
Country Forecast

Dominican Republic

Dominican Republic at a glance: 2008-09

The Economist Intelligence Unit assumes that the president, Leonel Fernández of the ruling Partido de la Liberación Dominicana (PLD), will win a third term at the mid-2008 presidential election, although his victory may not be easy and he is likely to face a second-round run-off. Despite the PLD's comfortable majority in both houses of Congress, he will still face challenges from the legislature, as party discipline is weak. If the candidate of the opposition Partido Revolucionario Dominicano (PRD), Miguel Vargas Maldonado, were to win the election, confidence in economic management would weaken. Economic policy will continue to be guided by the IMF stand-by arrangement, which is likely to be renewed when it expires at end-January 2008. Targets will be set for fiscal consolidation, strengthening the financial sector, improving the health of the energy sector and improving governance, but some are likely to be missed. As GDP growth slows, from 8% in 2007 to 5% in 2008 and 4% in 2009, fiscal adjustment will become more difficult. After overshooting the 6% target ceiling in 2007, we expect inflation to ease slightly. The exchange rate is set to weaken as the current-account deficit remains wide.

Key changes from last month

Political outlook

- The president's campaign for re-election has officially begun. Strong tax revenue growth will allow for pre-election spending, bolstering his popularity against the opposition's allegations of corruption and waste.
- Relations with Haiti have been strained by Haiti's ban on imports of all poultry products after an outbreak of a strain of avian flu.

Economic policy outlook

- The government has not yet announced whether the IMF stand-by arrangement that expired on January 31st will be renewed. Although monetary and fiscal deficit targets will stay at prudent levels, some slippage is expected.

Economic forecast

- Preliminary official data has suggested that GDP growth slowed slightly in the final quarter of 2007, confirming our view that the economy will slow in 2008-09.

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The Economist Intelligence Unit

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Country forecast overview

Highlights

- The Economist Intelligence Unit's forecast is based on the assumption that the current president, Leonel Fernández of the ruling Partido de la Liberación Dominicana (PLD), will win the May 16th 2008 presidential election. He is currently well ahead in the polls, but it may yet be a difficult contest. A change of party in power would impair governability, since the PLD has a congressional majority until 2010. Such an outcome would be unlikely to alter economic policy radically, but would damage confidence.
- Generally cautious fiscal and monetary policies will prevail, with the authorities targeting primary surpluses of around 2% of GDP in an effort to put the public finances on a healthier footing. However, fiscal slippage is likely in the run-up to the May 2008 presidential election, and we expect that targets will not be fully achieved. A decision has not yet been taken on whether to renew an IMF stand-by arrangement that expired in January 2008. If it is, there will be continuity in the policy framework, comprising fiscal and monetary discipline and institutional strengthening; if not, we expect little immediate effect on policy targets, but a weakening of discipline that would jeopardise their fulfilment. Some improvements to budget management are likely, but overcoming the chronic institutional weaknesses and electricity problems will take longer.
- After a strong rebound since the 2003-04 recession, average annual GDP growth rates will slow to below 5% in 2008-12. Demand growth will be driven by private consumption and investment, underpinned by remittances and financial inflows. The net contribution to GDP growth of the foreign balance will be modest. Our forecast assumes that cautious economic policies will keep inflation below 7% and the currency will weaken only gradually. The current-account deficit will widen to an average of around 5% of GDP in 2008-09 before stabilising at around 4% as oil prices ease. We expect foreign direct investment (FDI) to cover around half of annual financing needs of around US\$3.5bn, but there is a risk that OECD credit market turmoil will hit investment flows.
- A US recession, higher than forecast oil prices, or a sustained rise in global risk aversion are the main external risks to our forecasts. A renewed shock in the local banking sector, where oversight remains weak, or fiscal slippage related to the 2008 election, represent the main domestic risks.
- The reform process and foreign investment will be supported by membership of DR-CAFTA, which came into force in March 2007, but many domestic producers will struggle with the increased competition from Asia. Efforts to restructure the electricity industry will be complicated by high oil prices and power supply problems will remain a drag on business.

Key indicators	2007	2008	2009	2010	2011	2012
Real GDP growth (%)	8.0	5.0	4.0	4.5	4.6	4.5
Consumer price inflation (av; %)	6.1	7.9	5.8	5.5	5.5	5.5
Budget balance (% of GDP)	0.3	-0.7	-1.0	-1.3	-1.4	-1.6
Current-account balance (% of GDP)	-4.5	-5.2	-4.8	-4.1	-4.1	-4.3
Exchange rate Ps:US\$ (av)	33.29	35.15	37.19	39.05	40.33	41.38
Exchange rate Ps:€ (av)	45.56	51.23	49.37	49.88	50.81	51.73

Business environment rankings	Value of index ^a		Global rank ^b		Regional rank ^c	
	2003-07	2008-12	2003-07	2008-12	2003-07	2008-12
	5.25	5.74	64	66	9	9

^a Out of 10. ^b Out of 82 countries. ^c Out of 12 countries: Argentina, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Mexico, Peru and Venezuela.

- The Dominican Republic's attractiveness as an investment location is constrained by its small market size, frail institutional capacity and political effectiveness, skills shortages and poor infrastructure. A stronger macroeconomic environment and enhanced policies towards foreign investment in 2008-12 will improve its score, but its position in the global rankings falls. A change of governing party in the presidency 2008 (not our central forecast) would not alter policy radically, but confidence and political effectiveness would be tested.

Dominican Republic's business environment at a glance

Policy towards private enterprise and competition

2008-09: Legislation to increase transparency in public procurement is adopted, but implementation is slow. Persistent distortions arise from powerful local lobbies.

2010-12: Improved protection of property rights. Despite reforms, weak transparency and limited domestic competition persist. Divestment of state-owned electricity companies under a modified regulatory framework.

