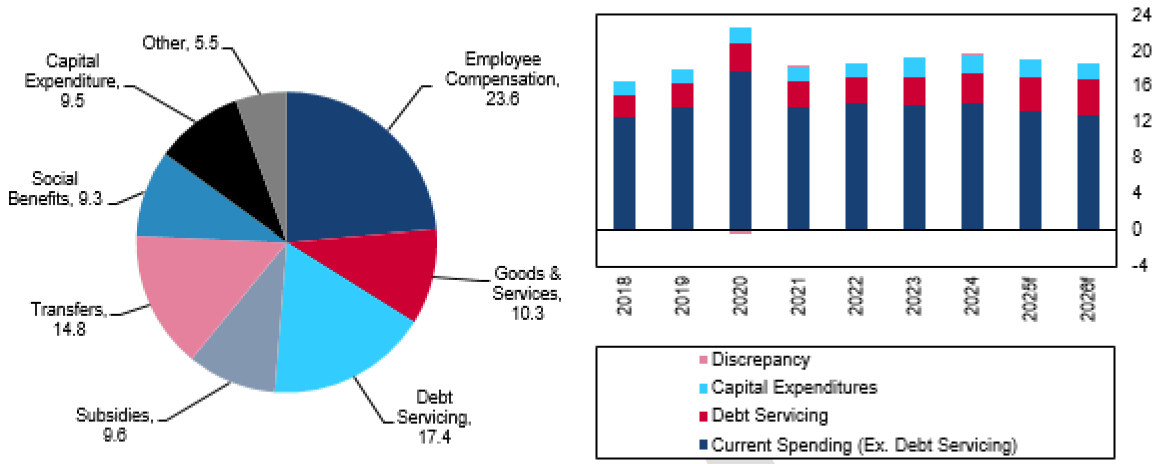


f = BMI forecast. Source: BCRD, MinHacienda, BMI

The fiscal rule caps annual real primary spending growth to 3.0% per year, starting in 2026, with the government's commitment to fiscal probity likely to see debt servicing costs trend lower. Separately, capital improvements will improve the efficiency of the broader power and energy sector, reducing the need for state subsidies, which have reached 7.0% of total spending in 2024. Additionally, we expect to see some moderation in spending on public sector salaries after a notable ramp-up over 2017-2024.

Government Spending Will Stay Largely Stable, But Debt Servicing Costs Remain A Key Sore Spot

Dominican Republic - Government Spending By Section, % of total (2024) (LHC) & Public Spending Breakdown, % of GDP (2018-2026) (RHC)

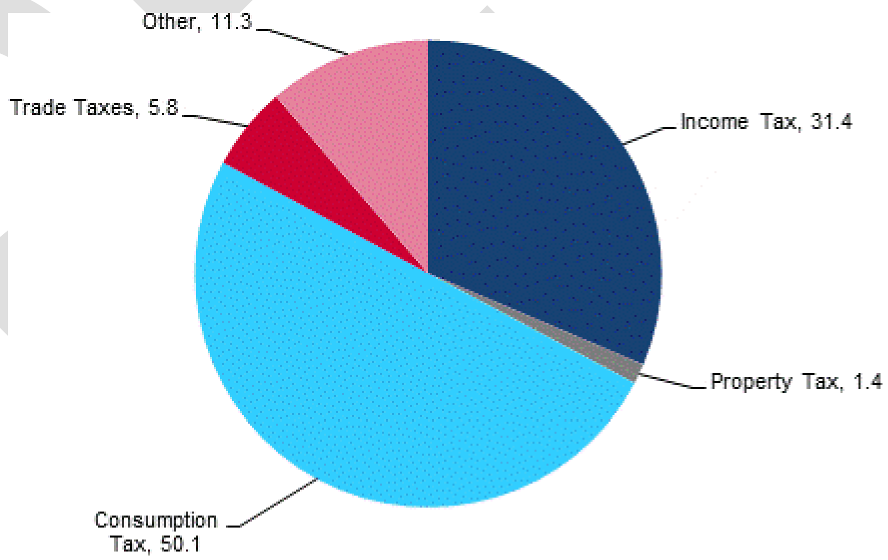


f = BMI forecast. Source: BCRD, MinHacienda, BMI

With there being limited appetite to pass tax reforms, we anticipate that revenues will remain stable as a share of GDP. As the failed effort in Q3 2024 conveyed, revenue-positive tax reforms in the Dominican Republic are hard to pass given fairly strong opposition from civil society and the business sector. While the government has repeatedly stated that they will be pursuing a renewed tax reform push in the current government's term, it has not appeared on the agenda for the remainder of 2025 nor is it factored into the 2025-2029 medium-term fiscal framework.

Government Revenues Remain Heavily Reliant On Consumption Taxes

Dominican Republic - Government Revenues Breakdown, % of total (2024)

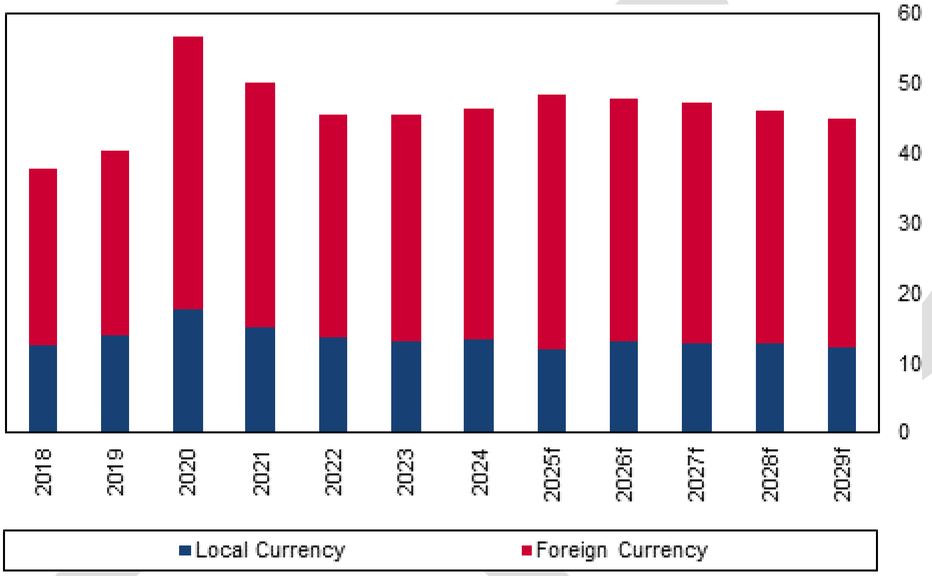


Source: BCRD, BMI

We believe that the public debt load will grow from 46.3% of GDP in 2024 to 48.4% in 2025, before resuming their downward trend from 2026. Expanding primary deficits due to the fiscal responsibility rule will be the main driver of debt reduction in terms of GDP. This will also have the added benefit of reducing debt servicing costs, which have since risen from 13.9% in 2015 to 21.1% of revenues in H1 2025.

Debt Load Likely To Fall Throughout The Decade Due To Persistent Primary Surpluses

Dominican Republic - Public Debt LoadBy Currency, % of GDP (2018-2029)



Source: Minhacienda, BMI

We do note that the debt load does exhibit an elevated FX risk given that nearly 75% of the public debt load is denominated in foreign currency. Reserves are above the 3.0 months import cover threshold at which reserve liquidity is considered sufficient. But we remain somewhat cautious in a context of international trade and financial market volatility.

