USAID | DOMINICAN REPUBLIC
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AN ECONOMIC SNAPSHOT

Overview

The structure of the Dominican economy has remained largely unchanged over the last decade. In 1990, agriculture comprised 13 percent of the Gross Domestic Product (GDP), manufacturing 31 percent, and the service sector 55 percent. By 2003, agriculture had fallen slightly to 12 percent of the GDP, while manufacturing and services rose slightly to 33 and 56 percent, respectively.

After poor economic performance in the 1980s, macroeconomic stability in the early 1990s stimulated rapid economic growth. From 1992 to 1999 the Dominican Republic was among the fastest growing economies in the world, registering annual GDP growth rates in excess of 6 percent. However, the banking crisis of 2003, which cost Dominicans approximately 15 percent of GDP, caused the growth rate to sharply plummet to negative 0.4 percent. Subsequent declines in external demand, coupled with high international oil prices and the deterioration of Dominican macroeconomic stability, have contributed to the sluggish growth rates recorded for the last two (2) years.

Table 1: Key Economic Indicators

	1990	2000	2003
Economy			
GDP per capita (US$)	1002	2362	2514
GDP growth rate (year on year)	-5.8	7.2	-0.4
Value added in agriculture (% of GDP)	13	11	12
Value added in manufacturing (% of GDP)	31	34	33
Value added in services (% of GDP)	55	55	56
X/M (%)	75	75	75
Current Account Balance (millions of US$)	-279.6	-1026.5	-875.2
People			
Total fertility rate	3.4	3.0	2.6
Under 5 mortality rate	65	48	35
Male adult literacy rate	80	84	84
Female adult literacy rate	79	84	84
Poverty rate (headcount)	34	29	--
Population (millions)	7.1	8.4	8.7

Source: International Financial Statistics Yearbook; World Development Indicators; UNICEF.

Trade Timeline

Throughout the 1990s the Dominican Republic relied heavily on import taxes for government revenue. In connection with its commitments under free trade agreements with Central American and Caribbean countries, and its entrance into the World Trade Organization (WTO) in 2000, the Dominican Republic lowered its maximum tariffs on most items from 40 percent to 20 percent. The country currently extends most favored nation (MFN) status to all its trading partners with an average applied in-quota tariff of 8.6 percent. However, the Dominican Republic maintains tariff quotas on a number of agricultural products, with current out-of-quota rate of up to 118 percent (WTO 2002). In keeping with its WTO commitments, the Dominican Republic has carried out multiple trade and investment revisions, including new legislation on foreign investment, tariffs and customs procedures, export promotion, telecommunications, electricity, and intellectual property.

Poverty Rates

Although poverty rates have decreased over the last decade, the high economic growth rates of the 1990s did not lead to corresponding rates of poverty reduction. The percentage of individuals living below the poverty line declined from 37 percent in 1986 to 34 percent in 1990 and then to 29 percent 2000. Despite these declines, in 2001, the Dominican Republic was ranked the least effective Latin American country in reducing poverty (CGSD 2004). The Dominican Republic only yielded 1.1 percentage points of poverty reduction for each unit of per capita GDP growth, compared with Panama's 5.5, Chile's 4.2, and Mexico's 3.8 percentage points (CGSD 2004).

The economic downturn triggered by the 2003 financial crisis has further undermined the Dominican Republic's ability to achieve sustained reductions in poverty. The collapse of the Dominican peso, doubling of government debt, quadrupling of inflation, and soaring interest rates have extinguished the macroeconomic conditions that enabled the poverty reduction of the 1990s. Case studies of the recent financial crisis indicate that a sharp depreciation of a currency exacerbates inflation. Increases in inflation drive real wages down and cost of basic goods up, thereby creating conditions for high and persistent poverty rates (DRG 2000). It is suspected that the Dominican financial crisis may have negatively impacted poverty reduction.[1]

Labor Market

The composition of the Dominican labor force has changed significantly since the Trujillo era (1930–1961). In 1960, the agricultural sector employed 73 percent of the Dominican labor force; by the end of the 1980s, it accounted for 35 percent. The decline of agricultural and industrial manufacturing employment in the 1990s caused a shift toward the service sector. Since 1996, the largest service sector employment gains have been seen in commerce, general government, transportation, and construction.

