MINISTRY OF ECONOMY, PLANNING AND DEVELOPMENT

Macro-Economic Framework 2019-2023

Partial Results 2019

The Dominican economy registered a gross domestic product (GDP) growth, in real terms, of 4.7% during the first half of the year, compared to the same period in 2018. According to the preliminary results published by the Central Bank (BCRD), the sectors that exhibited the most dynamism in terms of growth of its added value were energy and water (8.3%), construction (7.9%), financial services (7.7%), transportation and storage (5.3%), exploitation of mines and quarries (5.2%), in addition to other services. The free zones and communications sectors showed decreases in their volume indices, as a normalization after the important expansions that they sustained in the period January-June 2018.

Preliminary IMAE figures up to July indicate that the economic activity expanded at a rate of 4.65% in the first 7 months of the year, with a rise of 2 percentage points (p.p.) in the growth rate year-over-year in July compared to June (which was the lowest since September 2017). On the other hand, the preliminary GDP figures, by the approach of the spending components, show that gross fixed capital formation grew 7%, in real terms, during the period January-June (about half of the 13.4% increase experienced last year), while private consumption slowed from the 5.6% that averaged between 2014 and 2018 to 4.2% in the first half of 2019. All the components showed a slowdown in the second quarter, especially investment and exports, the latter affected by the outlook of trade tensions and uncertainty at the international level.

In comparative terms, among 61 economies with information on GDP up to the first semester available in the World Bank Economic Monitor (GEM) (at the end of the first week of September, not including the Dominican Republic), only 11 achieved year-over-year growth of 4.5% or more, highlighting China (6.3%), along with other Asian economies (India, Mongolia, Vietnam, the Philippines and Indonesia). In addition, of the 86 economies with information up to January-March, 77.9% and 61.6% had year-over-year growth lower in the first quarter of 2019 compared to what was observed in the first and fourth quarters of 2018.

Regarding the labor market, the results of the Continuous National Labor Force Survey (ENCFT), in the first quarter 2019, indicate that the monthly (nominal) average monetary income of the revenues recipients increased 9.9% over the same period in 2018 -a rate of 3 p.p. less than the increase in the same quarter of last year, which results in a 8.6% increase in real terms.

On the other hand, the unemployment rate rose to 5.8%, half a percentage point higher when compared to the January-March rate of 2018, due to a significant increase in participation (190.1 thousand more active people in the economically active population). While the level of employed persons reached in the first quarter about 4.65 million workers, equivalent to the generation of some 153.6 thousand additional employees (net) when compared to the same quarter of the previous year. With this, the participation rate and occupation rate experienced increases of 2.0 and 1.5 p.p., respectively, when compare with the same period in 2018. In both cases, the rates recorded the highest level since published in 2014, suggesting significant improvements in the labor market environment in recent years. In line with this, the inactivity rate decreased from 36.4% in the third quarter of 2018 to 35.1% during January-March 2019, which may be associated with the return of active job search by the discouraged: in fact, the potential workforce (inactive) decreased by 18.2% when compared to the first quarter of 2018.

On the other hand, the informality rate in the first quarter decreased by 2.3 p.p. when comparing with the same quarter of the previous year, reaching 55.6%, because 5 out of 6 additional employed (or 3 out of 5 when compared to the October-December 2018 quarter) were originated in the sector formal, which led the category of private employee to reach 1.79 million people and that workers with formal employment surpassed the 2 million (2,066,478). In addition, in the first quarter of 2019 women employed in the formal sector reached one million jobs (1,003,948), with an interannual growth of 5.9%; although they represent 41.5% of the economically active population (EAP), women occupy 44.5% of the formal jobs. The 59.6% interannual increase in the EAP, 59% net increase in employment and the 53.9% fall in the unemployed "expanded" corresponds to a greater and better insertion of women in the labor market.