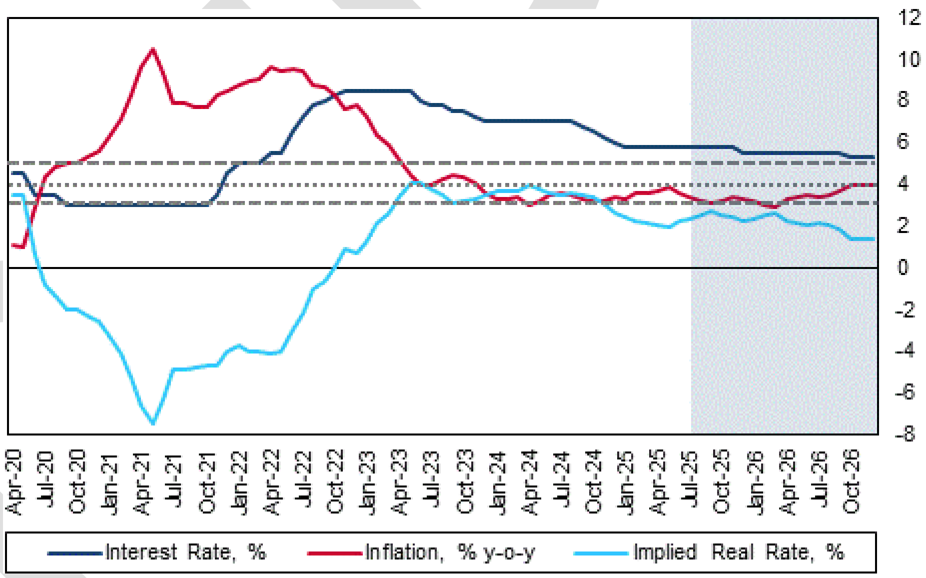
Monetary Policy, Inflation And Exchange Rate

- We forecast that the BCRD will enact only modest interest rate cuts in 2025 and 2026, particularly given the volatile global trade and financial market backdrop.
- Headline inflation is likely to end 2025 at 3.2% y-o-y, before inching up near the target to 3.9% by end-2026.
- We forecast that the Dominican peso will soften modestly to DOP63.5/USD by the end of the year from DOP61.7/USD on August 18 2025, maintaining its broader long-term depreciatory trend.

We forecast that the Banco Central de República Dominicana (BCRD) will enact only modest interest rate cuts in 2025 and 2026, particularly given the volatile global trade and financial market backdrop. We expect only one more 25 basis points (bps) interest rate cut in Q4 2025 from the BCRD to 5.50%, likely coinciding with the US Federal Reserve (Fed)'s expected cut in December, as the bank will likely retain a cautious stance in order to support the currency amid uncertainty sparked by the administration's tariff policy. Inflation has remained below the bank's target of 4.0% (± 1% tolerance band) since December 2023, but we have not seen any cuts since December 2024. We think there is room for more policy loosening in 2026 – our core view is for 25bps towards a terminal rate of 5.25% – but this remains highly dependent on the actions of the Fed.

Very Few Interest Rate Cuts Expected Through 2026 As Inflation Remains Just Under The Central Bank Target

Dominican Republic - BCRD Policy Rate, Headline CPI & Implied Real Interest Rate

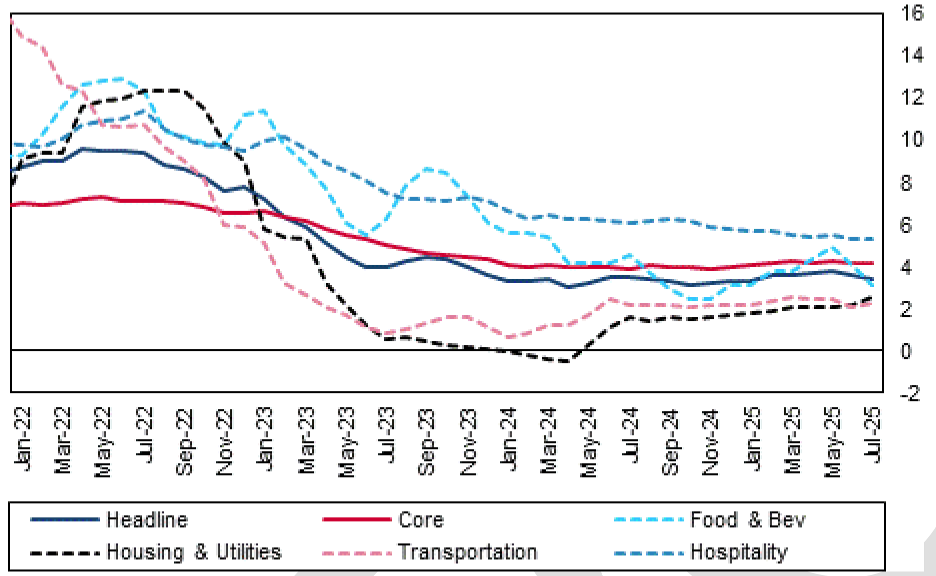


Note: Dotted line denotes 4.0% BCRD inflation target and dashed lines denote the 3% and 5% tolerance range bounds. Source: BCRD, BMI

We forecast that headline inflation will end 2025 at 3.2% y-o-y, before inching up near the target to 3.9% by end-2026. We believe that below-target inflation, which stands at 3.4% y-o-y in July, has been a product of continued use of fuel and electricity subsidies which have kept fuel and utility prices under control. This, coupled with weaker global and domestic food prices – which altogether represent 53% of the CPI basket – has led to softer inflationary pressures. We do point out that ex-utilities service sector is seeing some elevated inflationary pressures, such as in hospitality, health services, and miscellaneous services. We attribute this to tight labour market dynamics which is leading to sizable wage increases that are translating to consumer prices. Additionally, we note that FX pass-through is minimal, given the peso has been fairly stable in 2025.

Service Sector Inflation Persists, But Fuel And Electricity Subsidies Have Moderated Utilities And Transportation Price Growth

Dominican Republic - CPI Breakdown By Basket, % y-o-y

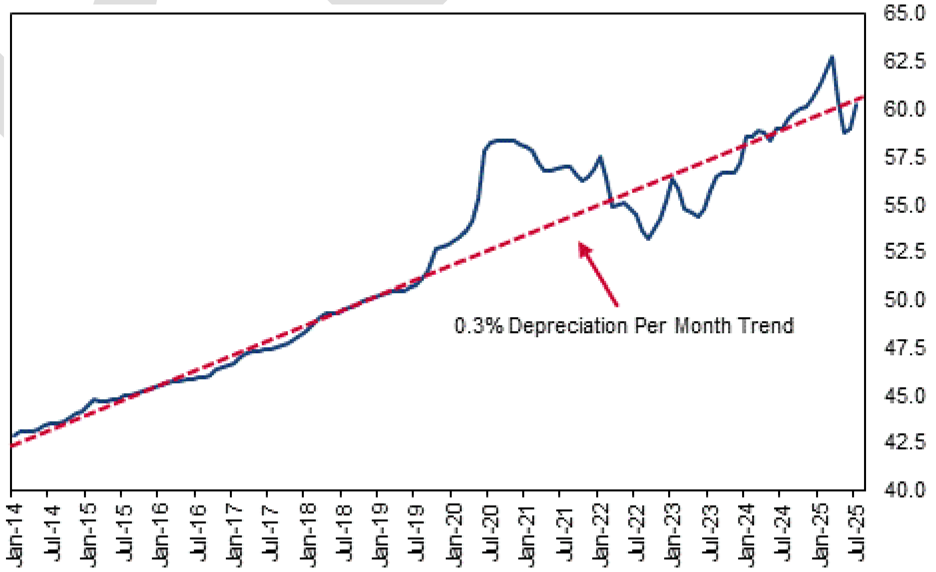


Source: Haver, BCRD, BMI

We forecast that the Dominican peso will soften modestly to DOP63.5/USD by the end of 2025 from DOP61.7/USD on August 18 2025, maintaining its broader long-term depreciatory trend. We associate the structural depreciation of the peso with the long-term inflation differential with the US, while the BCRD intervenes in the FX markets to mitigate short-term external or exogenous shocks. In late March the BCRD enacted a number of restrictions on who can access US dollar-denominated credit which shifted the supply-demand dynamics and allowed the peso to appreciate throughout April.