Employment growth in the service sector has been accompanied by growth in the informal economy. Two-fifths of the total employment is reported to be categorized as "own account" workers.[2] According to the Dominican Central Bank, in 2003, only 43 percent of workers were employed through a permanent contract. Between 1996 and 2000, the private sector added 290,000 jobs, while the informal sector generated 380,000 jobs. A correlation exists between the increase of worker remittances and the increase in informal employment. Remittances increased from 1.1 billion USD in 1997 to 2.1 billion USD in 2003. A recent study links expansion in the tourism sector and small-scale service providers with the availability of remittances to finance start-up costs for new enterprises (World Bank 2005).

Table 2: Economically Active, Share of each Sector in 2000 in percentage

	Percent of Each Sector		Percent of Labor Force		Total (1000s)
	Women	Men	Women	Men	
Agriculture	49	51	13	9	353
Manufacturing	43	57	28	24	857
Services	37	63	58	67	2,144
Total	41	59	100	100	3,354

Notes: Persons aged 15 and older. Manufacturing includes manufacturing and industry.

[1] This section will be updated once data on the 2003 financial crisis' impact on poverty is made available.
[2] According to the ILO, own-account workers are those who work on their own account or with one or more partners, hold the type of job defined as a "self-employment job," and have not engaged on a continuous basis any "employees" to work for them during the reference period. For further information see http://www.ilo.org/public/english/bureau/stat/class/icse.htm.

Source: Dominican Republic Population Census 2003

The labor market in the Dominican Republic is sex segregated—men and women are not distributed evenly across all sectors and occupations in proportion to their participation in the total labor force. The Duncan Index calculated for 10 sectors,[3] and used to measure labor market segmentation by sex, was 79 percent in 1990, indicating a high degree of segmentation. In 2000, it fell to 62 percent—registering a decline of 22 percent in sex segmentation over the 1990s (See Figure 1).[4]

The gap in Dominican urban wages between women and men has decreased slightly over the last decade. In 1990, urban women earned approximately 60 percent of wages earned by their urban male counterparts; by 2000, women's wages increased to 67 percent of men's wages.

Development Diamond

The Development Diamond (Figure 1) tracks some of the economic indicators analyzed above by mapping poverty, labor market segmentation, trade, and wage rate indicators for the Dominican Republic over a 10-year period.[5] While improvement is visible in all four (4) sectors, greater response is still needed to ensure that poor women have access to the opportunities afforded by economic and trade expansion activities.

Figure 1: Development Diamond, in percent

[3] The Duncan Index is $D = 100 * \frac{1}{2}\sum_{i=1}^{N} | f_i - m_i |$. Where I = (1, 2,. . . N) is the total number of sectors, industries or occupations and f_i and m_i are the sectoral employment ratios of men and women to their respective labor force. We use 10 sectors defined by their two-digit ISIC codes.

[4] The Duncan Index of dissimilarity, ranging from 0 to 100, can be used to measure labor market segmentation by sex. An index of 0 indicates that the sectors or occupations are not sex segregated; women and men are distributed across sectors and occupations in proportion to their participation in the total labor force. An index of 100 indicates that men and women are in entirely different sectors and occupations.

[5] The trade deficit is measured as (M-X)/(X+M), and gender wage inequality as the average gender wage gap as a percentage of male wages $(W_m-W_f)/W_m$.

References

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Data Sources

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http://www.cia.gov/cia/publications/factbook/
International Database, US Census Bureau
http://www.census.gov/ipc/www/idbnew.html

Multilateral
Economic Commission for Latin America and the Caribbean
http://www.eclac.cl/
International Financial Statistics Yearbook, International Monetary Fund
ILO Labor Statistics
http://laborsta.ilo.org/
UNICEF
http://www.unicef.org/infobycountry/domrepublic_statistics.html
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Non Governmental
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Index Mundi
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