Economic Alert iQ

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Dominican Republic Long-Term Ratings Raised to "BB-"

- On May 20th, 2015, Standard & Poor's Ratings Services raised its long-term sovereign credit ratings on the Dominican Republic to 'BB-' from 'B+'.
- The credit rating outlook remains at "stable".
- The agency cited progress in lowering fiscal deficits since 2012, tax reforms, higher mining revenues, containment in spending and management practices by the Treasury as all having strengthened the Dominican Republic's fiscal position.
- The ratings upgrade was supported by an improved monetary policy framework in the Dominican Republic. In 2012, the central bank became operationally independent and moved to an inflation-targeting regime, improving its policy track record. Inflation has averaged 3.1% since then, near the central bank's target.
- In 2015, it is expected that the general government deficit will decline to 4% of GDP given lower oil prices and steady electricity tariffs, which will benefit the electricity sector. It should be noted, however, that the country is due to go to the polls in 2016. In the past, the fiscal balance has deteriorated during election periods.
- S&P projects that real GDP will expand by 5% in 2015-2016 following growth of 7.3% in 2014, which was the highest in the region.
- Currently, the Dominican Republic is rated by Moody's at B1 (Stable) and by Fitch at B+ (Stable)

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