Dominican Peso Has Experienced More Volatility Post-Pandemic, But BCRD Will Sustain The Currency's Long-Term Trend

Official Exchange Rate, DOP per USD



Source: Haver, BCRD, BMI

That said, from May through to August the peso has restarted its fairly aggressive depreciatory trend. We believe this is a key driver in maintaining rates at their current level and will involve continued interventions by the BCRD in the FX markets. Given fairly strong reserve levels, we do not see any short-term risks to the BCRD's exchange rate strategy.

Monetary Forecasts (Dominican Republic 2023-2028)

Indicator	2023e	2024e	2025f	2026f	2027f	2028f
Consumer price inflation, % y-o-y, eop	7.2	3.3	3.3	3.9	4.1	4.1
M2, DOPbn	1,837.2	2,001.5	2,181.3	2,381.2	2,608.5	2,846.0
M2, % y-o-y	9.2	8.9	9.0	9.2	9.5	9.1
Central bank policy rate, % eop	7.00	6.00	5.50	5.25	5.25	5.25
Exchange rate DOP per USD, ave	56.16	59.57	62.25	63.85	66.10	68.10
Exchange rate DOP per USD, eop	58.26	61.32	63.50	64.20	65.42	66.72

e/f = BMI estimate/forecast. Source: National sources, BMI

Monetary Forecasts (Dominican Republic 2029-2034)

Indicator	2029f	2030f	2031f	2032f	2033f	2034f
Consumer price inflation, % y-o-y, eop	4.0	4.1	4.1	4.2	4.2	4.2
M2, DOPbn	3,104.8	3,409.4	3,728.3	4,058.3	4,405.6	4,777.8
M2, % y-o-y	9.1	9.8	9.4	8.9	8.6	8.4
Central bank policy rate, % eop	5.50	5.50	5.50	5.50	5.50	5.50
Exchange rate DOP per USD, ave	70.20	72.50	70.04	71.47	72.96	74.49
Exchange rate DOP per USD, eop	68.02	69.35	70.74	72.20	73.72	75.26

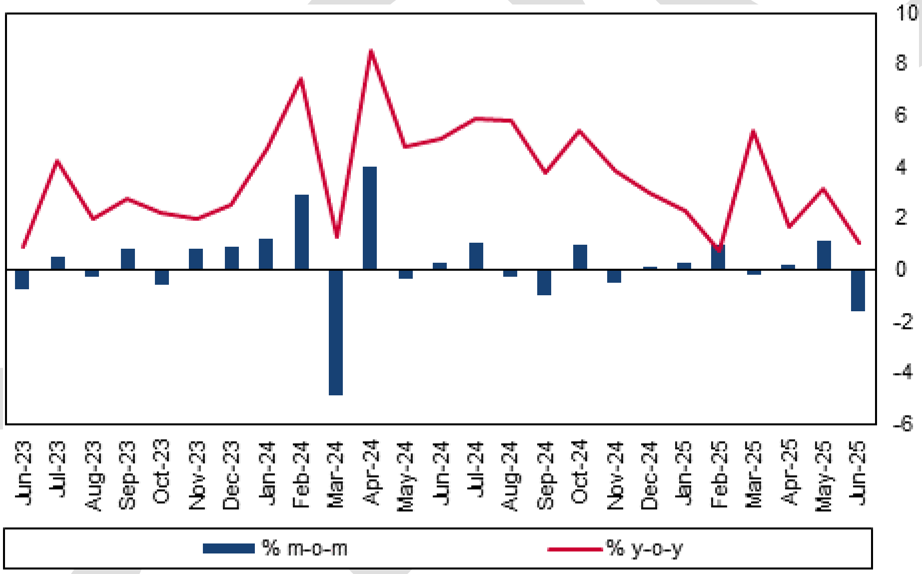
f = BMI forecast. Source: National sources, BMI

GDP Growth

- We forecast that the Dominican Republic will see real GDP growth of 3.2% (3.7% previously) in 2025 and 3.6% in 2026.
- In H2 2025, we expect broad resilience in private consumption, given persistent tailwinds for household incomes, but fixed investment will likely experience further weakness.
- In 2026, we expect a small uptick in growth to 3.6%, as stronger US demand will support export growth, but the upside will be limited.

We forecast that the Dominican Republic will see real GDP growth of 3.2% (3.7% previously) in 2025 and 3.6% in 2026, which represents a marked slowdown from 5.0% in 2024 and the 5.9% average growth in the pre-pandemic period (2015-2019). High frequency economic activity prints for Q2 2025 have turned markedly more downbeat with a below-trend headline growth rate of 2.0% y-o-y. Strength was focused in (gold) mining (9.1% y-o-y) and agricultural output (5.0%), while the construction sector contraction widened to 3.3% from a 1.2% contraction in Q1.

Monthly Prints Suggest A More Pronounced Slowdown In Q2 2025
Dominican Republic - Monthly Economic Activity Index

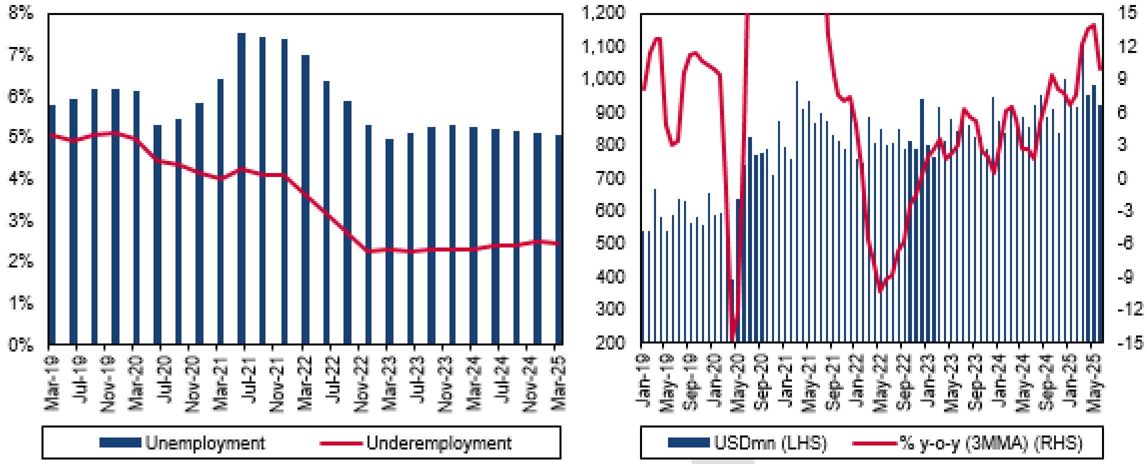


Source: BCRD, Haver, BMI

In H2 2025, we expect broad resilience in private consumption, given persistent tailwinds for household incomes, but fixed investment will likely experience further weakness. Looking at consumption first, we see strong growth persisting from a tight labour supply and fairly strong remittance growth of 11.2% in the year through to June. We think that this will support consumption throughout Q3 and most of Q4 2025, although signs of some weakness are likely to emerge in the latter months of the year, especially if remittance growth starts to ease in line with our expectations.

