

Dominican Republic: economic and trade prospects

The **Dominican Republic** has shown a strong **economic** performance in recent years, experiencing 12.3% growth in 2021, one of the best in Latin America following the global crisis of 2020. Moreover, its **economy** accounts for nearly half of the Caribbean basin's gross domestic product.

The economic structure of the **Dominican Republic** has undergone a significant change in recent times, from an economy dominated by the primary and secondary sectors to a **fundamentally tertiary economy**.

In 2021, [according to data published by ICEX](#), services accounted for 60% of GDP (with 83% of the total number of jobs it provides to society), thanks to an array of activities, including **communications, tourism, construction and transport**.

This has led to a **shift in consumer habits and the lifestyle of Dominicans**, whose spending on communications now exceeds the value of agricultural production.

The tourism boom in Dominican Republic

Tourism has become a **fundamental pillar for the economic development of the Dominican Republic**, both in terms of production and employment, as well as in the generation of foreign exchange.

According to data published in the [Dominican Republic Economic and Trade Report](#), updated by ICEX in February 2023, accommodation availability for tourists in 2020 exceeded 83,000 rooms.

Despite the consequences of the pandemic, the country has worked to recover, reaching an **all-time high** in 2022 with the arrival of 7.2 million tourists by air and 1.3 million on cruise ships.

The ICEX report points out that foreign tourists have an average stay of 8.3 nights and the main destination areas are **Punta Cana-Bávaro, La Romana, Puerto Plata, and Samaná**. By nationality, Americans and Canadians stand out (59%), followed by Germans, Russians, Spaniards, and French. With the intention of continuing to improve, the Tourism Cabinet has its sights set on reaching 10 million visitors this year.

Foreign influence

Foreign direct investment (FDI) has also been a crucial factor in **the Dominican Republic's economic** growth. In 2021, according to data from the [Central Bank of the Dominican Republic](#), it reached a value of US\$3.1021 billion, equivalent to 1.2 times the country's current account deficit.

During the period from January to September 2022, as stated in the report published by ICEX, FDI **increased by 32%** compared to the same period of the previous year, driven mainly by the **communications, trade, free-trade zone, and tourism sectors**.

Over the last six years, FDI has reached a historical accumulated amount of US\$17.19 billion, with significant investments in the **tourism, real estate, and mining sectors**.

In the area of **trade and industry**, the report highlights investments in **cement factories, beer, the iron and steel industry, and beverages**. The hotel sector in the coastal areas of the East, North, and Santo Domingo, as well as gold and nickel mining. The real estate sector has also experienced strong momentum.

For their part, Free-Trade Zones have attracted investments in the **manufacture of disposable medical equipment**, pharmaceuticals, textile apparel, and footwear. ICEX has also observed growing investment interest in renewable energy parks and shopping malls, with new supermarkets and malls in the capital and in Santiago.

In terms of **FDI issuing countries in 2022**, it is reported that the United States led gross flows with US\$1.074 billion, followed by Mexico (US\$290 million), Canada (US\$265 million), Spain (US\$248 million), and the British Virgin Islands (US\$114 million), emphasizing at all times that positions in the ranking of issuing countries can vary considerably from one year to the next.

Trade possibilities

The Economic and Trade Report published by ICEX highlights traditional export sectors, such as electrical and mechanical machinery, [construction materials](#), refrigeration systems, pharmaceuticals, among others. Moreover, it proves that the energy sector, especially renewable energies, presents interesting opportunities for project development. Free-Trade Zones and Special Zones are also an option to consider **for the manufacture of various products**, taking advantage of the free-trade agreements that the country has with different regions.

In the area of services, those related to tourism, such as **medical care, restoration of historical elements, and cultural offerings**, stand out substantially. Moreover, there are consultancy and support services for companies, local councils, and entities, covering network management, telemetry, water and electricity collection systems, municipal tax collection, as well as IT security, health, and institutional reform.

On the other hand, the **Engineering and Supervision** sectors are also attractive to analysts, especially those projects financed by the European Union (EU) and the [Inter-American Development Bank \(IDB\)](#), as they offer greater certainty in terms of completion and payment.

Investment opportunities in Dominican Republic

In terms of investment opportunities, the Economic and Trade Report published by ICEX focuses primarily on the following industries:

- **Tourism.** The coastal and capital city tourism-hotel sectors have been the most attractive for FDI, [led by Spanish chains with 47,148 rooms in 92 hotels.](#)
- **Renewable energies.** Investment in renewable energies received a boost in 2007, but then lost momentum due to tax cuts and a freeze on PPAs (long-term supply contracts or Power Purchase Agreements). However, the change of government has revived the sector, with new PPA awards and biofuel and waste cogeneration projects.
- **Free-Trade Zones and Special Zones.** The 79 Free-Trade Zones and Special Zones, mainly in the border area with Haiti, offer opportunities for the manufacture of various products, taking advantage of free-trade agreements with Europe, the U.S., and [Caricom.](#)
- **Public-Private Partnerships.** The new Law and Regulations on Public-Private Partnerships approved in 2020, together with the government's willingness, offer numerous opportunities for large infrastructure projects.