Policy towards foreign investment

2008-09: Liberal regulatory system towards foreign firms with attempts to attract foreign investment in high-tech sectors.

2010-12: The Dominican Republic-Central American Free-Trade Agreement (DR-CAFTA) gradually results in a more secure and transparent environment, with fewer discretionary measures.

Foreign trade and exchange controls

2008-09: Following the DR-CAFTA agreement, free-trade agreements (FTAs) negotiated with other nations.

2010-12: Stable regulatory environment for trade and capital flows. Temporary taxes on imports and exports are possible.

Taxes

2008-09: Taxes may rise after the mid-2008 election. Efforts to fight tax evasion make progress.

2010-12: Tax stability increases as the budget management framework improves.

Financing

2008-09: Continued gradual recovery of the banking sector after the crisis of 2003, but investment capital remains scarce. There is a lack of development of other forms of finance.

2010-12: Slow improvement in the efficiency of the banking sector; limited development of the stockmarket.

The labour market

2008-09: High unemployment, with high levels of informality and low productivity.

2010-12: High level of informality persists. There is an insufficient number of skilled workers to develop high-tech sectors.

Infrastructure

2008-09: The quality of physical infrastructure is uneven and often inadequate, except in telecommunications. Efforts to tackle severe structural problems in the electricity industry. Completion of the first Metro line in the capital.

2010-12: Further advances in telecommunications, but less progress in other infrastructure projects.

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Fact sheet

Annual data	2006 ^a	Historical averages (%)	2002-06
Population (m)	9.2 ^b	Population growth	1.8
GDP (US\$ m; market exchange rate)	37,863.0	Real GDP growth	5.2
GDP (US\$ m; purchasing power parity)	81,216	Real domestic demand growth	3.7
GDP per head (US\$; market exchange rate)	4,118	Inflation	17.9
GDP per head (US\$; purchasing power parity)	8,833	Current-account balance (% of GDP)	0.7
Exchange rate (av) Ps:US\$	33.36 ^b	FDI inflows (% of GDP)	3.4

^a Economist Intelligence Unit estimates. ^b Actual.

Background: From independence in 1844 to 1961 the Dominican Republic was dominated by *caudillos* (“strongmen”), with Rafael Leonidas Trujillo (1930-61) being the most powerful and influential. After a period of internal conflict and a semi-democratic regime run by Joaquín Balaguer, the Dominican Republic established a functioning democracy in 1978. In the mid-1980s the country opted for a more open development strategy centred on export-oriented free-trade zones (FTZs), tourism and remittances. Notwithstanding periodic financial crises, the strategy has delivered economic growth, but social development has been disappointing because public spending on education and healthcare is low.

Political structure: The Dominican Republic is a representative democracy with a US-style Congress and presidency. The president has executive power, appoints a cabinet and holds office for four years, with re-election possible. Legislative power rests with a bicameral Congress, with both houses directly elected for a period of four years: the Senate (the upper house) has 32 members, one for each province and one for the federal district; the Chamber of Deputies (the lower house) has 178 members. The judicial system is composed of local justices, a 15-member Supreme Court and an Electoral Court.

Policy issues: The president, Leonel Fernández, took office in August 2004 and restored stability and growth through fiscal adjustment, debt-restructuring and tight monetary policies. His economic programme, supported by an IMF stand-by arrangement, has been focused on fiscal consolidation, inflation-control and strengthening the financial system. The renewal of the agreement, which expired in January 2008, is under discussion. The implementation of the DR-CAFTA trade agreement with the US in March 2007 has encouraged new investment and brought a surge in imports.

Taxation: Tax stability is poor. Successive reforms in 2004-06 expanded the base of the Tasa del Impuesto sobre Transacciones de Bienes Industriales y Servicios (ITBIS), the value-added tax (VAT) and lifted the basic rate to 16%. The highest income-tax rate was cut from 29% to 25% in mid-2007.

Foreign trade: Real export growth has been sluggish in the past two years, despite the access to the US market provided under DR-CAFTA. The free-zones sector has lost competitiveness relative to Central American and Chinese producers, while strong domestic demand has lifted imports. As a result the trade deficit is widening.

Major exports 2006	% of total	Major imports 2006	% of total
Free-trade zones	70.0	Fuels	24.9
Ferro nickel	11.0	Free-trade zones	21.8
Sugar & derivatives	2.1	Consumer goods	22.8
Cocoa & derivatives	1.0	Raw materials	18.5

Leading markets 2006	% of total	Leading suppliers 2006	% of total
US	72.8	US	48.6
UK	3.2	Colombia	6.5
Belgium	2.4	Mexico	6.1
Mexico	2.2	Venezuela	3.9

Outlook for 2008-09

Political outlook

Domestic politics In the final months of the four-year term of the president, Leonel Fernández of the Partido de la Liberación Dominicana (PLD), politics will be dominated by the presidential election scheduled for May 16th 2008 (first round). Campaigning will bring the government's reform agenda to a halt, in spite of the PLD's majority in both chambers of Congress. The Economist Intelligence Unit's forecast is based on the assumption that Mr Fernández will win the election against the Partido Revolucionario Dominicano (PRD) candidate, Miguel Vargas Maldonado. Mr Fernández remains the most popular politician, despite the setbacks from a financing scandal, criticisms of the government's response to two storm emergencies in late 2007, and signs that the strong economic growth of the past three years may be beginning to falter.

The two camps within the ruling PLD remain antagonistic, a situation that threatens to weaken Mr Fernández's election campaign. Danilo Medina, who was defeated in the PLD presidential primary by Mr Fernández in May 2007, is still backed by a majority of PLD congressmen. With the opposition making the most of these internal tensions and of any political or economic difficulties that may emerge in the coming months, it is likely that the election might go to a run-off, weakening Mr Fernández's mandate. With party discipline weak, this would mean that he would be unable to rely on the full support of his PLD majority in Congress, hampering progress on reforms. However, so far Mr Fernández's poll ratings suggest that his personal standing is sufficient to survive possible further setbacks during the campaign, barring a major shock.

