

# **Economic Impact of the Iran Conflict and Policy Response**

## **[Address to the Nation by Dominican President Luis Abinader](#) | March 22, 2026<sup>1</sup>**

### **Economic Pressures from the Iran Conflict**

The conflict in Iran represents a major external economic shock driven primarily by disruptions in global energy markets, particularly through the Strait of Hormuz, through which roughly 20% of global oil and gas flows. This disruption has pushed oil prices from approximately \$65 per barrel (budget baseline) to near \$100, creating global supply constraints and price volatility.

As a fully import-dependent energy economy, the Dominican Republic directly absorbs international price increases. Higher fuel costs raise transportation, electricity generation, and agricultural input costs, leading to broader inflationary pressures, especially on food and essential goods.

Rising fertilizer prices—linked to energy markets—further increase agricultural costs, reinforcing food inflation. These dynamics disproportionately affect low-income households.

The government also faces fiscal pressure from increased subsidies. In 2025, fuel subsidies totaled RD\$11.5 billion and electricity subsidies exceeded RD\$105 billion. In 2026, fuel subsidies have already reached approximately RD\$4 billion. Without adjustments, these costs threaten fiscal sustainability.

The President emphasizes that this is not a domestic crisis but an external shock affecting global shipping, commodities, and energy markets, with amplified effects on open economies like the Dominican Republic.

### **Government Response**

#### **Preservation of Macro-Fiscal and Social Stability**

The government will protect vulnerable households, strengthen social programs, and reallocate approximately RD\$10 billion from lower-priority spending without increasing total expenditures.

#### **Containment of Food Inflation**

Authorities will monitor food prices and reintroduce fertilizer subsidies totaling RD\$1 billion to maintain pre-crisis price levels and prevent transmission to consumer food prices.

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<sup>1</sup> This material was compiled and distributed by Vision Americas LLC on behalf of the Dominican government. Additional information is available at the Department of Justice, Washington, DC.

## **Sustaining Public Investment**

Public investment will continue as a key driver of economic growth to prevent slowdown and maintain long-term development momentum.

## **Energy Subsidies and Price Adjustments**

Fuel and electricity subsidies will continue, with LPG prices held constant for vulnerable populations. Moderate fuel price increases of 5.2% to 6.7% will reduce subsidy costs by approximately RD\$12 billion.

## **Monitoring and Rapid Response**

The government has activated mechanisms to monitor global prices daily and respond quickly to economic developments.

## **Energy Sector Resilience**

Diversification of the energy matrix, increased renewable energy use, fixed coal pricing, and secured natural gas contracts provide stability and reduce vulnerability to oil shocks.

## **Fiscal Strength**

The country maintains over \$16 billion in reserves, strong liquidity, access to financing, and increased revenues from mining and improved tax collection.

## **Shared Responsibility**

Businesses are encouraged to adopt remote work to reduce fuel use, while citizens are urged to conserve energy and act efficiently.

## **Long-Term Strategy**

The crisis underscores the need to accelerate the transition to renewable energy and build a more resilient, diversified economy.

## **Conclusion**

President Abinader's strategy balances fiscal discipline, targeted subsidies, and structural reforms to absorb external shocks while maintaining stability, protecting vulnerable populations, and sustaining economic growth.