Rabobank

Country report

DOMINICAN REPUBLIC

Summary

After having avoided dipping into recession in 2009 on the back of countercyclical fiscal and monetary stimulus made possible by an IMF stand-by agreement, the Dominican Republic's economic recovery outpaced most of its neighbours in 2010. In line with the conditions of the stand-by agreement, fiscal consolidation has to start this year and average economic growth will likely decline to 4.5%. President Fernández Reyna's landslide victory in the 2010 parliamentary elections should ensure policy continuity and facilitate fiscal consolidation, but it practically leaves the country without any noteworthy opposition. Public approval ratings have recently fallen, though, due to a lack in progress in addressing the country's high level of corruption and frequent power outages of the deficient energy sector. Despite its strong economic performance, the country's external position remains very weak. The low level of foreign exchange reserves could decline if large numbers of tourists were to cancel their bookings due to fears of a possible spreading of the Haitian cholera epidemic to the Dominican Republic.

Things to watch:

- Progress in fiscal consolidation
- Vulnerable external liquidity position
- Impact of cholera on the tourism sector

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Dominican Republic

National facts		
Type of government	Democratic republic	
Capital	Santo Domingo	
Surface area (thousand sq km)	49	
Population (millions)	9.5	
Main languages	Spanish	
Main religions	Roman Catholic	
Head of State (president)	Leonel Fernandez Reyna	
Head of Government (prime-minister)	Leonel Fernandez Reyna	
Monetary unit	Dominican Peso (DOP)	
Economy		**2010**
Economic size	*bn USD*	*% world total*
Nominal GDP	51	0.08
Nominal GDP at PPP	107	0.14
Export value of goods and services	11	0.06
IMF quotum (in mln SDR)	219	0.10
Economic structure	*2010*	*5-year av.*
Real GDP growth	5.2	7.4
Agriculture (% of GDP)	12	12
Industry (% of GDP)	21	24
Services (% of GDP)	68	64
Standards of living	*USD*	*% world av.*
Nominal GDP per head	5313	54
Nominal GDP per head at PPP	11095	95
Real GDP per head	4795	60

Social and governance indicators	rank / total
Human Development Index (rank)	88 /169
Ease of doing business (rank)	91 / 183
Economic freedom index (rank)	90 / 179
Corruption perceptions index (rank)	102 / 180
Press freedom index (rank)	97 / 178
Gini index (income distribution)	48.4
Population below $1 per day (PPP)	4.4%

Foreign trade			2009
Main export partners (%)		*Main import partners (%)*	
US	54	US	43
Haiti	10	Venezuela	7
Belgium	3	Mexico	6
UK	3	Colombia	6
Main export products (%)			
Free-trade zones			61
Cocoa & derivatives			4
Sugar & derivatives			3
Ferro nickel			1
Main import products (%)			
Consumer goods			27
Fuels			24
Raw materials			21
Free-trade zones			15
Openness of the economy			
Export value of G&S (% of GDP)			22
Import value of G&S (% of GDP)			32
Inward FDI (% of GDP)			2.7

Source: EIU, CIA World Factbook, UN, Heritage Foundation, Transparency International, Reporters Without Borders, World Bank.

Economic structure and growth

The Dominican Republic is the third largest economy in the Caribbean with a total nominal GDP of USD 51bn (2010). With a population of 9.5 million, its nominal GDP per head at PPP amounts to USD 11,095. Income, however, is distributed highly unequally. According to 2007 figures, only 4.4% of total income accrued to the poorest 20% of the population, whereas the richest 20% received 53.8%. Though comparing favorably to its impoverished neighbor Haiti, the level of human development is mediocre. Thanks to its relatively favorable investment climate, the country became one of the main FDI destinations in the region in the last decade, with the country’s tourism sector being the primary recipient. As FDI inflows cooled down during the global economic crisis, though, the sector composition of FDI inflows changed. The country’s mining sector gained in relative importance, while investments in tourism were reduced.