Regarding the general evolution of prices, accumulated inflation for the first 7 months of the year stood at 1.64%, while year-over-year inflation up to July reached 1.40%, less than the lower value of the BCRD target range (4 ± 1%). Core inflation, which excludes from the general CPI agricultural goods with volatile prices, alcoholic beverages, tobacco, fuels and some managed services (such as energy and transport), ended July at 2.04% year-over-year, 0.57 p.p. less than a year, and 56 months below the lower limit of the target range. Regarding the types of consumer products, the variation YoY of non-tradables reached 2.43%, while of tradables was just 0.44%. When analyzing the behavior broken down by groups of goods and services, 91.2% of the year-over-year inflation was explained by food and non-alcoholic beverages and education groups. On the cost side, the year-over-year growth of the producer price index (PPI) has slowed from 3.2% in December 2018 to 1.7% in June 2019 (3.1% for manufacturing). Lower inflation levels have been reflecting in downward market expectations: for inflation at the end of 2019, it fell from 4.36% in September 2018 to 2.97% in August 2019; while the 12-month and 24-month year-over-year changes fell 0.68 p.p. and 0.84 p.p., respectively, during the same period.

On the other hand, the reference nominal sale exchange rate had an average of RD$51.18 per dollar in August registering an interannual depreciation of 2.9% with respect to the level reached in August 2018, which is less than the value observed on that date (4.5%), although it is higher than the rate verified in March and June (2.7%). In the first 8 months of the year, the annualized depreciation rate was 3.1%, with two well differentiated periods: between January and May it was just 1.4% (year-over-year depreciation decreased to 2.4%), while since June it accelerated at an annualized rate of 5.9%. The cumulative variation of 2% is the half of the predicted in the budget.

Regarding the external sector of the economy, the preliminary results published by the BCRD indicate that in the January-June 2019 semester, the current account reached a slight negative balance of US$99.0 million (-0.1% of GDP), unlike the previous year in which it showed a surplus of US$95.3 million. This result is mainly explained by higher flows associated with investment income (which includes direct and portfolio investment), which increased by 26.8% (US$324.1 million), which were partially covered by increases in remittances (secondary income). In addition, the trade deficit deteriorated 3.6% (US$102.9 million), although the exports and imports of goods grew in similar magnitude, at a rate (2.7%) significantly less than their last year growth (for the first half of 2018 the year-over-year variation was 2.8-5 times higher). Finally, the services balance also slowed its growth rate from 6.2% in 2018 to 0.8% in 2019, which is directly related to a lower dynamism in the arrival of travelers to the country. In the January-July 2019 period, 4.82 million visitors entered the country, both by air and by sea, which implies an increase of 108.3 thousand (2.3%) additional travelers when compared to the same period of the previous year.

The growth in total exports of goods (2.8%) is mainly explained by the increases in national agricultural exports (24.9%) and minerals (8.1%), which explained 85.9% of the increase in exported value (US$153.6 million). In the first group, bananas (26.9%) and avocados stand out (44.8%), while in the second ferronickel (58.9%) and gold (6.1%). In contrast, the value of free zone exports decreased 0.2% (US$5.9 million), with decreases in medical equipment, shoe manufacturing and cocoa beans that were not offset by the rise in tobacco manufacturing.

Regarding total imports (which increased 2.7%), in addition to the increase in the oil bill in US$71.1 million (4.0%) to reach US$1,870.2 million in the semester, other that stands out is the increase in the amount of consumer goods (excluding fuels) by US$185.1 million, equivalent to 6.9% compared to January-June 2018. Meanwhile, national imports of capital goods slowed (3.4%) and those of raw materials decreased (-4.3%), while those of free zones had a meager increase (1.4%), consistent with its lower dynamism.

According to preliminary figures based on customs records (DGA) in the period January-July 2019 exports increased by US$226.5 million (4.1%) compared to the same period of the previous year, while the imports grew US$273.3 million (2.3%), being exports of national origin (5.8%) and, on the expenditure side, consumer goods without fuels (5.5%), the components with the greatest variations.

The total family remittances totaled US$626.5 million, in the month of July 2019, the second highest in the last 10 years (after the maximum of March 2019), with an increase of US$43.3 million (7.4%) when comparing with the same month of the previous year, and an increase of US$50.3 million (8.7%) with respect to the monthly average value of the first semester of the year. With this, in the January-July 2019 period, incoming remittances reached an accumulated amount of US$4,083.9 million, an increase of US$284.9 million (7.5%) compared to January-July 2018. The good performance of the US employment and growth indicators continue to translate in positive results in the amount of remittances received, considering that 77.8% of them come from this country.

On the other hand, in the first half of 2019, foreign direct investment (FDI) reached an amount of US$1,373 million (preliminary data), an increase of US$127.4 million (10.2%) compared to the same semester of last year. It is highlighted that the amount reached is the second highest reached in the decade for a first semester, after 2012, in which a multinational beer company made a share transaction of more than one billion dollars. This increase, along with those of remittances and exports, allow the inflows of foreign exchange into the economy to maintain a year-over-year growth of 4.4% and a greater accumulation of international reserves (and also cover the deficit in the goods trade balance).

