

Perspectives: Dominican Republic

2024



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Governance & Stability

¹The institutional and governmental structure of the Dominican Republic has evolved significantly from a history marked by caudillismo (strongman rule) and dictatorial regimes, inheriting aspects of the Spanish colonial state such as centralism, militarism, and clientelism. Despite this heritage and having been under the leadership of tyrannical figures for over 80 years, the nation has developed a remarkable ability to handle political transitions and crises. This experience has strengthened its governmental and economic structure, making it attractive for private and foreign investment, especially due to its relative stability and security compared to other emerging economies.

Innovation & Opportunities

¹The Dominican government has promoted the creation of various institutional bodies that facilitate a broader regulatory framework tailored to the specific needs of each investor. The diversity of these institutions provides multiple channels to interact directly with the government, expanding opportunities for foreign capital. Currently, the country is undergoing a state renewal process focused on efficiency and the modernization of key sectors such as tourism, representing an excellent opportunity for investors interested in participating in expansion and modernization projects, potentially offering high returns.



Over the past few years, the country has made significant efforts to strengthen the independence and efficiency of the judicial system, with the aim of ensuring impartiality and transparency in the resolution of commercial disputes.

² The Dominican legal framework offers robust protection of private property and ensures the enforcement of contracts. Additionally, reforms have been implemented to modernize and streamline judicial processes, particularly concerning investment and commerce, which have contributed to reducing the resolution times of disputes and improving the perception of the judicial system as a guarantor of efficient justice.

Favorable Environment



01 Equitable Treatment for Investors

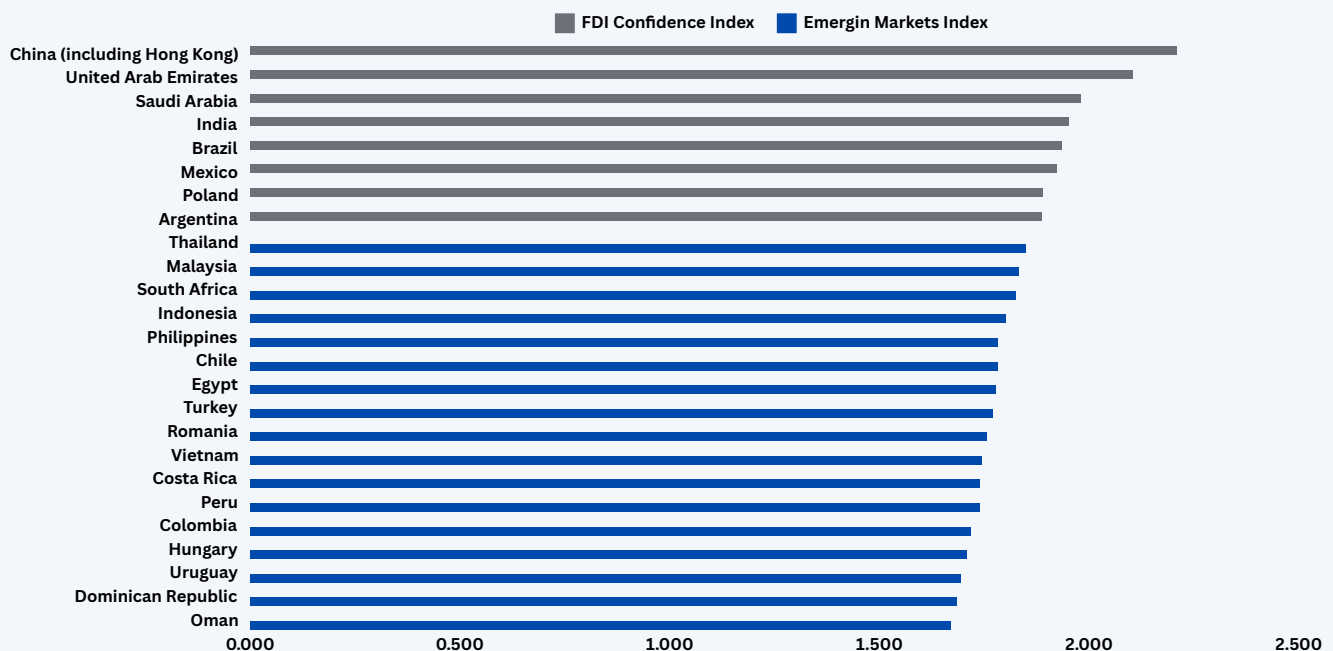
² The Dominican Republic has implemented policies that ensure equal treatment between foreign and domestic investors, reflected in its legal framework that promotes foreign investment as a crucial driver of economic and social development.