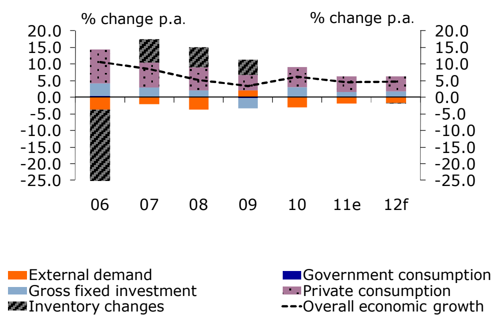
About two-thirds of national income is generated in the tourism-dominated services sector, while industry and agriculture account for 21% and 12% of national income, respectively. The country is highly dependent on the US, both in terms of exports and imports, as well as remittances from the considerable Dominican diaspora. With a share of 61% of total exports, industrial produce of the country’s Free Trade Zones has pushed aside once important agricultural exports like sugar, cocoa and coffee. While textile manufactures constituted more than half of the Free Trade Zone exports in the first half of the last decade, their share had halved as Asian competition increased after the expiration of quotas under the Multi-Fiber Arrangement, which regulated textile exports from developing to developed countries. The declining importance of textile exports has led to a some broadening of the Free Trade Zone export mix, as the production of electrical appliances or tobacco

manufactures gained in importance. Yet, the majority of Free Trade Zone exports still consists of low-tech produce, which is also due to the comparatively low general education level in the country. In terms of goods exports, the Dominican Republic therefore competes with countries like China in manufacturing labor-intensive goods. As Dominican unit labor costs are much higher compared to these countries, labor-intensive export growth will likely be tempered in the future. Since the country is well-endowed with natural resources like ferronickel, gold and silver, the country also exports minerals, though export levels are quite sensitive to profit margins for particular metals. Provided production is profitable, ferronickel constitutes the country's second most important export product. Consumer products make up half of the Dominican Republic's imports, followed by oil and fuels, that account for about a quarter of total imports. As the country's energy infrastructure is vastly dependent on oil, the Dominican economy is highly exposed to oil price fluctuations. The country's deficient energy sector forms the Achilles heel of the Dominican economy as power outages are frequent and the recurrent need for sizeable financial transfers places a heavy burden on government finances.

The Dominican Republic's banking system is highly concentrated with three major banks holding about 60% of total assets. Foreign bank operations in the country are quite limited. Due to reforms in the aftermath of the 2003 financial crisis, bank supervision has become more proactive and the Superintendency of Banks has extended its operational capabilities in order to introduce risk-based consolidated supervision. At the country's banks, monitoring systems for operational and portfolio risks have been improved and capital and liquidity buffers increased, which should render the banks resilient to moderate stress. The solvency ratio, measuring the capitalization of the banking sector, increased somewhat in early 2010 and reached a level of 14.5%, which is broadly in line with bank capitalization ratios in the Central American region. Non-performing loans were held relatively steady at about 4%.

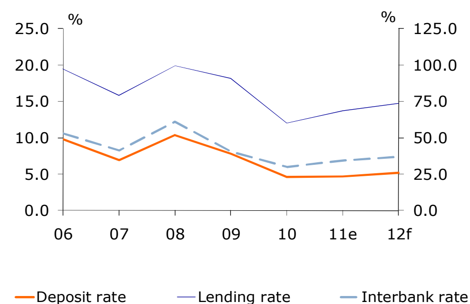
Despite being heavily dependent on economic developments in the US, the Dominican economy weathered the current economic crisis astonishingly well and ranks among the best performing Latin American and Caribbean economies . In line with the global economy, economic growth in 2009 cooled markedly, but remained positive with a growth rate of 3.5%. Resilient private consumption benefitting from countercyclical fiscal and monetary policy supported by an IMF stand-by agreement compensated for declining gross fixed investments. Surprisingly, the country's important tourism sector performed relatively well. Mainly driven by a sharp downturn in the number of European tourists of about 10% with respect to the previous year, overall tourist arrivals in 2009 declined by 1%, while arrivals of US and Canadian tourists still increased. In 2010, overall tourist arrivals expanded by 3%, but the number of European tourists continued to decline strongly, which was primarily due to considerably less bookings from peripheral euro countries.