Strong Labour Market And Remittance Inflows Will Support Private Consumption Throughout 2025

Domininican Republic - Labour Market, % (LHC) & Remittance Inflows (RHC)



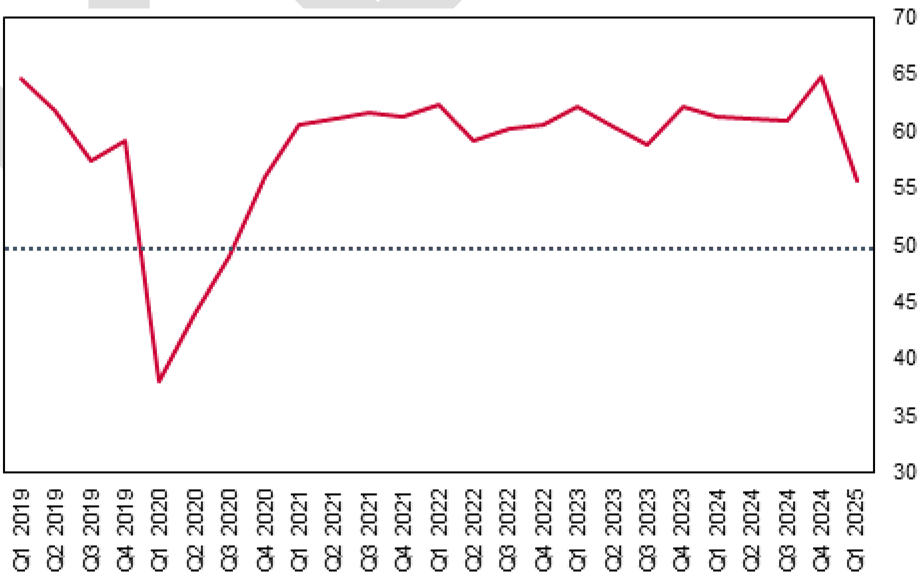
Source: BCRD, Haver, BMI

We expect that the fixed investment picture, primarily the construction outlook, will remain challenging. A strictly enforced, hawkish immigration policy has started to meaningfully depress the construction labour force. Public comments by industry leaders, citing a lack of construction workers, and the uptick in deportations of Haitian migrants (who make up the majority of the construction sector labour force), have led to projects increasingly being delayed by the lack of workers or due to rising labour costs.

The other significant headwind to the construction sector is the overall risk-averse environment and tight financial conditions stemming from the trade tensions and uncertainty emanating from the Trump administration. The possibility of elevated tariff barriers and exemption uncertainty has prompted caution by some developers, not only in residential and infrastructure spheres, but also for export-facing ones like tourism and manufacturing.

While Still Expecting An Expansion, Business Confidence At Lowest Level Since Q4 2020

Dominican Republic - Business Confidence Index (+/- 50 = Positive/Negative Outlook)

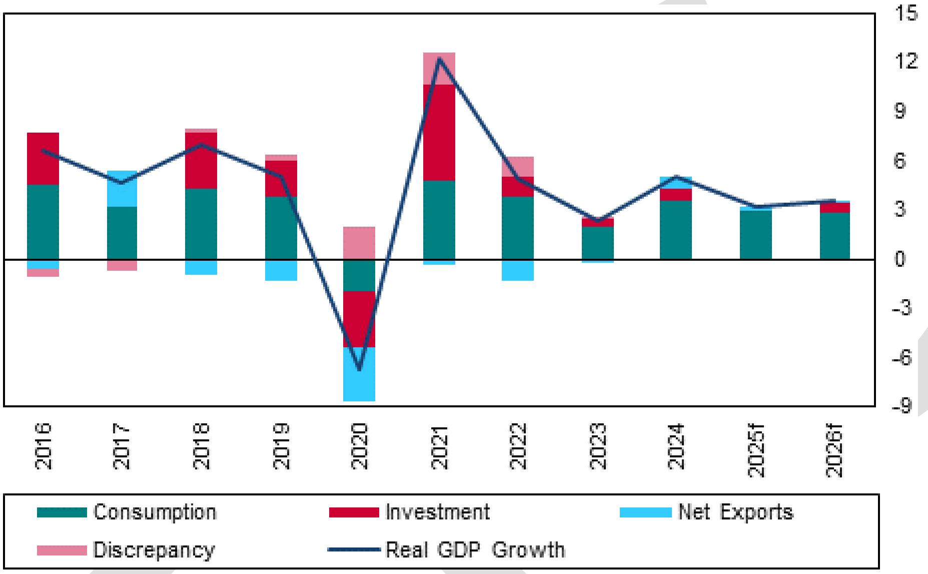


Source: AIRD, Haver, BMI

In 2026, we expect a small uptick in growth to 3.6%, as stronger demand from the US - an acceleration from 1.5% growth to 1.8% - will boost export demand, but the upside will be limited. Much will depend on the evolution of trade dynamics, but we think that a tight labour market and low inflation will continue to support household incomes, while rate cuts by the US Federal Reserve in 2026 allows the Banco Central de República Dominicana (BCRD) to follow suit.

Growth To Stablise In 2026, But Below The Pre-Pandemic Trend

Dominican Republic - Annual Real GDP By Expenditure, pp contribution to headline (2016-2026)



f = BMI forecast. Source: BCRD, BMI

Risks to our growth outlook are dependent on both US demand resiliency and the finalised trade stance from the US. More resilient US demand in H2 2025 and 2026 would likely lend direct tailwinds to goods and service exports and indirect ones to private consumption and investment (higher FDI from US companies). However, this impact may be limited or outweighed entirely if the eventual trade dynamic includes more costly barriers or if uncertainty persists.

GDP Growth By Expenditure, Nominal (Dominican Republic 2023-2028)

Indicator	2023	2024	2025f	2026f	2027f	2028f
Nominal GDP, USDbn	120.5	124.3	126.7	131.5	136.6	142.9
GDP per capita, USD	10,628	10,869	10,990	11,308	11,655	12,097
Private final consumption, USDbn	82.0	84.2	86.4	90.3	94.3	99.1
Government final consumption, USDbn	13.6	14.3	14.6	14.9	15.1	15.5
Fixed capital formation, USDbn	34.9	32.5	32.0	33.0	34.8	36.9
Net exports of goods and services, USDbn	-8.7	-7.8	-7.4	-7.9	-8.8	-9.8

f = BMI forecast. Source: INDEC, BMI

GDP Growth By Expenditure, Nominal (Dominican Republic 2029-2034)

Indicator	2029f	2030f	2031f	2032f	2033f	2034f
Nominal GDP, USDbn	150.2	156.9	175.4	186.5	198.2	210.3
GDP per capita, USD	12,626	13,090	14,539	15,354	16,213	17,101
Private final consumption, USDbn	104.1	109.1	122.2	130.0	138.2	146.8
Government final consumption, USDbn	16.0	16.4	17.9	18.6	19.3	20.1
Fixed capital formation, USDbn	39.1	40.7	45.7	48.8	52.0	55.4
Net exports of goods and services, USDbn	-10.2	-10.6	-11.8	-12.2	-12.8	-13.4

f = BMI forecast. Source: INDEC, BMI

GDP Growth By Expenditure, Real % Change (Dominican Republic 2023-2028)

