



# Sovereign Credit Profile of the Dominican Republic

*Opportunities and challenges after the upgrade to Ba2*

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# Agenda

- 1 **What were the drivers of the upgrade to Ba2?**
- 2 **What supports the rating at Ba2 – key credit strengths and challenges**
- 3 **What is Moody's monitoring going forward?**
- 4 **Peer comparisons**



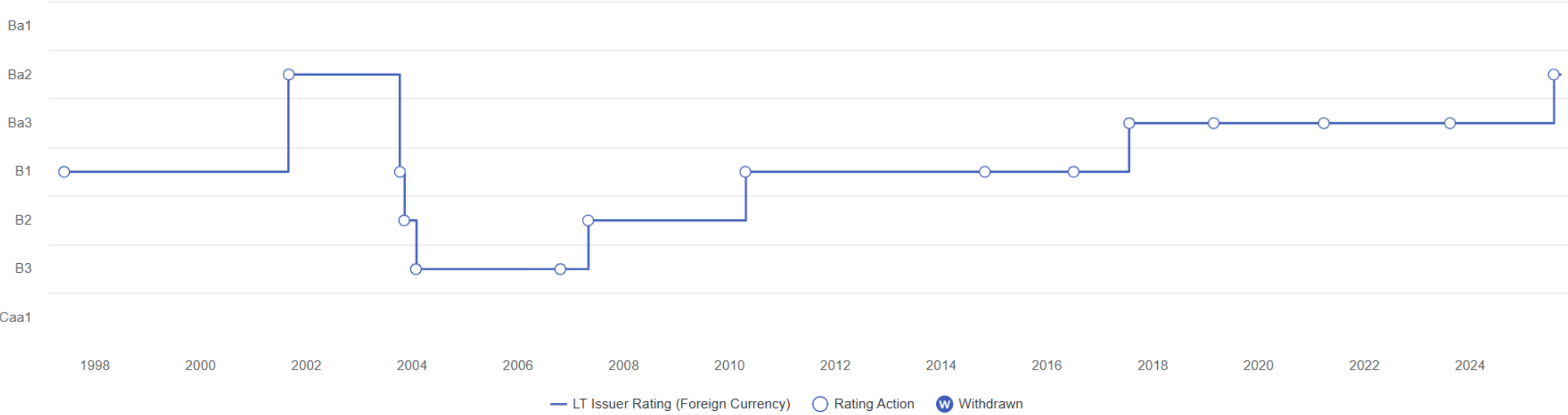
**1. What were the drivers of the upgrade to Ba2?**

Moody's upgraded the Dominican Republic's sovereign rating to Ba2 stable from Ba3 positive last month to reflect our view that:

- The **sovereign credit profile has strengthened materially**, driven by a combination of sustained high long-term growth rates that boost income levels and ongoing diversification across sectors, along with a significant strengthening of the country's institutional framework.
- **High, sustained economic growth rates**, which have averaged around 5% annually over the past 15 years, and a **marked rise in per capita income levels**, are the result of a track record of macroeconomic stability, structural reforms and **economic diversification**.
- **Institutions have strengthened**, reflected in both the quality of legislative and executive institutions and the strength of civil society and the judiciary.

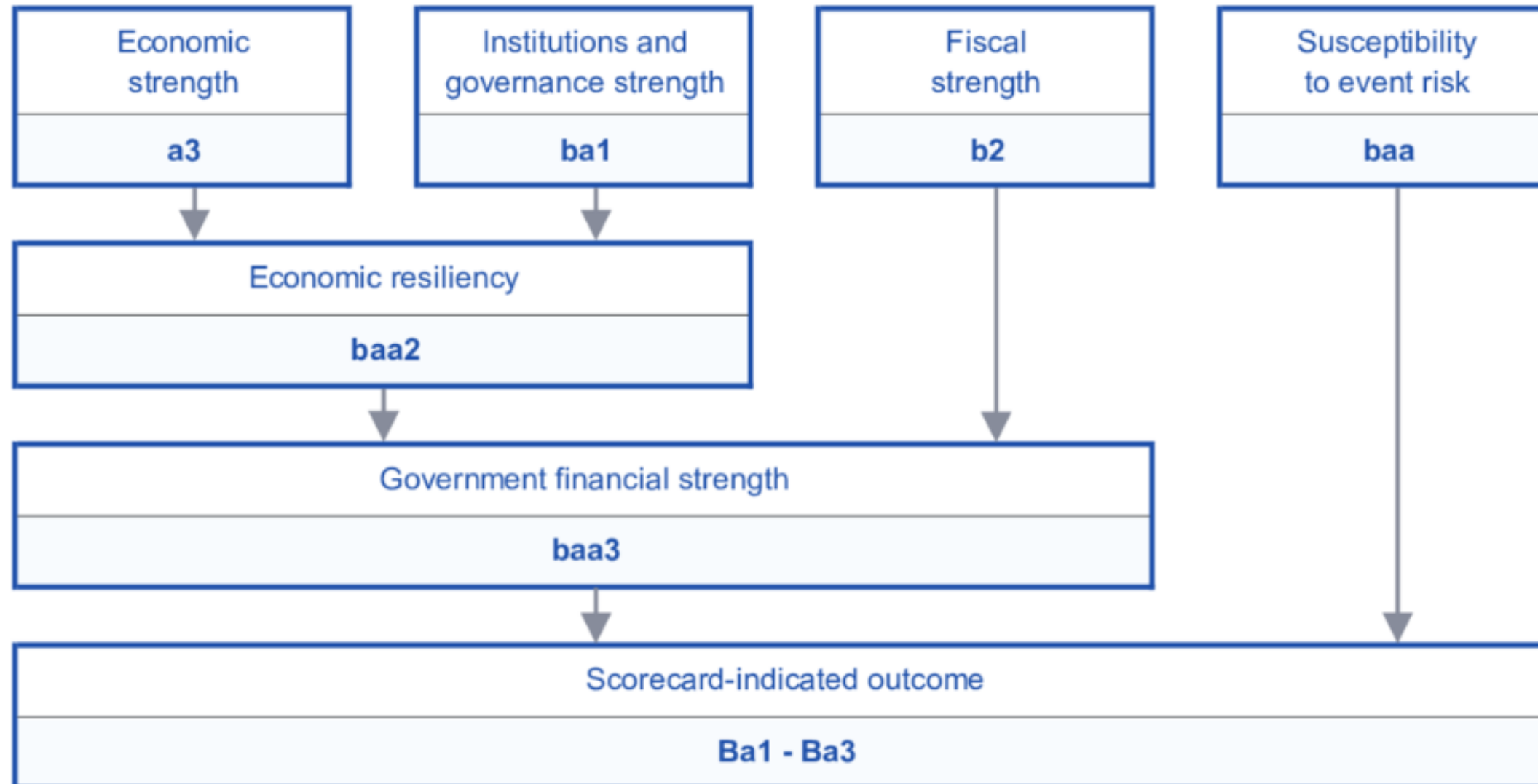
## 2. What supports the rating at Ba2 – key credit strengths and challenges

# History of the Dominican Republic's sovereign credit rating



Source: Moody's Ratings

# Dominican Republic's Ba2 credit profile is determined by four key factors



Source: Moody's Ratings

# Dominican Republic's main credit strengths and challenges

## **Credit strengths:**

- Sustained real GDP growth of 5% over a 15-year period
- Track record of political stability and relatively low external vulnerability risk
- Favorable debt maturity profile and proven market access in times of turmoil