Chart 1: Growth performance



Source: EIU

Chart 2: Bank interest rates



Source: EIU

Economic growth in 2010 picked up to 6.2%, driven by rising investments and stable growth in domestic demand. Relief efforts for neighboring earthquake-hit Haiti also provided opportunities for the Dominican economy. As this additional impulse fades over time and fiscal and monetary stimulus will be gradually phased out, we expect economic growth rates to move more in line with the regional average. For 2011 and 2012, we project economic growth rates of 4.5% and 4.7%, respectively. As the economic outlook for the US has improved recently, tourist arrivals to the Dominican Republic will likely increase. Key risks to the growth outlook form considerably higher oil prices due to tensions in the Middle East and possibly declining tourist arrivals as a consequence of fears among tourists that the Haitian cholera epidemic might spread to the Dominican Republic.

Political and social situation

The political outlook for the Dominican Republic is quite stable as incumbent president Leonel Fernández Reyna's ruling centrist Dominican Liberation Party (PLD) won the 2010 parliamentary elections by a landslide, providing him with a strengthened majority in both houses of Congress. As the next presidential elections are due in 2012, the PLD's success represents a positive mid-term evaluation of President Fernández Reyna's policies and makes the election of a PLD successor very likely. In line with the new constitution approved on 26 January 2010, Mr Fernández Reyna will not be able to run for office again. Though there are speculations that he could use his current political strength to implement legislative changes allowing him to take part in the upcoming presidential elections, these speculations seem to be intended to avoid the impression of him being a lame duck during the remaining years of his term. Since the country's recently approved new constitution's main intention is to strengthen democratic institutions, any attempt by an incumbent president to increase the number of consecutive presidential terms would be perceived as a partial abandonment of this goal. Therefore, we expect Mr Fernández Reyna not to run for office again and hand-pick a PLD-successor instead. Most likely, this will be his wife Margarita Cedeño de Fernández, who is currently coordinating the President's social programs.

Since the new constitution introduces simultaneous legislative and presidential elections and the current presidential term lasts for four years, the next legislative elections will be held in 2016. Given that the presidential elections in 2012 will most likely be won by the PLD, this should ensure the continuation of the incumbent government's policies of large-scale infrastructure investments, trade and investment promotion, as well as the strengthening of international cooperation.

The country's main opposition party, the center-left Partido Revolucionario Dominicano (PRD), will not pose any significant challenge to the PLD-domination of Dominican politics, as the party still suffers from internal disagreements and persistent memories among the electorate of the 2003 banking crisis that happened under its leadership. The absence of any noteworthy opposition should provide the governing PLD with enough political power to address the country's main problems, ranging from recurrent problems of the country's deficient energy sector to the high degree of social inequality or the recent increase in violent crime. It remains to be seen whether the political strength of the PLD will be sufficient to overcome structural problems in policy implementation, as the country's institutions are known to be ineffective and clientilism and corruption are widespread.

Plunging approval ratings of the PLD–government in late 2010 bear witness to the relevance of these concerns. According to a Gallup poll published in December, 80% of those surveyed described the current economic situation as negative, where this sentiment is primarily driven by the government's inability to appropriately address the problems of the country's insufficient electricity sector and the ongoing increase in drug-related crime. Corruption and the desolate state of the country's educational system formed other causes for people's concern.