An alternative scenario, with a victory for Mr Vargas Maldonado—the only feasible alternative result, since the Partido Reformista Social Cristiano (PRSC) is a diminished third force—would leave governability weak, as the PLD will have a majority in Congress until the 2010 legislative and municipal elections. It would also test investor confidence, given the economic crisis during the previous PRD government of Hipólito Mejía (2000-04), Mr Vargas Maldonado's political ally and *de facto* party boss.

International relations The Dominican Republic-Central American Free-Trade Agreement (DR-CAFTA), which came into force in March 2007, will ensure close relations with the US. Mr Fernández will cultivate relations with other Latin American, EU and Middle Eastern nations in an effort to boost trade and investment, and secure fuel supplies. Bilateral tensions with neighbouring Haiti arising from the issue of illegal Haitian immigrants will continue to be a policy challenge. Diplomatic efforts will be devoted to ensuring that close ties with Venezuela, which supplies the Dominican Republic with 40% of its oil imports on attractive financing terms, do not impair relations with the US.

Economic policy outlook

Policy trends We assume that the stand-by arrangement with the IMF that expired on January 31st will be renewed shortly. Notwithstanding the Fund's reservations about fiscal management in the wake of a scandal that has highlighted a continuing lack of budgetary transparency (despite reforms implemented under the programme to tackle this chronic problem), we assume that the IMF will agree to an extension of the agreement if requested, and to some extra emergency spending following Tropical Storm Noel, given the government's record in improving public solvency, meeting fiscal and other macroeconomic targets and making progress on some of the structural criteria. However, the Fund is likely to make the extension conditional on a commitment to further measures to tackle chronic problems in the electricity industry and strict discipline in not only meeting fiscal targets, but also improving fiscal accountability and governance.

Even if the agreement with the IMF is not renewed, policymakers under a Fernández administration would pursue a relatively sound macroeconomic policy framework. This will focus on reducing the public debt burden, and monetary policy on containing inflationary pressure. After some fiscal slippage in 2006, targets were exceeded in the first nine months of 2007 (before storm-related emergency spending), and since coming to office the government has substantially increased confidence in public solvency, as well as making improvements in the budget management framework and financial supervision. Pressure on policymakers to consolidate these steps and also to improve the business environment will come not only from the IMF, but also from businesses, given the increase in international competition arising from trade liberalisation under DR-CAFTA. However, after benign international conditions in 2004-07, policymakers now face a more challenging external environment.

Fiscal policy Fiscal targets are designed to bring the public debt/GDP ratio down to sustainable levels. To achieve this, the government needs to run non-financial public-sector (NFPS) primary surpluses (excluding interest payments) of 2% of GDP or more over the medium term. Fiscal performance so far in 2007 suggests that the government was on target to meet the budget NFPS primary surplus target of 2.1% of GDP before emergency spending began following Tropical Storm Noel. In 2008 we expect an increase in spending related to the presidential election to result in a primary NFPS surplus of below the 2% of GDP target, despite post-election adjustment efforts. Assuming a third Fernández term, we expect the primary balance to remain in surplus in 2008-09. Electoral overspending represents one of the main risks to the fiscal programme, along with the possibility of a resurgence in international oil prices, which would add to the burden of transfers to the electricity sector. On our current assumptions, the revenue and financing outlook appears manageable, barring a sharp, sustained rise in global risk aversion.

After a doubling of the public debt/GDP ratio to 56% under the Mejía administration, which took it from being one of the lowest public debt burdens in Latin America to one of the highest, fiscal adjustment, an economic rebound

and currency revaluation reduced this to 43.3% of GDP—including debt held by the Banco Central de la República Dominicana (the Central Bank)—by the end of 2006. We anticipate that the public debt/GDP ratio will fall below 40% of GDP in the outlook period.

Monetary policy Monetary policy is aimed at keeping inflation below 10%, but policymaking is complicated by the need to manage the large stock of Central Bank certificates issued in the wake of the 2003 banking collapse. Monetary growth exceeded the ceilings established under the IMF programme, and private-sector credit growth has accelerated (to 31% year on year in December). The credit growth has been fuelled by historically low interest rates, with average weighted interest rates of 15.3% in December on commercial bank loans of up to 90 days (down from 16.4% a year earlier and 20.4% in December 2005). The impact on inflation of cost pressures and strong credit growth has been mitigated so far by the stability and strength of the exchange rate, but we expect the currency to weaken in 2008-09 as the external accounts deteriorate. Our forecast is based on the assumption that currency slippage will be modest, but a sharper depreciation would raise the likelihood that the Central Bank will shift monetary policy from an accommodating to a tightening stance, increasing the cost of servicing its outstanding stock of Central Bank certificates, which amount to the equivalent of 12% of GDP. The quasi-fiscal cost was an estimated 1.9% of GDP in 2007, down from nearly 4% in 2005.

