



Fiscal Accounts 2019

Ministry of Finance

Department of Fiscal Policy Analysis

February 2020

Dominican Republic



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I. Domestic Macroeconomic Performance

II. Fiscal Accounts

I. Fiscal Accounts 2019

II. Medium Term Fiscal Outlook



Domestic Macroeconomic Performance

- Dominican Republic is growing at its potential rate
- Prices remains stable and expectations anchored
- This good macroeconomic performance takes place in a context of external stability:
 - Current account deficit in 1.4% of GDP
 - The foreign exchange income of the Dominican Republic amounted to **US\$30,626 million** in 2019, equivalent to **34.4%** of GDP.
 - Tourism and remittances accounting almost half the total foreign exchange earnings
 - We reach a historical record of net international reserves
 - Relative stability of exchange rate aligned with macroeconomic fundamentals

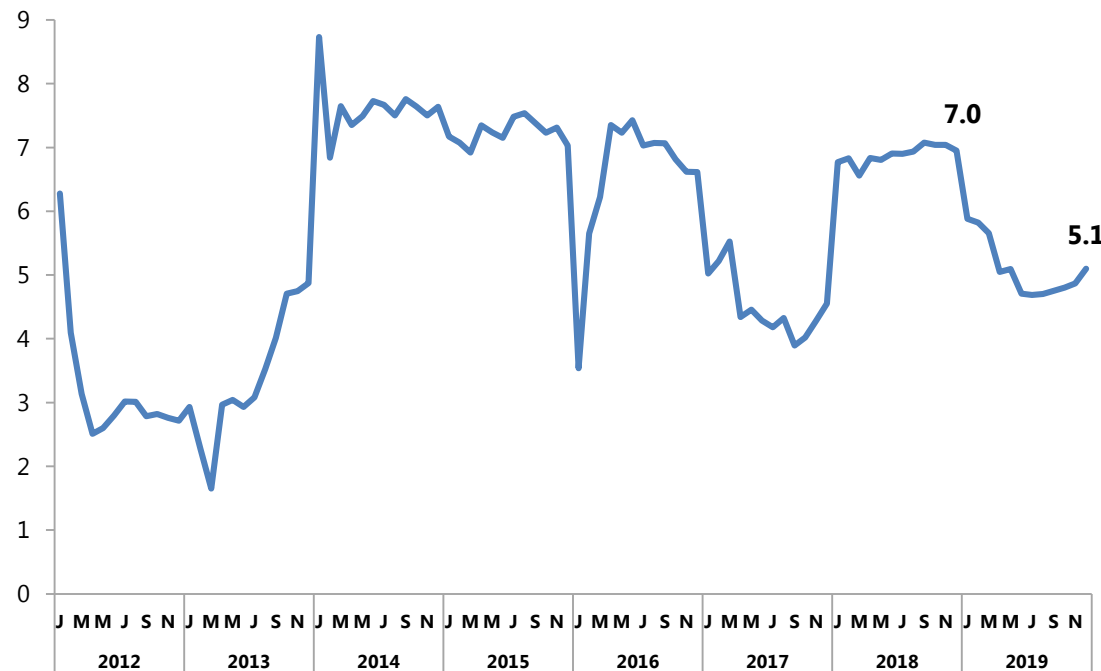


Dominican Republic is growing at its potential rate...

In 2019, the economy showed a slight deceleration, synchronizing its growth rate downwards (5.1%) with global growth projections, locating around its potential.

Real GDP growth, January-December

Monthly Economic Activity Index
(Accumulated variation, %)

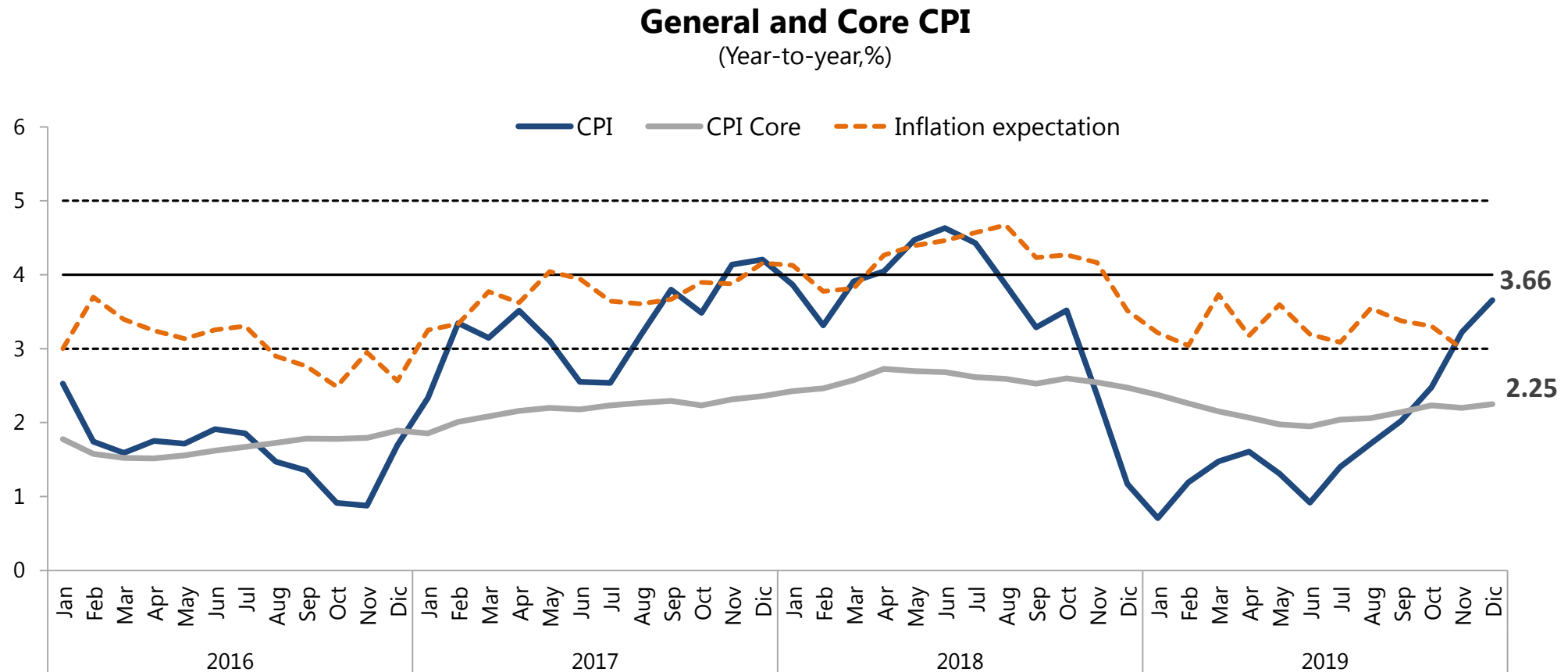


Activity	2018	2019	Incidence
Agricultural	5.5	4.1	0.2
Mine Exploitation	-1.3	3.4	0.1
Local Manufacturing	5.6	2.7	0.3
Free Zone Manufacturing	8.1	1.6	0.1
Construction	11.8	10.5	1.2
Services	5.9	4.4	2.6
Energy and water	5.7	7.4	0.1
Commerce	7.9	3.8	0.4
Tourism	5.7	0.3	0.0
Transportation	6.0	5.3	0.4
Communication	12.5	-7.2	-0.1
Financial services	7.2	9.0	0.4
Real Estate and Rental Activities	4.2	5.0	0.4
Public Administration	2.8	3.7	0.2
Education	2.6	2.5	0.1
Health	8.6	4.3	0.1
Other services	4.8	7.1	0.5
GDP	7.0	5.1	5.1



while prices remains stable and expectations anchored...