The net international reserves (RIN) as of August 31, 2019 amounted to US$7,899.7 million, for a change of US$469.0 million compared to the end of August 2018. This level of reserves is equivalent to 4.8 months of total imports of goods (excluding free zones) and services, thus maintaining the improvement in this indicator achieved in recent years.

Regarding the fiscal sector, the preliminary result of the Central Government accounts corresponding to the first semester of 2019 presents a deficit of RD$15,093.3 million (-0.3% of GDP), 35.5% higher than the figure of January-June 2018; while the primary balance closed with a surplus equivalent to 0.9% of the estimated GDP for the year (RD$41,698.2 million). Contrary to the behavior observed in the same period of 2018, where the Non-Financial Public Sector (SPNF) presented a surplus of RD$2,075.1 million, it closed the first half of the year with a fiscal balance deficit of RD$15,670 million, for a net increase in the deficit of 0.4 p.p. of GDP. The Central Bank's deficit amounted RD$24,195.4 million, slightly less than in 2018, which places the deficit of the Consolidated Public Sector in an amount equivalent to 0.9% of GDP for the January-June 2019 period.

Total revenues (including contributions and donations) from the Central Government totaled RD$330,186.9 million in the first half of 2019, representing a growth of 9.7% (RD$29,162.3 million) with respect to the same period of the previous year. This increase in tax revenue is explained for the most part due to the 10.5% increase in the collection of value added taxes (ITBIS), as well as the income from income tax (ISR) to individuals at 14.5%. The increases in these two tax figures represented 55.8% of the increase in tax revenues for the period, which represent a 92% of tax revenue.

In January-June 2019 the expenditures of the Central Government were RD$355,854.9 million, a YoY growth of 14.3% (RD$44,411.8 million), the second highest of the same period in the last 5 years. Similarly, primary spending (including fixed investment) expanded by 14.6% (RD$37,745.9 million) compared to the first semester of 2018, which is due to the increase in gross investment and purchases of goods and services in 58.0% and 32.3%, respectively. According to preliminary data from the Budget Office and the Ministry of Finance, in the January-July period of this year, the revenues of the budgetary central government grew by 10.1%, compared to the same period in 2018; while total spending increased by 14.5%. These results of the accounts in the first 7 months represent, respectively, 56.6% and 53.6% of the total budgeted for 2019.

According to statistics from Public Debt Office, until July the Government received around 83% of the budgeted external gross financing and 90% of the internal (until September, local bonds issuances totaled RD$70.06 billion, with an average yield rate of 10.3% and average maturity of 11.2 years). These issuances were stipulated and contemplated in the laws 61-18 and 64-18 and cover almost 85% of the gross financing needs for the entire year. This amount includes the sovereign bond issuance made in June for US$2.5 billion, a portion (40%) of which was a series of DOP50.2 billion at 7 years denominated in Dominican pesos (for the second time in the history of our participation in the international markets, after the issuance of February 2018 at 5 years for DOP 40 billion). The other part was a 30-year dollar bond with the lowest coupon interest rate achieved for this term (6.49%), slightly less than that obtained the previous year. Both titles received a combined demand of US$5.4 billion, equivalent to more than double the placed amount, a reliable sample of the confidence and favorable positioning that the country has reached among international investors. The emerging market bond index (EMBI) corresponding to Dominican securities averaged 3.28% in the first 8 months of 2019, just 25 bps more than the average of January-August 2018. Despite the increases of the interest rate made between 2016 and 2018 by the US Federal Reserve, the EMBI, which measures the yield differential with respect to the US Treasury bonds, has maintained levels below comparable economies (global EMBI at 373 bps in the January-August period, and 407 bps the Regional indicator), which reflects a notable improvement in the international perception of our country risk. As of September 6th, the Dominican EMBI is 324 bps, a decrease of 10% compared to 8 months ago and 6.9% (24 bps) less than the global indicator.