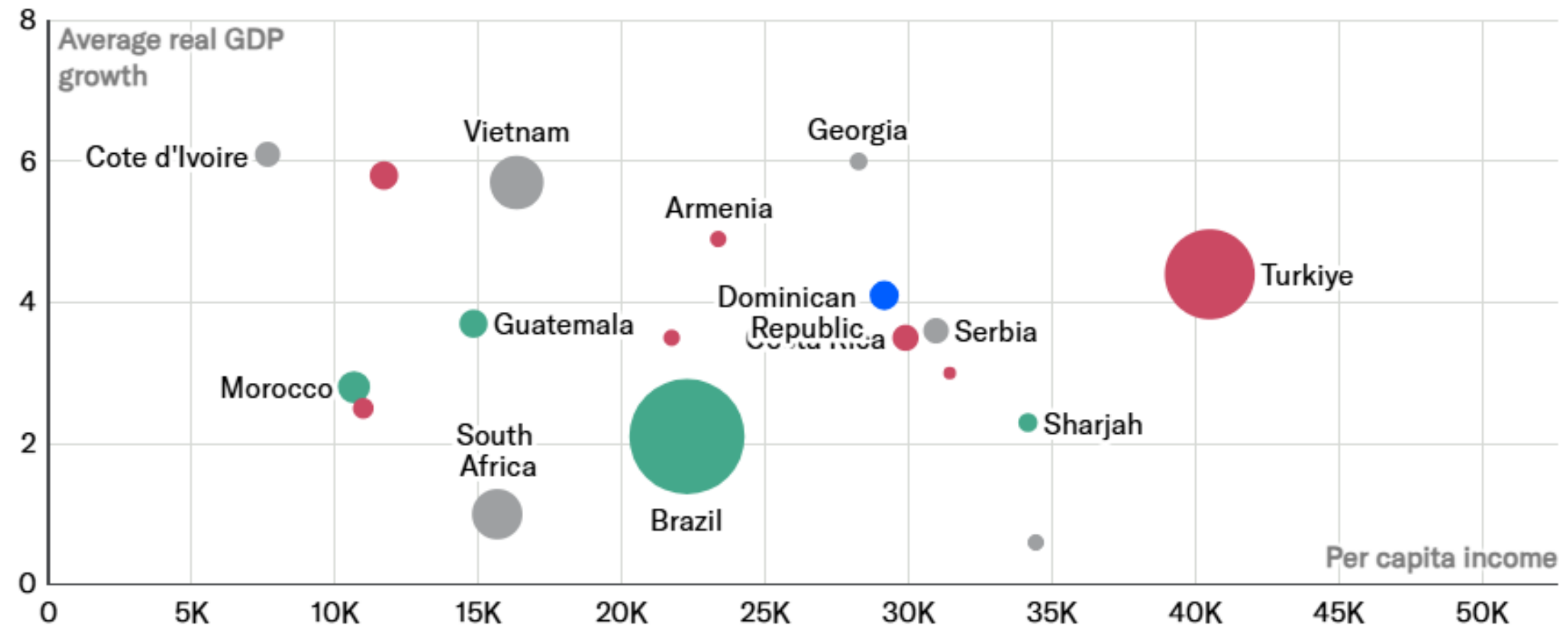
## **Credit challenges:**

- Weak debt affordability, driven by a narrow revenue base and a large share of foreign-currency-denominated debt
- Historically weak, but improving, institutional strength

Source: Moody's Ratings

# Sustained high growth has expanded scale and wealth levels of the economy

Vertical axis: average real GDP Growth (2020-2029), %  
Horizontal axis: GDP per capita (2024),US\$ PPP  
Bubble size: nominal GDP (2024),US\$