The issues brought forward in the poll coincide with the main policy challenges. Despite high economic growth rates, the unemployment rate will remain at about 14% in the coming years, leaving large groups of society with limited opportunities to escape from poverty. The poor state of the Dominican educational system further aggravates this problem.
The country's deficient energy sector represents a structural weakness of the Dominican economy and frequent power outages have become the norm rather than the exception, repeatedly inciting mass street protests. Its heavy dependence on imported fossil fuels also puts a heavy burden on the country's balance of payments and its poor structure necessitates frequent financial transfers that strain government finances.
In line with other Central American and Caribbean countries, the Dominican Republic witnessed considerable increases in crime rates in recent years. As countries like Mexico or Colombia increased their efforts in fighting drug-related crime, the cartels have relocated part of their drug transit routes from Central America to the Caribbean. The Dominican Republic's geographic location, its porous border with earthquake-torn Haiti as well as its widespread corruption make it particularly susceptible in this respect.
Relations with neighbouring Haiti improved somewhat after President Fernández Reyna had travelled to the country and offered support in the aftermath of the 2010 earthquake. Yet, Haitians, who are predominantly of African descent, still face considerable racist attitudes of Dominicans, whose ancestry primarily derives from a blend of European, African and indigenous origins. Progress towards integration of and citizenship legislation for the large Haitian migrant population within the borders of the Dominican Republic remains slow as Haitians do not have a political lobby and oftentimes serve as a source of cheap labour. Since they are recurrently blamed for Dominican domestic problems and do not have the right to vote, Dominican politicians' inclination to improve their situation will remain very limited. The increased influx of Haitian migrants as a consequence of the sluggish reconstruction in the aftermath of the 2010 earthquake, as well as fears that these migrants might not only spread crime, but also the Haitian cholera epidemic, to the Dominican Republic do not bode well for Haitian-Dominican relations. The domestically undisputed policy of indiscriminate deportations of thousands of Haitians illustrates that a political solution to the increasing tensions between Haitian immigrants and the Dominican majority population remains elusive.

Economic policy

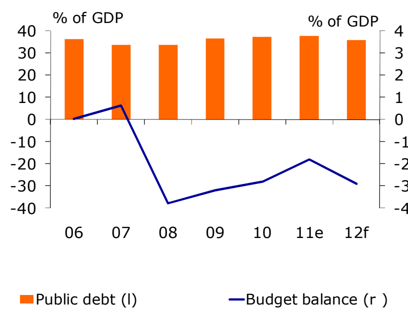
Benefitting from its dual majority in both houses of parliament, the current government will be able to continue its pro-business agenda, focussing on large scale infrastructure investments, as well as trade and investment promotion. Yet, its fiscal operational space will be limited as the conditions of the 2009 IMF stand-by agreement require the government to gradually withdraw fiscal stimulus and restore public debt sustainability. Since monetary policy has to be tightened as well and the deficient electricity sector remains a rather unpredictable burden on the government budget, the government faced the challenging task to rein in budget deficits without endangering the economic recovery.
The Dominican government approached the IMF for assistance in late 2009 when a sharp deceleration in output and lower-than-budgeted tax revenues severely limited the government's ability to address the impact of the global economic slump by means of countercyclical policies. Economic growth had declined from 5.3% in 2008 to 1.5% in the first half of 2009, forcing the Dominican Republic's government to run expansionary fiscal and monetary policies in the light of a considerably worsened fiscal position. Government finances at the beginning of 2009 had been strained already as the government budget surplus had turned into hefty deficit of 3.8% of GDP in 2008, which was primarily due to spending increases in the run-up to the 2008 presidential

elections and transfers to the country's ailing energy sector. Driven by these expenditures and rising food and fuel prices, the current account deficit had widened to 10% of GDP and foreign exchange reserves had declined by 11%, exposing the Dominican Republic to considerable balance-of-payments needs. As tax revenues continued to decline during 2009 and access to international debt markets became increasingly difficult, IMF assistance became imperative. Fearing that the Dominican Republic might prove unable to cope with the uncertain external economic conditions and thereby risk the progress that had been made since the 2003 banking crisis, the government signed a 28-month IMF stand-by agreement, providing the country with USD 1.7bn in additional funding. This agreement also unlocked further multilateral help from the World Bank and the Inter-American Development Bank, amounting to USD 40m and USD 500m, respectively, intended for health and social projects, as well as investments into the country's deficient energy sector.

In line with the IMF stand-by agreement, the government attempted to strike a balance between running countercyclical policies and the need to ensure the sustainability of government finances. Due to strong fiscal expansion ahead of the parliamentary elections, fiscal consolidation in 2010 had been limited, but has to start in earnest in 2011. The 2010 budget deficit improved to 2.8% of GDP, which was equally driven by reduced interest payments and a smaller deficit on the primary balance. For 2011, we expect the primary balance to return to surplus, leading to further improvement of the budget deficit to 1.8% of GDP. With the exception of 2012, when increased public spending ahead of the presidential elections will drive the primary balance back into deficit, the primary balance should remain in surplus in the coming years. As the interest burden will remain in the range of 2% - 2.5% of GDP, we expect the budget balance to show a small deficit of about 1.5% of GDP in the next years.