Economic forecast

International assumptions Our baseline forecast is for a moderate deceleration in global growth in 2008-09, caused by a sharp slowdown in the US economy in 2008, followed by gradual recovery in 2009. A weaker US economy will dampen growth prospects for the Dominican Republic, since the US accounts for over three-quarters of export sales and is an important market for tourism and a source of foreign direct investment (FDI). Moreover, Dominican free-trade zones will continue to lose competitiveness to China in the garments sector, which the preferential access to the US market under the DR-CAFTA agreement and recently approved sectoral tax breaks will only partly serve to offset. Our baseline forecast is subject to downside risks, arising mainly from underlying imbalances in the global economy, particularly in the US. A deeper US recession than expected or a sustained rise in global risk aversion could complicate the Dominican Republic government's financing outlook. The Dominican Republic is heavily reliant on imports of oil. Average prices for Brent crude are forecast to rise in 2008, averaging US\$78/barrel, before easing to US\$72 in 2009. Should oil prices rise above these levels, they would impose a heavy burden on the fiscal and external accounts, complicating policymaking, despite the cushioning effect of a deal with Venezuela to supply 40% of oil imports on favourable financial terms. After rising by 50% in 2007, nickel prices are forecast to fall by 21% in 2008 and another 12% in 2009, adding to pressures on the current account.

Economic growth The Central Bank estimates that GDP grew by 8% in 2007, driven by private consumption and investment. Competitiveness shortcomings, institutional

weaknesses, the electricity crisis and a slowdown in the US economy will act as brakes on economic growth in the remainder of the outlook period. We expect GDP growth to slow to 5% in 2008 and to 4% in 2009. Domestic demand will remain a major driver of growth, with rising workers' remittances and credit expansion underpinning private consumption, but its pace of growth will slow, while the external balance will be negative. We expect real expansion of domestic demand (both private and public sector) to be hit by continuing high oil prices in 2008-09, and by a slowdown in credit growth. A high import propensity will sap the stimulus from private-sector demand growth, while export demand will be hit by growing competition from both Asia and Central American producers, and a slowdown in the US economy. On the supply side, we expect the main drivers of growth to be commerce, construction, communications and tourism.

The main downside risks to our forecast would be a sharper than expected deterioration in the US and global economy, a loss of local confidence in macroeconomic management, or a shock in the banking sector, where supervisory weaknesses remain a concern and private-sector credit growth has been rapid.

Inflation A relatively stable currency has helped to curb inflation, although a rise in petrol and food prices has exerted price pressures in 2007—lifting annual inflation above the target range of 4-6%. Assuming that currency depreciation is contained and oil prices do not rise above forecast levels, the annual inflation rate will ease in 2008-09, as the tariff liberalisation entailed by DR-CAFTA serves to dampen slightly the impact of higher international prices on the domestic cost of imports. This forecast assumes that the government will maintain a relatively disciplined fiscal stance. However, if oil prices spike higher than currently forecast, or the currency weakens more than expected, inflation would overshoot our baseline forecasts.

Exchange rates Generally sound monetary and fiscal policies and a favourable external environment have helped to keep the Dominican peso relatively stable over the past two years, and the economy's limited integration into international capital markets has served to insulate it from capital market turbulence in the past three months. Our baseline forecast is for the currency to weaken to Ps35.2:US\$1 at end-2008 and to Ps37.2:US\$1 at end-2009, as the current-account deficit remains large. This is relatively stable in real (trade-weighted) terms, but around 10% stronger than the average in the past 20 years. With the Dominican Republic more reliant on short-term capital inflows to finance a large current-account deficit, there is a risk that the peso will weaken more than currently forecast. A shock in the banking sector, or much tighter international financing conditions, also carry the risk of a larger depreciation.

External sector The available data for 2007 suggest a deterioration in competitiveness, although the impact on the trade balance has been disguised by a surge in nickel prices. These trends suggest that in 2008-09 the trade deficit will widen despite some exchange rate depreciation, as real import growth continues to outstrip that of exports, while nickel prices fall and oil prices remain high. With an increase in

the income deficit offsetting a rise in the services surplus, the result will be a widening of the current-account deficit to 5.2% of GDP in 2008, before narrowing in 2009 as import growth slows. This implies an increased dependency on short-term capital inflows to cover the remaining external financing requirement, which is a risk if global risk aversion rises significantly.

The forecast widening of the trade deficit in 2008 is based on the assumption that imports from the US will continue to grow faster than Dominican exports to the US, which will continue to face strong competition from Central American members of DR-CAFTA, as well as from China. We expect the structural surplus on the services account to continue to grow, although the slowing US economy will trim growth in tourism earnings. The current transfers surplus will also rise, as we expect that workers' remittances will keep growing, despite the US slowdown. Our forecast is based on the assumption that inflows of FDI will average around 3% of GDP annually, attracted by opportunities in tourism and related real estate projects. Reserves have expanded rapidly since early 2004, when they were virtually depleted, but at US\$1.6bn in October net liquid reserves still provide relatively low coverage, at under three months' of non-free-trade-zone (FTZ) imports.

Data summary

Global outlook

	2003 ^a	2004 ^a	2005 ^a	2006 ^a	2007 ^b	2008 ^c	2009 ^c	2010 ^c	2011 ^c	2012 ^c
International assumptions (%)										
World GDP growth	2.7	4.0	3.4	4.0	3.7	2.7	3.0	3.5	3.3	3.2
US GDP growth	2.5	3.6	3.1	2.9	2.0	0.8	1.4	2.7	2.5	2.5
EU27 GDP growth	1.4	2.4	1.9	3.1	2.9	1.9	2.1	2.2	2.3	2.3
Latin America growth	2.2	5.9	4.3	5.3	4.9	3.9	4.1	3.9	3.9	3.9
World trade growth	6.3	10.9	7.5	10.0	7.3	6.5	7.0	7.7	7.8	7.7
US CPI	2.3	2.7	3.4	3.2	2.9	2.9	2.0	2.4	2.4	2.4
EU27 CPI	2.0	2.1	2.1	2.1	2.2	2.6	2.1	1.9	1.9	1.8
Industrial raw materials export price	13.0	21.0	10.2	49.6	12.8	-3.1	-12.8	-5.1	-5.4	-2.9
Oil price (Brent; US\$/b)	28.8	38.5	54.7	65.3	72.6	79.5	72.0	66.0	69.0	73.0
US\$ 3-month commercial paper rate	1.1	1.5	3.4	5.0	5.1	2.4	2.6	3.5	4.3	4.6
US\$:€ (av)	1.13	1.24	1.25	1.26	1.37	1.46	1.33	1.28	1.26	1.25
¥:€ (av)	131.06	134.43	137.13	145.93	161.19	151.58	127.44	119.45	115.66	114.74

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts.