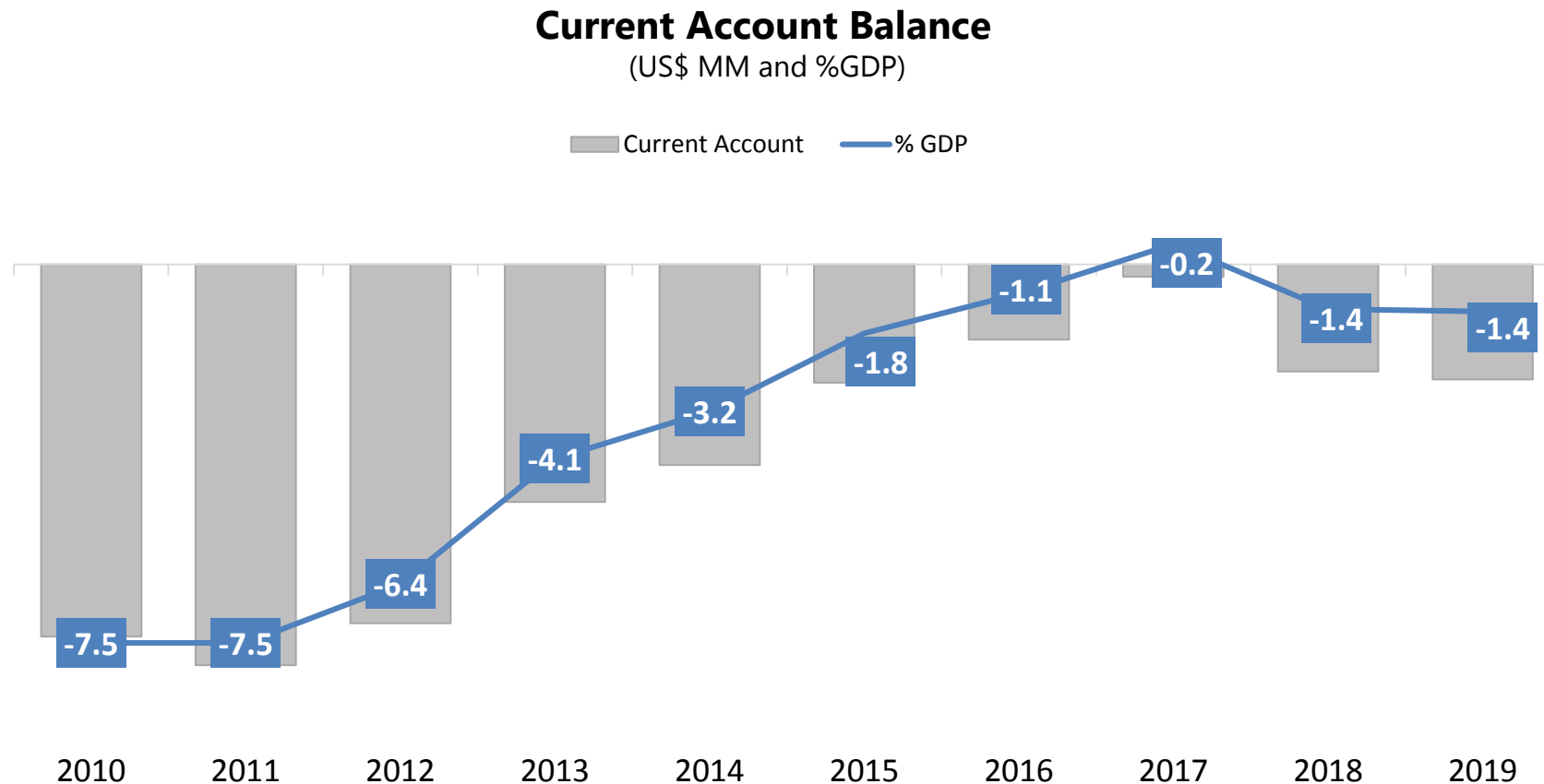
Low year-on-year inflation of **3.66%** on December, and an **average of 1.8%** for 2019. Prior to this, it had remained below the target range determined by the Central Bank for most months of 2019, however, the inflation expectation of economic agents remained within the stipulated range. Core inflation has remained under the lower limit during this period.





This good macroeconomic performance takes place in a context of external stability...

Current Account Balance closed the year 2019 with a deficit of barely 1.4% of GDP, similar to the previous and below the historical average of the last decade.

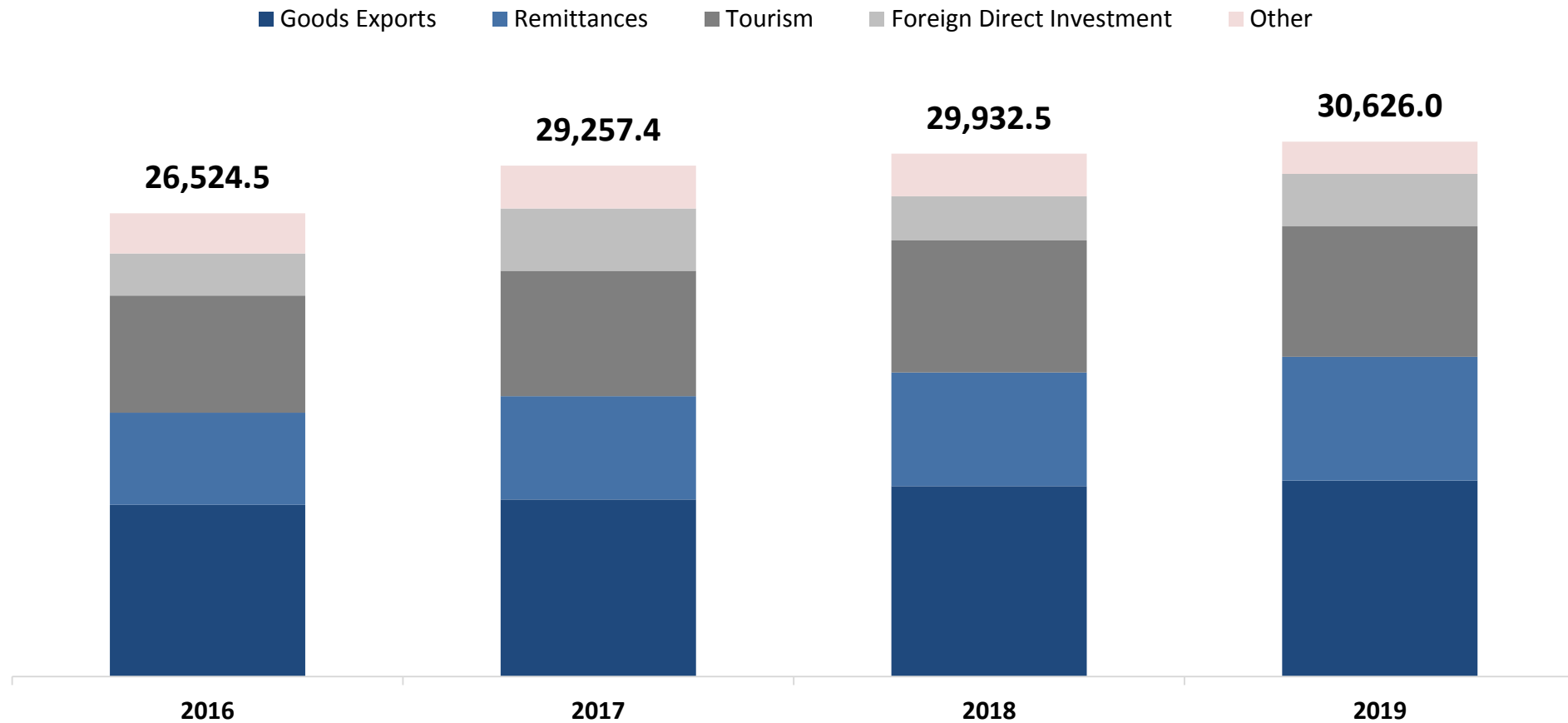




with a strong inflow of foreign exchange...

The foreign exchange income of the Dominican Republic amounted to **US\$30,626 million** in 2019, equivalent to **34.4%** of GDP.