Regarding the monetary sector, the Central Bank, after 9 months without changes, decided in its last 3 monthly meetings (June-August) to reduce the monetary policy rate (TPM) by 100 basis points (bps) in total, up to 4.5% -the lowest level in 6 years-, after the legal reserve release provisions taken in May and June (in the order of RD$34.4 billion). This change in position to a more expansive policy has had a direct impact decreasing the interest rates of the financial market. Thus, both the lending and deposits interest rate (weighted average of multiple banks) were 12.03% and 5.49%, respectively, during August 2019, with reductions of 36 and 69 bps compared to the averages verified last May and YoY decreases of 36 and 51 bps (compared to August 2018).

The money supply (M1) increased by 11.3% year-over-year as of August 30, 4.3 p.p. higher than the April rate and 2.4 times the March rate. Although this rate is lower than the August 2018 level (13%), after the implementation of the Monetary policy measures there's a marked recovery in liquidity growth, which maintained a downward trend since July 2018, when the effects of the Monetary stimulus implemented in mid-2017 had ceased.

After 3 months of the initial reduction in the legal reserve required to the OSD (banks, associations, etc.) on deposits in pesos (for multiple banks it fell to 11.1% first and then to 10.6% in July; the mandatory coefficient for other entities is 6.4%), the annual growth rate of loans to the private sector in national currency has increased from 9.4% in May to 10.8% in July and August, the same rate it had between December 2018 and March 2019. Between May 31 and September 4, the loan portfolio of financial intermediation entities to the private sector denominated in pesos grew by 4.1% (RD$36,195 million) -almost 50% of the increase where funds of the reserve requirements release-, consumer loans, mortgages (housing acquisition), manufacturing industries and commercial business purposes where the sectors and the activities that have benefited most from these resources. This sectors and activities represent 86.7% of the total change in loans to private agents in pesos and is expected that the boost in credit under favorable conditions for firms and households, will help maintain the growth dynamics of the private internal demand (investment and consumption).

Finally, the consumer confidence index (ICC), which is prepared every six months by the Ministry of Economy, showed a positive variation going from 64.9 points in October 2018 to 79.9 in May 2019, reaching its best value in 3 years (since the beginning of 2016).

Current external scenario

The United States real GDP registered an expansion of 2.0% (annualized) in the second quarter of the year (2.3% y-o-y), less than 0.1 p.p. than the initial estimate value and below the rate observed in the previous quarter (3.1%). In the first half of the year, growth was 2.5% when compared to the same period in 2018. This slowdown in the April-June quarter is mainly explained by the falls in fixed investment (both residential and corporate) and exports of goods and services. Increases in personal consumer spending (PCE) and public spending (especially from the federal government) partially made up for the decreases. This reduction in the growth rate is consistent with the level reported by *Consensus Economics*, as since from November 2018 the real growth expectations for 2019 have shown a downward trend, up to 2.3% in the month of August (0.3 p.p. less than a year ago). Although the positive dynamics of private investment are still expected (3.2% growth) and that the unemployment remains at historically low levels (3.7%), analysts forecast a decline in corporate benefits (the median growth has gone from 4.6% in May to -0.3% in August) and a slowdown in private consumption (PCE) at its lowest growth rate (2.4%) in the last 5 years (the value of 2018 and average 2014-2018 was 3%, in 2012-2013 it was 1.5%). For 2020-2023 a growth rate of 1.9%, while inflation forecasts (variation in the general level of consumer prices) indicate it would fluctuate in the range of 2% -2.2% in the coming years, although core inflation it would be around 1.7% for 2019.

Regarding the process of monetary normalization in the US, which was paused for the first 7 months of the year, the Federal Reserve (FED) decided at its fifth meeting in 2019 (July 30-31) to turn around the adjustment and reduce the target range for the federal funds rate by 25 basis points, leaving the range at 2% -2.25%, being this the first decrease in almost 11 years (from December 2008 to December 2015 it remained between 0 and 0.25%). According to FOMC, this decision is consistent with the sustained expansion in economic activity, a strengthened labor market and a medium-term target inflation of 2% (without inflationary pressures expectations). However, the authorities stated that there are latent downside risks to this scenario, specifically, a perspective of weak world growth and uncertainty associated with trade policies. Therefore, this short-term change of posture measure is taken to ensure compliance with the objectives of employment and inflation. Given the persistence of the factors and conditions that motivated this change, multiple analysts have pointed to possible further cuts in the TPM. However, the president of the FED, Jerome Powell stated that this cut is a mid-cycle adjustment and not the start of a cycle of rate drops, which supports the perspective of the committee members in June when they indicated that in the long term they consider that 2.5% is an appropriate level for the reference rate. The next FED meeting is scheduled for mid-September.