02 Free Access to Economic Sectors

² Dominican legislation also guarantees access to all sectors of the economy, allowing foreign investors to fully participate in various market areas and contribute to the country's economic growth and diversification.

Protection of Investments in the Dominican Republic

³ The country has several domestic entities, such as the Organismo Multilateral de Garantía de Inversión (OMGI), and partnerships with foreign institutions, such as the Overseas Private Investment Corporation (OPIC), which provide capital insurance against political risks and currency volatility, thus protecting foreign investments from potential market fluctuations.



The Kearney Foreign Direct Investment Confidence Index, is an annual survey that consults senior executives, entrepreneurs, and regional leaders about the most attractive emerging markets. In this index, the Dominican Republic remained in the 24th position, standing out among the 10 most prominent economies in Latin America.

2. Guzmán Ariza, F. J. (2016). *Guía del inversionista extranjero en la República Dominicana*. Estados Unidos: Guzmán Ariza Abogados y Consultores.

3. Peterson, E. R., y Toland, T. (2024). *Foreign Direct Investment Confidence Index*. Kearney

Macro Performance

01

Inflation



⁴ During the first half of 2024, inflationary pressures have remained low and within the target range of $4\% \pm 1\%$, standing at **3.54% YoY** in July and **3.94% core inflation**.

02

Growth



⁴ From January to June 2024, the growth of economic activity strengthened its positive trend, expanding by **5.1% YoY**, driven mainly by the services sector, particularly the dynamism of tourism.

03

Employment



⁴ The labor market showed signs of strength, with an increase in the **employed population to 4.9 million** and a reduction in the **unemployment rate to 5.1%**, contributing to a recovery in real wages in a low-inflation environment.

04

External Factors



⁴ A notable growth in tourism was observed with a **16.6% increase in tourist inflows**. Tourism revenues amounted to **\$3,192.1 million** in the first quarter, and remittances increased by **5.0%**, totaling **\$4,382.3 million** up to May.

According to organizations such as the World Bank and the IMF, the Dominican economy is expected to register a growth of 5.0% in 2024, making it one of the fastest-growing economies in the region.

Key Variables

↓ **3.8%**

Exports

1.54%

Accumulated Depreciation
of the Peso

217 bp

Country Risk Premium at
Historic Lows

\$13.391

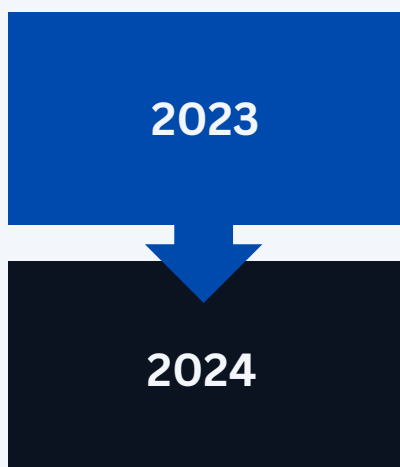
International Reserves
(USD)

⁴ Sectors such as financial services, real estate activities, free tax manufacturing zones, and construction were the most notable during this period. Foreign direct investment registered a slight increase, reaching \$1,268.5 million in the first quarter. At the macroeconomic level, the stability of the Dominican peso was maintained, accompanied by a historically low level in the country risk premium, with the EMBI standing at 2.17. These indicators reflect sustained confidence and economic stability, supported by improved public debt management and solid accumulation of international reserves, which reached \$13,391 million, covering five months of imports and approximately 11% of GDP.