Foreign Exchange Income (US\$ millions)



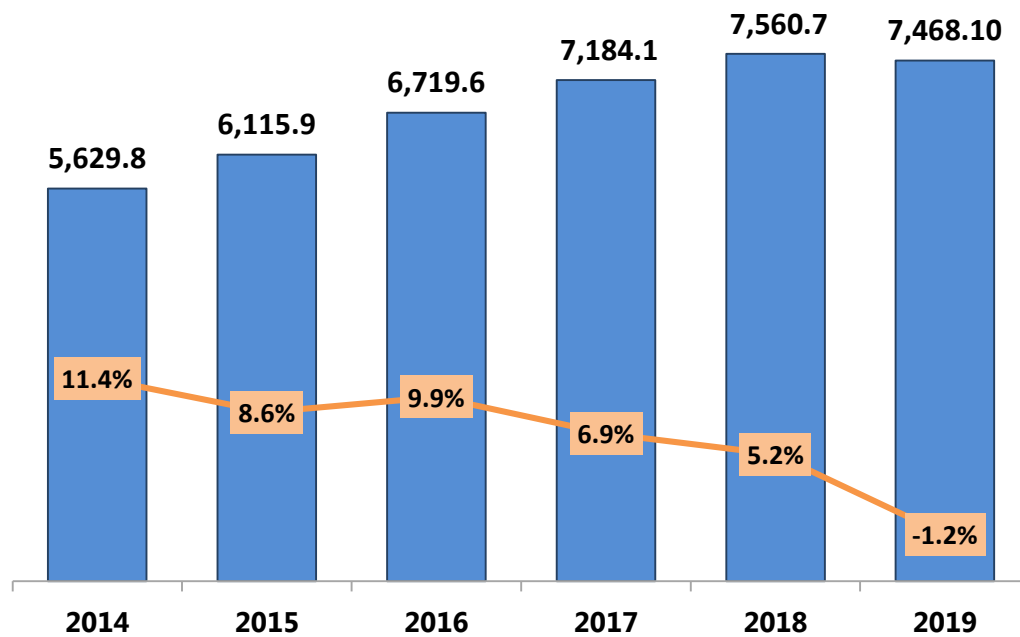


with tourism and remittances accounting almost half the total foreign exchange earnings...

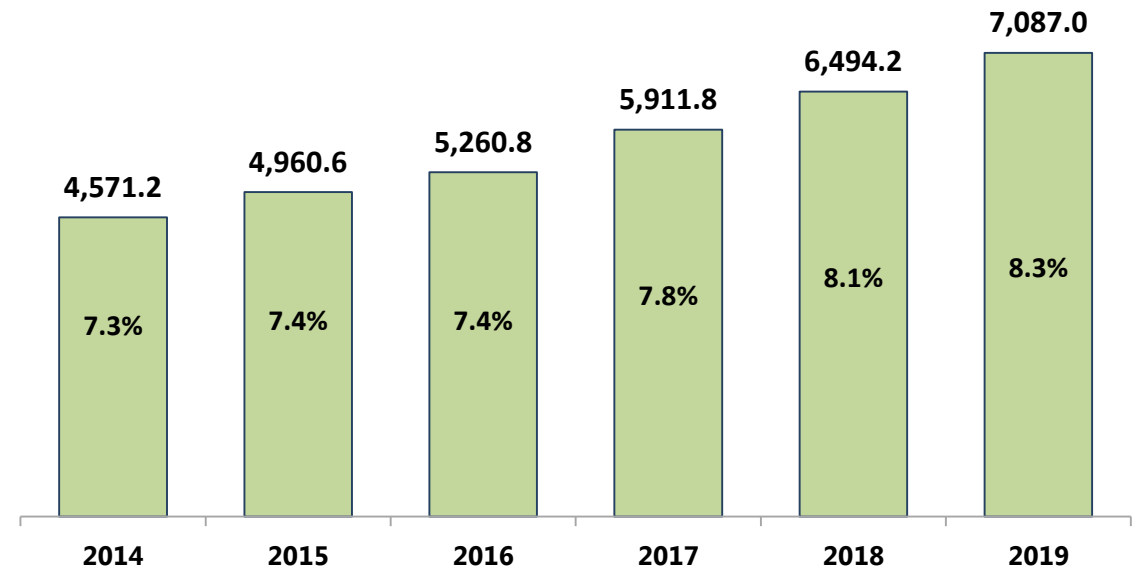
Growth in remittances compensated the slight fall in tourism revenue. Tourism and Remittances accounted for 47.5% of the total foreign exchange earnings.

TOURISM REVENUE
(In US\$ MM and % of GDP)

■ Tourism — variation (%)



REMITTANCES
(In US\$ MM and % of GDP)



Provenance of Tourist

(January-September 2019, % of total)



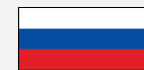
31.3%



12.1%



3.1%



2.6%

Provenance of Remittances

(January-september 2019, % of total)



77.5%



10.1%



1.5%

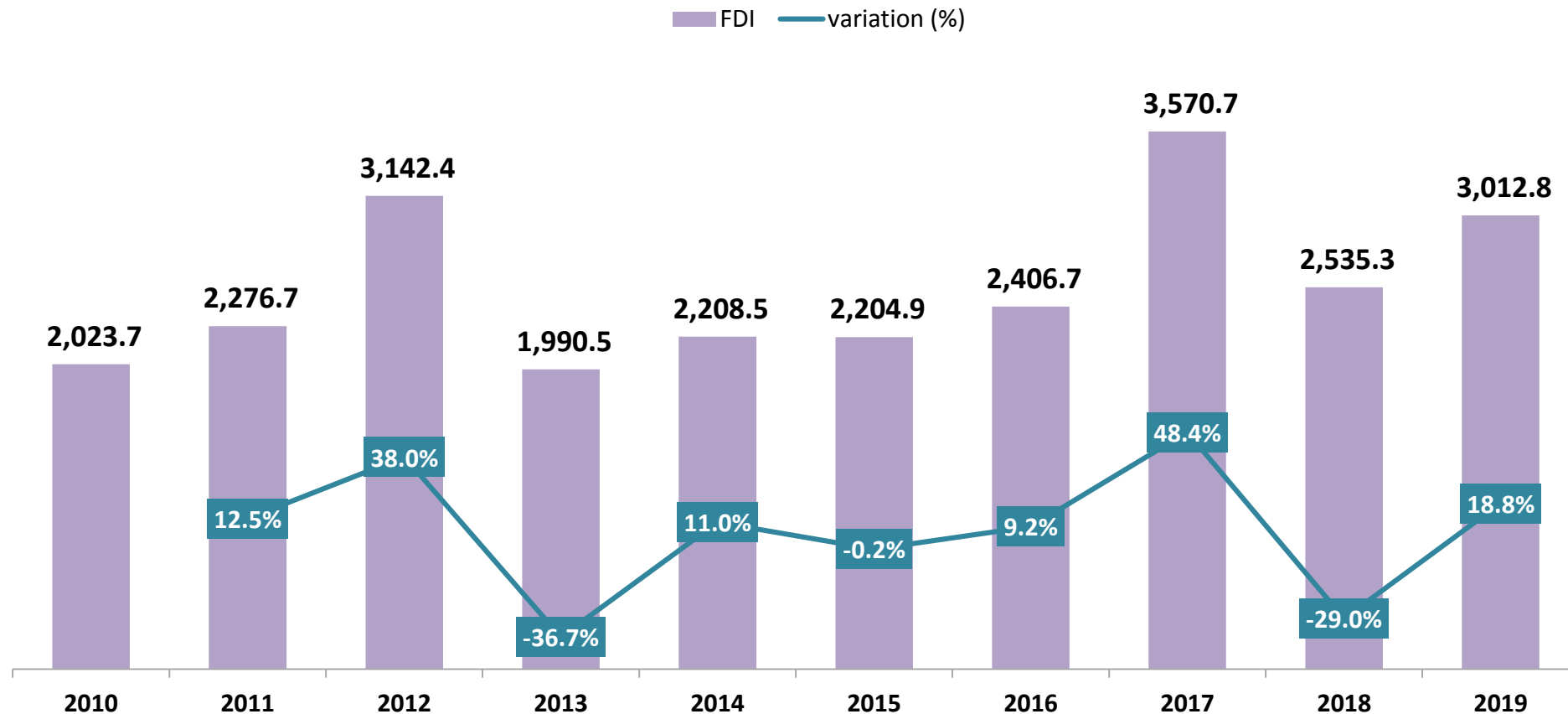


1.1%



Foreign direct investment continues to grow...