Indicator	2023	2024	2025f	2026f	2027f	2028f
Real GDP growth, % y-o-y	2.2	5.0	3.2	3.6	4.0	4.1
Private final consumption, real growth % y-o-y	2.7	4.6	4.0	3.8	4.0	4.0
Government final consumption, real growth % y-o-y	2.4	4.1	3.1	2.0	0.8	1.2
Fixed capital formation, real growth % y-o-y	2.0	2.9	-0.3	2.5	5.0	5.0
Net exports of goods and services, real growth % y-o-y	5.1	-8.4	-2.7	-2.2	1.9	1.3

f = BMI forecast. Source: INDEC, BMI

GDP Growth By Expenditure, Real % Change (Dominican Republic 2029-2034)

Indicator	2029f	2030f	2031f	2032f	2033f	2034f
Real GDP growth, % y-o-y	4.2	3.6	3.8	4.1	4.1	4.0
Private final consumption, real growth % y-o-y	4.1	4.0	4.0	4.2	4.2	4.1
Government final consumption, real growth % y-o-y	2.2	1.9	1.6	1.5	1.7	1.8
Fixed capital formation, real growth % y-o-y	5.0	3.4	4.2	4.5	4.4	4.3
Net exports of goods and services, real growth % y-o-y	2.7	3.0	3.4	1.7	2.0	2.4

f = BMI forecast. Source: INDEC, BMI

GDP Growth By Expenditure, % Of GDP (Dominican Republic 2023-2028)

Indicator	2023	2024	2025f	2026f	2027f	2028f
Private final consumption, % of GDP	68.1	67.7	68.2	68.7	69.1	69.4
Government final consumption, % of GDP	11.3	11.5	11.5	11.4	11.1	10.8
Fixed capital formation, % of GDP	29.0	26.1	25.2	25.1	25.4	25.8
Net exports of goods and services, % of GDP	-7.2	-6.2	-5.8	-6.0	-6.4	-6.8

f = BMI forecast. Source: INDEC, BMI

GDP Growth By Expenditure, % Of GDP (Dominican Republic 2029-2034)

Indicator	2029f	2030f	2031f	2032f	2033f	2034f
Private final consumption, % of GDP	69.3	69.5	69.7	69.7	69.8	69.8
Government final consumption, % of GDP	10.6	10.4	10.2	10.0	9.7	9.5
Fixed capital formation, % of GDP	26.0	26.0	26.1	26.2	26.2	26.3
Net exports of goods and services, % of GDP	-6.8	-6.7	-6.7	-6.6	-6.4	-6.3

f = BMI forecast. Source: INDEC, BMI

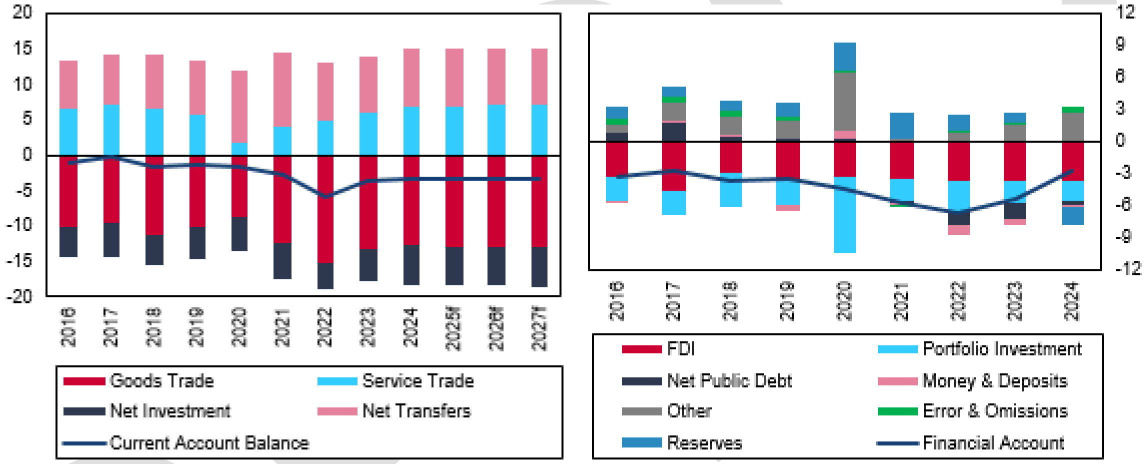
Trade And The External Sector

- We expect that the Dominican Republic's external account position for 2025 and 2026 will remain broadly positive and stable.
- A fairly large buildup of international reserves will provide a buffer against unforeseen external shocks or volatility.

We expect that the Dominican Republic's external account position for 2025 and 2026 will remain positive and stable. We forecast that the current account will be broadly unchanged, going from a 3.4% of GDP deficit in 2024, to 3.3% in 2025, and back to 3.4% in 2026. The goods trade deficit will remain stable around 12.9% of GDP for both years, as we expect goods exports and imports to grow at similar rates. This is because much of the imports consist of raw materials and capital goods for export-facing manufacturing production in economic free zones, which enjoy tax and regulatory incentives. There is a similar story for some consumer imports, which have increased in line with the expansion of the tourism sector.

Current Account Deficit To Remain Stable In 2025 And 2026

Dominican Republic - Current Account Balance (LHC) & Financial Account Balance (RHC), % of GDP

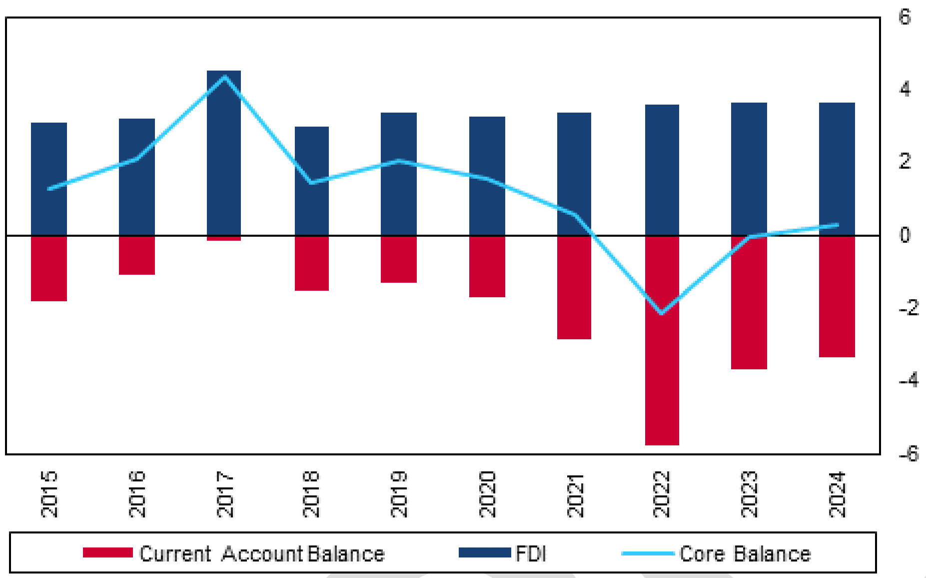


f = BMI forecast. Source: BCRD, BMI

Even if the current account deficit is wider now than it was in the pre-pandemic period (2015-2019), the core balance - that is, the sum of the current account balance and net foreign direct investment (FDI) flows - has remained in surplus, except for 2022, when a spike in oil prices led to elevated goods imports. Because FDI is considered a stickier type of capital inflow than 'hot' inflows like portfolio investment, this supports our view that the external account is stable in the short- and medium term and is neither reliant on nor very vulnerable to shifts in the more volatile segments of capital flows.