MONETARY POLICY

DECISION

⁴ Since December 2023, reductions in the reference interest rate were paused, responding to a gradual economic recovery, an increase in private credit, and with inflation within the target range. The decision also considered local political uncertainty due to elections and possible government reforms, as well as the expectation that interest rates in the United States would remain elevated longer than anticipated. This led to maintaining the monetary policy rate at 7% annual.



Interest Rate Normalization

The Central Bank of the Dominican Republic reduced the monetary policy interest rate (MPR) by 150 bp throughout the year.

Monetary Stability

The Central Bank of the Dominican Republic maintained the monetary policy interest rate (MPR) at 7% annual in the first half of 2024.



Source: BCRD

⁴ The Monetary Conditions Indicator (MCI) published by the Central Bank of the Dominican Republic (BCRD) indicates that in recent months, monetary conditions are approaching neutral territory but remain in restrictive territory.

Fiscal Policy

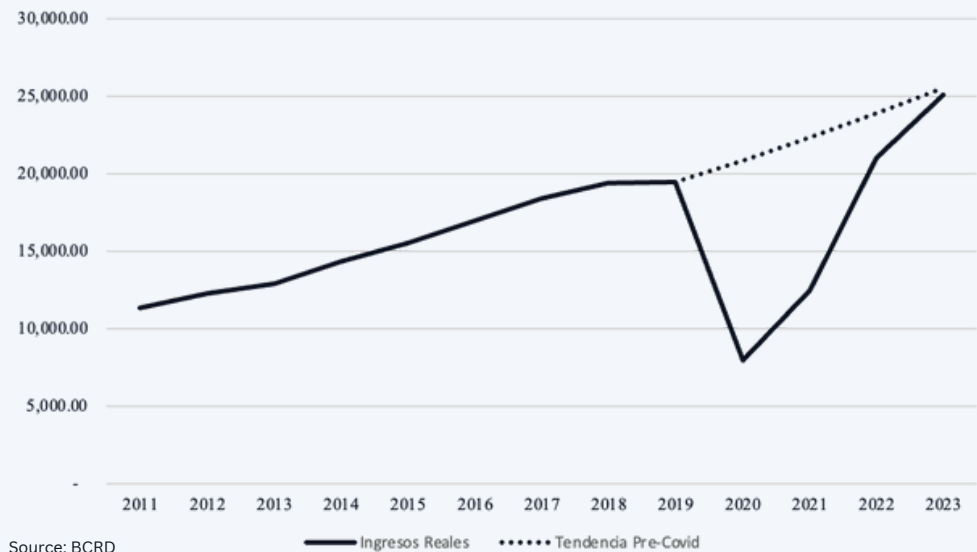
2024-2023

- **Revenues:** Increased by 12.2%, reaching RD\$1,071,873.6 million.
 - **Expenditures:** Growth reduced to 11.1% due to the decrease in subsidies.
 - **Capital Expenditure:** Increased to 2.9% of GDP.
 - **Fiscal Deficit:** 3.3% of GDP with a primary deficit of 0.1%.
-
- **Revenues:** Increased by 16.7% year-on-year up to May.
 - **Expenditures:** Rose by 12.6%, maintaining subsidies for fuel and electricity.
 - **Capital Expenditure:** Stable at 0.9% of GDP.
 - **Fiscal Management:** Focused on sustainability and prudent debt management.

⁶ Tourism for the Dominican Republic represents about 15-16% of the National GDP.