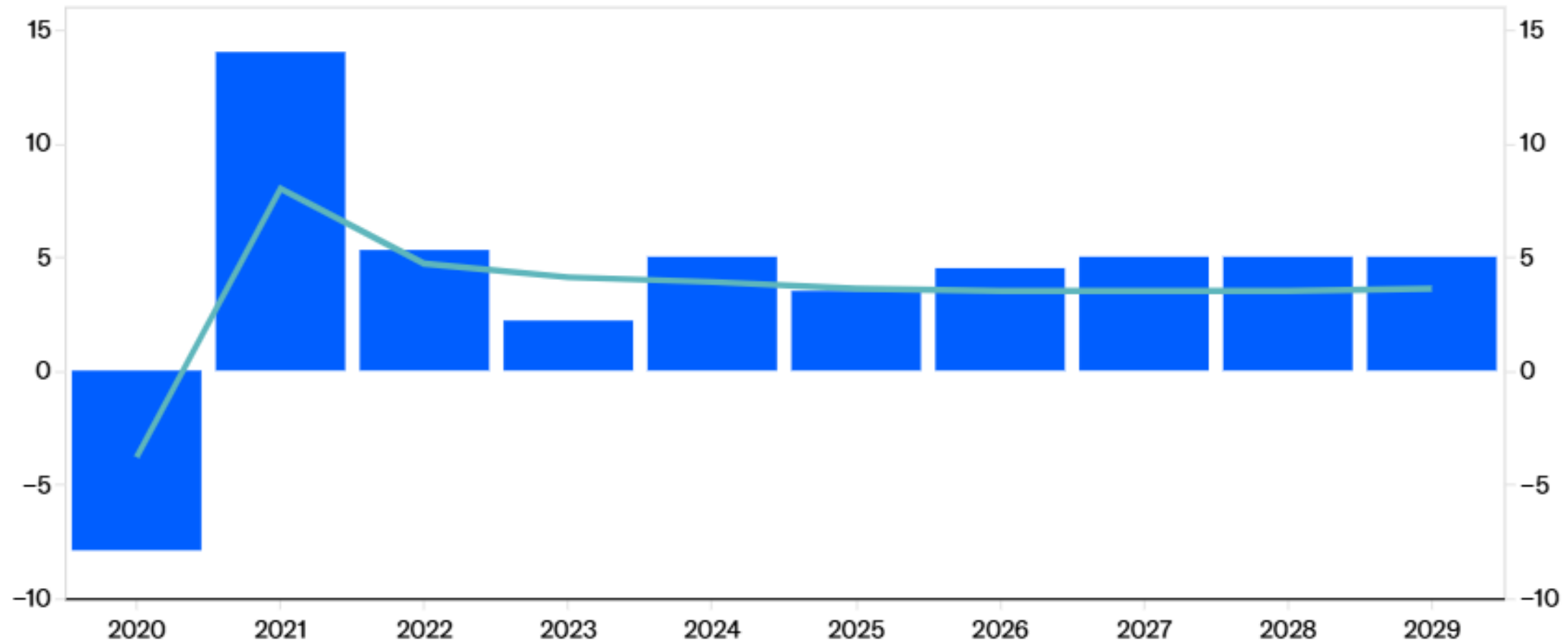


Source: Moody's Ratings

# Real GDP growth is higher than peers ...

Real GDP growth, %

■ Dominican Republic — Ba1-Ba3 median

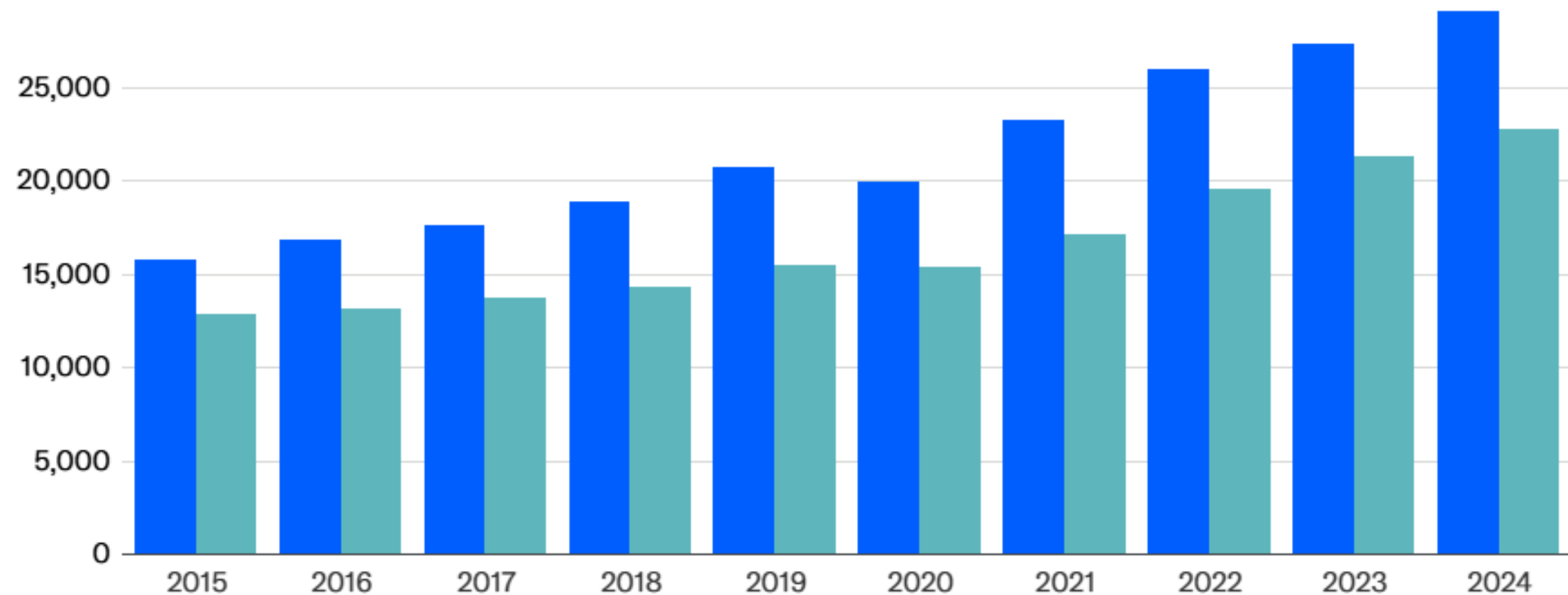


Source: Moody's Ratings

... driving a steady and significant rise in per capita income

GDP per capita, US\$ PPP

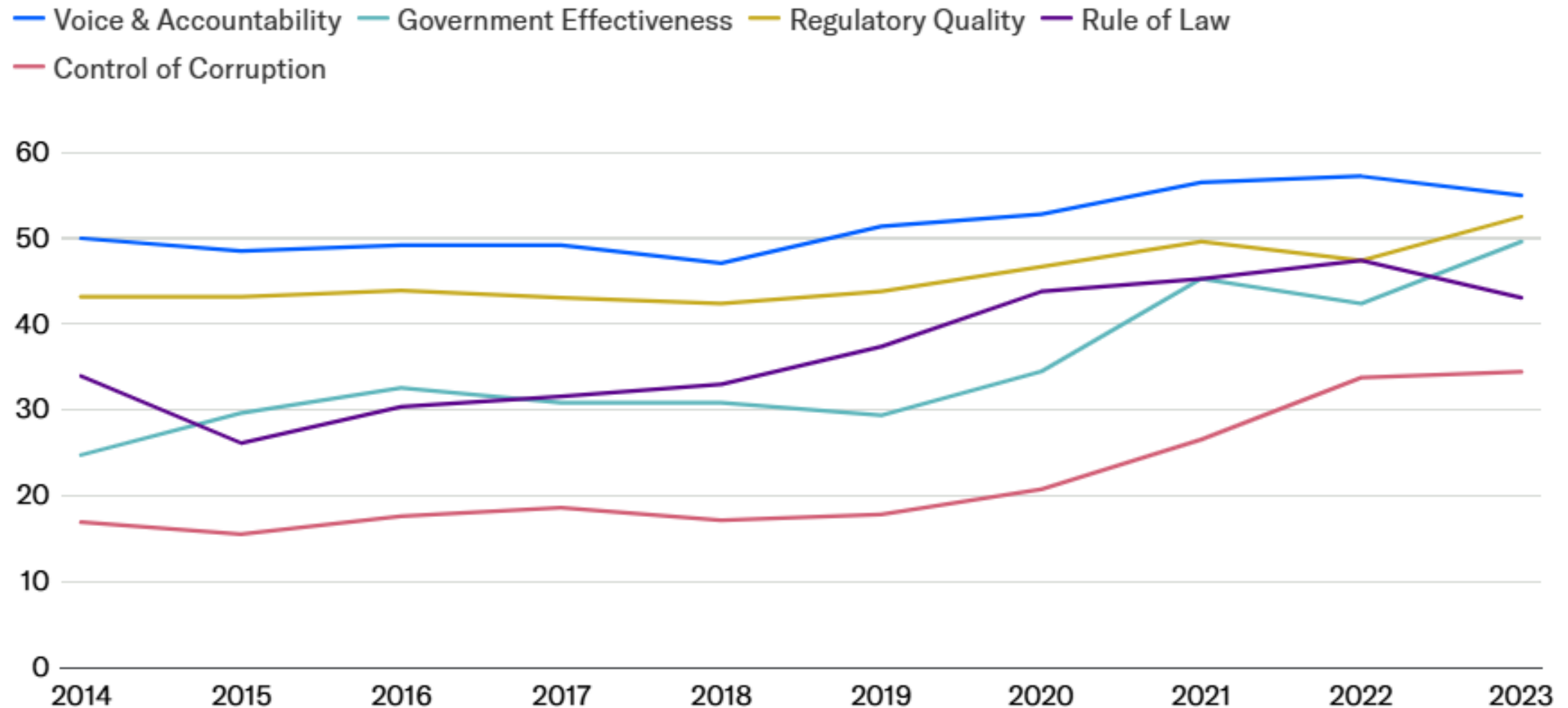
■ Dominican Republic ■ Ba1-Ba3 median



Source: Moody's Ratings

# Institutions and governance strength has materially improved ...

Worldwide Governance Indicators, percentile rank

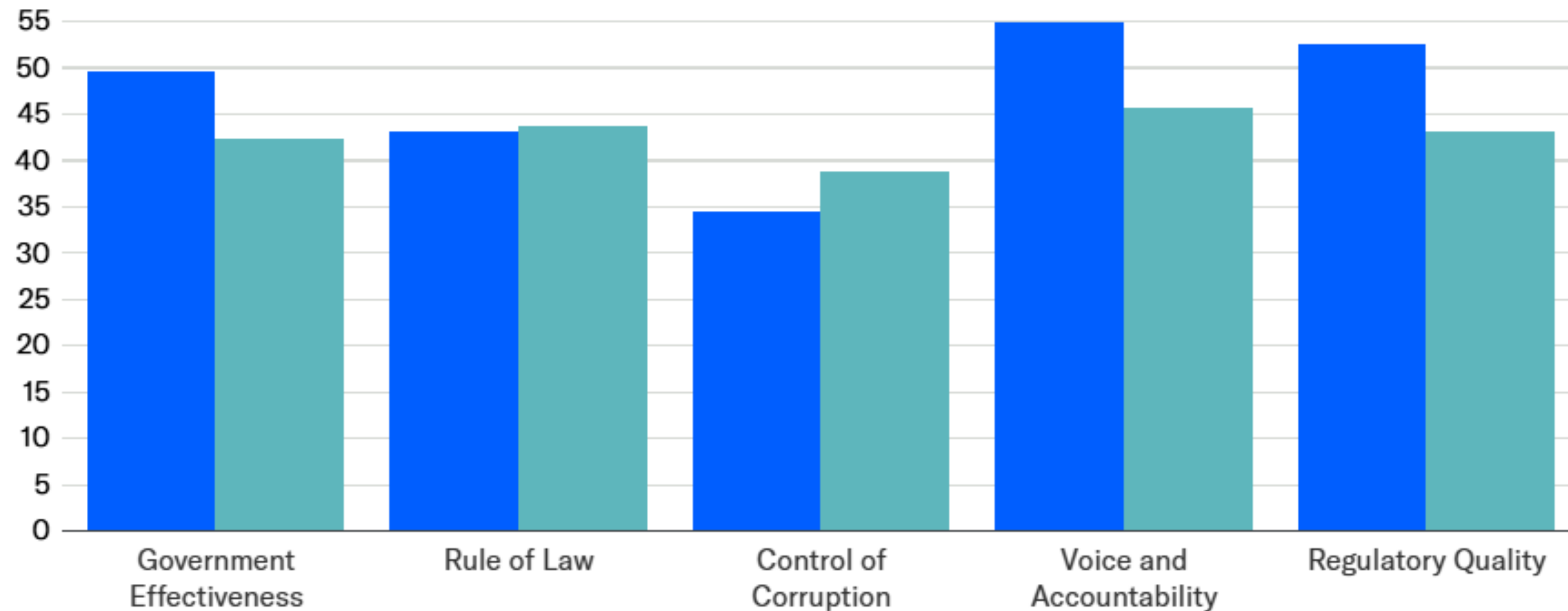


Source: Moody's Ratings

... including relative to peers in most categories

Worldwide Governance Indicators, percentile rank (2023)