Core Balance Remains Broadly In Surplus, With The Exception Of 2022

Dominican Republic - Core Balance Breakdown, % of GDP (2015-2024)



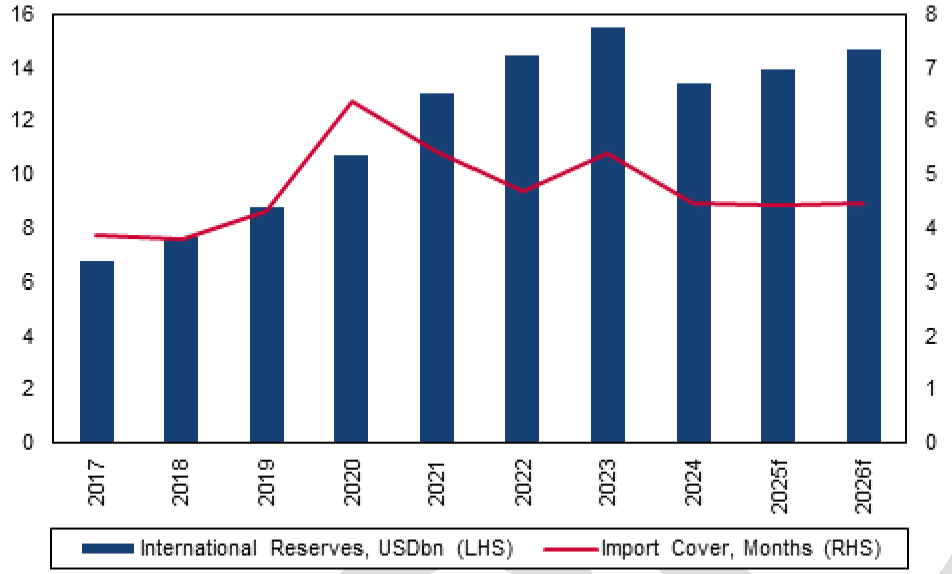
Source: BCRD, BMI

That said, on a broader, more structural level, we do highlight that the Dominican Republic is highly reliant on external demand and capital from the US. While this has been a tailwind given how strong US growth has been in recent years, it also represents a risk for the island's external sector. This is because falling demand for goods and tourism as well as weaker FDI flows could pose downside risks to the broader external position.

As a final pillar of stability, we highlight the fairly large buildup of international reserves, which provides a cushion against external shocks. As of June 2025, the Banco Central de República Dominicana (BCRD) recorded USD14.2bn in reserves (gross and net), which amounts to approximately 4.4 months of import cover. We forecast that reserves will rise from USD13.4bn at the end of 2024 to USD13.9bn by end-2025 and USD14.7bn by end-2026.

Sizable Reserve Levels Underpin External Account Stability

Dominican Republic - International Reserves (2017-2026)



f = BMI forecast. Source: BCRD, BMI

While there is a risk of global uncertainty leading to depressed FDI flows, we think nearshoring for strategic manufactured products like pharmaceuticals and electronics, in addition to continued tourism sector investment, will support further reserve accumulation. Reserves provide the economy with some buffer to defend the currency in the event of an external shock or bout of financial volatility.

Current Account Balance Forecasts (Dominican Republic 2023-2028)

Indicator	2023	2024e	2025f	2026f	2027f	2028f
Balance of trade in goods, USDbn	-15.9	-15.9	-16.3	-17.0	-17.8	-18.3
Balance of trade in goods, % of GDP	-13.2	-12.8	-12.9	-12.9	-13.0	-12.8
Balance of trade in services, USDbn	7.2	8.4	8.6	9.2	9.6	10.0
Balance of trade in services, % of GDP	6.0	6.7	6.8	7.0	7.0	7.0
Primary income balance, USDbn	-5.4	-6.7	-7.0	-7.2	-7.5	-8.0
Primary income balance, % of GDP	-4.5	-5.4	-5.5	-5.5	-5.5	-5.6
Secondary income balance, USDbn	9.7	10.1	10.5	10.5	11.0	11.5
Secondary income balance, % of GDP	8.0	8.2	8.3	8.0	8.1	8.0
Current account balance, USDbn	-4.4	-4.2	-4.2	-4.5	-4.7	-4.8
Current account balance, % of GDP	-3.7	-3.4	-3.3	-3.4	-3.4	-3.4

e/f = BMI estimate/forecast. Source: INDEC, BMI

Current Account Balance Forecasts (Dominican Republic 2029-2034)

Indicator	2029f	2030f	2031f	2032f	2033f	2034f
Balance of trade in goods, USDbn	-19.1	-19.8	-21.1	-22.0	-22.8	-24.6
Balance of trade in goods, % of GDP	-12.7	-12.6	-12.0	-11.8	-11.5	-11.7
Balance of trade in services, USDbn	10.7	11.4	12.3	13.1	13.9	14.7
Balance of trade in services, % of GDP	7.1	7.2	7.0	7.0	7.0	7.0
Primary income balance, USDbn	-8.4	-8.8	-9.9	-10.6	-11.3	-12.0
Primary income balance, % of GDP	-5.6	-5.6	-5.6	-5.7	-5.7	-5.7
Secondary income balance, USDbn	11.9	12.4	13.8	14.5	15.3	16.2
Secondary income balance, % of GDP	7.9	7.9	7.8	7.8	7.7	7.7
Current account balance, USDbn	-4.9	-4.8	-4.9	-5.0	-4.8	-5.7
Current account balance, % of GDP	-3.2	-3.1	-2.8	-2.7	-2.4	-2.7

f = BMI forecast. Source: INDEC, BMI

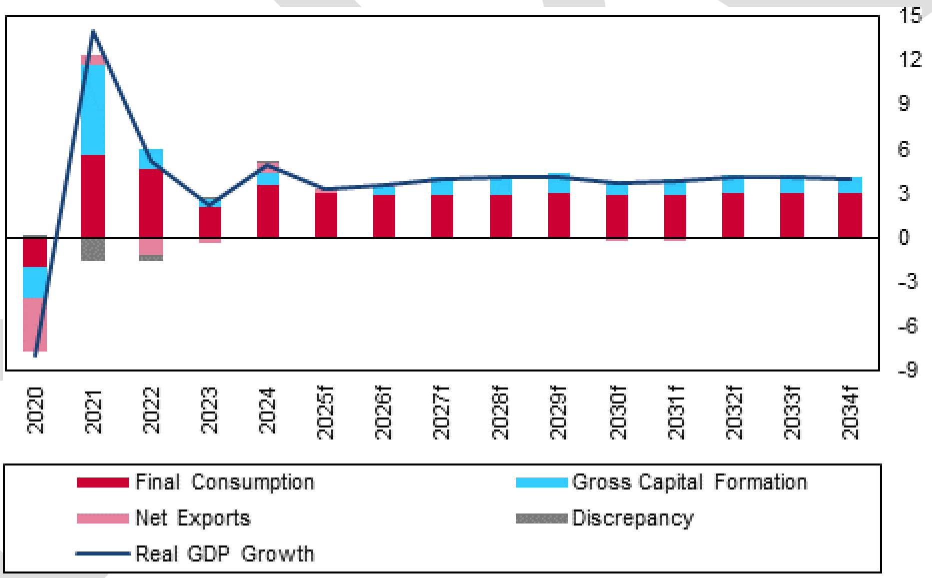
Long-Term Outlook

- We are fairly upbeat on the Dominican Republic's long-term growth outlook, with growth set to average 3.9% from 2026 through to 2034.
- The country will continue to benefit from responsible fiscal policy, robust political institutions, and close trade and financial ties with the US – although we see emerging risks to the latter.
- Major structural headwinds include the shared border with Haiti and its vulnerability to natural disasters.

We are fairly upbeat on the Dominican Republic's long-term growth outlook, with growth set to average 3.9% from 2026 through to 2034 on the back of several structural political and economic tailwinds. The island nation has a long and robust democratic tradition going back decades, with a reinforced system of institutional checks and balances. Corruption and public safety concerns permeate the public discourse, but these grievances mostly translate into short-term changes through elections without threatening the broader political system. Furthermore, the major parties all tend to be fairly centrist, which ensures broad policy continuity and a stable operating environment.