The importance of Tourism

⁵ Ingresos Anual Turismo (Millones \$USD)



Source: BCRD

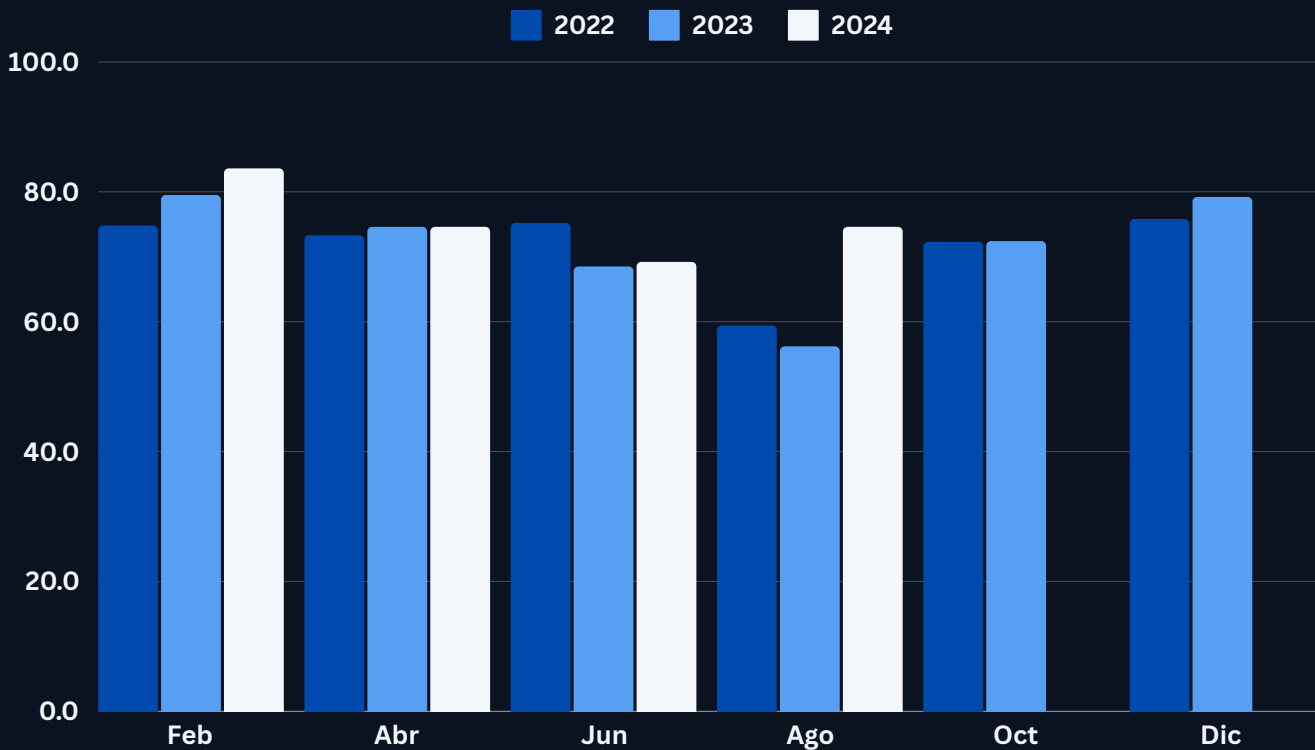
⁵ The tourism sector has shown sustained growth from 2011 to 2023, with a **compound annual growth rate (CAGR) of 3.68%** and a faster pace of **7.01% before the pandemic (2011-2019)**. This growth has driven demand for hotel and residential infrastructure, benefiting real estate development.

⁶ Despite the impact of the pandemic in 2020, which reduced GDP by 6.7% and increased the fiscal deficit to 7.7%, the country achieved a **rapid recovery in 2021**, with **tourism contributing 38% of this recovery and attracting 942 million dollars** in foreign direct investment. This was made possible by the Responsible Tourism Recovery Plan, an effective vaccination campaign, and economic growth in the United States, which enabled a 32.1% growth in hotels, bars, and restaurants, positioning the country as one of the first to reopen its borders to tourism.

Competitive Advantage

Consistency⁰¹

⁷ The Dominican Republic has demonstrated remarkable resilience in its tourism sector. According to reports from the Ministry of Tourism, the country achieved an average **annual hotel occupancy rate of 71.4%** between 2022 and 2024. This recovery highlights the strength of Dominican tourism on an international level, offering real estate investors sustained and stable cash flows throughout the year.



