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Economic Alert: Moody's upgrades Dominican Republic's issuer rating to Ba3 from B1, outlook stable

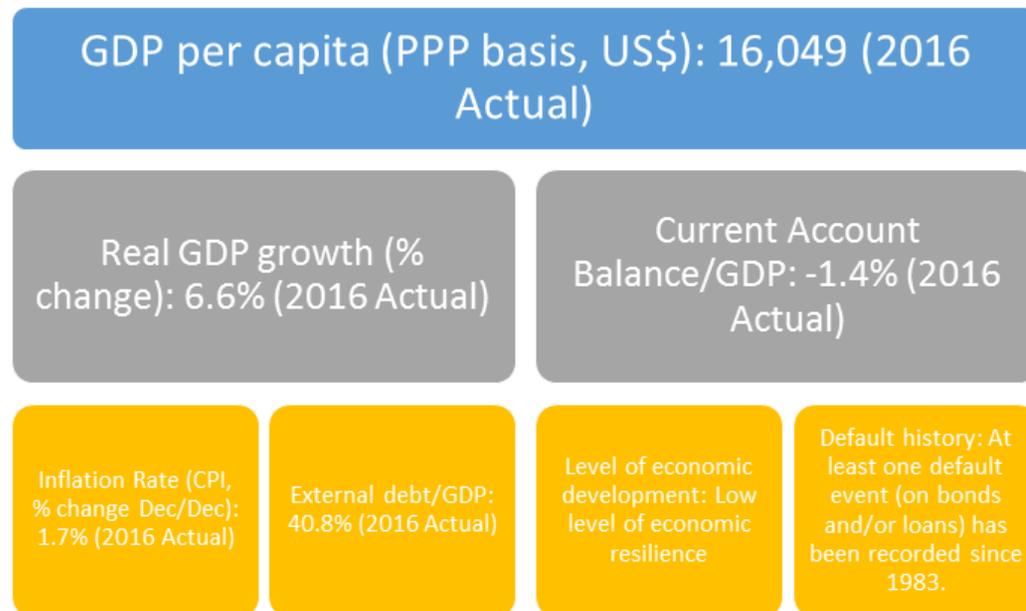
- On July 21st 2017, Moody's Investors Services upgraded the Dominican Republic's long term issuer and debt ratings to Ba3 from B1 and changed the outlook to “*Stable*” from “*Positive*”.
- The credit rating agency cited the following drivers that led to the upgrade:

Strong growth prospects: The Dominican Republic's continued robust growth outlook compared to rating peers, coupled with a reduction in external risks as current account deficits have declined and international reserves have increased.

Prudent fiscal management: The reduction in fiscal deficits over the last four years and Moody's expectation that fiscal deficits will remain shy of 3% of GDP, supported by fiscal restraint and reduced transfers to the electricity sector.

Source: Moody 's Investor Services, First Citizens Research & Analytics

- Moody's has also raised the Dominican Republic's long-term foreign-currency bond ceiling to Ba1 from Ba2, and the long-term foreign-currency bank deposit ceiling to B1 from B2.
- Within the last ten years, the Dominican Republic has seen impressive growth when compared to its Caribbean neighbors, growing at an average 5.8% annually from 2006 to 2016 compared to a median of 1% in the Caribbean.
- Additionally, in 2016 real GDP grew 6.6%, the highest rate in Latin America and the Caribbean for a third consecutive year. Last year's performance was supported largely by services (mainly tourism) and construction.
- The Medina administration, which assumed power in 2012 and was reelected in May 2016, has maintained gradual fiscal consolidation, reducing the fiscal deficit to 2.8% of GDP last year, from a peak of 6.6% during the 2012 election year.
- Last year was also the first time in ten years that the non-financial public sector reported a primary surplus of 0.1% of GDP, from a deficit of 0.4% of GDP in 2015



Source: Estimated by Moody's, First Citizens Research & Analytics

- Dominican Republic is rated BB- (*Stable*) by S&P and BB- (*Stable*) by Fitch.



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