

DOMINICAN REPUBLIC

The Dominican economy grew 2.4 percent in the first half of 2025, driven by agriculture, mining, and services. Rising remittances, a dynamic labor market, and strong foreign direct investment (FDI) bolstered stability and incomes, aiding poverty reduction. Still, low revenue mobilization and persistent disparities remain. Growth is expected to moderate in 2025, as weaker global demand and lower fiscal stimulus temper activity.

Key conditions and challenges

The Dominican Republic (DR) stands out in LAC for sustained growth, significant poverty and inequality reductions over the last two decades. Between 2008 and 2024, GDP grew an average of 5.2 percent, poverty fell from 46.6 to 14.0 percent (US\$8.3 per day, 2021 PPPs), and the Gini index dropped from 50 to 39. Labor income growth and public transfers drove poverty decline during this period. However, important urban-rural disparities persist in living conditions, access to services, and market connectivity, alongside gender gaps in labor market outcomes. Prudent monetary and fiscal policies supported macroeconomic stability, underpinning growth, containing inflation, and a dynamic labor market.

However, the DR faces fiscal pressures as recent shocks, including surging commodity prices and floods, strained public finances. Public debt remains above pre-pandemic levels (58 percent of GDP); revenue mobilization is low (16.3 percent of GDP in 2024) and spending demands have grown. Transfers to cover the losses of the energy sector amounted to 1.4 percent of GDP, while

Population ¹ million	Poverty ² millions living on less than \$8.30/day
10.8	1.6
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
73.7	94.7
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
124.3	11479.2

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

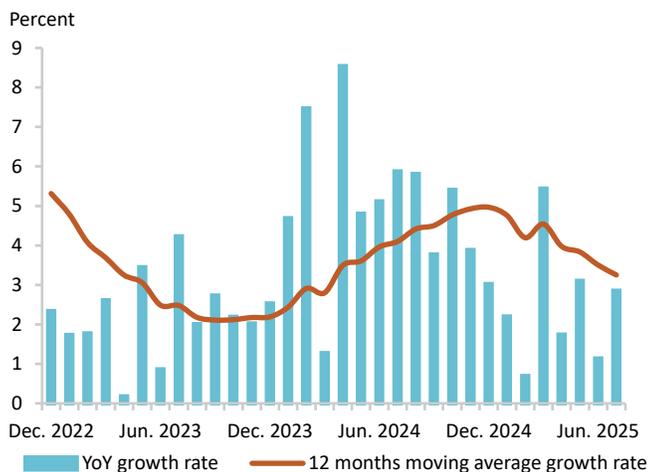
interest payments consumed 3.4 of GDP in 2024, constraining investment. The fiscal responsibility law caps primary expenditure growth at 7 percent and aims to reduce debt to 40 percent by 2035.

Institutional modernization advanced with the adoption of a new procurement law to improve spending efficiency and a revised penal code that strengthened anti-corruption tools. But sustained improvements in tax administration and spending efficiency are essential to expand fiscal space. Boosting productivity will require advances in education, competitiveness, innovation, and service delivery, complemented by reforms in labor market regulations and social protection to secure inclusive and sustainable growth.

Recent developments

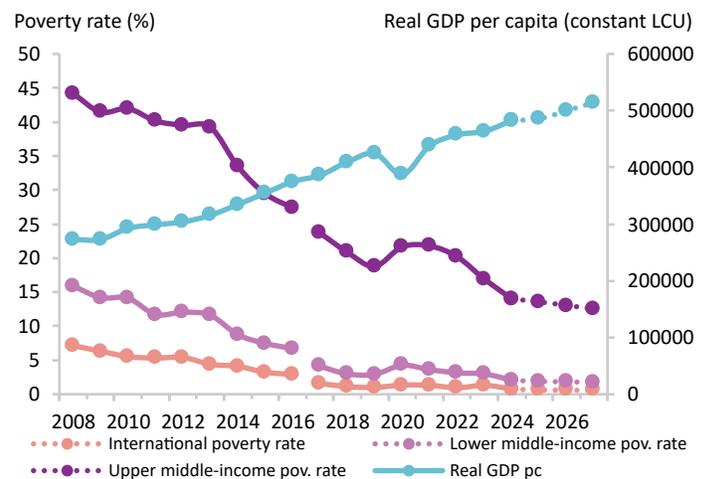
GDP grew by 5 percent in 2024 and moderated to 2.4 percent year-on-year in H1 2025. Agriculture expanded 4.9 percent, and mining recovered (2.3 percent) after earlier declines. Manufacturing posted modest gains, while construction contracted (-2.3 percent). Services grew 3.3 percent, driven by financial intermediation

FIGURE 1 / Monthly Index of Economic Activity (IMAE)



Source: World Bank staff calculations based on Central Bank of the Dominican Republic data.

FIGURE 2 / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: See footnotes in table on the other page.

(7.9 percent) and transport (4.7 percent), though hospitality slowed (2.8 percent) as air arrivals rose only 1.1 percent. On the demand side, in Q1 2025, investment contracted (-3.7 percent), while final consumption rose (3.3 percent). Exports increased (3.8 percent) and imports grew more moderately (2.9 percent).