■ Dominican Republic ■ Ba1-Ba3 median

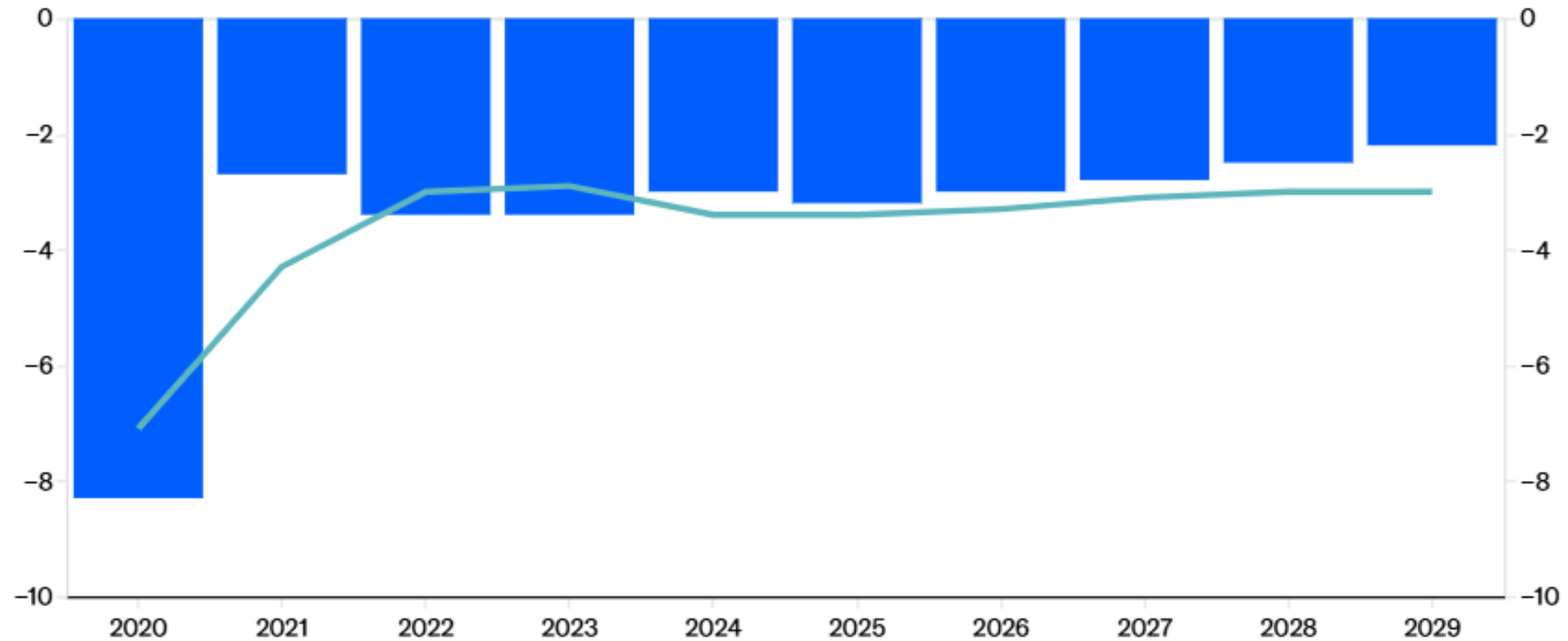


Source: Moody's Ratings

# Fiscal deficits have stabilized in line with peers ...

Fiscal balance, % GDP

■ Dominican Republic — Ba1-Ba3 median

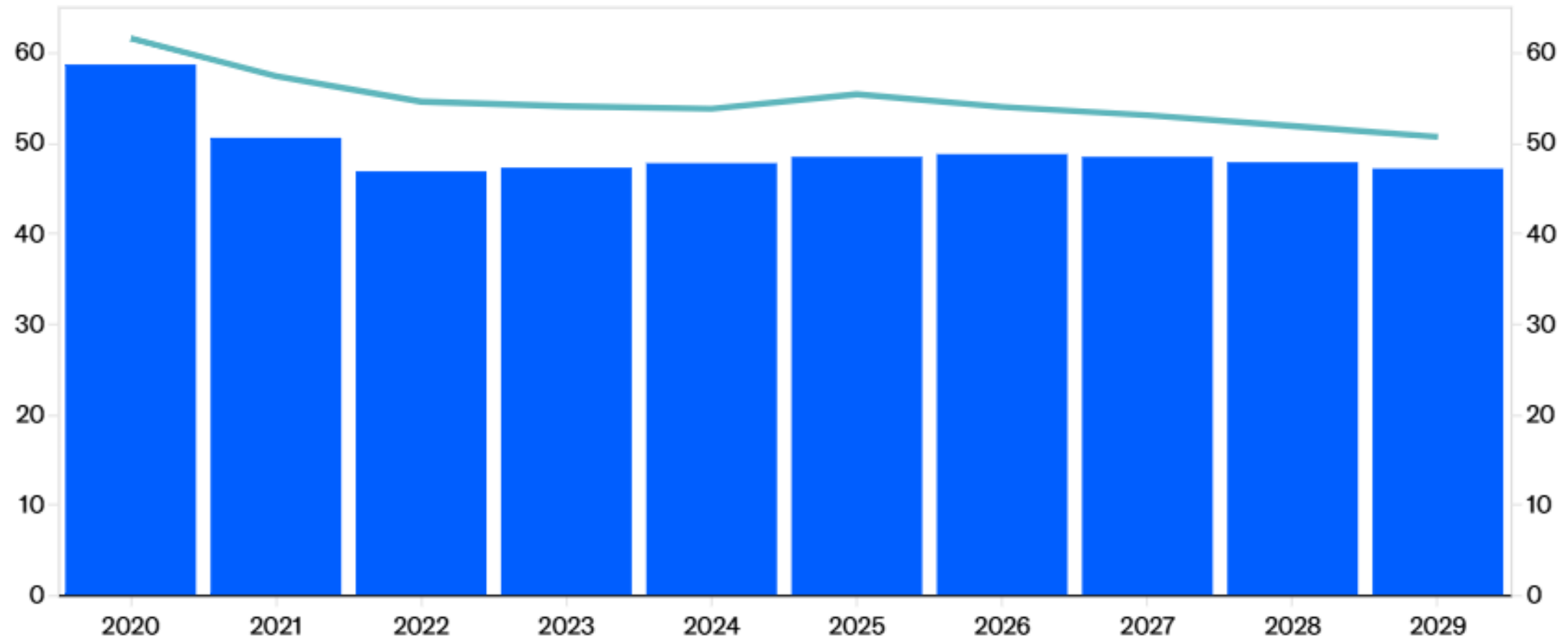


Source: Moody's Ratings

... with a relatively lower debt burden

Government debt, % GDP

■ Dominican Republic — Ba1-Ba3 median