FOREIGN DIRECT INVESTMENT (US\$ Millions)



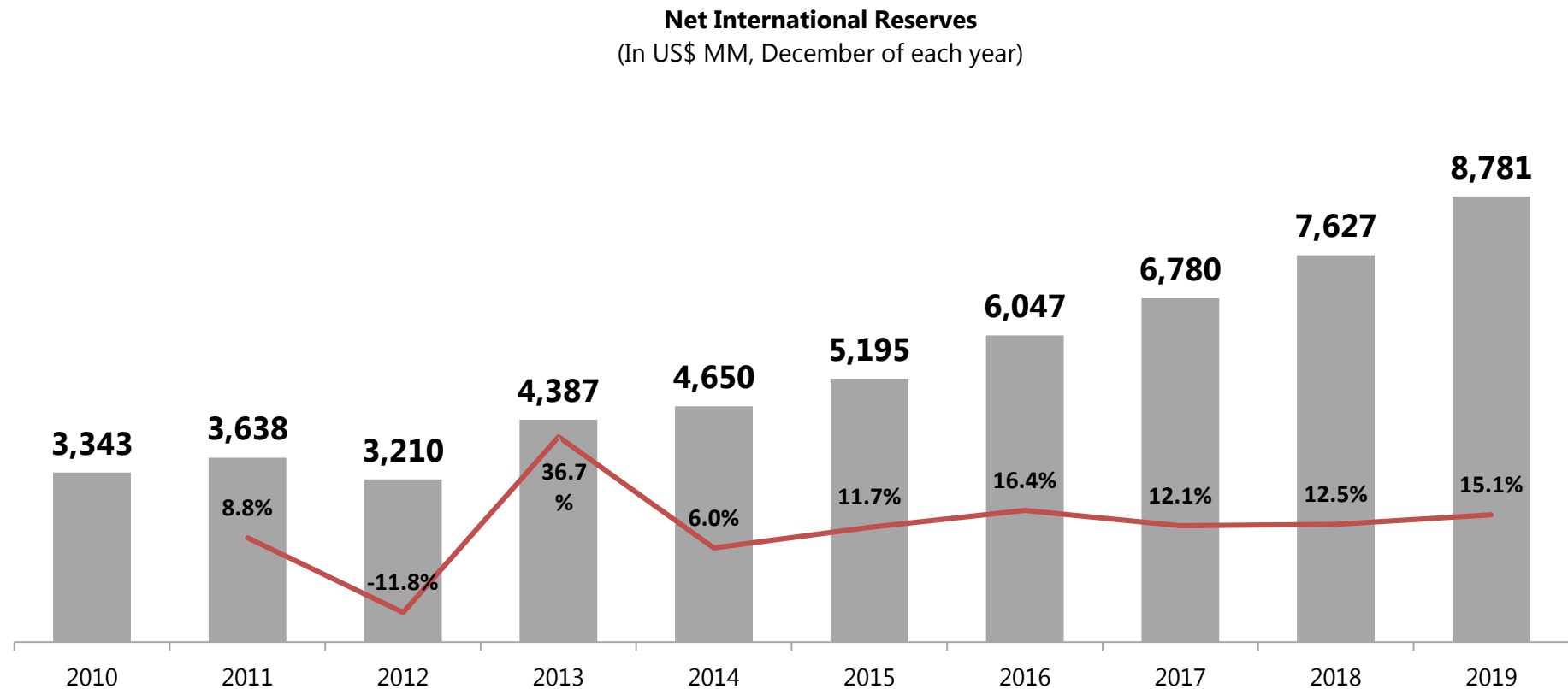
** 2012 and 2017 include the shareholding re-composition of Cerveceria Nacional Dominicana, shares were sold for 1,237US\$ and 926.4 US\$, respectively.

Source: Central Bank of the Dominican Republic.



...and we reach a historical record of net international reserves

International reserves reached US\$8,718 million in December 2019; which amounts to **10% of GDP** or **4.9 months of imports**.

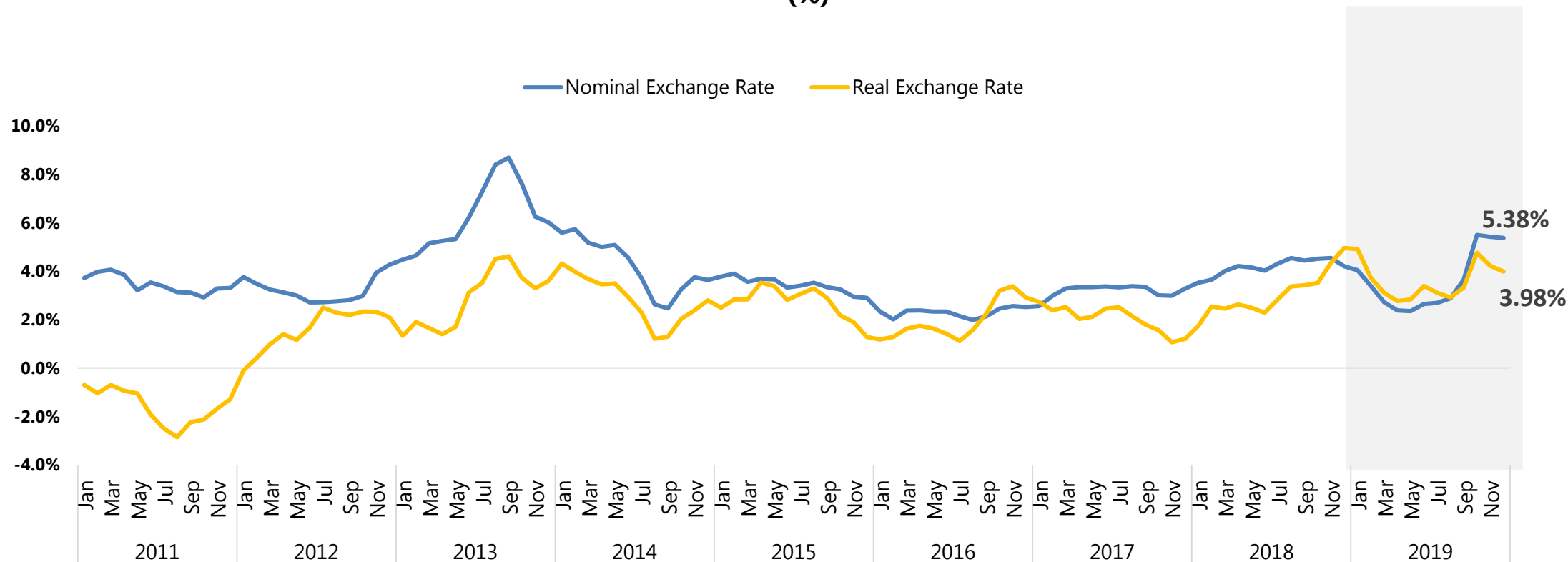




Relative stability of exchange rate aligned with macroeconomic fundamentals...

The spot market exchange rate registered **year-on-year depreciation of 3.98 %**. At the beginning of 2019, the rhythm of depreciation of the Dominican peso showed a decline, but after monetary easing interventions at mid year, the depreciatory exhibited an acceleration.

Exchange Rate Depreciation (%)





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METHODOLOGICAL CONTEXT

- In 2018, the Ministry of Finance adopted the **Government Finance Statistics Manual 2014 by the International Monetary Fund** as its methodology to generate fiscal statistics. This data is available to the public and can be found on our new institutional web page.

