BCRD maintains its Monetary Policy Rate at 5.25% per annum

At its monetary policy meeting in December 2017, 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 benchmark rate was taken following a comprehensive review of the balance of risks around the inflation forecasts, the evolution of the main domestic macroeconomic indicators, the international environment relevant to the Dominican economy, the market expectations and the medium-term projections of this set of variables. The monthly inflation for November was 0.76%, causing the cumulative inflation to that month to reach 3.20%. Year-on-year inflation reached 4.14%, around the core value of the target range of 4.0% ± 1.0% set in the Monetary Program. Additionally, core inflation, related to monetary conditions, is 2.31% year-on-year. Forecasts indicate that inflation would remain within the target range in the 24-month monetary policy horizon.

In the external context, the world economy would close 2017 with a growth of 3.1% while the outlook for 2018 remains positive projecting an expansion rate of 3.2%, according to *Consensus Forecast*. The dynamism of the world economy in 2018 would be explained, to a large extent, by the behavior of the advanced economies. In this regard, growth forecasts for this group of countries have been revised upwards, projecting for the United States of America (USA) output expansions of 2.3% in 2017 and 2.5% in 2018, while for the Euro Zone (EZ) the growth would be 2.3% and 2.1% during those years. Inflationary pressures in these economies would remain moderate, projecting 2.1% for the USA in 2017 and 2018, while inflation in the EZ would be 1.5% and 1.4% during the same period.

In Latin America the recovery is strengthened during 2017. With the exception of Venezuela, all the countries of the region would show a positive growth. In that sense, the growth prospects, according to the *Consensus Forecast*, point to an expansion of the Latin American economy of 1.8% by the end of 2017 and 2.6% in 2018.

International prices of primary goods have maintained an upward trend in recent months, while international financial conditions remain relatively favorable for emerging economies in the short term due to the ample liquidity worldwide.

Domestically, economic activity has reacted very positively to the expansive monetary measures implemented since August. Since then, credit to the private sector in domestic currency has increased around RD$55 billion, for a year-on-year growth of more than 11.5%, which has contributed to the recovery of domestic demand. Indeed, preliminary information from the Monthly Indicator of Economic

Activity (IMAE) indicates an expansion of 6.8% during the month of November, reaching an accumulated growth of 4.2% during January-November of this year. Monetary conditions are expected to remain favorable, contributing to economic growth being around 4.5% at the end of 2017 and improving to 5.0%-5.5% by 2018.

With regard to public finances, the Central Government maintains the projection of a 2.3% deficit of GDP envisaged the National Budget, in the context of a more active fiscal policy during the second half of the year. On the other hand, the external sector continues to show a positive performance, contributing to the increase in foreign exchange earnings and the strengthening of international reserves, in an environment of relative stability of the exchange rate.

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 this regard, it will continue to monitor the evolution of the world economy and the domestic situation, in order to take the necessary measures against possible risks on price stability and the proper functioning of the financial and payment systems.

Santo Domingo,
December 29, 2017.