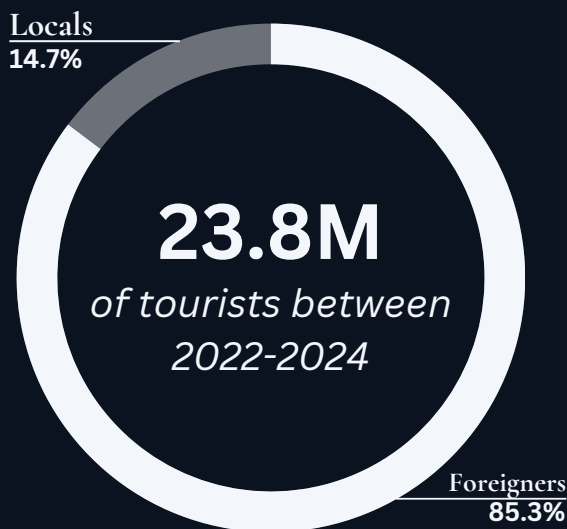
7. Ministerio de Turismo de la República Dominicana. (2024). Ocupación hotelera: Tableros de datos.

Competitive Advantage

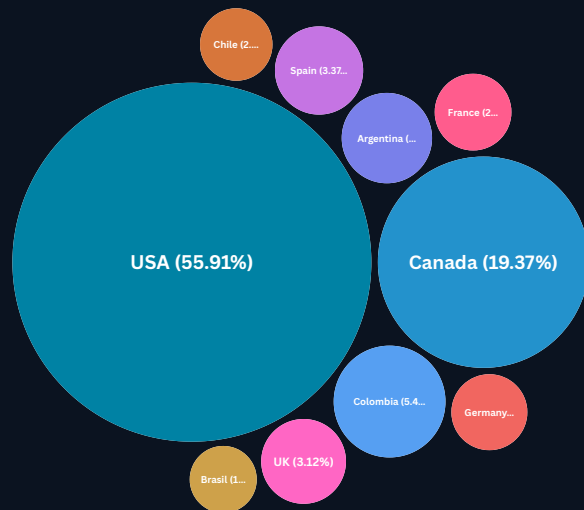
Affluence⁰²

⁷ Between 2022 and 2024, 85.3% of tourists arriving in the country were foreigners, according to the Ministry of Tourism. This trend presents a favorable scenario for investors, especially in the context of a potential depreciation of the local currency. In such a situation, foreign tourists, with stronger purchasing power, are likely to increase in number and spend more during their visits. This surge in demand would directly benefit tourism-related sectors, including real estate, boosting the overall economic impact.

Distribution by tourists



⁸ *Distribution by nationalities*



⁷ Ministerio de Turismo de la República Dominicana. (2024). Ocupación hotelera: Tableros de datos.

⁸ Oficina Nacional de Estadística (ONE). (2024). Estadísticas del sector turismo.

Risk Factors

”

⁴The global growth outlook for the coming years indicates a gradual moderation, driven by an improvement in the U.S. economy and a gradual reduction in inflation, in the absence of supply shocks. However, significant risks remain due to high international uncertainty.

01

Geopolitical



⁴An intensification of geopolitical tensions could reduce the abundance of foreign tourists, affecting hotel occupancy and, consequently, revenues in the tourism and real estate sector.

02

Environmental



⁴Extreme weather events, such as hurricanes, pose a risk to tourism and real estate infrastructure. These events could decrease tourism activity and increase maintenance costs.

03

Inflationary



⁴A rise in inflation, driven by external factors such as oil prices or supply chain issues, could increase operational and construction costs in the real estate sector, as well as affect the purchasing power of tourists.

04

Monetary



⁴If inflationary pressures increase, the monetary policy response could be slower, affecting macroeconomic stability and, consequently, the attractiveness of investment in tourism and real estate.