

DOMINICAN REPUBLIC

Economic Overview

The year 1981 started out favourably with the prices of principal exports above the levels of the previous year. During the first quarter all production indicators showed improvement, over 1980. Soon, however, prices of all the principal exports (sugar, ferronickel, coffee and cocoa) started to fall; these developments were reflected in deteriorating tax revenues and falling export earnings. Government responded by reducing the capital investment program, expanding the scope of the unofficial exchange market, banning imports of cars, and tightening credit. The balance of payments continued to deteriorate and this was reflected in increased arrears in commercial payments. Growth in GDP has been estimated at 3.4 percent for 1981.

The outlook for 1982 is that GDP growth will continue to slow down because of the delay in correcting production problems in sugar, the closure of the ferronickel plant and the scarcity of foreign exchange to import inputs for the manufacturing sector.

Analysis of Major Sectors

Mining accounts for only 4.3 percent of real GDP, but 40 percent of the total value of exports originates from this sector. Mining is concentrated in three products: bauxite, ferronickel, and gold and silver alloy. Extraction of gold and silver alloy was started by the Rosario Mining Company in 1975, and currently accounts for the bulk of mining operations. With the sharp rise in prices in the last two years, gold and silver mining has become a major earner of foreign exchange and a major source of government revenue. In 1980, gold and silver alloy accounted for one fourth of total exports and one fifth of total government revenue. The Government acquired complete ownership of the Rosario Mining Company in October 1979.

Manufacturing is the largest contributor to real GDP (18.2 percent in 1980). However, it remains oriented mainly to the domestic market and consists principally of food processing and light industries. Manufacturing of food, beverages, and tobacco accounts for two thirds of total manufacturing output. Sugar refining is the principal industrial activity, accounting for one eighth of the total. In 1980 manufacturing output expanded by 4.4 percent, with sugar refining dropping by 13 percent, because of a poor sugarcane harvest, and other industries growing by 8 percent. Industries that performed particularly well were those producing flour (10.5 percent growth), beer (18 percent), vegetable oil (33 percent), paints (10 percent) and cement (15 percent).

Tourism has become an important sector in terms of value added, foreign exchange, and employment, and may play an increasing role in the years