The current account deficit narrowed to 3.4 percent of GDP in 2024 and declined further in 2025 as remittances rose 11.2 percent in 2025H1 and exports grew by 10.4 percent, driven by a 48.3 percent surge in gold shipments. FDI reached US\$2.9 billion, up 15.3 percent, concentrated in tourism, energy, and real estate. International reserves totaled US\$14.8 billion (5.4 months of imports).

Inflation eased to 3.5 percent in June 2025, within the central bank's 4 ± 1 percent target. The policy rate has remained at 5.75 percent since early 2025, marking a looser stance than in 2024. In June, the Monetary Board approved an RD\$81 billion liquidity program to support demand, credit growth, and financial inclusion.

Between 2023–24, official poverty fell 4 percentage points to 19 percent, driven mainly by higher real labor income (2.5 points). Job creation was concentrated in the formal sector, which expanded 6.2 percent versus 1 percent in the informal sector. In Q1 2025, employment rose 3.6 percent year-on-year, adding 176,581 jobs, mostly formal. Formal jobs now account for 52.1 percent of total employment, narrowing the gap with the LAC average.

The fiscal deficit reached 0.5 percent of GDP in Jan–May 2025. Tax revenues grew 8.2 percent, led by income tax (+15.1 percent). Expenditures rose 9.9 percent, driven by higher interest payments (+14.6 percent), transfers (+12.2 percent), and goods and services

(+10.3 percent). Consolidated public sector debt stood at 57.8 percent of GDP in Q1 2025.

Outlook

Economic growth is projected at 3 percent in 2025, supported by looser monetary conditions, with inflation expected to remain within target. GDP is forecast to expand to 4.5 percent by 2027, while poverty is expected to fall from 13.4 percent in 2025 to 12.6 percent in 2027. Medium-term growth will be driven by consumption and investment, underpinned by structural reforms in energy and water, along with efforts to improve education and attract FDI.

A gradual fiscal consolidation is expected under the Fiscal Responsibility Law, supported by the phase-out of untargeted subsidies, efficiency gains from procurement reforms, streamlined institutions and social programs, and wage-bill savings. Public debt is projected to stabilize around 57 percent of GDP. Stronger revenue mobilization and tighter expenditure management could accelerate consolidation and create space to meet rising social needs.

The macroeconomic outlook faces downside risks, and it is extremely uncertain. First, greater than expected shifts in global trade policies could hinder trade, remittances and growth. The country is also vulnerable to worsening social and security conditions in Haiti. Domestically, structural bottlenecks, electricity disruptions and weather-related events may weigh on productivity and investment, affecting the external sector, growth, and fiscal performance.

Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
Real GDP growth, at constant market prices	5.2	2.2	5.0	3.0	4.3	4.5
Private consumption	5.5	2.7	4.6	3.9	4.3	4.5
Government consumption	8.5	2.4	4.1	0.5	0.8	1.0
Gross fixed capital investment	5.1	2.0	2.9	1.0	3.9	4.0
Exports, goods and services	13.1	-1.6	7.8	3.5	4.0	4.5
Imports, goods and services	14.0	0.1	3.4	2.5	2.5	2.5
Real GDP growth, at constant factor prices	4.7	2.1	4.7	3.0	4.3	4.5
Agriculture	3.4	3.6	4.9	4.7	4.6	4.6
Industry	1.6	-0.8	2.8	2.0	3.6	3.8
Services	6.2	3.2	5.5	3.3	4.5	4.7
Employment rate (% of working-age population, 15 years+)	59.7	60.7	62.1	62.7	63.1	63.8
Inflation (consumer price index)	8.8	4.8	3.3	3.7	4.0	4.0
Current account balance (% of GDP)	-5.8	-3.7	-3.4	-3.1	-2.9	-2.8
Net foreign direct investment inflow (% of GDP)	3.6	3.6	3.6	3.6	3.6	3.6
Fiscal balance (% of GDP)¹	-3.2	-3.3	-3.1	-3.2	-2.9	-2.8
Revenues (% of GDP)	15.3	15.8	16.4	15.5	15.4	15.3
Debt (% of GDP)²	58.6	58.3	57.4	57.6	57.3	56.9
Primary balance (% of GDP)¹	-0.4	-0.1	0.3	0.4	0.8	1.0
International poverty rate (\$3.00 in 2021 PPP)^{3,4}	1.0	1.3	0.8	0.7	0.7	0.7
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{3,4}	3.2	3.0	2.0	1.9	1.8	1.8
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{3,4}	20.2	16.9	14.0	13.4	13.0	12.6
GHG emissions growth (mtCO₂e)	6.2	1.5	4.1	4.2	5.2	5.7

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Fiscal balances are shown for the non-financial public sector (i. e. excluding central bank quasi-fiscal balances).

2/ Consolidated public sector debt.

3/ Calculations based on SEDLAC harmonization, using 2024-ECNFT-Q03. Actual data: 2024. Forecasts are from 2025 to 2027.

4/ Projections using microsimulation methodology.