<http://www.hacienda.gob.do/estadisticas-fiscales/#11>

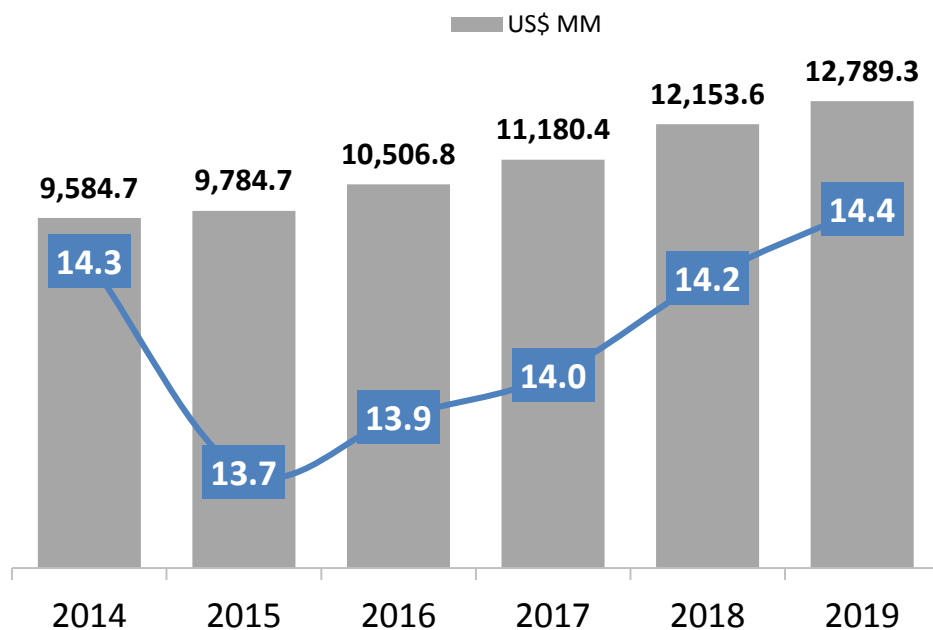
- This new framework redefines the concepts by which revenue and expenditures are classified, by measuring the variations between the opening and closing balance sheet stock positions of fiscal accounts. Additionally, this framework ensures the best standards of harmonization, compilation and **international comparability** of fiscal statistics.
- The information we will present is framed in this new methodological criteria.



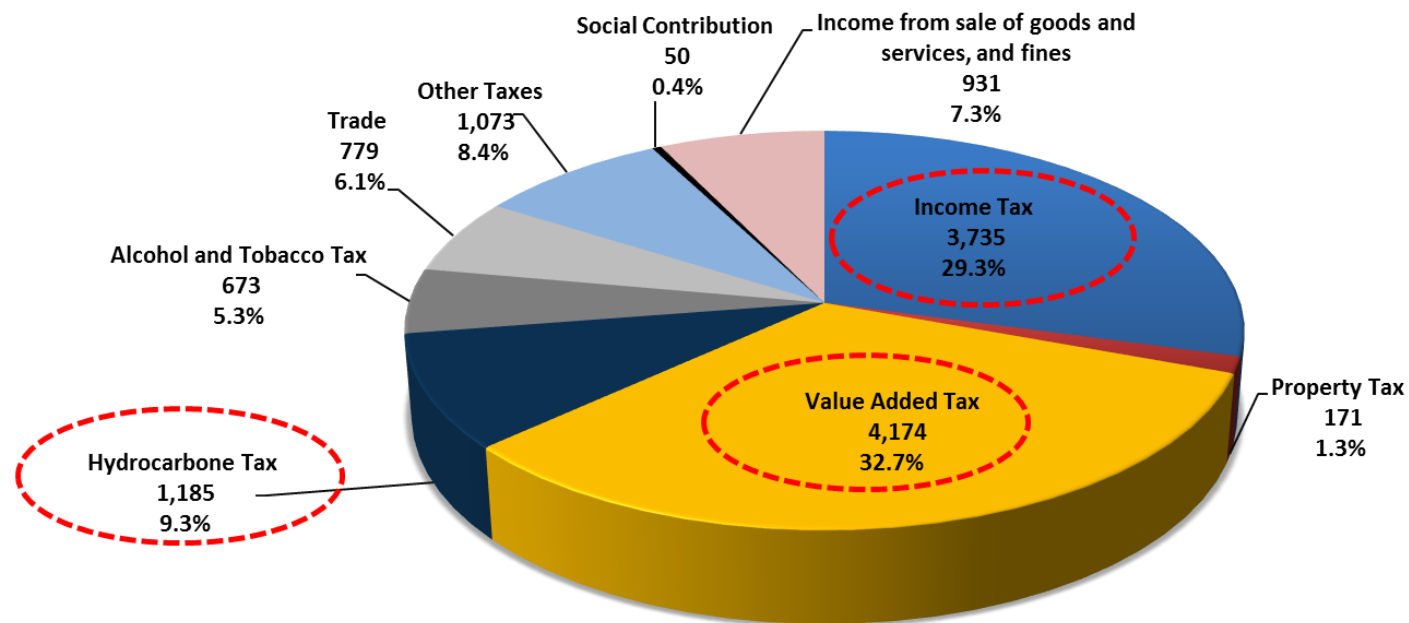
Revenue

In 2019, fiscal revenue amounted to **US\$12,789.3 million**, for an year on year nominal increase of **9.2%** in Dominican pesos (5.2% in US dollars).

Total Revenue
(US\$ MM and % of GDP)



Revenue Composition 2019
(US\$ MM and % of total)

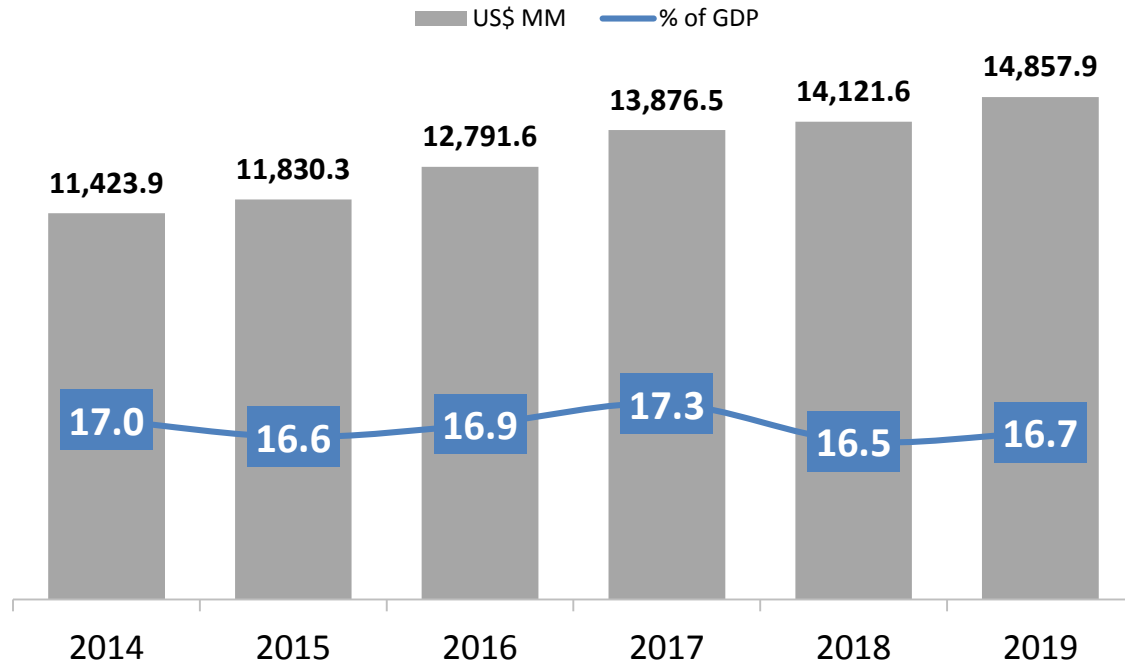




Expenditure

In 2019, public expenditure amounted to **US\$14,857.9 million**, which is equivalent to **16.7% of GDP**, slightly increasing the level registered in the previous year.