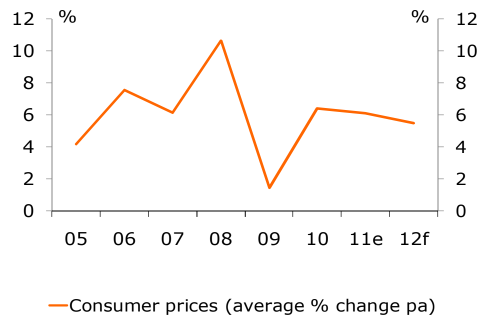
After having spiked due to the 2003 banking crisis, public debt as a percentage of GDP has declined considerably since then, falling from 45.3% of GDP in 2004 to 33.5% in 2007. Increased budget deficits during the economic crisis have reversed this trend, though. We consequently expect that public debt will peak at 37.8% of GDP in 2011, before declining on the back of fiscal consolidation efforts that are required by the IMF stand-by agreement.

Chart 3: Fiscal balance and debt



Source: EIU

Chart 4: Inflation rate



Source: EIU

So far, government budget deficits were broadly on target and the authorities seem to be committed to stick to the fiscal consolidation path outlined in the IMF stand-by agreement. Risks to the outlook remain, however, as poor management and clientelism can impede progress on the fiscal front. Additional difficulties could arise from the rather unpredictable nature of subsidies to the energy sector, the magnitude of which also depends on external conditions beyond the control of the government, like developments in oil prices.

Since the energy sector places a considerable burden on government finances, the structural reform agenda accompanying the stand-by agreement proposes structural changes to the sector. In recent years, transfers to the sector amounted to 1% - 1.3% of GDP p.a. and the IMF intends to bring these amounts down to 0.3% of GDP over the medium term. The government recognizes the need for structural reform of the sector and intends to increase investments into transmission facilities and renewable energies. In line with a recently approved renewable energy law, the blending of gasoline with ethanol becomes compulsory, which should reduce the Dominican Republic's dependency on oil imports by exploiting a domestic renewable energy source. In contrast to countries like Brazil, that have become major producers of ethanol, the Dominican sugar industry's potential for the production of ethanol had received limited attention in the past. Since ethanol infrastructures still need some improvement, the country currently receives some support to address these issues from the Organization of American States (OAS). In order to further reduce the country's substantial dependency on fuel imports, the government also strengthens its co-operation with the Venezuelan state-owned oil company Petróleos de Venezuela S.A. (PDVSA) to triple domestic refining capacity. The company holds a 49% share in the Dominican Republic's only oil refinery.

Despite good relations with Venezuela, supported by preferential oil financing terms under the PetroCaribe arrangement, bilateral relations with the US will remain excellent and close trade and investment relations through the Dominican Republic-Central American Free Trade Agreement (DR-CAFTA) will continue. The Fernández administration also pursues additional free-trade agreements with Canada and Mexico and strives to strengthen relations with European nations like Spain under the Economic Partnership Agreement signed with the EU in 2008.

Monetary policy in the Dominican Republic currently focuses on various main objectives. It strives to maintain internal and external stability of the currency and ensures its convertibility, promotes economic development and manages the country's foreign exchange reserves. Given this multitude of policy targets, the IMF has suggested to introduce a full-fledged inflation targeting regime over the medium term, as this might clarify the central bank's policy objectives and firmly anchor inflation expectations. The reduction of the central bank's debt burden resulting from the 2003 banking crisis, which currently amounts to 6.6% of GDP, would improve the central bank's credibility. The same holds for the central bank's recapitalization, of which the completion is required by law in 2022. The Dominican Republic currently envisions full implementation of inflation targeting by early 2012. The local currency, the peso, adheres to a managed float regime with respect to the USD. The central bank prefers a managed float as about 30% of the Dominican economy is dollarized and strong movements in the exchange rate would bring about risks to the local banking sector.