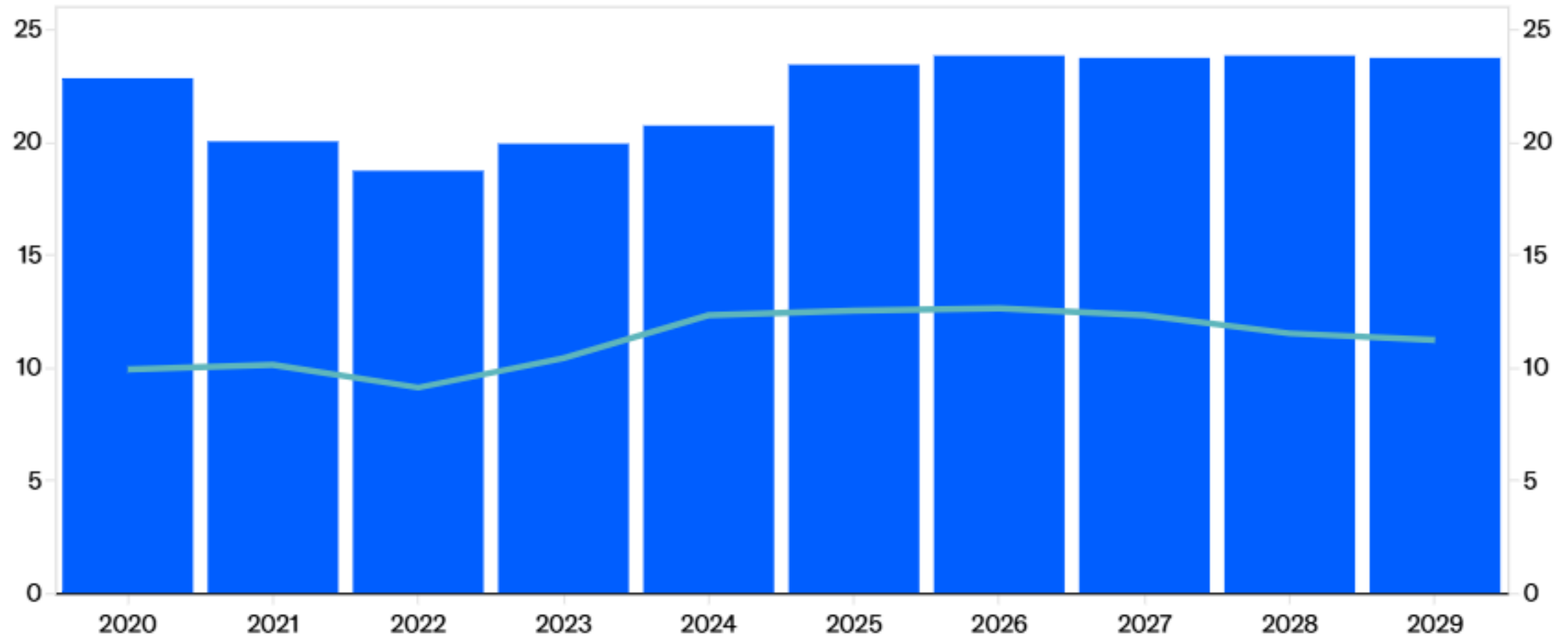


Source: Moody's Ratings

# However, debt affordability is much weaker than peers ...

Interest payments, % government revenue

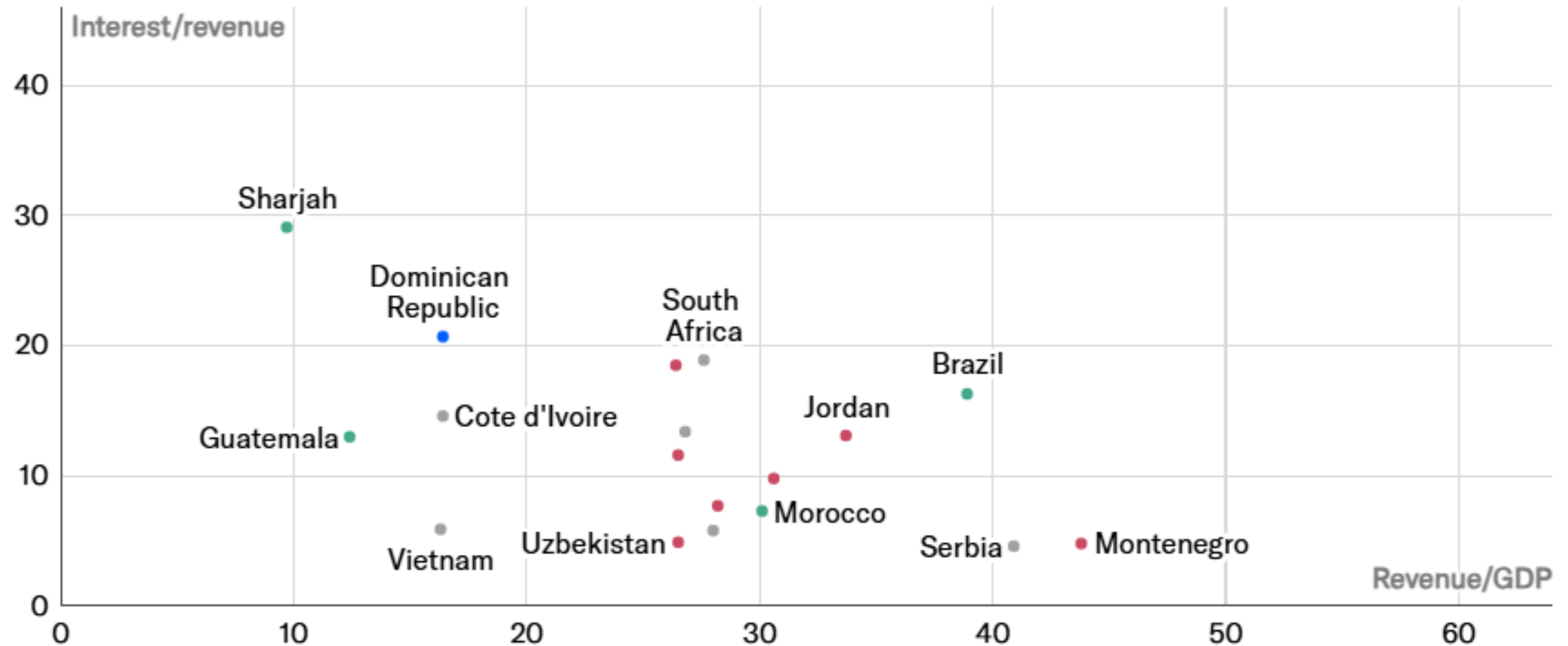
■ Dominican Republic — Ba1-Ba3 median



Source: Moody's Ratings

## ... constrained by weak revenue intake

Vertical axis: interest payments, % government revenue (2024)  
Horizontal axis: government revenue, % GDP (2024)



