



**BANCO CENTRAL**  
REPÚBLICA DOMINICANA

## BCRD maintains its monetary policy rate at 5.25% per annum

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At its monetary policy meeting in January 2018, the Central Bank of the Dominican Republic (BCRD) decided to keep its monetary policy interest rate at 5.25% per annum.

This decision was based on a comprehensive review of the balance of risks around inflation forecasts, the evolution of the main domestic macroeconomic indicators, the international environment, market expectations and medium-term projections. Inflation for December 2017 was 0.97%, while year-on-year inflation stood at 4.20%, close to the core value of the target range of  $4.0\% \pm 1.0\%$  set in the Monetary Program. In turn, core inflation, related to monetary conditions, reached 2.36% year-on-year at the end of 2017. Forecasts indicate that inflation would remain within the target range in the 24-month monetary policy horizon.

At the international level, the world economy experienced a growth of 3.2% in 2017, while for 2018 the *Consensus Forecast (CFC)* estimates an expansion rate of 3.3% for the global economy. In 2017, the behavior of the world economy was driven by the performance of advanced economies, particularly by growth rates of 2.3% in the United States of America (USA) and 2.5% in the Euro Zone (EZ). By 2018, *CFC* projects that the dynamism of the advanced economies would continue with an expansion of 2.7% in the USA and 2.2% in the EZ. On the price side, US inflation was 2.1% in 2017 and EZ inflation was 1.4%, while it is expected that by 2018 in both economies the price growth would be similar to last year.

The recovery continued in Latin America (LA) during 2017, estimating a growth of 1.8% according to *Consensus Forecast*. By 2018, it is expected that all countries in the region would maintain a positive economic performance, with the single exception of Venezuela. In this regard, the *CFC* growth projections point to an expansion for the region of 2.6% by the end of 2018. In general terms, the large economies of Latin America, which export *commodities*, would benefit from the upward trend noticed in the international prices of primary goods, while at the same time they would be facing favorable international financial conditions in an environment of ample liquidity worldwide.

In the domestic context, the economy has reacted favorably to monetary easing measures that were implemented as of August 2017. Since that period, the asset interest rate has been significantly reduced and loans to the private sector in domestic currency have grown in about RD\$55 billion. The growth of credit reached 12.5% year-to-year at the end of January, generating great dynamism in investment and consumption, which boosted the recovery of domestic demand. Indeed, preliminary information from the Monthly Indicator of Economic Activity (IMAE) indicates a growth of 7.4% in December and an accumulated expansion of 4.6% during the year 2017. The perspectives for the Dominican economy in 2018 are positive, when projecting a growth of around 5.5% in the Monetary Program, influenced by a greater expansion in the USA, our main trading partner, and by the dynamism of credit at the domestic level. Macroeconomic models indicate that growth could be even higher at the end of the year, approaching 6.0%.

On the other hand, the external sector continues to record a good performance, closing 2017 with a Current Account deficit of -0.2% of GDP, the lowest in thirteen years. Likewise, the positive result of the global balance of payments allowed an accumulation of international reserves of about US\$730 million, about 4.4 months of imports. The dynamism of foreign exchange generating activities such as tourism, remittances and foreign investment contributed to this remarkable accumulation of international reserves, while at the same time facilitating the maintenance of the 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 adopt the necessary measures against possible risks on price stability and the proper functioning of the financial and payment systems.

Santo Domingo, January 31, 2018