During the economic downturn of 2009, strongly falling inflation rates enabled the central bank to run accommodative monetary policies. As imports were declining strongly, the inflationary impact of the associated peso depreciation on the import-dependent Dominican economy was limited, which provided the central bank with additional leeway for the implementation of the monetary stimulus. The various measures taken by the central bank, ranging from cuts of the main policy rate to reduced reserve requirements for banks, brought about a forceful stimulus to aggregate demand during the first three quarters of 2009 that was strengthened further when fiscal stimulus started in the fourth quarter of that year. As the economic recovery gained pace, the central bank has started to increase its main policy rate in order to avoid the overheating of the economy. Nonetheless, in line with rising imports and increasing commodity prices, inflation picked up strongly, rising from 1.4% in 2009 to 6.4% in 2010. For this and the coming years, we expect inflation to remain within the mid-single-digit range, though risks to this outlook remain as fuel and transportation costs constitute a major component of the consumer price basket and oil price

fluctuations will remain a key determinant of the Dominican inflation rate. As long as risks of balance-of-payments problems persist, peso depreciation will continue and contribute to domestic inflation in the years to come.

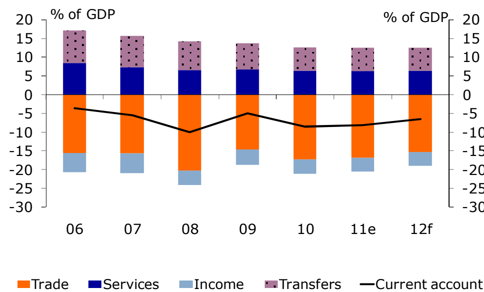
Balance of Payments

Given remaining uncertainties surrounding the global economic outlook, considerable vulnerability to external shocks and low levels of international reserves, significant balance of payments risks exist for the Dominican Republic over the short- and medium-term.

After having strongly increased to 8.5% of GDP in 2010, the current account deficit will only decline marginally in 2011 before returning to a somewhat more moderate level of 6.6% of GDP in 2012. The deterioration of the current account balance in 2010 was primarily due to rising oil prices that widened the trade balance deficit from 14.6% to 17.3% of GDP. Due to the deterioration of the current account deficit, the already low level of foreign exchange reserves, amounting to 6.2% of GDP in 2009, declined by 7% in 2010. As increased investments in mining activities in 2009 start to bear fruit in 2011 with the resumption of production at the country's largest ferronickel mine and the opening of a new gold mine later this year, a gradual reduction of the trade balance deficit over the coming years will set in. Yet, given that oil and fuel imports will likely still account for 25% of all imports as structural changes to the country's energy sector infrastructure take time, rising oil prices will dampen this effect. Given high unemployment in Spain and the US in the coming years and a gradual depletion of savings of unemployed Dominicans abroad, workers' remittances will continue to fall, causing the transfer balance surplus to gradually decline from 6.3% of GDP in 2010 to 5.5% of GDP in 2015. As the annual improvement in the trade balance deficit is expected to exceed the projected decline in the transfer balance surplus, the gradual decline of this important source of income should not lead to a worsening of the current account balance.

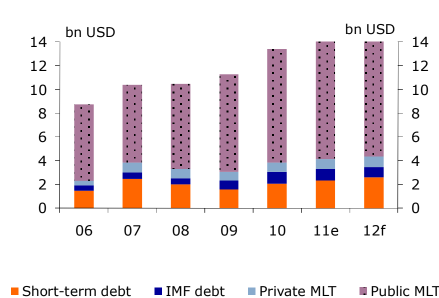
After a hefty decline in 2010, FDI inflows will recover gradually over the coming years. In 2011, though, they will only cover 40% of the current account deficit, while portfolio inflows merely finance 2.2% of the deficit. As the current account deficit is expected to decline on the back of increased mining exports, this situation will gradually improve. Still, an average financing gap of about 40% of the current account deficit will remain over the period 2011-2015.

