MOODY'S
RATINGS

Rating Action: Moody's Ratings upgrades Dominican Republic's ratings to Ba2, changes outlook to stable

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New York, August 01, 2025 -- Moody's Ratings (Moody's) has today upgraded the Government of Dominican Republic's long-term local and foreign-currency issuer and senior unsecured debt ratings to Ba2 from Ba3. The outlook has been changed to stable from positive.

The upgrade reflects the Dominican Republic's sustained high growth rates and economic diversification, which enhance income levels and overall economic strength. This, combined with recent improvements to the country's institutional quality and policy frameworks, and a track record of political stability and social cohesion, bolster the sovereign's resilience to shocks. The external position has also improved, supported by robust foreign direct investment, tourism receipts and remittances, which mitigate the country's exposure to external vulnerability risks.

The stable outlook balances these credit strengths with structural fiscal challenges, including a narrow revenue base, weak debt affordability and high foreign-currency exposure. While we expect the government to continue to gradually make progress in improving revenue collection via administrative measures and revenue reforms, significant constraints on fiscal strength will likely continue to limit the sovereign's credit profile at the Ba2 level over the near to medium term.

The local-currency ceiling has been raised to Baa2 from Baa3, three notches above the sovereign rating. The Baa2 local currency ceiling reflects a diversified economy, moderate government footprint in the economy, average predictability and reliability of institutions, overall low political risk and relatively contained external imbalances. The foreign-currency ceiling has been raised to Baa3 from Ba1, one notch below the local-currency ceiling, to reflect the economy's moderate level of external indebtedness, open capital account and historically lower overall policy effectiveness.

RATINGS RATIONALE

RATIONALE FOR UPGRADE TO Ba2

The Dominican Republic's sovereign credit profile has strengthened materially from 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. Tourism in particular has, and continues to be, a very important, dynamic engine of growth that attracts a high level of both domestic and foreign investment, which we expect to continue to diversify geographically and up the value chain.

In addition to high growth rates, since 2020 the Dominican Republic's institutions have strengthened, reflected in both the quality of legislative and executive institutions and the strength of civil society and the judiciary. Government measures have broadly focused on enhancing the efficiency, transparency, and accountability of the public sector and contribute to improved overall government effectiveness. Such measures include constitutional reforms that enforce presidential term limits, administrative reforms that merge government agencies and streamline institutions, and more recently the implementation of a new Fiscal Responsibility Law (FRL) that establishes clear fiscal rules to limit government spending and fiscal deficits. The government has also continued to deepen local capital markets and made significant long-term improvements in the quality of banking sector regulation.

High political and social cohesion and limited political polarization provide further support to the sovereign credit profile. The resulting high political stability relative to Ba-rated and regional peers, helps the Dominican Republic attract sustained high foreign direct investment, rising tourism receipts and a steady inflow of overseas remittances that support the country's foreign-exchange reserves at historically high levels, strengthening the external position and limiting susceptibility to event risks.

RATIONALE FOR STABLE OUTLOOK

The stable outlook balances these credit strengths with the Dominican Republic's comparatively weaker fiscal position. Overall, while the Dominican Republic's fiscal strength reflects improvements in fiscal deficit and debt trends since the pandemic, it also highlights long-standing credit challenges related to a shallow revenue base and high exposure to foreign-currency borrowing, which contribute to weaker debt affordability metrics relative to peers.

We expect a general government fiscal deficit of around 3.2% of GDP in 2025 and around 3.0% thereafter, resulting in the stabilization of the debt burden at around 48% of GDP over the next two years. However, at 16% of GDP, government revenue intake is one of the lowest among Ba-rated peers (with a median of 28%). Absent the implementation of significant revenue reforms, low revenue will continue to be a fiscal constraint. Meanwhile, debt affordability is also very weak, and the share of foreign-currency borrowing is high, which exposes the government's balance sheet to exchange rate risk. For example, in 2024, interest payments amounted to 21% of government revenue – almost twice the median of Ba-rated peers – and around 66% of the government's debt was denominated in foreign-currency. Looking ahead, while we expect the government to prioritize local-currency debt issuances and pursue administrative measures to gradually improve revenue collection and reduce tax evasion, along with more significant revenue reforms, debt affordability will likely remain significantly weaker than peers, constraining the rating at the Ba2 rating level in the near to medium term.

ESG CONSIDERATIONS

The Dominican Republic's ESG Credit Impact Score (CIS-4) indicates the rating is lower than it would have been if ESG risk exposures did not exist. For the Dominican Republic, this mainly reflects high exposure to environmental risk related to physical climate risks that are impacted by climate change.

SUMMARY OF MINUTES FROM RATING COMMITTEE

GDP per capita (PPP basis, US$): 29,150 (2024) (also known as Per Capita Income)

Real GDP growth (% change): 5% (2024) (also known as GDP Growth)

Inflation Rate (CPI, % change Dec/Dec): 3.3% (2024)

Gen. Gov. Financial Balance/GDP: -3% (2024) (also known as Fiscal Balance)

Current Account Balance/GDP: -3.4% (2024) (also known as External Balance)

External debt/GDP: 44.2% (2024)

Economic resiliency: baa2

Default history: At least one default event (on bonds and/or loans) has been recorded since 1983.

On 29 July 2025, a rating committee was called to discuss the rating of the Dominican Republic, Government of. The main points raised during the discussion were: The issuer's economic fundamentals, including its economic strength, have not materially changed. The issuer's institutions and governance strength, have materially increased. The issuer's fiscal or financial strength, including its debt profile, has not materially changed. The issuer's susceptibility to event risks has not materially changed.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

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.

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.

The principal methodology used in these ratings was Sovereigns published in November 2022 and available at https://ratings.moodys.com/rmc-documents/395819. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

The weighting of all rating factors is described in the methodology used in this credit rating action, if applicable.

The net effect of any adjustments applied to rating factor scores or scorecard outputs under the primary methodology(ies), if any, was not material to the ratings addressed in this announcement.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

For any affected securities or rated entities receiving direct credit support/credit substitution from another entity or entities subject to a credit rating action (the supporting entity), and whose ratings may change as a result of a credit rating action as to the supporting entity, the associated regulatory disclosures will relate to the supporting entity. Exceptions to this approach may be applicable in certain jurisdictions.

For ratings issued on a program, series, category/class of debt or security, certain regulatory disclosures applicable to each rating of a subsequently issued bond or note of the same series, category/class of debt, or security, or pursuant to a program for which the ratings are derived exclusively from existing ratings, in accordance with Moody's rating practices, can be found in the most recent Credit Rating Announcement related to the same class of Credit Rating.

For provisional ratings, the Credit Rating Announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating.

Moody's does not always publish a separate Credit Rating Announcement for each Credit Rating assigned in the Anticipated Ratings Process or Subsequent Ratings Process.

These ratings are solicited. Please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website https://ratings.moodys.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

At least one ESG consideration was material to the credit rating action(s) announced and described above. Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://ratings.moodys.com/rmc-documents/435880.

The Global Scale Credit Rating(s) discussed in this Credit Rating Announcement was(were) issued by one of Moody's affiliates outside the EU and UK and is(are) endorsed for use in the EU and UK in accordance with the EU and UK CRA Regulation.

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