Gross domestic product, at current market prices

	2003 ^a	2004 ^a	2005 ^a	2006 ^b	2007 ^b	2008 ^c	2009 ^c	2010 ^c	2011 ^c	2012 ^c
Expenditure on GDP (Ps bn at current market prices)										
GDP	601.1	914.8	1,055.7	1,263.3	1,458.2	1,649.0	1,817.9	2,004.2	2,211.2	2,441.2
Private consumption	465.4	701.8	864.9	1,018.8	1,192.2	1,339.3	1,474.3	1,630.5	1,801.7	1,990.8
Government consumption	44.6	53.3	69.9	83.2	93.6	106.6	117.1	127.9	139.0	151.1
Gross fixed investment	95.0	155.3	158.5	205.8	249.1	284.9	322.7	354.1	392.4	439.0
Exports of goods & services	265.7	386.2	296.8	336.0	367.3	412.3	456.4	498.5	547.2	601.7
Imports of goods & services	269.7	381.9	334.3	383.1	446.7	497.0	555.5	610.1	672.6	745.0
Stockbuilding	1.5	2.2	2.3	2.5	2.7	2.9	3.0	3.2	3.4	3.6
Domestic demand	606.6	912.7	1,095.5	1,310.4	1,537.6	1,733.7	1,917.0	2,115.8	2,336.5	2,584.5
Expenditure on GDP (US\$ m at current market prices)										
GDP	19,498	21,718	34,717	37,863	43,808	46,912	48,882	51,326	54,832	58,992
Private consumption	15,096	16,663	28,441	30,536	35,818	38,102	39,641	41,757	44,678	48,107
Government consumption	1,448	1,265	2,298	2,494	2,813	3,032	3,149	3,276	3,448	3,652
Gross fixed investment	3,082	3,688	5,211	6,170	7,483	8,106	8,676	9,069	9,732	10,609
Exports of goods & services	8,619	9,169	9,761	10,071	11,036	11,728	12,272	12,767	13,569	14,541
Imports of goods & services	8,748	9,067	10,994	11,482	13,421	14,138	14,938	15,625	16,678	18,004
Stockbuilding	47	53	76	75	80	81	82	82	84	86
Domestic demand	19,674	21,669	36,027	39,274	46,193	49,322	51,547	54,184	57,941	62,455
Economic structure (% of GDP at current market prices)										
Private consumption	77.4	76.7	81.9	80.6	81.8	81.2	81.1	81.4	81.5	81.5
Government consumption	7.4	5.8	6.6	6.6	6.4	6.5	6.4	6.4	6.3	6.2
Gross fixed investment	15.8	17.0	15.0	16.3	17.1	17.3	17.7	17.7	17.7	18.0
Stockbuilding	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1
Exports of goods & services	44.2	42.2	28.1	26.6	25.2	25.0	25.1	24.9	24.7	24.6
Imports of goods & services	44.9	41.7	31.7	30.3	30.6	30.1	30.6	30.4	30.4	30.5
Memorandum item										
National savings ratio (%)	21.4	22.0	13.9 ^b	14.4	12.8	12.2	13.2	13.7	13.8	13.9

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts.

Gross domestic product, at constant prices

	2003 ^a	2004 ^a	2005 ^a	2006 ^a	2007 ^b	2008 ^c	2009 ^c	2010 ^c	2011 ^c	2012 ^c
Real expenditure on GDP (Ps m at constant 1990 prices)										
GDP	225,025	227,763	249,507	276,238	298,376	313,169	325,728	340,364	356,015	372,088
Private consumption	181,097	183,382	205,337	224,847	247,894	258,058	268,380	281,263	294,482	308,323
Government consumption	8,417	7,994	8,897	9,848	10,439	11,013	11,431	11,831	12,186	12,552
Gross fixed investment	37,084	34,340	38,905	46,978	53,555	56,768	60,742	63,171	66,330	70,310
Exports of goods & services	96,701	98,301	107,272	112,880	116,267	120,917	126,480	130,906	136,143	141,861
Imports of goods & services	102,578	99,264	113,887	121,306	133,278	137,387	145,105	151,008	157,726	165,558
Stockbuilding	4,304	3,010	2,984	2,990	3,500	3,800	3,800	4,200	4,600	4,601
Domestic demand	230,902	228,726	256,122	284,663	315,388	329,639	344,353	360,465	377,598	395,785
Real expenditure on GDP (% change)										
GDP	0.5	1.2	9.5	10.7	8.0	5.0	4.0	4.5	4.6	4.5
Private consumption	-3.4	1.3	12.0	9.5	10.3	4.1	4.0	4.8	4.7	4.7
Government consumption	-2.2	-5.0	11.3	10.7	6.0	5.5	3.8	3.5	3.0	3.0
Gross fixed investment	-23.7	-7.4	13.3	20.7	14.0	6.0	7.0	4.0	5.0	6.0
Exports of goods & services	6.8	1.7	9.1	5.2	3.0	4.0	4.6	3.5	4.0	4.2
Imports of goods & services	-13.1	-3.2	14.7	6.5	9.9	3.1	5.6	4.1	4.4	5.0
Stockbuilding (% contribution to GDP growth)	-36.2	-30.0	-0.9	0.2	0.2	0.1	0.0	0.1	0.1	0.0
Domestic demand	-8.1	-0.9	12.0	11.1	10.8	4.5	4.5	4.7	4.8	4.8
Real contribution to GDP growth (%)										
Private consumption	-2.8	1.0	9.6	7.8	8.3	3.4	3.3	4.0	3.9	3.9
Government consumption	-0.1	-0.2	0.4	0.4	0.2	0.2	0.1	0.1	0.1	0.1
Gross fixed investment	-5.1	-1.2	2.0	3.2	2.4	1.1	1.3	0.7	0.9	1.1
External balance	9.7	2.2 ^d	-2.5	-0.7	-3.1	0.2	-0.7	-0.5	-0.4	-0.6

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts. ^d Economist Intelligence Unit estimates based on Central Bank data.

