BANCO CENTRAL
REPÚBLICA DOMINICANA

BCRD maintains its Monetary Policy Rate at 5.25% per annum

At its November 2017 monetary policy meeting, the Central Bank of the Dominican Republic (BCRD) decided to keep its monetary policy interest rate at 5.25% per annum.

The decision on the reference rate was adopted after a comprehensive analysis of the balance of risks around the inflation forecasts, the evolution of the main national macroeconomic indicators, the international environment relevant to the Dominican economy, market expectations and the medium-term predictions of that set of variables. The monthly inflation rate for October was 0.0%, so the accumulated inflation at the tenth month of the year remained unchanged at 2.42%. Year-on-year inflation reached 3.48%, within the center of the target range of 4.0% ± 1.0% established in the Monetary Program. Additionally, core inflation, related to monetary conditions, decreased to 2.23% year-on-year. Forecasts indicate that inflation would remain within the target range in the 24-month monetary policy horizon.

In the external context, according to Consensus Forecast, the outlook for the world economy remains favorable, projecting an expansion rate of around 3.1% in 2017 and 2018. Likewise, the International Monetary Fund, in its report World Economic Outlook (WEO), projected an expansion of the global economy of 3.6% in 2017 and 3.7% in 2018. The greater dynamism in the world economy is the result of improvements in the growth of the advanced economies, while the Inflationary pressures remain contained. The United States of America (USA) would grow 2.2% in 2017 and 2.5% in 2018, a more optimistic scenario than the previous month, while the product of the Euro Zone (EZ) would expand by 2.2% and 1.9%, during those years. Inflation in those economies would remain relatively low, projecting a 2.1% for the US in 2017 and 2018 and inflations of 1.5% and 1.3%, during the same period for the EZ.

Latin America continues to recover gradually and has emerged from the recession that affected it last year, with the exception of Venezuela. In that sense, the economy of the region would grow 1.7% in 2017 and 2.6% in 2018, according to Consensus Forecast. International prices of primary goods have tended to rise in recent months, mainly oil, while international financial conditions remain relatively favorable for emerging economies in the short term due to the abundant liquidity worldwide.

In the domestic front, the economic activity was affected in September by the impact of the Irma and María storms in sectors such as tourism and agriculture. However, preliminary figures show that in October there was an important recovery, as a result of the effects on domestic demand of the monetary easing measures taken in the month of July. It should be noted that the reduction of the MPR by 50 basis points, together with the decrease in the legal reserve by 2.2 percentage points in July, have had a great multiplier effect on credit to the private sector in national currency. Since these measures were adopted, private loans in national currency have grown by more than RD$41,000 million, for an average higher than RD$10,000 million per month, almost three times more than the average monthly growth of the first half of the year. In year-on-year terms, private credit in local currency grew around 11.0% year-on-year, in line with the rate of expansion of the Circulating Medium M1.

With regard to the fiscal policy, the Government maintains its commitment to the deficit target of 2.3% of GDP established in the National Budget, while strengthening the coordination between monetary and fiscal policies. On the other hand, the external sector shows a positive behavior, contributing to the increase in foreign exchange earnings and creating a favorable environment for the relative stability of the foreign exchange market and for the accumulation of international reserves.

The Central Bank of the Dominican Republic reaffirms its commitment to conduct monetary policy to achieve its inflation target and to maintain macroeconomic stability, helping to create the conditions for the economy to grow around its potential. In that sense, it will continue to monitor the evolution of the world economy and the domestic situation, in order to adopt the necessary measures against possible risks on price stability and the proper functioning of the financial and payment systems.

Santo Domingo, November 30, 2017.