Source: Moody's Ratings

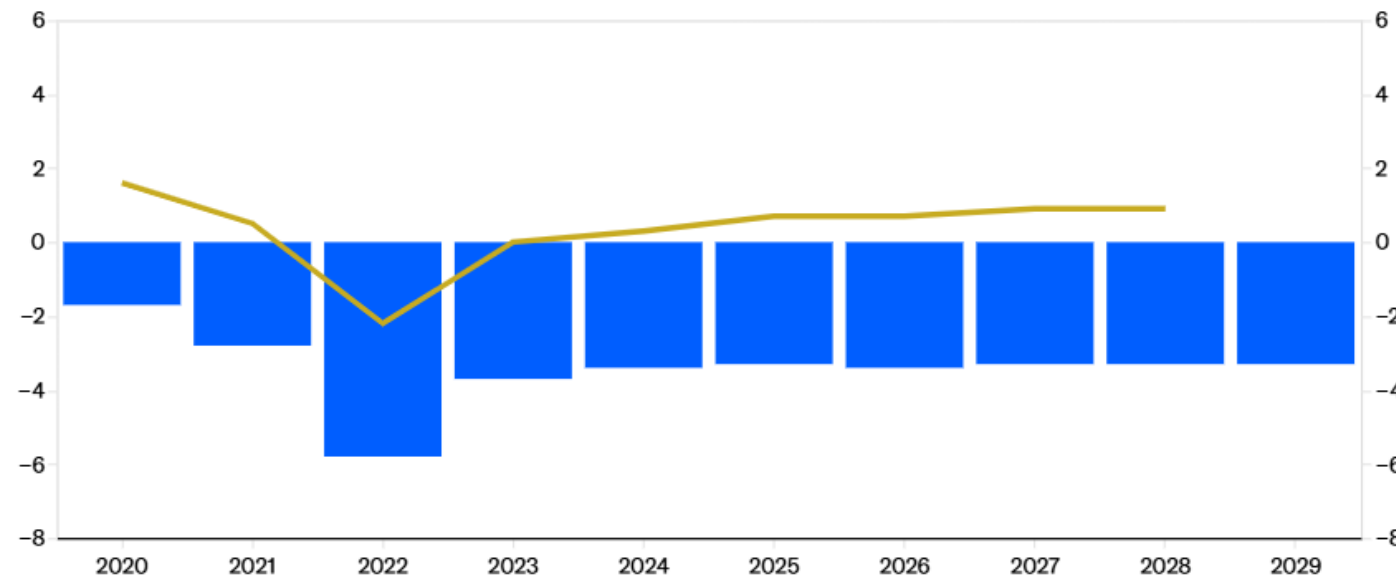
# Susceptibility to event risk is relatively contained

Our "baa" susceptibility to event risk score is driven by **external vulnerability risk**, **government liquidity risk** and **banking sector risk**, which are all relatively contained.