Gross domestic product by sector of origin

	2003 ^a	2004 ^a	2005 ^a	2006 ^b	2007 ^b	2008 ^c	2009 ^c	2010 ^c	2011 ^c	2012 ^c
Origin of GDP (Ps m at constant 1987 prices)										
GDP at factor cost	225,025	227,763	249,507	276,238	298,376	313,169	325,728	340,364	356,015	372,088
Agriculture	13,142	13,597	14,589	15,464	16,392	17,048	17,559	18,086	18,629	19,188
Industry	35,677	34,513	36,321	38,319	40,426	42,043	43,515	45,038	46,614	48,246
Services	176,207	179,653	198,597	222,454	241,558	254,078	264,654	277,240	290,772	304,654
Origin of GDP (real % change)										
Agriculture	-2.6	3.5	7.3	6.0	6.0	4.0	3.0	3.0	3.0	3.0
Industry	-5.1	-3.3	5.2	5.5	5.5	4.0	3.5	3.5	3.5	3.5
Services	2.0	2.0	10.5	12.0	8.6	5.2	4.2	4.8	4.9	4.8
Origin of GDP (% of factor cost GDP)										
Agriculture	11.4 ^b	11.8 ^b	11.6 ^b	11.3	11.1	11.1	11.0	10.8	10.7	10.6
Industry	31.2 ^b	30.1 ^b	29.2 ^b	28.1	27.6	27.4	27.3	27.1	26.9	26.7
Services	57.3 ^b	58.1 ^b	59.2 ^b	60.6	61.3	61.5	61.7	62.0	62.4	62.7

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts.

Growth and productivity

	2003 ^a	2004 ^a	2005 ^a	2006 ^a	2007 ^a	2008 ^b	2009 ^b	2010 ^b	2011 ^b	2012 ^b
Growth and productivity (%)										
Labour productivity growth	-0.9	0.9	6.4	6.0	4.7	2.0	1.6	1.8	1.7	1.7
Total factor productivity growth	-0.6	1.0	7.3	7.0	4.7	1.8	1.0	1.3	1.3	1.2
Growth of capital stock	0.5	-0.1	0.9	2.4	3.5	3.7	4.1	4.1	4.2	4.4
Growth of potential GDP	1.1	2.5	9.1	9.3	7.5	4.6	4.0	4.2	4.3	4.2
Growth of real GDP	0.5 ^c	1.2 ^c	9.5 ^c	10.7 ^c	8.0	5.0	4.0	4.5	4.6	4.5
Growth of real GDP per head	-1.2 ^c	-0.6 ^c	7.6 ^c	8.8 ^c	6.4	3.4	2.5	3.0	2.7	2.6

^a Economist Intelligence Unit estimates. ^b Economist Intelligence Unit forecasts. ^c Actual.

Economic structure, income and market size

	2003 ^a	2004 ^a	2005 ^a	2006 ^b	2007 ^b	2008 ^c	2009 ^c	2010 ^c	2011 ^c	2012 ^c
Population, income and market size										
Population (m)	8.7	8.9	9.0	9.2 ^a	9.3	9.5	9.6	9.7	9.9	10.1
GDP										
(US\$ m at market exchange rates)	19,498	21,718	34,717	37,863	43,808	46,912	48,882	51,326	54,832	58,992
GDP per head										
(US\$ at market exchange rates)	2,240	2,450	3,840	4,120	4,690	4,950	5,090	5,270	5,520	5,840
Private consumption (US\$ m)	15,096	16,663	28,441	30,536	35,818	38,102	39,641	41,757	44,678	48,107
Private consumption per head (US\$)	1,730	1,880	3,150	3,320	3,840	4,020	4,130	4,280	4,500	4,760
GDP (US\$ m at PPP)	60,391	62,883	71,112	81,216	89,955	96,410	102,994	110,450	118,436	126,855
GDP per head (US\$ at PPP)	6,930	7,090	7,870	8,830	9,640	10,180	10,720	11,330	11,930	12,550
Memorandum items										
Share of world population (%)	0.14	0.14	0.14	0.14 ^a	0.14 ^a	0.14 ^b	0.14	0.14	0.14	0.15
Share of world GDP										
(% at market exchange rates)	0.08	0.05	0.05	0.08 ^a	0.08	0.08 ^b	0.08	0.08	0.08	0.08
Share of world GDP at PPP (%)	0.11	0.11	0.12	0.12	0.13	0.13	0.13	0.13	0.13	0.13
Share of world exports (%)	0.07	0.07	0.06	0.05	0.05	0.04	0.04	0.04	0.04	0.04

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts.

