

Strengthened macroeconomic environment



General Information

GDP	USD63.969bn (World ranking 72, World Bank 2014)
Population	10.53mn (World ranking 83, World Bank 2014)
Form of state	Democratic Republic
Head of government	Danilo MEDINA Sanchez
Next elections	2016, presidential and legislative



Strengths

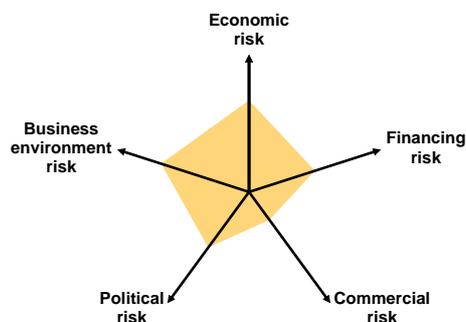
- Resilient economic growth
- Political stability
- A well-developed tourist infrastructure
- Infrastructure compares favourably with other developing nations, particularly the telecommunications system
- Effective fiscal consolidation and discipline

Weaknesses

- Electricity shortages
- Large external financing requirements
- Democratic institutions remain weak; rule of law remains fragile
- High levels of corruption and red tape continue to plague everyday business dealings
- Protests could erupt due to persistent income inequality and poverty

Country Rating

B2



Source: Euler Hermes

Trade Structure

By destination/origin (% of total)

Exports		Rank		Imports	
United States	50%	1	42%	United States	
Haiti	17%	2	8%	China	
China	4%	3	7%	Venezuela	
Canada	2%	4	6%	Mexico	
United Kingdom	2%	5	4%	Trinidad and Tobago	

By product (% of total)

Exports		Rank		Imports	
Apparel & clothing	11%	1	21%	Petroleum products	
Scientific instruments	9%	2	5%	Electrical machinery.	
Electrical machinery	8%	3	5%	Textile yarn products	
Manufactured articles	7%	4	5%	Road vehicles	
Tobacco	6%	5	4%	Manufactured articles	

Source: ITC, Chelem

Economic Overview

Growth slows but remains solid

Despite a slight slow-down, growth prospects remain positive. We expect real GDP to expand by +5% in 2015 and by +4.9% in 2016. The negative impact of plummeting gold and silver prices on mining activity and poor performance of tobacco and coffee exports will be somewhat offset by continued strong growth in the construction, retail and services sectors. On the demand side, investment (notably in energy, infrastructure and tourism sectors) and private consumption (supported by oil prices) are expected to remain the main engines of growth. After the fall in oil prices led inflation rates to drop (+0.8% on average in 2015 against +3% a year ago), the Central Bank cut the key rate by 125bps since February to 5% in June, and has maintained it at this level since then. Fiscal policy is expected to remain broadly supportive this year in the run up to the general elections in May 2016.

Steps in the right direction

Over the past years, macroeconomic fundamentals have been strengthened. President Medina, in power since 2012, was praised for improving the business environment and strengthening fiscal accounts. Unrelenting fiscal consolidation since 2012 has reduced the fiscal deficit from -6.8% of GDP then to -0.6% in 2015 as fiscal revenue rose on the back of a tax structure reform (that spreads its impact broadly across income and indirect taxes) to outstrip the controlled spending increase. Although the fiscal deficit is expected to widen somewhat this year ahead of the general elections, it will remain at manageable levels (-2.6% of GDP). Especially, the success in restructuring liabilities with Petrocaribe contributed to limit public growth, which remains at manageable levels.

Alongside, the implementation in 2012 an inflation-targeting regime followed by the Central Bank has proved credible at anchoring inflation. The inflation target currently stands at 4% +/-1pp.

External vulnerability has also been reduced. The current account deficit narrowed in 2015 to -2.0% of GDP on the back of low oil prices and stronger remittances, FDI and tourism revenues, notably from the US. Particularly, international reserves have increased and cover now 3.7 months of imports (excluding free-trade zones). Import cover has been above 3 months over the past 12 months, vs. around 2 months in 2014 and 2013. The Dominican peso is under a controlled float regime against the USD.

Despite the strengthening of the business environment, key weaknesses remain in insolvency resolution, corruption control, regulatory quality, and the rule of law. Dealing with the electricity sector shortcomings is a major challenge: the electricity system's capacity is inadequate and power cuts are common while electricity subsidies weigh heavily on the budget (about 10% of total current expenditure). While initially expected to step down in May 2016, a constitutional amendment in June will allow President Medina to seek reelection.

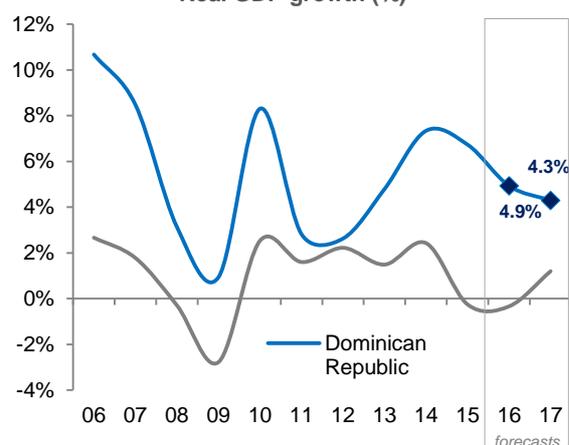
Key economic forecasts

	2014	2015	2016	2017
GDP growth (% change)	7.3	6.7	4.9	4.3
Inflation (% , yearly average)	3.0	0.8	2.2	3.0
Fiscal balance* (% of GDP)	-3.0	-0.6	-2.6	-2.1
Public debt* (% of GDP)	35.0	33.3	34.9	36.5
Current account (% of GDP)	-3.2	-2.0	-2.2	-1.8
External debt (% of GDP)	37.8	35.4	36.1	36.8

*Includes Local Government; Non-financial Public Corporations; Social Security Funds; State Governments

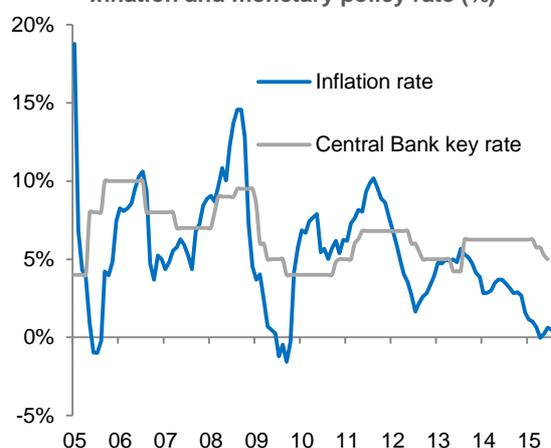
Sources: National sources, IMF-WEO, IHS, Euler Hermes

Real GDP growth (%)



Sources: National sources, IMF-WEO, IHS, Euler Hermes

Inflation and monetary policy rate (%)



Sources: National sources, IMF-WEO, IHS, Euler Hermes

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