Chart 5: Current account balance



Source: EIU

Chart 6: External debt



Source: EIU

Though we assume that the debt financing will be available over the medium term to completely finance the current account deficit, risks to this outlook are tilted to the downside, especially in the very short run. As tensions rise in the Middle East, the possibility of persistently higher oil prices cannot be excluded completely, which would hit the trade balance of the heavily oil-dependent Dominican Republic hard. Since strong increases in oil prices would also result in higher inflation, the country's real effective exchange rate would appreciate and hurt Dominican competitiveness

unless a further decline of the nominal exchange rate would sufficiently offset this effect. As there are increasing signs that the Haitian cholera epidemic seems to spread across the border, the country's essential tourism sector could be faced with rising numbers of cancellations and possible reputational damage if the disease were to spread to tourist resorts. As tourism is an important source of foreign exchange and also attracts large amounts of FDI, this would not only affect the services surplus. Even though increased mining exports are gradually replacing workers' remittances as a source of income, the latter will still account for about 6% of GDP in the coming years. Given possible additional spending cuts due to strained government finances in New York State and Spain, two of the major locations of the Dominican diaspora, the decline in workers' remittances might be more pronounced than assumed in the base scenario.

External Position

In contrast to the vulnerable balance-of-payments situation, the Dominican Republic's foreign debt structure looks relatively favorable. While the economic downturn and the associated countercyclical fiscal policy response led to a considerable increase in the foreign debt load, as most of the foreign debt is owed by the public sector, the IMF stand-by agreement requires the Dominican government to engage in fiscal consolidation from 2011 onwards. Consequently, the speed of foreign debt accumulation will decelerate and foreign debt is expected to peak at a level of 28% of GDP in 2012. In the following years, the foreign debt load should gradually converge to its pre-crisis level of about 25% of GDP. As the additional debt does not alter the pre-crisis maturity structure, the share of medium- to long-term debt will stay at about 80%. Consequently, the relatively long average effective maturity of about 14 years will not change substantially. About half of the foreign debt load is owed to bilateral or multilateral creditors, that tend to be more lenient in times of repayment difficulties than private parties. The development of a domestic bond market that is currently underway will lead to a further improvement of the foreign debt situation, since it should reduce the dependency on foreign financing.
The liquidity position of the Dominican Republic, however, is very weak and will remain so in the coming years. We expect that foreign exchange reserves will stabilize at 5% of GDP from 2011 onwards, which should cover about two months of imports in these years. The liquidity ratio is expected to stagnate around a level of 90% in the next two years, as foreign exchange reserves remain low and increasing current account credits due to rising mining imports are compensated by short-term debt repayments. As a consequence of these repayments, foreign exchange reserves will only cover 81% of debt service costs in 2011 and 78% in 2012.
As outlined in the balance-of-payments section of this report, the external position of the Dominican Republic might be particularly vulnerable in 2011, which could negatively affect the already low level of foreign reserves. In contrast to previous years, the three main sources of foreign exchange, namely free trade zone exports, remittances and tourism, face extraordinary, mutually independent challenges in 2011. Though their likely path in 2011 is not yet clear, persistently higher oil prices due to political tensions in the Middle East would result in a widening of the trade balance deficit and higher inflation in the Dominican Republic hurting the competitiveness of the predominantly low-skill exports of the free trade zones. In our view, additional risks to the Dominican Republic's balance of payments are posed by further public sector spending cuts in the US and Spain as these would lead to lower remittances. While we are relatively optimistic about the Dominican Republic's ability to contain the spreading of the Haitian cholera epidemic, recent cases of cholera-infections among Venezuelan tourists do not bode well for the image of the tourism sector. Lower foreign exchange receipts as a consequence of large-scale cancellations of bookings should not come as a surprise in 2011.