The perception of the global economic scenario remains in cycle of uncertainty in the short-term, especially since the events of the main economies since the second half of 2018. According to *Consensus Economics*, the world economy would grow in 2019 by 2.6% (0.5 p.p. less than projected a year ago) and 2.6% in 2020 (0.2 p.p. lower than expected in May). In his projections of April, the International Monetary Fund (IMF) projected a slowdown in growth this year for the 70% of the world economy (more than a 100 countries), and in its WEO actualization of July reduce its world

GDP growth by a tenth to 3.2% for 2019 (0.4 p.p. less than in 2018 and 0.3 p.p. less than the estimated in January 2019), and a 3.5% of growth for 2020 (for China 6.2% in 2019 and 6% in 2020).

These projections are underpinned by weaker global economic activity than expected, with a moderation / deceleration of investment and demand for durable consumer goods and a fragile international trade, for which for 2020 is expected a precarious rebound in growth and with biased risks to the downside, by the possibility that trade tensions will spread / increase. Furthermore, the The IMF states that, given this scenario, international financial conditions have been easing, since mid-June several central banks have signaled a moderate change in their monetary policy stance towards a more lax or accommodative position (in Europe the ECB and in Japan the BOJ, like the FED), citing moderate inflation and higher downside risks to growth. Other Central banks (such as Australia, Brazil, Chile, China, India, Malaysia and the Philippines) have also communicated a further cautious and vigilant vision about prospects.

Table 1: International Real GDP Growth Projections

	Consensus		IMF			World Bank			OECD		ECLAC	
	2019	2020	2018	2019	2020	2018	2019	2020	2019	2020	2019	2020
World	2.6 ↓	2.6 ↓	3.6 ↓	3.2 ↓	3.5 ↓	3.0 ↓	2.6 ↓	2.7 ↓	3.2 ↓	3.4	2.6	2.8
Eurozone	1.1	1.2 ↓	1.9 ↓	1.3	1.6 ↑	1.8 ↓	1.2 ↓	1.4 ↓	1.2 ↑	1.4 ↑	1.2	1.5
United States	2.3 ↓	1.9	2.9 ↑	2.6 ↑	1.9	2.9 ↑	2.5	1.7	2.8 ↑	2.3 ↑	2.5	1.9
LATAM	0.8 ↓	2.0 ↓	1.0 ↓	0.6 ↓	2.3 ↓	1.6 ↓	1.7 ↓	2.5 ↓			0.5 ↓	
Dominican Rep.	5.3 ↓	4.8	7.0 ↑	5.5 ↑	5.2 ↑	7.0 ↑	5.2 ↑	5.0 ↑			5.5 (=)	

Notes: The arrows indicate the direction of the adjustments (if any) with respect to previous forecasts: Consensus compares August and May; for the IMF and ECLAC, July with April; for WB, June versus January; for OECD, May and March. In the case of the DR, for the IMF are the values of the article IV report published in mid-August. In WEO2019 (April), OECD / CEPAL proposed a_growth of the ALyC region close to 2.5% for 2020 in the base scenario. The values for 2018 of the IMF and WB are different due to exchange rate effects and these arrows represent variations with respect to 2017.

The World Bank (WB), in its report World Economic Outlook of June 7, 2019 decreased by 3 and 4 tenths of a percentage point the world and regional growth (LAC) expected for this year. In addition, for emerging and developing economies that had forecasts (132 in the world and 26 in Latin America) in almost half of the cases (49% global and 46% regional) cut their growth expectation for 2019; while in about a third of the countries (including the Dominican Republic) the growth projected for the current year increased. Finally, the Economic Commission for Latin America (ECLAC), in the most recent update of its projections for Latin America and the Caribbean (July 2019), reduced the expected growth for 16 of 20 Latin American countries, keeping the other 4 the same, including the Dominican Republic (5.5%) and Honduras (3.5%), which along with Panama (4.9%) and Bolivia (4.0%) continue as regional leaders of economic growth.

