Executive Summary of the Report on the Dominican Economy
January-September 2015

During the January-September 2015 period, real Gross Domestic Product (GDP) grew by 6.7%. This performance was due to the year-o-year expansion of 7.1% in the third quarter, despite a reduction of 5.3% in the agricultural sector as a result of the impact of a severe drought in the country.

These results indicate that the country remains at the head in Latin America, surpassing the growth registered in Panama (5.6%), Guatemala (4.0%), Nicaragua (3.6%), Honduras (3.5%), Paraguay (3.3%) and the rest of the region's countries, with increases equal to or below 3.0 percent.

Analyzing the performance by economic sector for the first three quarters of 2015, there has been a notable increase in added value among the following: Construction (17.8%): Trade (9.0%), Education (8.8%); Financial Intermediation (7.9%); Transport and Storage (6.2%); Health (6.2%); Hotels, Bars and Restaurants (5.9%); Energy and Water (5.9%); Local Manufacturing (5.7%); Industrial Free Zones (5.4%); and Other Services (3.8%) These activities account for 81% of growth during the period in question.

Similarly, it should be noted that the total financial system loan portfolio grew by 13.5%, and private sector loans increased 17.7% during the period in question. Production loans registered an 18.0% increase, surpassing those for: Construction (37.3%); Electricity, Gas, and Water (37.1%); Micro-businesses (35.9%); and Trade (20.3%).

Also, from the expenditure approach of the Gross Domestic Product (GDP), it is evident that the performance of the economy in the first three quarters of 2015 was a result of an expansion in the components of domestic demand, notably in gross fixed capital formation and final consumption, which grew by 19.6% and 4.3%, respectively. With regard to external demand, exports of goods and services increased 2.9% in real terms. The momentum continues in tourism-related revenues, growing by 8.5% as part of service exports, while imports of goods and services rose by 10.9% during the period in question.

The Consumer Price Index (CPI) for the first nine months of the year shows a cumulative variance of 1.33%. Y-o-y inflation between September 2014 and September 2015 stood at 0.39%, which is substantially lower than the annualized rate of 2.83% for the same prior-year period, and remains below the lower limit of the target range of 4.0% ± 1.0% established in the Monetary Program for 2015. This performance is mainly explained by significant price reductions recorded in the transportation sector and reflects the sharp drop in international oil prices, which partly offset the price increases occurred in the food group throughout the year, due to the severe drought that hit the country since early in the year.

Core inflation, which measures inflationary pressures of monetary origin, registered an annualized rate of 1.90% in September. This indicator isolates the effects of exogenous factors, excluding from the overall CPI some agricultural goods whose prices tend to be volatile, such as

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alcohol and tobacco products, fuel, and managed services and transport, thus allowing the detection of clearer signals for monetary policy guidance.

On the monetary front, the Central Bank eased its monetary policy stance after making consecutive reductions in monetary policy rate (MPR) in March, April, and May for a total of 125 basis points until reaching 5.00 % per annum, where it has remained without further modifications. Policy decisions were taken after weighing the balance of risks around inflation forecasts and market expectations, as well as the relevant international environment for the Dominican economy. As a result of measures to reduce the MPR, between March and September 2015, the lending and deposit interest rates fell by 128 and 108 basis points, respectively.

Preliminary balance of payments results from the for the January-September 2015 period, show a steady decline of the current account deficit during the year, which amounted to US$637.7 million, which is US$507.7 million less than in the same prior-year period. This result is based on a convergence of the following factors: extraordinary activity in the tourism sector, which is reflected in an increase in tourist-related foreign exchange income of 8.5%; improved inflows of remittances, which rose by US$245.6 million, or 7.0%; and the continuing international price decline of oil and its derivatives, which represents a saving of US$1,067.6 million in the oil bill compared to the amount for the same prior-year period. An important aspect to note is that the 34.3% fall registered in the oil bill is a reflection of a significant import price reduction of 42.3%, which was partially offset by an increase in the volume of imported oil and derivatives of 13.8%.

Regarding fiscal accounts, in the nine months ending in September 2015, the results of central government financial operations registered a surplus of RD$33,131.3 million, equivalent to 1.1% of GDP estimated for the year. This result is explained by a significant increase due to the 98% discounted purchase by the Dominican Government of the debt corresponding to the Oil Program known as PETROCARIBE, overseen by the Venezuelan state oil company PDVSA. It should be noted that, if the effect of this transaction is excluded, the Central Government result in this period is equivalent to 2.0% of GDP. Fiscal revenues, net of grants, increased by of 6.1% over January-September 2014, according to the estimate for the period. As for total expenditures, these rose by 11.1% over the same period 2014.

The Dominican financial sector saw steady growth in its lending and borrowing operations during the January-September 2015 period, registering an annual growth of 12.6% and 13.1%, respectively, and was characterized by well as adequate levels of profitability and quality in the credit portfolio. As a result, as of September 2015, the financial sector reflected a net profit of RD$18,763.0 million. This is higher by RD$1,693.1 million, or 9.9%, than in the same prior-year period. These results include interest income and loan fees, as well as other operating revenues, which increased by RD$7,898.8 million and RD$3,757.9 million, or 11.0% and 18.6%, respectively. The return on average equity (ROE) was 16.8% in September 2015, while the return on average assets (ROA) was 1.97%, very similar to the same period last year.

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