Current account balance and net FDI flows

% GDP

■ Current account balance — Basic balance

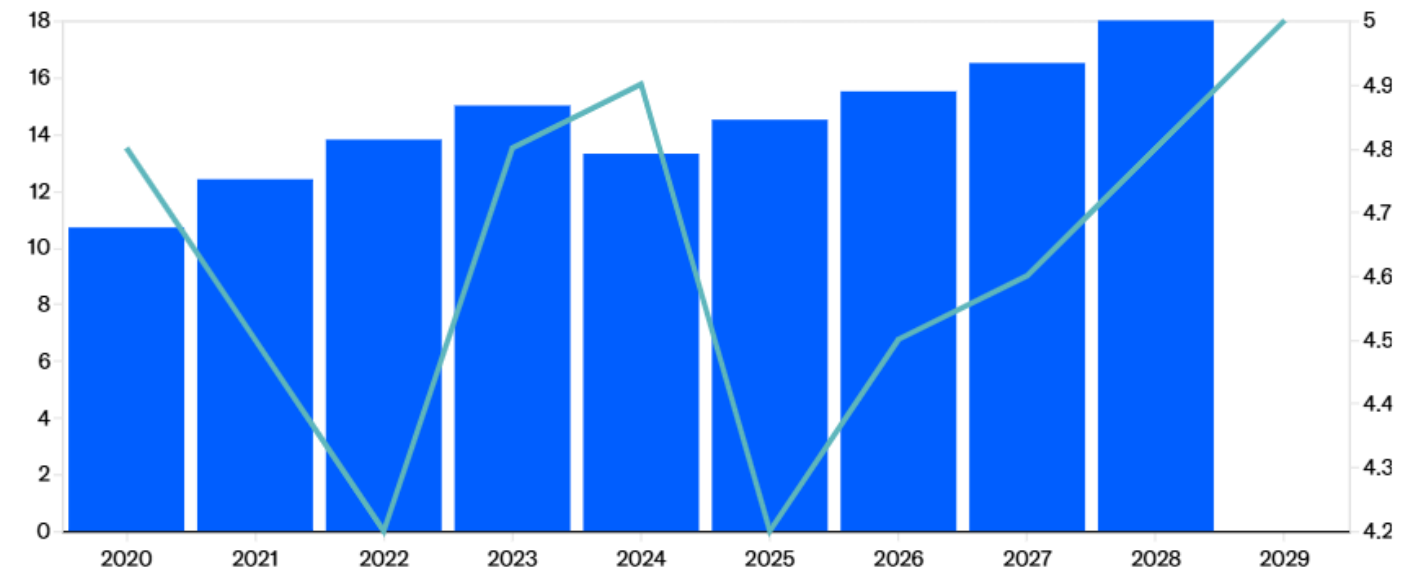


Source: Moody's Ratings

Foreign exchange reserves coverage of imports

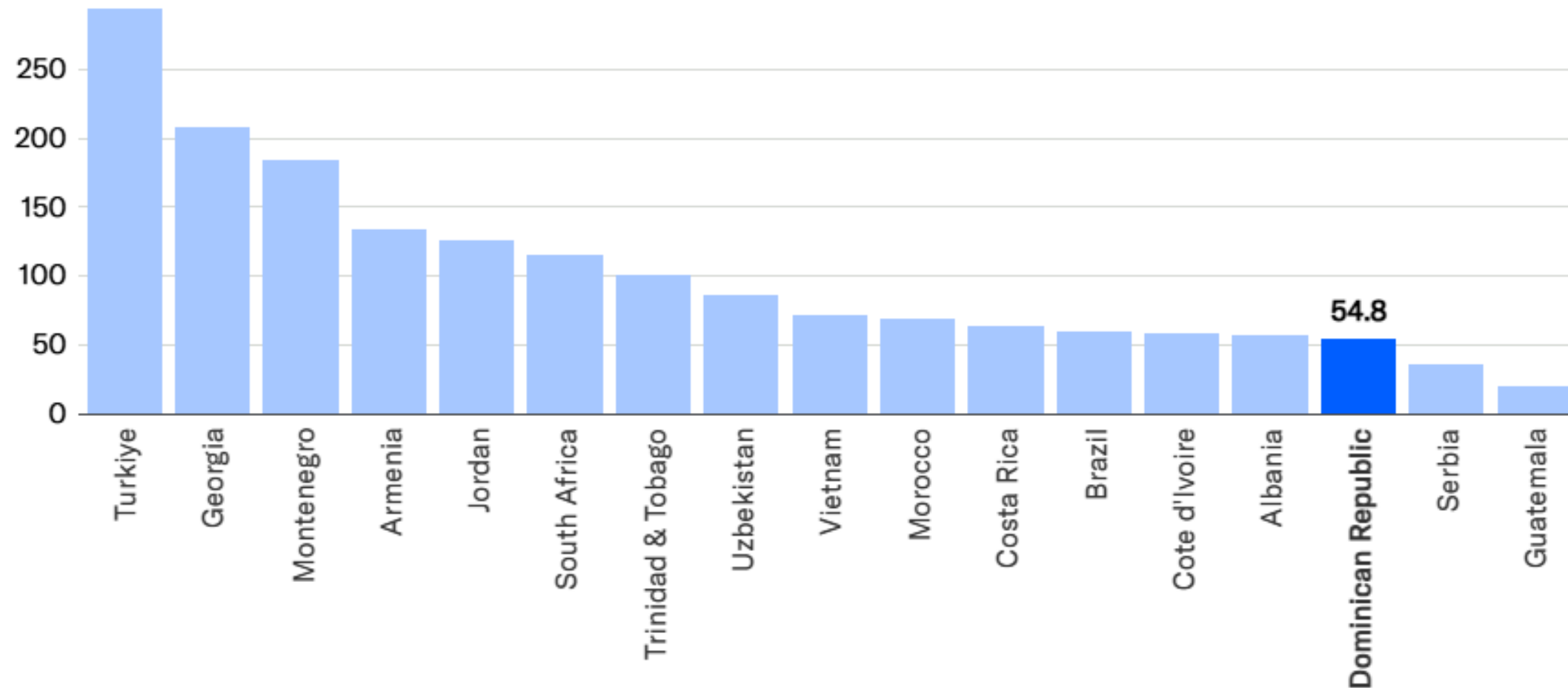
Foreign exchange reserves

■ US\$ billion (LHS) — Coverage of total imports, months (RHS)



# External vulnerability risk is low relative to Ba-rated peers

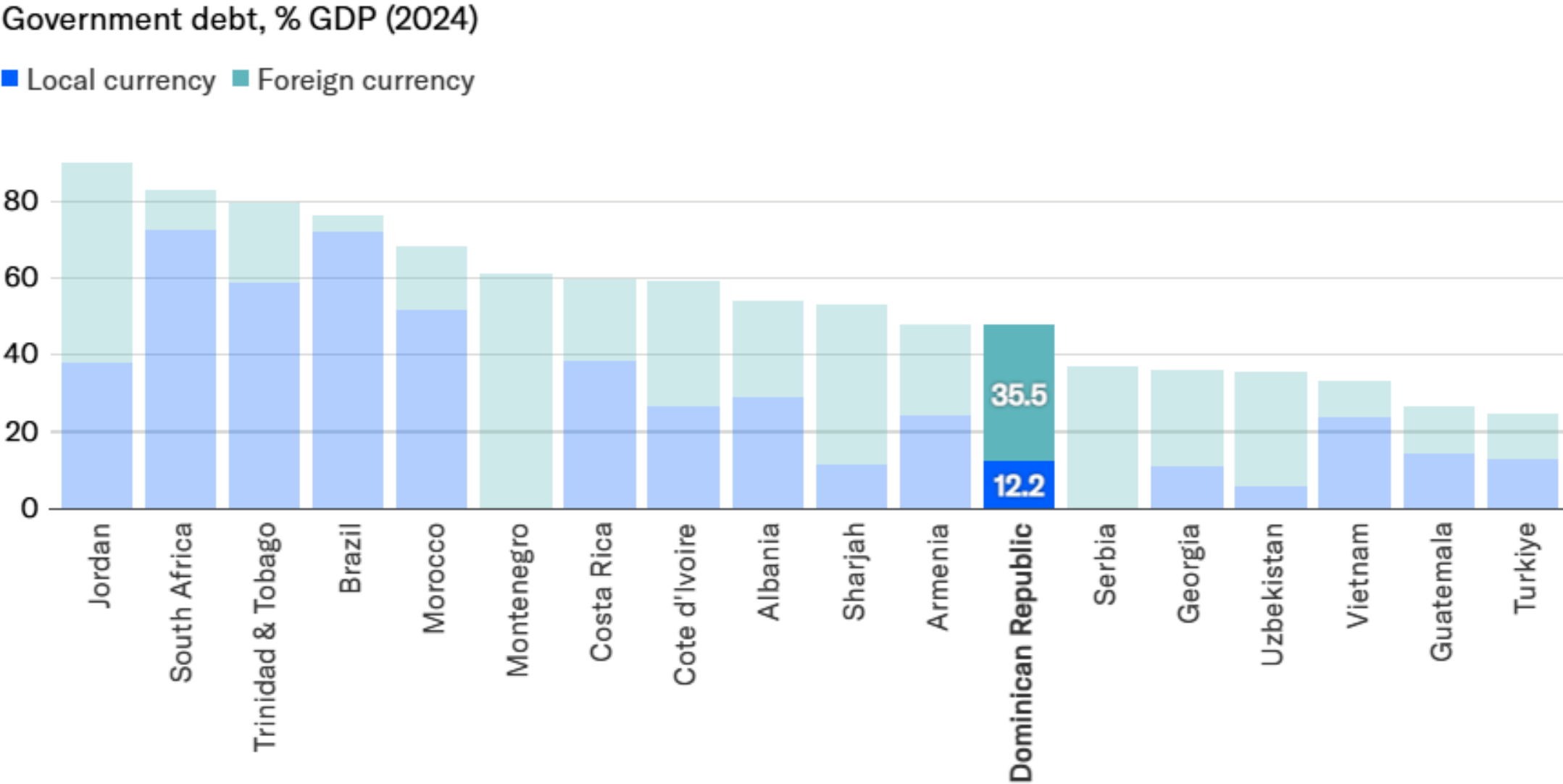
External Vulnerability Indicator % (2025)



Source: Moody's Ratings

EVI = (Short-term external debt + currently maturing long-term external debt + total nonresident deposits over one year) / official foreign-exchange reserves

Government liquidity risk is relatively low, but a high portion of foreign currency debt creates exchange-rate risk



Source: Moody's Ratings



3. What is Moody's monitoring going forward?

# What factors could lead to an upgrade or downgrade?

## Factors that could lead to an upgrade

- The rating could be upgraded if **debt affordability improves and foreign-currency exposure diminishes**.
- In particular, increased debt affordability supported by **higher government revenue on the back of broad-based tax reforms**, would strengthen the country's fiscal position and overall sovereign credit profile.

## Factors that could lead to a downgrade

- The rating could be downgraded if **economic growth looks likely to be weaker than we currently expect on a sustained basis**, or if fiscal prospects materially deteriorate relative to our expectations.
- The rating would face downward pressure if the authorities **deviated from their current medium-term fiscal consolidation plans**, resulting in a material increase in the public debt ratio.
- A **weakening of external accounts**, such as a persistent widening of the current account deficit or a sustained decline in foreign-exchange reserves, would also exert downward pressure on the sovereign credit profile.

