CariCRIS Sovereign Report
Dominican Republic - September 2025

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CariCRIS Releases Sovereign Report on The Dominican Republic

CariCRIS has released its sovereign report on the **Dominican Republic**, continuing our series of regional sovereign and industry analyses. Below are the key highlights:

Key Highlights from the report:

"The Dominican Republic (DR) has maintained one of the strongest and most resilient economic performances in the Caribbean and Latin America, supported by a diversified production base, a rapidly recovering tourism sector, and robust macroeconomic management. Following a sharp pandemic-related contraction in 2020, the economy rebounded strongly, with real GDP expanding 14.0% in 2021 and stabilizing at 5.0% in 2024. Growth is projected at 3.0% in 2025 and to average around 5.0% over the medium term, driven by buoyant services activity, the continued expansion of free-trade zones, improvements in logistics and port infrastructure, and a recovery in mining output. Labour market conditions remain tight, unemployment remains low at 5.5%, and structural reforms aimed at strengthening public institutions, financial inclusion, and the investment climate are progressing.

Fiscal consolidation has begun to take hold, though structural pressures persist. The overall deficit narrowed to 3.0% of GDP in 2024 and the primary balance returned to surplus for the first time in two years. Revenue performance was strong across all major categories; however, current expenditure rigidities—most notably electricity-sector subsidies, which increased by over 30%—continue to weigh on the fiscal accounts. Interest payments remain elevated due to the relatively high cost of new and rolled-over debt. For 2025, the deficit is expected to widen modestly to 3.6% of GDP, although the authorities remain committed to the gradual consolidation path outlined in the Fiscal Responsibility Law. Public debt declined to 58.8% of GDP in 2024 and is projected to resume its downward path after 2025, supported by prudent debt management operations, including the issuance of the country's first sovereign green bond and a peso-linked bond to smooth repayments and reduce FX risk.

Monetary and financial sector conditions remain favourable. Inflation eased to 3.3% in 2024—within the Central Bank's target range—and is expected to remain stable. The banking system remains sound, with a capital adequacy ratio of 18%, strong profitability, low non-performing loans, and adequate provisioning. Progress continues toward implementing Basel II/III standards, strengthening the regulatory framework, and expanding financial inclusion. The exchange rate remains broadly stable, supported by strong foreign direct investment (FDI) inflows and adequate reserves.

The balance of payments outlook is also positive. The current account deficit narrowed to 3.6% of GDP in 2023 and is fully financed by large and diversified FDI inflows into tourism, energy, real estate, and commerce. International reserves remain strong at over US $15.5 billion, providing roughly six months of import cover. Tourism receipts reached record highs, remittances remain steady at around 7.5–7.7% of GDP and planned investments in airports and tourism-related infrastructure continue to enhance competitiveness.

The political backdrop remains stable under President Luis Abinader's second term, with strong electoral support and a pro-business reform agenda. Ongoing governance and institutional reforms—combined with open investment policies and continued macro-fiscal discipline—support a favourable medium-term outlook. Key risks include continued fiscal pressures from electricity-sector subsidies, potential external shocks affecting tourism or commodity exports, and lingering governance challenges. Overall, however, the Dominican Republic's economic resilience, strong external buffers, effective monetary management, and improving fiscal metrics underpin a positive sovereign credit profile."

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