

Dominican Republic: Selected Economic Indicators

Main export products: tourism, textiles, nickel.

GDP per capita (U.S. dollars, 2008 PPP)	5,122	Income share by highest	
Population (millions, 2009 estimate)	10.1	10 percent (percent, 2006)	39.0
Life expectancy at birth (years, 2008)	73.3	Extreme poverty rate (2006)	13.1
Under 5 mortality rate (per thousand, 2008)	31	Adult literacy rate (percent, 2007)	95.1

	2006	2007	2008	Projections			
				2009	2010	2011	2012
National accounts and prices							
Nominal GDP (RD\$ billion)	1,190	1,364	1,576	1,648	1,811	2,015	2,211
Dollar GDP (US\$ billion)	35.3	41.0	45.5	45.5	47.8	52.2	56.5
Real GDP	10.7	8.5	5.3	0.5-1.5	2-3	6.0	6.0
Consumer price index (period average)	7.6	6.1	10.6	1.5-2.5	6-7	5.0	3.5
Consumer price index (eop)	5.0	8.9	4.5	6-7	6-7	4.0	3.0
Exchange rate (RD\$/US\$ - period average)	33.7	33.3	34.6	...	...	...	...
Exchange rate (RD\$/US\$ - eop)	33.8	34.3	35.5	...	...	...	...
Social Indicators							
Unemployment rate (in percent)	16.4	15.6	14.0	...	...	...	...
Households below the poverty line (in percent)							
Public finances 1/							
Central government primary balance	0.2	1.7	-1.5	-1.1	-0.4	0.6	1.6
Total revenues (including grants)	16.2	17.6	15.8	14.0	14.5	15.3	15.7
Primary spending	16.0	15.8	17.4	15.1	14.9	14.7	14.1
Interest expenditure	1.4	1.6	1.7	2.0	2.2	2.2	2.2
Nonfinancial public sector overall balance	-0.9	0.1	-3.3	-3.1	-2.6	-1.6	-0.6
Quasi-fiscal balance of the central bank	-2.2	-1.8	-1.3	-1.4	-1.4	-1.4	-1.4
Consolidated public sector balance	-3.1	-1.7	-4.6	-4.5	-4.0	-3.0	-2.0
Of which: primary balance	0.4	1.8	-1.3	-0.8	0.0	1.0	2.0
Total public debt	39.5	35.8	35.5	39.0	40.3	40.2	38.7
Of which: foreign currency denominated	20.6	19.0	17.1	19.2	20.1	19.3	18.1
Money and credit							
Liabilities to private sector (M3)	12.7	16.0	8.8	11.5	6.4	12.0	12.0
Currency issue	7.0	16.4	0.3	12.5	8.0	12.0	12.0
Deposits	4.5	17.0	10.7	12.0	10.2	12.0	12.0
Net domestic assets of the banking system	11.5	13.0	16.8	16.3	7.3	10.9	11.0
Credit to the private sector	14.3	26.3	8.8	6.0	11.9	12.0	12.0
M3, in percent of GDP	37.1	37.5	35.3	37.7	36.5	36.7	37.5
Balance of payments							
Current account	-1,288	-2,096	-4,414	-2,814	-2,891	-2,524	-2,285
Merchandise trade balance	-5,564	-6,437	-9,174	-6,881	-7,107	-7,076	-7,353
Exports	6,610	7,160	6,782	5,272	5,796	6,738	7,447
Imports	-12,174	-13,597	-15,955	-12,154	-12,903	-13,814	-14,800
Of which: oil and gas	-2,788	-3,224	-4,241	-2,640	-3,220	-3,402	-3,552
Services and transfers (net)	4,276	4,341	4,759	4,067	4,216	4,552	5,068
Of which: interest on public debt 2/	-396	-428	-372	-442	-553	-604	-668
Capital and financial account	1,598	2,359	4,008	2,135	2,891	3,004	2,822
Of which: foreign direct investment	1,528	1,579	3,076	1,966	1,863	1,993	2,116
Errors and omissions	-147	357	104	359	0	0	0
Overall balance	164	620	-303	-320	0	481	537
Of which: change in NIR (increase -)	-268	-607	230	350	0	-481	-537
Current account (in percent of GDP)	-3.6	-5.1	-9.7	-6.2	-6.0	-4.8	-4.0
Exports of goods (in US\$, annual percentage chg)	7.6	8.3	-5.3	-22.3	9.9	16.2	10.5
Imports of goods (in US\$, annual percentage chg)	23.3	11.7	17.3	-23.8	6.2	7.1	7.1
International reserve position and external debt							
Gross official reserves	2,251	2,946	2,662	2,566	2,942	3,914	4,506
(in months of imports) 3/	1.8	2.0	2.3	2.1	2.3	2.8	3.0
Net international reserves 4/	1,788	2,395	2,165	1,815	1,815	2,296	2,833
Outstanding external public debt, in percent of GDP	20.0	18.0	16.5	17.6	18.1	17.6	16.5
Oil price (WEO) (US\$/bbl)	64.3	71.1	97.0	61.5	76.5	79.5	81.0

Sources: Dominican authorities; World Bank; and Fund staff estimates.