Total Expenditure
(US\$ MM and % of GDP)



Expenditure Growth
(Year-on-year growth)

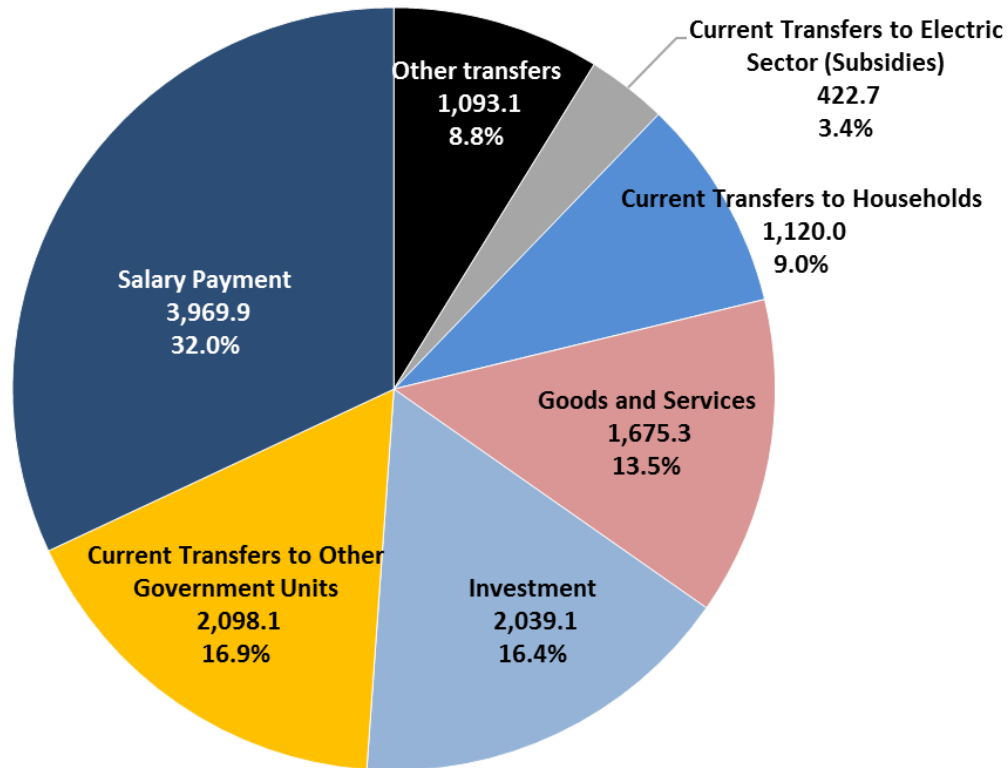
Expense	2019		2019 % of GDP
	RD\$	US\$	
Expense	9.2%	5.5%	15.2%
Salary Payment	8.0%	4.4%	4.5%
Goods and Services	19.0%	15.1%	1.9%
Interest Payment	14.2%	10.1%	2.7%
Donations	10.0%	6.3%	2.7%
Subsidies	22.0%	17.9%	0.7%
Social Benefits	9.4%	5.7%	1.3%
Other Expenses	-10.6%	-13.6%	1.5%
Gross Investment in Nonfinancial Assets	7.6%	4.4%	1.5%
Expenditure	9.0%	5.4%	16.7%



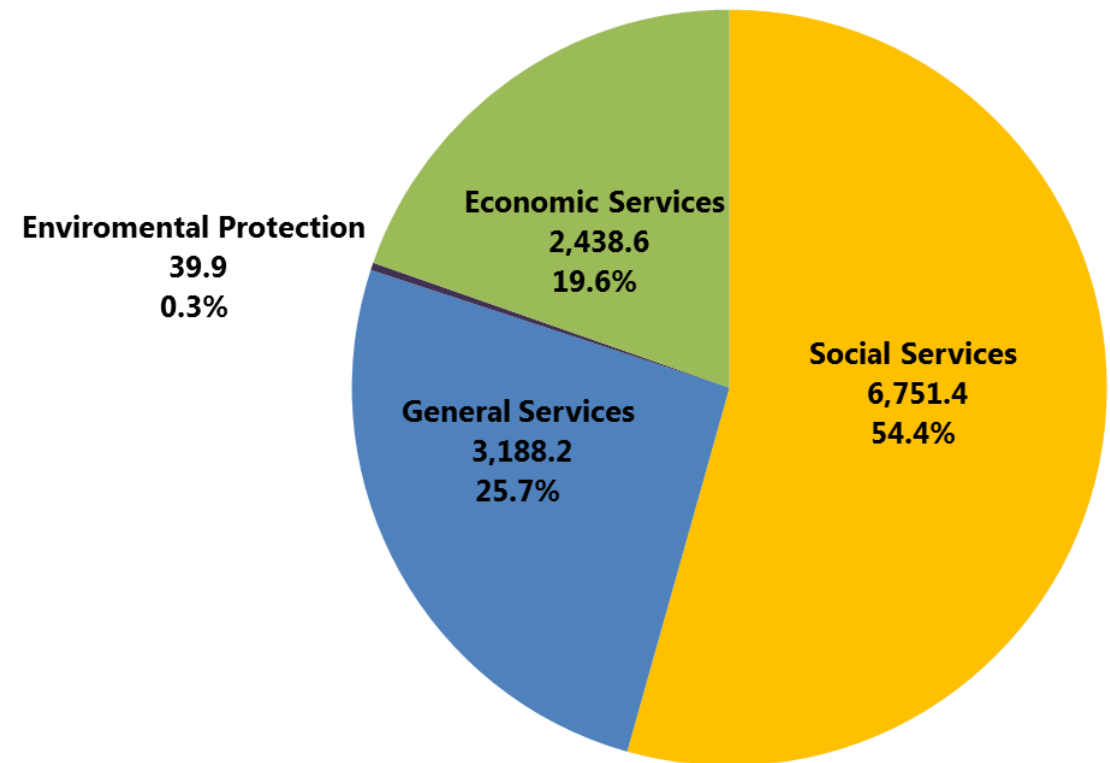
Primary Expenditure 2019

Out of the primary expenditure (**US\$12,418.1 million**), 65.3% of it corresponds to salary payment, currents transfers to other Government units and investment. On the other hand, social services continue to be the focus of the current administration expenditure.

Public Expenditure Economic Composition
(In millions of US\$ and % of total)



Public Expenditure Functional Composition
(In millions of US\$ and % of total)

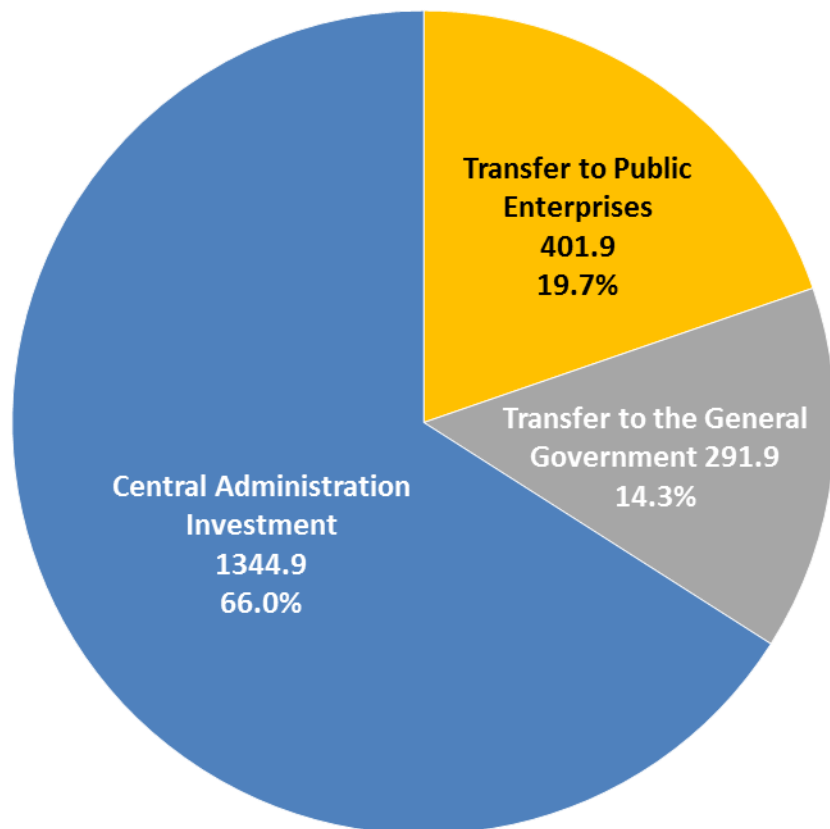




Gross Investment Composition

Total gross investment amounted to **US\$1,728.3 million**, equivalent to 2.3 % of GDP.