Fiscal indicators

	2003 ^a	2004 ^a	2005 ^a	2006 ^b	2007 ^b	2008 ^c	2009 ^c	2010 ^c	2011 ^c	2012 ^c
Fiscal indicators (% of GDP)										
Central government expenditure	17.9	17.0	15.7	16.2	16.1	16.8	17.1	17.3	17.4	17.6
Interest	1.7	1.8	1.3	1.4	1.7	2.0	2.0	2.0	2.0	2.0
Non-interest	16.2	15.2	14.5	14.8	14.4	14.8	15.1	15.3	15.4	15.6
Central government revenue	13.5	14.0	15.0	14.9	16.3	16.1	16.1	16.0	16.0	16.0
Central government budget balance	-4.4	-3.1	-0.7	-1.2	0.3	-0.7	-1.0	-1.3	-1.4	-1.6
Primary balance	-2.7	-1.3	0.6	0.2	2.0	1.3	1.0	0.7	0.6	0.4
General government debt	55.7	54.1	46.0	43.3	40.2	39.4	39.9	40.1	40.1	39.7

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts.

Monetary indicators

	2003 ^a	2004 ^a	2005 ^a	2006 ^a	2007 ^b	2008 ^c	2009 ^c	2010 ^c	2011 ^c	2012 ^c
Monetary indicators										
Exchange rate Ps:US\$ (av)	30.83	42.12	30.41	33.36	33.29	35.15	37.19	39.05	40.33	41.38
Exchange rate Ps:US\$ (year-end)	37.25	31.11	34.88	33.80	34.04	36.00	38.16	39.72	40.85	41.84
Exchange rate Ps:€ (av)	34.86	52.37	37.88	41.90	45.56	51.23	49.37	49.88	50.81	51.73
Exchange rate Ps:€ (year-end)	46.99	42.12	41.14	44.60	49.70	50.04	49.41	50.24	51.26	52.38
Real effective exchange-rate index										
(av), CPI-based, 1997=100	73.68	77.07	107.25	101.70	102.06	99.06	99.43	98.54	98.76	99.61
Purchasing power parity Ps:US\$ (av)	9.95	14.55	14.85	15.55 ^b	16.21	17.10	17.65	18.15	18.67	19.24
Money supply (M2) growth (%)	63.1	9.0	14.3	12.5	13.8	15.0	14.0	13.0	13.0	13.0
Domestic credit growth (%)	28.1	26.1	28.0	45.5	25.0	20.0	20.0	20.0	20.0	20.0
Lending rate (av; %)	31.4	32.6	24.1	19.5	16.5	17.0	17.0	17.0	17.0	17.0
Deposit rate (av; %)	20.5	21.1	13.9	9.8	7.1	7.8	8.0	8.2	8.3	8.3
Money market rate (av; %)	24.2	36.8	12.6	10.6	9.0	9.3	9.3	9.3	9.3	9.3

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts.

Employment, wages and prices

	2003 ^a	2004 ^a	2005 ^a	2006 ^a	2007 ^b	2008 ^c	2009 ^c	2010 ^c	2011 ^c	2012 ^c
The labour market (av)										
Labour force (m)	3.6	3.7 ^b	3.8 ^b	3.9 ^b	4.0	4.1	4.2	4.3	4.4	4.5
Labour force (% change)	2.4	2.3 ^b	2.3 ^b	2.3 ^b	2.3	2.3	2.3	2.3	2.3	2.3
Employment (%)	3.0	3.0	3.1	3.3	3.4	3.5	3.5	3.6	3.7	3.8
Employment (% change)	1.5	0.3	2.9	4.4	3.2	2.9	2.4	2.7	2.8	2.8
Unemployment (m)	0.6	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Unemployment rate (%)	16.8	18.4	17.9	16.2	15.5	15.0	15.0	14.7	14.2	13.8
Wage and price inflation (% except labour costs per hour)										
Consumer prices (av)	27.5	51.4	4.2	7.6	6.1	7.9	5.8	5.5	5.5	5.5
Consumer prices (year-end)	42.6	28.7	7.5	5.0	8.9	6.2	5.5	5.5	5.5	5.5
GDP deflator (av)	28.7	50.3	5.4	8.1	6.9	7.7	6.0	5.5	5.5	5.6
Private consumption deflator (av)	33.1	48.9	10.1	7.6	6.1	7.9	5.8	5.5	5.5	5.5
Government consumption deflator										
(av)	11.6	25.6	17.9	7.6	6.1	7.9	5.8	5.5	5.5	5.5
Fixed investment deflator (av)	26.8	76.5	-9.9	7.6	6.1	7.9	5.8	5.5	5.5	5.5

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts.

Current account and terms of trade

	2003 ^a	2004 ^a	2005 ^a	2006 ^b	2007 ^b	2008 ^c	2009 ^c	2010 ^c	2011 ^c	2012 ^c
Current account (US\$ m)										
Current-account balance	1,036	1,047	-478	-786	-1,951	-2,457	-2,329	-2,129	-2,238	-2,515
Current-account balance (% of GDP)	5.3	4.8	-1.4	-2.1	-4.5	-5.2	-4.8	-4.1	-4.1	-4.3
Goods: exports fob	5,471	5,936	6,145	6,440	6,842	6,826	6,791	6,820	7,120	7,384
Goods: imports fob	-7,627	-7,888	-9,869	-11,190	-12,835	-13,558	-13,705	-13,921	-14,695	-15,616
Trade balance	-2,156	-1,952	-3,725	-4,750	-5,994	-6,733	-6,914	-7,100	-7,575	-8,232
Services: credit	3,469	3,504	3,913	4,224	4,297	4,526	4,766	5,020	5,289	5,571
Services: debit	-1,219	-1,213	-1,467	-1,558	-1,693	-1,816	-1,839	-1,867	-1,976	-2,105
Services balance	2,249	2,291	2,447	2,666	2,604	2,709	2,927	3,154	3,312	3,466
Income: credit	341	336	418	557	630	600	522	548	574	613
Income: debit	-1,734	-2,155	-2,315	-2,292	-2,453	-2,548	-2,647	-2,805	-2,937	-3,087
Income balance	-1,393	-1,819	-1,897	-1,735	-1,823	-1,948	-2,125	-2,256	-2,363	-2,474
Current transfers: credit	2,512	2,701	2,908	3,245	3,472	3,733	4,013	4,314	4,637	4,985
Current transfers: debit	-176	-174	-211	-212	-211	-218	-230	-240	-250	-260
Current transfers balance	2,336	2,528	2,697	3,033	3,262	3,514	3,782	4,074	4,388	4,725
Terms of trade										
Export price index (US\$-based; 2005=100)	95.0 ^b	98.7 ^b	100.0 ^b	106.8	118.9	117.5	115.1	112.7	113.2	112.3
Export prices (% change)	3.4 ^b	3.9 ^b	1.3 ^b	6.8	11.4	-1.2	-2.1	-2.0	0.4	-0.8
Import price index (US\$-based; 2005=100)	85.7 ^b	96.6 ^b	100.0 ^b	103.0	105.1	107.0	102.4	99.9	101.0	102.2
Import prices (% change)	14.2 ^b	12.7 ^b	3.5 ^b	3.0	2.1	1.7	-4.3	-2.4	1.1	1.2
Terms of trade (2005=100)	110.8 ^b	102.2 ^b	100.0 ^b	103.7	113.1	109.9	112.4	112.8	112.1	109.9
Memorandum item										
Export market growth (%)	4.8	11.0	6.7 ^b	6.2	2.3	2.6	4.1	5.7	5.5	6.1