1/ Fiscal projections include unidentified measures.

2/ Includes interests on loans and bonds.

3/ In relation to imports of goods and nonfactor services of the following year.

4/ The projections for 2009-12 assume that all prospective purchases under the proposed SBA will be made to meet the gross reserves objectives of the balance of payments projections.



Press Release No. 09/393
FOR IMMEDIATE RELEASE
November 9, 2009

International Monetary Fund
Washington, D.C. 20431 USA

**IMF Executive Board Approves US\$1.7 Billion Stand-By Arrangement for
the Dominican Republic**

The Executive Board of the International Monetary Fund (IMF) approved today a 28-month Stand-By Arrangement for the Dominican Republic in the amount of SDR 1,094.5 million (about US\$1.7 billion) to support the country's strategy to cope with the adverse effects of the global economic environment.

The authorities' program aims to pursue short-term countercyclical policies; strengthen medium-term sustainability; reduce vulnerabilities exposed during the global crisis; and lay the foundations for a gradual recovery and sustained growth. The Stand-By Arrangement is designed to bolster confidence in the policy framework and catalyze additional financing from other multilateral sources.

Following the Executive Board discussion on the Dominican Republic, Mr. Murilo Portugal, Deputy Managing Director and Acting Chair, made the following statement:

"Following several years of rapid growth, the Dominican economy has weakened significantly in 2009, due to the global economic recession. The authorities timely adjusted their monetary policy stance to stimulate economic activity on the back of subdued inflation. The financial system has weathered the recent global crisis relatively well, as a result of reforms undertaken after the 2003 financial crisis. The lack of adequate financing, however, constrained the conduct of countercyclical fiscal policy.

"The authorities' macroeconomic framework, supported by a Stand-by Arrangement with the Fund, aims to limit the effects of the global recession on the economy through the implementation of short-term countercyclical policies, while establishing the conditions for robust, sustainable growth. Successful implementation of this program will unlock significant financing from other multilateral sources, creating space for an adequate fiscal response. It will be important that the authorities follow through with their fiscal consolidation plan and structural reform agenda critical for medium-term sustainability.

“The planned fiscal stimulus will focus on high-return investment projects and current expenditures to strengthen social safety nets. The authorities are committed to addressing deficiencies in the revenue administration, and implementing a comprehensive plan to tackle structural issues in the electricity sector, aimed at abolishing untargeted subsidies while providing adequate service to the public.

“Monetary policy will continue to support economic activity and build up international reserves, with exchange rate flexibility to help cushion against external shocks. Implementing the plan for central bank recapitalization remains an important priority, crucial for the credibility of the monetary policy framework. The central bank intends to adopt full-fledged inflation targeting over the medium term.

“The Dominican banking system remains liquid, solvent, and profitable, despite the global credit crunch. The authorities continue to monitor the impact of the economic slowdown, and plan to advance the implementation of risk-based consolidated bank supervision and regulation,” Mr. Portugal said.

Recent Economic Developments

The global economic and financial crisis has significantly worsened short-term economic prospects and may jeopardize some of the achievements of the last 5 years. Economic recovery from the 2003 financial crisis has been impressive. Real GDP grew 40 percent in the last 5 years, one of the highest expansions in Latin America and the best performance of the Dominican economy in the last quarter of a century. Inflation fell from over 40 percent in 2003 to 4.5 percent in 2008. Fiscal deficits have been cut in half, from almost 9 percent of GDP for the consolidated public sector in 2003 to about 4.5 percent in 2008. The public debt-to-GDP ratio was reduced by almost one-half, from about 60 percent in 2003 to 35 percent in 2008. However, social progress remains a challenge, and despite recent improvements, poverty indicators are still weaker than before the 2003 crisis.

Program Summary

To safeguard the achievements of the last several years, and against the background of unfavorable external conditions, large uncertainties and a sizable balance of payments need, the authorities are requesting a 28-month SBA for 500 percent of quota (SDR 1,094.5 million). The objectives of the program are twofold: first, to conduct countercyclical policies at the beginning of the program (including the last quarter 2009 and the first half 2010) to mitigate the drastic economic downturn; and second, to implement actions to address debt and fiscal sustainability issues in the latter part of the program (starting in mid-2010), while embracing an ambitious structural reform agenda.