In Millions of US\$ and % of total)



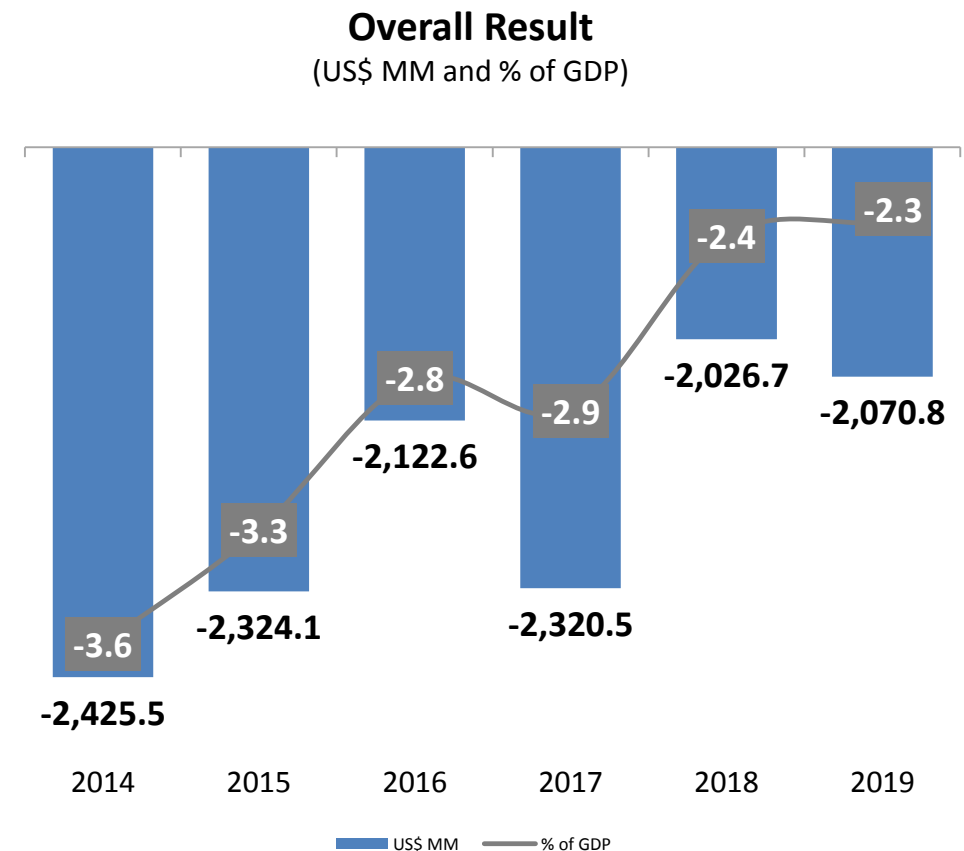
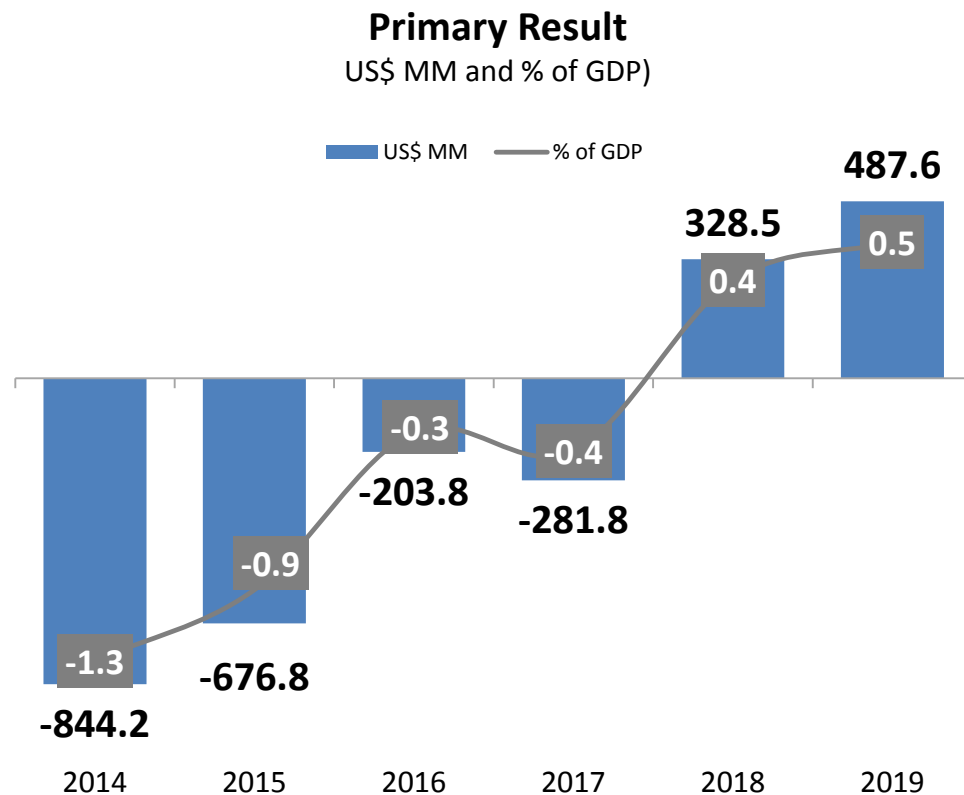
10 Main Projects January – December 2019 US\$ MM

DETAIL	US\$ MM
INFRASTRUCTURE OF ROAD IMPROVEMENT	178.7
CONSTRUCTION AND REPAIRMENT OF HOSPITALS	160.3
PLANTELES ESCOLARES*	145.9
PUNTA CATALINA	100.5
CIRCUNVALACION SANTO DOMINGO	76.0
IMPROVEMENT OF ELECTRICAL DISTRIBUTION NETWORKS	66.0
HUMANIZATION OF THE PENITENTIARY SYSTEM	60.0
MONTE GRANDE	47.6
TOURISTIC INFRASTRUCTURE	37.6
RECOVERY OF THE VEGETABLE COVER IN RIVER BASINS	29.6
TOTAL	902.2



Non Financial Public Sector Result

In 2019, NFPS accounts registered a **primary** of **US\$487.6 million**, equivalent to **0.5% of GDP**, exhibiting a **surplus for the second year in a row**.