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts.

Foreign direct investment

	2003 ^a	2004 ^a	2005 ^a	2006 ^b	2007 ^b	2008 ^c	2009 ^c	2010 ^c	2011 ^c	2012 ^c
Foreign direct investment (US\$ m)										
Inward direct investment	613.0	909.1	1,023.0	1,183.3	1,445.7	1,501.2	1,466.5	1,488.4	1,562.7	1,651.8
Inward direct investment (% of GDP)	3.1	4.2	2.9	3.1	3.3	3.2	3.0	2.9	2.9	2.8
Inward direct investment (% of gross fixed investment)	19.9	24.7	19.6	19.2	19.3	18.5	16.9	16.4	16.1	15.6
Outward direct investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net foreign direct investment	613.0	909.1	1,023.0	1,183.3	1,445.7	1,501.2	1,466.5	1,488.4	1,562.7	1,651.8
Stock of foreign direct investment	7,823	8,468	9,491 ^b	10,674	12,120	13,621	15,088	16,576	18,139	19,791
Stock of foreign direct investment per head (US\$)	897.4	954.4	1,050.7 ^b	1,160.9	1,298.5	1,438.1	1,570.1	1,700.8	1,827.4	1,958.1
Stock of foreign direct investment (% of GDP)	40.1	39.0	27.3 ^b	28.2	27.7	29.0	30.9	32.3	33.1	33.5
Memorandum items										
Share of world inward direct investment flows (%)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Share of world inward direct investment stock (%)	0.1	0.1	0.1 ^b	0.1	0.1	0.1	0.1	0.1	0.1	0.1

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts.

External debt

	2003 ^a	2004 ^a	2005 ^a	2006 ^b	2007 ^b	2008 ^c	2009 ^c	2010 ^c	2011 ^c	2012 ^c
External debt										
Total external debt (US\$ bn)	6,642	7,305	7,769	8,755	9,958	10,514	11,140	11,928	12,964	14,168
Total external debt (% of GDP)	34.1	33.6	22.4	23.1	22.7	22.4	22.8	23.2	23.6	24.0
Debt/exports ratio (%)	56.3	54.3	45.9	47.5	49.9	54.2	58.9	61.1	63.5	66.3
Debt-service ratio, paid (%)	7.9	6.8	6.1	10.7	10.8	11.6	11.6	11.2	10.7	10.7

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts.

Data sources and definitions

Sources for global and domestic data refer to historical data. The source for all forecast data, unless otherwise stated, is the Economist Intelligence Unit

Global data

US and European GDP growth: OECD

World trade growth: Economist Intelligence Unit aggregate

OECD consumer price inflation: OECD

Commodity prices: *IFS*; non-oil

Oil prices: Brent average import price

US\$ 3-month commercial paper rate: *IFS*

US effective exchange-rate index: *IFS*; nominal weighted index, 1990=100

Domestic data

Trade by country: IME, *Direction of Trade Statistics Yearbook*

US\$ GDP: *IFS*; local currency GDP converted to US dollars at annual average market exchange rate

US\$ GDP at PPP: *IFS*; Economist Intelligence Unit; local currency GDP converted to US dollars at estimated annual average of consumer products' PPP

PPP: purchasing power parity; average ratio of prices in the Dominican Republic to prices in the US

Population and growth: Celade

General government debt: includes debt of the non-financial and financial public sectors

Lending rate: Average rate charged by commercial banks on non-preferential loans. The rate is weighted by loan amounts

Deposit rate: average rate weighted by deposit amount on 30- to 59-day time deposits

Inflation: *IFS*; derived from consumer price index (CPI), 2000=100

Real exchange rate: Economist Intelligence Unit; a real exchange rate of less than 100% indicates that the currency is undervalued vis-à-vis relative prices and vice versa

Balance of payments: *IFS*

Long-term external debt: World Bank, *Global Development Finance*; year-end medium-and long-term publicly guaranteed and non-guaranteed debt outstanding with an original maturity in excess of one year, plus arrears and year-end IMF debt outstanding

Total external debt: sum of long-term debt, short-term debt and arrears

Total debt service: World Bank, *Global Development Finance*; principal repayments made against long-term debt, plus interest payments and IMF charges paid against total external debt

Debt-service ratio: ratio of total debt service paid to exports of goods and services

Abbreviations

Celade: Centro Latinoamericano de Demografía

IFS: *International Financial Statistics*