Source: Moody's Ratings

## 4. Peer comparisons

# Peer comparison with Ba2 sovereigns

	Year	Dominican Republic	Cote d'Ivoire	Georgia	Serbia	South Africa	Vietnam	Ba2 Median
Rating/outlook		Ba2/Stable	Ba2/Stable	Ba2/Negative	Ba2/Positive	Ba2/Stable	Ba2/Stable	Ba2
Scorecard-indicated outcome		Ba1 - Ba3	Ba1 - Ba3	Baa3 - Ba2	Baa2 - Ba1	Ba1 - Ba3	Baa3 - Ba2	
Factor 1		a3	baa3	baa2	baa3	baa3	a2	
Nominal GDP (\$ bn)	2024	124.3	87.1	33.8	89	401.1	460.4	89
GDP per capita (PPP, Int\$)	2024	29150	7645	28258	30956	15654	16335	28258
Avg. real GDP (% change)	2020 - 2029F	4.1	6.1	6	3.6	1	5.7	4.1
MAD Volatility in real GDP growth (ppts)	2015 - 2024	1.7	0.6	2.3	1.1	0.5	0.4	
Factor 2		ba1	ba2	baa3	baa3	baa2	ba3	
Quality of legislative & executive institutions	Latest available	baa	ba	ba	baa	a	b	
Strength of civil society & judiciary	Latest available	ba	ba	ba	ba	baa	b	
Fiscal policy effectiveness	Latest available	ba	baa	baa	baa	ba	ba	
Monetary & macro policy effectiveness	Latest available	ba	ba	baa	baa	baa	ba	
Gen. gov. fiscal balance (% of GDP)	2024 - 2026F	-3	-3.3	-2.2	-2.7	-4.6	-3.5	
Average inflation (% change)	2020 - 2029F	4.9	3.2	4.6	5.2	4.1	3	4.1
Volatility of inflation (ppts)	2015 - 2024	2.7	2.1	3.4	4.3	1.2	0.9	2.1
Factor 3		b2	ba3	a3	baa3	b2	a2	
Gen. gov. debt (% of GDP)	2024	47.7	59.3	36.1	47.5	82.9	33.1	47.7
Gen. gov. debt (% of revenue)	2024	291.3	361.1	128.8	116.1	300.8	203.3	291.3
Gen. gov. interest payments (% of revenue)	2024	20.7	14.6	5.8	4.6	18.9	5.9	13.4
Gen. gov. interest payments (% of GDP)	2024	3.4	2.4	1.6	1.9	5.2	1	2.4
Factor 4		baa	baa	b	ba	baa	b	
Political risk	Latest available	a	baa	b	ba	baa	baa	
Government liquidity risk	Latest available	baa	baa	baa	baa	a	a	
Gross borrowing requirements (% of GDP)	2025F	5.1	7.5	2.2	6.3	-	6	6.1
Banking sector risk	Latest available	baa	baa	baa	a	baa	b	
BSCE[1]	Latest available	ba3-b3	ba3-b3	ba1-ba2	ba1-ba2	ba1-ba2	ba3-b3	
Total domestic bank assets (% of GDP)	2024	47.1	38.4	104.3	71.3	101.3	-	85.3
External vulnerability risk	Latest available	baa	a	ba	a	a	a	
Current account balance (% of GDP)	2024	-3.4	-4	-4.5	-4.7	-0.7	6.6	-3.4
External vulnerability indicator (EVI)	2026F	48.3	58.3	160.1	52.3	129.2	54.1	
External debt (% of current account receipts)	2024	133.5	135	116.4	89.8	119.7	32	119.7
Net international investment position (% of GDP)	2024	-59.7	-36.4	-88.9	-54.9	28.3	-	-54.9

# Peer comparison with Latin American sovereigns

	Year	Dominican Republic	Costa Rica	Guatemala	Trinidad & Tobago	Brazil	Panama	Latin America and Caribbean Median
Rating/outlook		Ba2/Stable	Ba3/Positive	Ba1/Stable	Ba2/Stable	Ba1/Stable	Baa3/Negative	-
Scorecard-indicated outcome		Ba1 - Ba3	Ba1 - Ba3	Baa2 - Ba1	Ba1 - Ba3	Baa1 - Baa3	Baa3 - Ba2	13
<b>Factor 1</b>		<b>a3</b>	<b>a3</b>	<b>baa2</b>	<b>ba1</b>	<b>a3</b>	<b>baa1</b>	<b>baa3</b>
Nominal GDP (\$ bn)	2024	124.3	95.4	113.2	26.4	2179.4	86.3	48.5
GDP per capita (PPP, Intl\$)	2024	29150	29892	14827	34436	22272	41572	21504
Avg. real GDP (% change)	2020 - 2029F	4.1	3.5	3.7	0.6	2.1	4	2.5
MAD Volatility in real GDP growth (ppts)	2015 - 2024	1.7	0.7	0.5	2	1.8	2.1	1.1
<b>Factor 2</b>		<b>ba1</b>	<b>ba1</b>	<b>ba2</b>	<b>ba1</b>	<b>baa3</b>	<b>ba1</b>	<b>ba1</b>
Quality of legislative & executive institutions	Latest available	baa	ba	b	ba	baa	ba	ba
Strength of civil society & judiciary	Latest available	ba	a	b	baa	baa	ba	ba
Fiscal policy effectiveness	Latest available	ba	ba	ba	ba	ba	ba	ba
Monetary & macro policy effectiveness	Latest available	ba	ba	baa	ba	baa	baa	ba
Gen. gov. fiscal balance (% of GDP)	2024 - 2026F	-3	-2.1	-2.3	-5	-7.6	-5.2	-
Average inflation (% change)	2020 - 2029F	4.9	2	4.2	2.5	5	1.3	4.2
Volatility of inflation (ppts)	2015 - 2024	2.7	2.5	1.4	1.9	2.6	1.2	2.3
<b>Factor 3</b>		<b>b2</b>	<b>b1</b>	<b>baa1</b>	<b>ba3</b>	<b>ba3</b>	<b>ba3</b>	<b>ba3</b>
Gen. gov. debt (% of GDP)	2024	47.7	59.8	26.4	79.5	76.5	62.3	62.2
Gen. gov. debt (% of revenue)	2024	291.3	226.3	212.7	296.8	196.8	394.8	259
Gen. gov. interest payments (% of revenue)	2024	20.7	18.5	13	13.4	16.3	18.5	13.4
Gen. gov. interest payments (% of GDP)	2024	3.4	4.9	1.6	4	6.3	2.9	3
<b>Factor 4</b>		<b>baa</b>	<b>ba</b>	<b>ba</b>	<b>baa</b>	<b>baa</b>	<b>baa</b>	<b>ba</b>
<b>Political risk</b>	<b>Latest available</b>	<b>a</b>	<b>a</b>	<b>ba</b>	<b>a</b>	<b>baa</b>	<b>baa</b>	<b>baa</b>
<b>Government liquidity risk</b>	<b>Latest available</b>	<b>baa</b>	<b>ba</b>	<b>a</b>	<b>a</b>	<b>a</b>	<b>baa</b>	<b>baa</b>
Gross borrowing requirements (% of GDP)	2025F	5.1	7.7	4.9	9.1	19.6	8.7	7.9
<b>Banking sector risk</b>	<b>Latest available</b>	<b>baa</b>	<b>baa</b>	<b>baa</b>	<b>baa</b>	<b>baa</b>	<b>baa</b>	<b>baa</b>
BSCE[1]	Latest available	ba3-b3	ba3-b3	ba3-b3	ba1-ba2	ba1-ba2	ba1-ba2	ba3-b3
Total domestic bank assets (% of GDP)	2024	47.1	59.1	65.1	99.3	121.9	146.4	75.5
<b>External vulnerability risk</b>	<b>Latest available</b>	<b>baa</b>	<b>baa</b>	<b>aa</b>	<b>baa</b>	<b>aa</b>	<b>a</b>	<b>baa</b>
Current account balance (% of GDP)	2024	-3.4	-1.3	2.9	7.6	-2.8	1.9	-1.3
External vulnerability indicator (EVI)	2026F	48.3	62.6	20.3	114.7	62.9	37	-
External debt (% of current account receipts)	2024	133.5	99.6	47.5	130	164.3	104.1	118
Net international investment position (% of GDP)	2024	-59.7	-40.3	-0.9	-	-34.4	-89.4	-38.9

Thank you