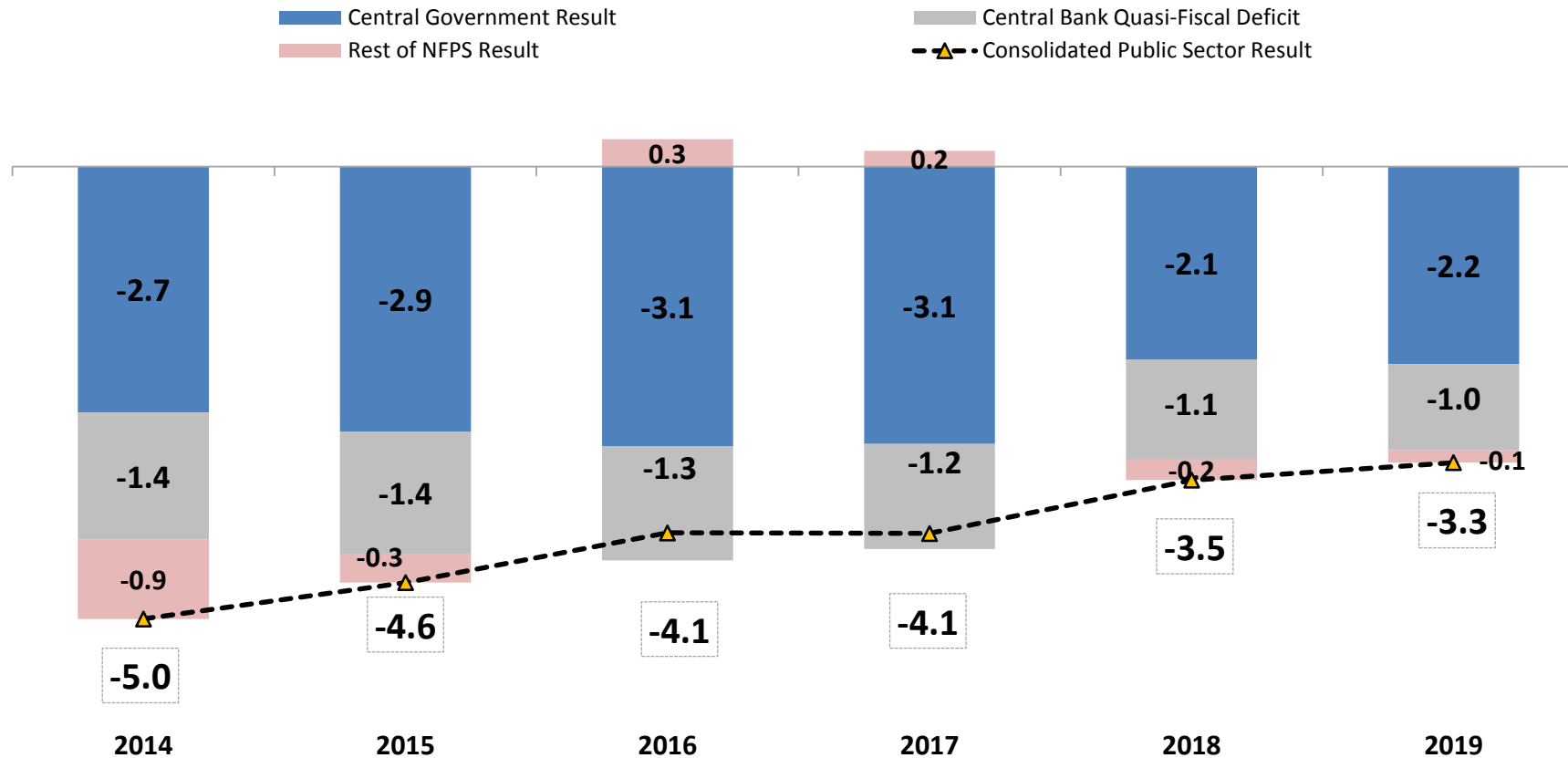




Consolidated Public Sector Result

Adding Central Government and the rest of the NFPS, the NFPS deficit amounts to **US\$2,070.8 million**, equivalent to **2.3% of GDP**. After adding the Central Bank Quasi-Fiscal deficit, the Consolidated Public Sector deficit amounts to **US\$2,919.7 million**, or **3.3% of GDP**.

Consolidated Public Sector Result
(% of GDP)





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Medium-Term Macroeconomic Projections

	2018	2019	2020	2021	2022	2023
Real GDP Growth, %	7.0	5.0	5.0	5.0	5.0	5.0
Nominal GDP (US\$ millions)	85,536.9	88,952.8	91,836.3	96,428.1	101,249.5	106,312.0
Nominal GDP Growth, %	11.39	7.62	7.89	9.20	9.20	9.20
CPI Inflation, %	3.56	2.00	4.00	4.00	4.00	4.00
GDP Deflator Change, %	4.12	2.50	2.75	4.00	4.00	4.00
Nominal Exchange Rate	49.54	51.25	53.56	55.70	57.93	60.24
Nominal Exchange Rate, %	4.2	3.4	4.5	4.0	4.0	4.0



NFPS Statement of Operations 2019-2020

- The budget for 2020 contains a **global result for the non-financial public sector of 2.5% of GDP.**
- Capital expenditure is increased to allow the development of new projects in the area of education, health, sanitation and water and public transportation.

Non-Financial Public Sector Statement of Operations 2019 - 2020

(Millions US\$ | % GDP)

	Millions US\$		% GDP _{2/}	
	2019	2020 _{1/}	2019	2020
Central Government				
Total Revenue	12,789.3	14,018.9	14.4	15.3
Total Expenditure	14,857.9	16,292.5	16.7	17.7
Expenses	13,513.0	14,587.6	15.2	15.9
Government Consumption	5,645.2	5,872.7	6.3	6.4
Subsidies	609.5	648.0	0.7	0.7
Grants	2,403.8	2,628.1	2.7	2.9
Employers social contributions	1,120.0	1,163.4	1.3	1.3
Other Expenses	1,294.7	1,474.7	1.5	1.6
Gross investment in nonfinancial assets	1,344.9	1,705.0	1.5	1.9
Capital Expenditure	2,039.1	2,573.0	2.3	2.8
Primary Expenditure	12,418.1	13,491.9	14.0	14.7
Primary Balance	489.7	527.1	0.6	0.6
Net lending (+)/Net borrowing (-)	(1,950.0)	(2,273.6)	(2.2)	(2.5)
Rest of Non-Financial Public Sector				
Net lending (+)/Net borrowing (-)	(120.8)	-	(0.1)	-
Non-Financial Public Sector				
Net lending (+)/Net borrowing (-)	(2,070.8)	(2,273.6)	(2.3)	(2.5)

Notes:

1/ Draft Bill of the proposed 2020's State's General Budget

2/ Preliminary estimations

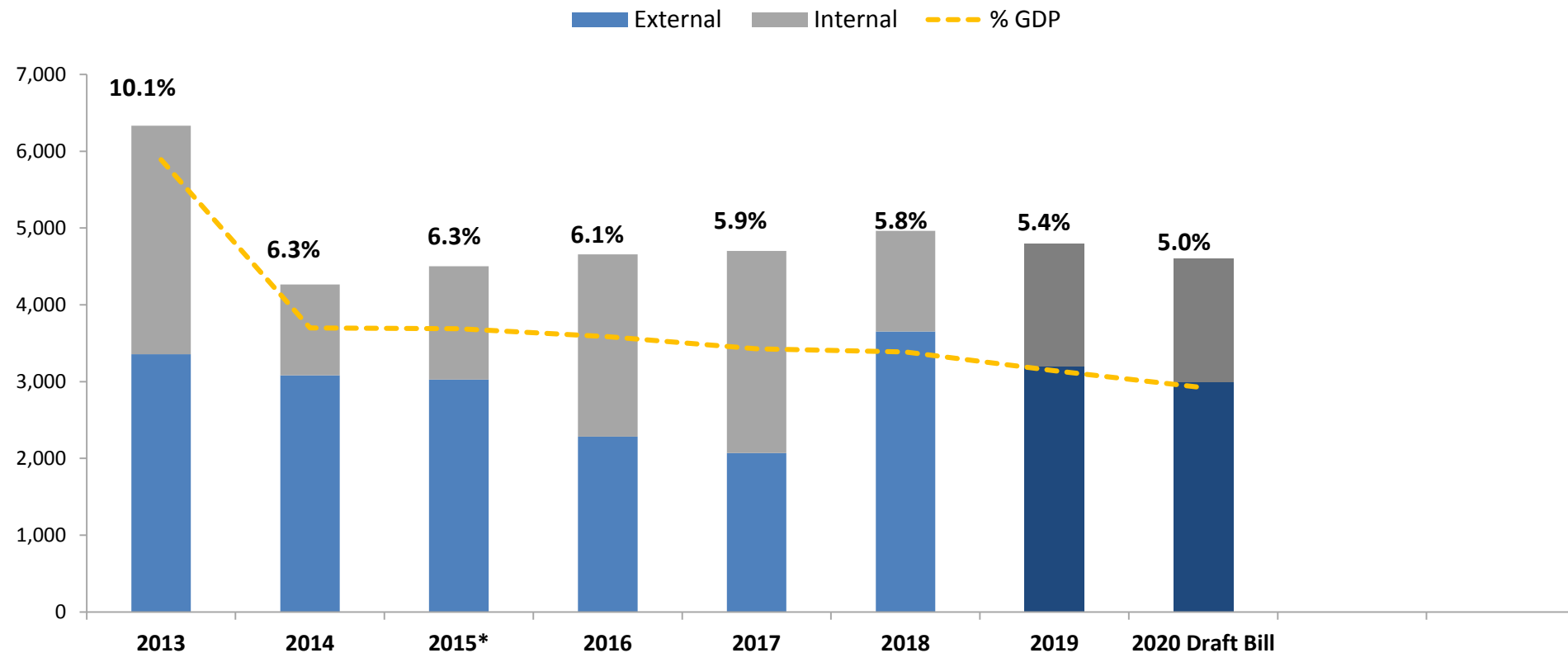
Figures are presented using the IMF's Government Finance Statistics Manual 2014.



GROSS FINANCING REQUIREMENT NFPS

(2013-2020B, US\$ Millions)

The gross financing need of the NFPS is projected to maintain its downward trend.



*Financial Sources corresponding to the placement of global bonds (US\$ 1,933.1) are excluded, as they were used for the discount payment of the debt with Petrocaribe through the liability management operation carried out on January 27, 2015.

Source: Public Debt Office, Ministry of Finance.



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