Growth To Remain Stable Throughout Our Forecast Period

Dominican Republic - Real GDP Breakdown By Expenditure Components, pp contribution to headline (2020-2034)

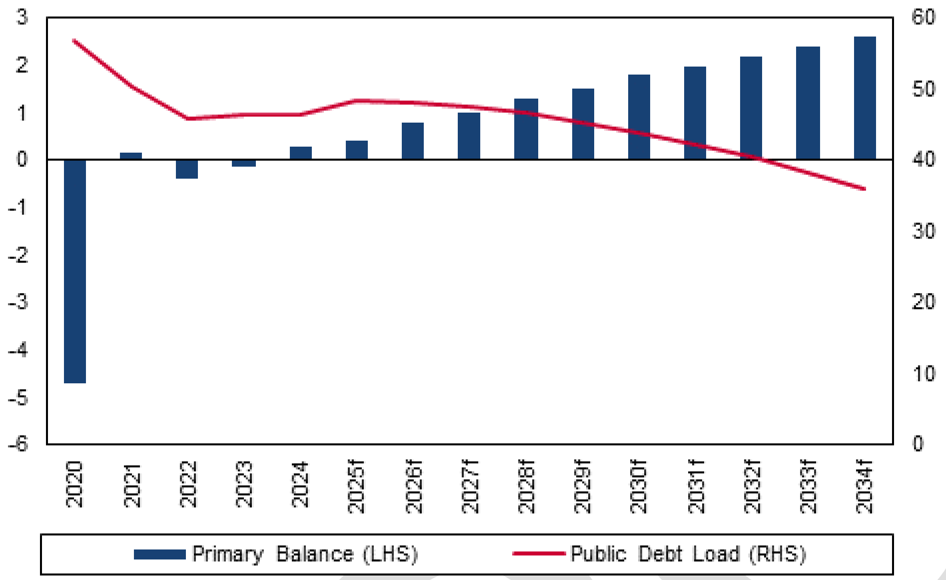


f = BMI forecast. Source: BCRD, BMI

Relatedly, the island nation's fiscal accounts are quite healthy, which allows the government to deploy counter-cyclical measures in the event of exogenous shocks. We forecast that the primary balance will run an average surplus worth 1.7% of GDP annually between 2026 and 2034, which is in part thanks to the new fiscal responsibility rule that caps real primary spending at 3.0% growth per year starting in 2026. While a broadly positive development, we are modestly concerned that the rule may be overly restrictive on public investment spending.

Widening Primary Surpluses Will Help Reduce The Public Debt Load In The Long Term

Dominican Republic - Primary Balance & Public Debt Load, % of GDP (2020-2034)

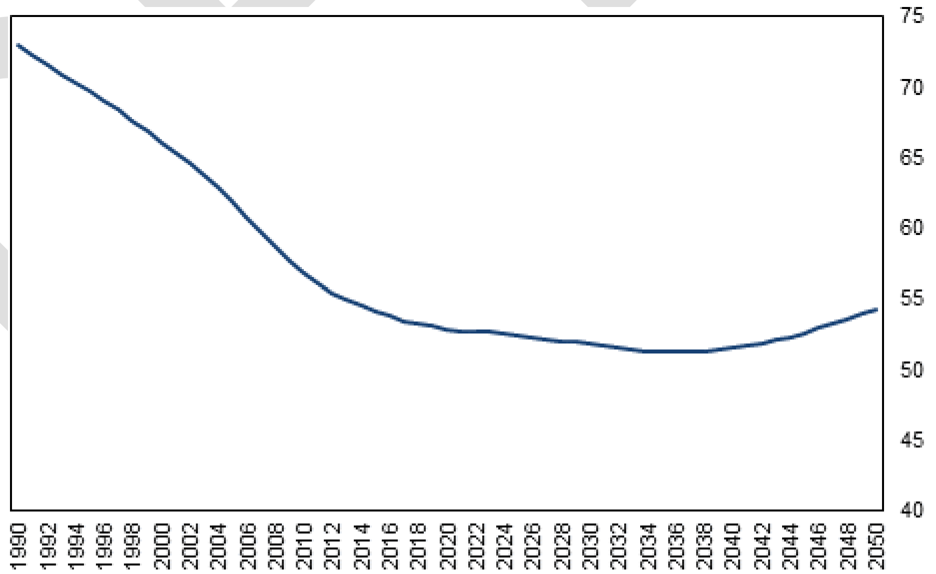


f = BMI forecast. Source: BCRD, MinHacienda, BMI

Demographics are also favourable for the Dominican Republic. The dependency ratio has fallen from 54.1% in 2015 to an estimated 52.4% in 2025 and is expected to hit a trough at 51.2% in 2036, before starting to creep up in subsequent years.

Dependency Ratio To Fall Modestly In The Next 10 Years, Before Starting An Upswing

Dominican Republic - Dependency Ratio, % of total working age population, ages 15-65 (1990-2050)

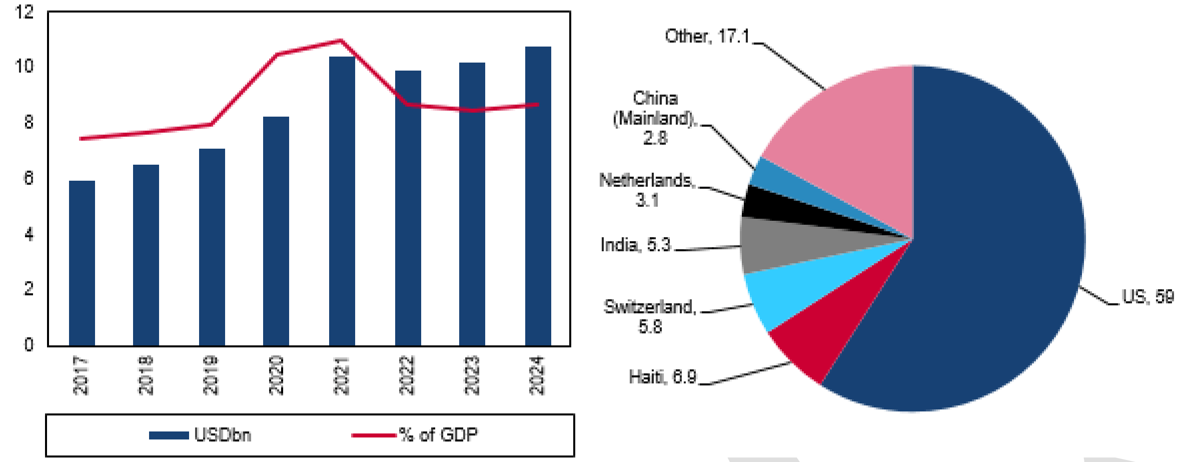


Source: UN, BMI

Finally, we also see the country's close relationship to the US as a key driver of its robust economic development. It has created an effective free zone economic system where much of the US-facing industrial manufacturing sector is able to operate within a preferential tax and regulatory regime. Additionally, the US remains a key source market for the island nation's tourism industry and is the primary contributor to remittance inflows, which represented an estimated 8% of GDP.

The US Remains A Key Source Of Remittances And Export Demand For The Dominican Republic

Dominican Republic - Remittance Inflows (LHC) & Goods Exports By Destination Country In 2024, % of total (RHC)



Source: Haver, Trade Map, BMI

That said, recent moves from the Trump administration have demonstrated that close economic ties are increasingly seen as a double-edged sword. Beyond the cyclical headwinds stemming from US economic downturns, the Dominican Republic's trade position has been complicated by the recent ramp-up of tariffs, diluting the benefits of the CAFTA-DR free trade agreement.

