



Dominican Republic

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COUNTRY		CREDIT RATING		Major Trade Partners	
Real GDP growth (%) May 2016	7.20%	S&P Foreign Currency	BB-(Stable)	USA, Venezuela, China, Mexico	
Next General Election	2020	Fitch Foreign Currency	B+ (Positive)	Textiles, Sugar, Gold, Cocoa	
Exchange Rate		Moody's Foreign Currency	B1 (Positive)	GDP Composition: Agriculture:6%, Industry: 29.1%, Agriculture:6%	

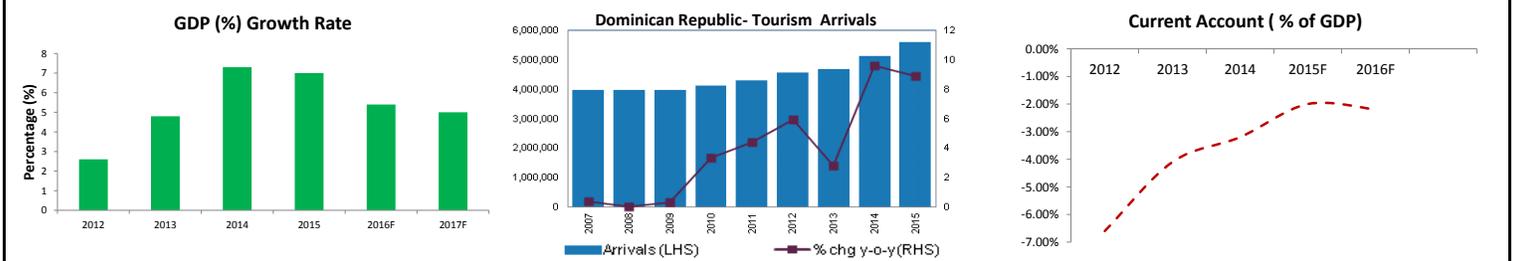
RECENT ECONOMIC DEVELOPMENTS

ECONOMIC OUTLOOK	Stable	In May 2016, Dominican Republic's economic activity increased 7.2% y-o-y, according to an estimate by the country's central bank. In 2016, the Dominican economy is expected to grow strongly, though it will lose some momentum when compared to 2015. It is expected that the economy will grow 5.6% in 2016, which is up 0.2% from last quarter's projection. An increase in tourist arrivals, rising foreign remittances, and low oil prices are the factors fueling the economy. Growth in the U.S. economy has also contributed to growth in remittances, as nearly one million Dominicans live in the US. Foreign investments have also been one of the key factors that helped the Dominican Republic stay on top of the economic battle. Another encouraging sign for the future was the U.S. recently lifting a ban on farm exports from Dominican Republic that was established once a certain breed of fruit fly was discovered on the island. This ban had cost the country USD400 in farm export revenue.
INFLATION	Stable	Inflation saw a slight increase from 1.7% in May to 1.9% in June, which marked the highest reading since October 2015. According to the Central Bank, the increase mainly reflected higher prices for transport and education. Headline inflation remains well below the lower bound of the Central Bank's margin of +/- 1% around its 4% target rate.
TOURIST ARRIVALS	Stable	According to the country's National Hotel & Tourism Association, Dominican Republic saw growth of 5.8% in the tourism sector, proving to be faster than the Caribbean's overall rate of 3.7% for 2015. The hotel occupancy was at 75.5% for 2015, with an expected average of 80% in 2016. Officials announced that plans are underway to offer preclearance facilities at Punta Cana International Airport for U.S. travelers returning from Dominican Republic to allow a bypass of U.S. customs after their return to the States, expected to begin in May 2017. With Amber Cove in Puerto Plata opening in 2015, cruise arrivals increased by 64% y-o-y, coming in at 550,000 visitors. Since Amber Cove's opening, an average of 5,000 cruise visitors arrive weekly to the area, shifting by season. The country plans to expand its cruise market beginning in December 2016 in Cap Cana, signing contracts with 11 providers and continuing discussion with 6 others.
POLITICAL	Stable	On 15th May 2016, the Dominican Republic went to the polls to elect only the president, members of the National Congress as well as municipal authorities. The election was the first of its kind since 1994 in which positions in the three governmental bodies were up for reelection. The general elections resulted in a large victory for incumbent President Danilo Medina of the ruling Dominican Liberation Party (PLD) over his closest competitor, Luis Abinader, of the social-democratic Modern Revolutionary Party (PRM). During his second term, Medina is expected to focus on attracting foreign investment, particularly into the tourism and mining sectors, in order to sustain growth. GDP growth in the Dominican Republic has been quite attractive when compared to Caribbean peers in recent years, which is a major contributor towards the president's relatively high approval ratings as well as his successful re-election bid. Government policies are expected to remain business-friendly in Dominican Republic as strong economic growth will lead the policy direction. However, ongoing tensions with neighboring Haiti can prove to be an impediment towards minimizing social tension.
CREDIT RATINGS	Stable	On May 20, 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 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. Currently, the Dominican Republic is rated by Moody's at B1 (Stable) and by Fitch at B+ (Positive).

OUTLOOK

Economic activity maintains a strong momentum, supported by a favorable external environment and a strengthened policy framework. Domestic demand has been the main growth engine, supported by an expansion in employment, decent credit growth, lower oil prices, and the recovery in the U.S. Strong tourist arrivals and increasing investment into the sector will create a growing number of employment opportunities in the hotels & restaurants and wholesale & retail trade over the coming years. The emergence of the new tourism projects, together with a strengthening US economy and hotels' attempts to woo visitors with lower prices, will ensure that arrivals continue to experience an upward trend over the next few months. Conclusively, sustaining strong economic growth and making it more inclusive will require effective reform efforts. The authorities' reforms in education, strengthening social safety nets, and in promoting financial inclusion should help boost growth and improve social outcomes overtime.

Source: IMF Economic Outlook April 2016, Business Monitor International



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