Dominican Republic

Selection of economic indicators	2006	2007	2008	2009	2010	2011e	2012f
Key country risk indicators							
GDP (% real change pa)	10.7	8.5	5.3	3.5	6.2	4.5	4.7
Consumer prices (average % change pa)	7.6	6.1	10.6	1.4	6.4	6.1	5.5
Current account balance (% of GDP)	-3.7	-5.4	-9.9	-5.0	-8.5	-8.2	-6.6
Total foreign exchange reserves (mln USD)	2116	2546	2272	2885	2685	2840	3040
Economic growth							
GDP (% real change pa)	10.7	8.5	5.3	3.5	6.2	4.5	4.7
Gross fixed investment (% real change pa)	21.3	12.5	9.2	-14.8	16.5	8.0	7.5
Private consumption (% real change pa)	12.0	8.9	7.8	5.2	6.7	5.2	5.0
Government consumption (% real change pa)	11.0	10.0	7.7	-3.4	6.8	1.0	7.7
Exports of G&S (% real change pa)	0.7	3.2	-4.0	-7.4	6.4	4.6	6.0
Imports of G&S (% real change pa)	8.2	6.8	4.7	-9.8	12.0	7.4	7.7
Economic policy							
Budget balance (% of GDP)	0.0	0.6	-3.8	-3.2	-2.8	-1.8	-2.9
Public debt (% of GDP)	36	34	34	37	37	38	36
Money market interest rate (%)	10.6	8.2	12.2	8.1	6.0	6.9	7.4
M2 growth (% change pa)	12	18	8	15	14	12	16
Consumer prices (average % change pa)	7.6	6.1	10.6	1.4	6.4	6.1	5.5
Exchange rate LCU to USD (average)	33.4	33.3	34.6	36.0	36.9	38.3	39.6
Recorded unemployment (%)	16.4	15.6	14.1	14.9	13.8	13.6	12.8
Balance of payments (mln USD)							
Current account balance	-1313	-2225	-4527	-2328	-4404	-4500	-3900
Trade balance	-5564	-6437	-9245	-6821	-8922	-9290	-9050
Export value of goods	6610	7160	6748	5462	6442	7330	8600
Import value of goods	12174	13597	15993	12283	15364	16620	17650
Services balance	2960	2994	2962	3088	3255	3450	3730
Income balance	-1853	-2183	-1748	-1890	-1976	-2050	-2170
Transfer balance	3144	3401	3504	3296	3238	3390	3600
Net direct investment flows	1085	1667	2870	2067	1400	1800	2000
Net portfolio investment flows	82	538	-356	-450	-50	100	200
Net debt flows	1174	1570	70	800	2134	1760	1310
Other capital flows (negative is flight)	-752	-1116	1669	527	720	990	580
Change in international reserves	275	435	-274	618	-200	150	200
External position (mln USD)							
Total foreign debt	8796	10431	10484	11285	13419	15180	16490
Short-term debt	1460	2476	2003	1575	2038	2330	2590
Total debt service due, incl. short-term debt	2526	2837	3935	3056	2855	3500	3890
Total foreign exchange reserves	2116	2546	2272	2885	2685	2840	3040
International investment position	-8575	-10045	-13759	n.a.	n.a.	n.a.	n.a.
Total assets	9801	11144	10307	n.a.	n.a.	n.a.	n.a.
Total liabilities	18375	21189	24066	n.a.	n.a.	n.a.	n.a.
Key ratios for balance of payments, external solvency and external liquidity							
Trade balance (% of GDP)	-15.6	-15.7	-20.3	-14.6	-17.3	-16.9	-15.3
Current account balance (% of GDP)	-3.7	-5.4	-9.9	-5.0	-8.5	-8.2	-6.6
Inward FDI (% of GDP)	3.0	4.1	6.3	4.4	2.7	3.3	3.4
Foreign debt (% of GDP)	25	25	23	24	26	28	28
Foreign debt (% of XGSIT)	58	64	65	78	86	89	87
International investment position (% of GDP)	-24.0	-24.5	-30.2	n.a.	n.a.	n.a.	n.a.
Debt service ratio (% of XGSIT)	17	17	24	21	18	21	21
Interest service ratio incl. arrears (% of XGSIT)	3	3	4	3	3	3	3
FX-reserves import cover (months)	1.8	2.0	1.5	2.5	1.9	1.8	1.8
FX-reserves debt service cover (%)	84	90	58	94	94	81	78
Liquidity ratio	100	97	81	95	87	86	89

Source: EIU

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