Recent US dynamics aside, the Dominican Republic has vulnerabilities stemming from its close proximity to Haiti, as well as its geographic profile. The political crisis and economic collapse in neighbouring Haiti not only hinder trade ties and efforts to combat organised crime, but also drive many Haitian emigrants to the Dominican Republic which puts pressure on social services, as well as socio-political stability. Additionally, the island's position in the Caribbean, in the context of more aggressive climate change, leaves it more susceptible to natural disasters, namely hurricanes, which could inflict significant economic damage.

Long-Term Macroeconomic Forecasts (Dominican Republic 2025-2034)

Indicator	2025f	2026f	2027f	2028f	2029f	2030f	2031f	2032f	2033f	2034f
Nominal GDP, USDbn	126.7	131.5	136.6	142.9	150.2	156.9	175.4	186.5	198.2	210.3
Real GDP growth, % y-o-y	3.2	3.6	4.0	4.1	4.2	3.6	3.8	4.1	4.1	4.0
Population, mn	11.53	11.63	11.72	11.81	11.90	11.98	12.07	12.15	12.22	12.30
GDP per capita, USD	10,990	11,308	11,655	12,097	12,626	13,090	14,539	15,354	16,213	17,101
Consumer price inflation, % y-o-y, ave	3.2	3.2	4.0	4.1	4.1	4.1	4.1	4.2	4.2	4.2
Current account balance, % of GDP	-3.3	-3.4	-3.4	-3.4	-3.2	-3.1	-2.8	-2.7	-2.4	-2.7
Exchange rate DOP per USD, ave	62.25	63.85	66.10	68.10	70.20	72.50	70.04	71.47	72.96	74.49

f = BMI forecast. Source: National sources, BMI

Macroeconomic Forecasts

Macroeconomic Forecasts (Dominican Republic 2024-2029)

Indicator	2024e	2025f	2026f	2027f	2028f	2029f
Nominal GDP, USDbn	124.3	126.7	131.5	136.6	142.9	150.2
Nominal GDP, EURbn	114.9	112.0	109.6	113.8	119.1	125.2
Real GDP growth, % y-o-y	5.0	3.2	3.6	4.0	4.1	4.2
GDP per capita, USD	10,869	10,990	11,308	11,655	12,097	12,626
GDP per capita, EUR	10,047	9,708	9,423	9,713	10,081	10,522
Population, mn	11.43	11.53	11.63	11.72	11.81	11.90
Unemployment, % of labour force, eop	5.5	5.9	6.4	9.6	6.5	6.8
Consumer price inflation, % y-o-y, ave	3.3	3.2	3.2	4.0	4.1	4.1
Lending rate, %, ave	15.8	14.8	14.4	14.2	14.2	14.4
Central bank policy rate, % eop	6.00	5.50	5.25	5.25	5.25	5.50
Private final consumption, % of GDP	67.7	68.2	68.7	69.1	69.4	69.3
Private final consumption, real growth % y-o-y	4.6	4.0	3.8	4.0	4.0	4.1
Government final consumption, % of GDP	11.5	11.5	11.4	11.1	10.8	10.6
Government final consumption, real growth % y-o-y	4.1	3.1	2.0	0.8	1.2	2.2
Fixed capital formation, % of GDP	26.1	25.2	25.1	25.4	25.8	26.0
Fixed capital formation, real growth % y-o-y	2.9	-0.3	2.5	5.0	5.0	5.0
Exchange rate DOP per USD, ave	59.57	62.25	63.85	66.10	68.10	70.20
Exchange rate DOP per EUR, ave	64.44	70.47	76.62	79.32	81.72	84.24
Budget balance, USDbn	-3.8	-4.2	-4.1	-3.6	-3.1	-2.8
Budget balance, % of GDP	-3.1	-3.3	-3.1	-2.6	-2.2	-1.9
Goods and services exports, USDbn	28.6	29.8	31.4	32.8	34.7	36.7
Goods and services imports, USDbn	36.1	37.5	39.2	41.0	43.0	45.1
Balance of trade in goods and services, USDbn	-7.6	-7.7	-7.8	-8.2	-8.3	-8.4
Balance of trade in goods and services, % of GDP	-6.1	-6.1	-5.9	-6.0	-5.8	-5.6
Current account balance, USDbn	-4.2	-4.2	-4.5	-4.7	-4.8	-4.9
Current account balance, % of GDP	-3.4	-3.3	-3.4	-3.4	-3.4	-3.2
Foreign reserves ex gold, USDbn	13.4	13.9	14.7	15.5	16.4	17.4
Import cover, months	4.4	4.5	4.5	4.5	4.6	4.6

e/f = BMI estimate/forecast. Source: National sources, BMI

Macroeconomic Forecasts (Dominican Republic 2030-2034)

Indicator	2030f	2031f	2032f	2033f	2034f
Nominal GDP, USDbn	156.9	175.4	186.5	198.2	210.3
Nominal GDP, EURbn	130.7	146.2	155.4	165.1	175.3
Real GDP growth, % y-o-y	3.6	3.8	4.1	4.1	4.0
GDP per capita, USD	13,090	14,539	15,354	16,213	17,101
GDP per capita, EUR	10,908	12,116	12,795	13,510	14,251
Population, mn	11.98	12.07	12.15	12.22	12.30
Unemployment, % of labour force, eop	7.0	7.2	7.4	7.0	7.1
Consumer price inflation, % y-o-y, ave	4.1	4.1	4.2	4.2	4.2
Lending rate, %, ave	14.5	14.5	14.5	14.5	14.5
Central bank policy rate, % eop	5.50	5.50	5.50	5.50	5.50
Private final consumption, % of GDP	69.5	69.7	69.7	69.8	69.8
Private final consumption, real growth % y-o-y	4.0	4.0	4.2	4.2	4.1
Government final consumption, % of GDP	10.4	10.2	10.0	9.7	9.5
Government final consumption, real growth % y-o-y	1.9	1.6	1.5	1.7	1.8
Fixed capital formation, % of GDP	26.0	26.1	26.2	26.2	26.3
Fixed capital formation, real growth % y-o-y	3.4	4.2	4.5	4.4	4.3
Exchange rate DOP per USD, ave	72.50	70.04	71.47	72.96	74.49
Exchange rate DOP per EUR, ave	87.00	84.05	85.77	87.55	89.39
Goods and services exports, USDbn	38.7	43.3	46.1	48.9	52.0
Goods and services imports, USDbn	47.1	52.1	55.0	57.9	61.8
Balance of trade in goods and services, USDbn	-8.4	-8.8	-9.0	-8.9	-9.9
Balance of trade in goods and services, % of GDP	-5.4	-5.0	-4.8	-4.5	-4.7
Current account balance, USDbn	-4.8	-4.9	-5.0	-4.8	-5.7
Current account balance, % of GDP	-3.1	-2.8	-2.7	-2.4	-2.7
Foreign reserves ex gold, USDbn	18.5	19.7	21.1	22.5	24.0
Import cover, months	4.7	4.5	4.6	4.7	4.7
Budget balance, USDbn	-2.1	-1.9	-1.6	-0.9	-0.2
Budget balance, % of GDP	-1.4	-1.1	-0.8	-0.5	-0.1

f = BMI forecast. Source: National sources, BMI

Disclaimer: This information is sourced from BMI Country Risk & Industry Research, a product of Fitch Solutions Group Ltd, UK