Regarding international oil prices, the US Energy Information Administration (EIA) estimates (in its August report) an average price of West Texas Intermediate (WTI) oil for this year and the next, of US$57.5 and US$59.5 per barrel, these values being US$5.3 and US$3.5 lower than the forecasts of May. In the July update, the IMF forecasts a drop in the basket price of 4.1% for this year and an additional reduction of 2.5% in 2020; the BM has a similar fall in both years, although more limited because it maintains higher price levels. Until August, the average price for the WTI was US$57, less than the US$66.5 in the same period of 2018. For the years 2019-2020, Bloomberg analyst median and futures contracts would indicate price range means between US$52 and US$60. In August the price fell US$3.46 (-5.9%) and recent perspectives indicate that the relative weight of the opposing factors, between the pressure of OPEC with production cuts on the side of supply and slower global growth in demand, has been declining towards the predominance of equilibrium lower prices, that is, the slowdown in the rate of economic growth at the international level, which leads to lower fuel consumption, has driven downward trends in market prices.

Regarding the price of gold, recent developments are different. During the month of August it overcame the barrier of US$1,500 per troy ounce for the first time since April 2013, as investors have used the precious metal as a refuge asset in the face of fears about the health of the world economy (which includes war trade between China and the US, and uncertainties related to Brexit). In this past month the price increase was US$106.6 / oz (7.5%), and between May 30 and September 5th the increase in price has been 18% accumulated, taking the average annual price to date at US$1,350 an ounce, 7% above the stipulated in the 2019 budget. Given this recent bullish dynamic, the futures are currently traded in the range of US$1,550-US$1,600 dollars for the next 3 years (2020-2022). However, analysts expect a normalization of prices in the medium term, towards a range of US$1,335-US$1,400 per ounce (continuing the gradual upward trend in the price of this precious metal that has been happening since 2014), despite the fact that volatility and fluctuations are evident in the short term associated with movements in the relative value of the US dollar or changes in economic conditions and global financials.

As for nickel, the same situation occurs: while futures indicate prices on US$17,000 / ton (ton) for the next 2 years, analysts' expectation until 2021 is that they will be below US$14,000 / t, although in any case the values would be significantly higher than those observed in 2017.

After the June review, it was decided to incorporate the monitoring of the price of coal into the mineral exogenous assumptions, due to the importance of this product with the entry into operation of the Punta Catalina Thermoelectric Power Plant (CTPC). Internationally, the standard reference price index is API2, which collects industry transactions for imported coal in Northwest Europe (ARA) and is accepted and used in negotiations. This price exceeded US$100 per metric ton (MT) between

July and October 2018, although it has dropped significantly since then, to less than US$50 in June and is expected, according to future prices and analysts, to remain in the range of US$60-75 per ton for the next 4 years.

2019-2023 Macroeconomic Outlook

Given the prospects, both in the external and domestic contexts, the Dominican Republic's economy is expected to register a real gross domestic product expansion of around 5% this year, similar to its potential rate, which would be maintained in the medium term. It is important to highlight that the projections made consider the information available until the end of August 2019, both from the international environment as well as local. According to the BCRD's survey of macroeconomic expectations, among December 2018 and August 2019 agents reduced 0.43 p.p. its growth expectation for 2019, up to 5.06% (with the sample median being 5%).

Regarding the variation in the price level, for 2019 year-over-year inflation is expected to reach 3.5% by the end of the year and, given the accumulated inflation, the average inflation would be around 2% for the year. While the forecasts indicate that, in the monetary policy horizon, specifically during 2020, inflation would gradually converge towards its natural level of 4%. Starting in 2021, it is expected a growth in consumer prices equal to the central value of the inflation target range established by the authorities.

Regarding the GDP deflator, considering preliminary information and the projected dynamics of the indices of prices of its different components, particularly gross fixed capital formation and private consumption (directly linked to the CPI), it is expected that its variations in the current year and for the next will be of a 2.5% and 2.75%, respectively; during subsequent years, the relative change in the deflator of the product would be in line with the average inflation.

Given the expected evolution of prices and the projected real growth of the economy, nominal growth GDP is estimated at 7.62% for 2019, 7.89% for 2020 and 9.2% from 2021, lower rates than the 2018 data (11.4%) although similar to those observed between 2015 and 2017 (9.1% on average during that period).

The discussion regarding the external scenario is subject or conditioned by how current expectations materialize and effective developments in the short term, both in the direction of the process of adjustment of the monetary policy by the FED (to continue cutting interest rates on federal funds or to keep the values recently set), as well as the evolution of the international prices of the relevant commodities (which affect the country's terms of trade), especially gold and oil, which will continue to be analyzed and followed up by the technical team that develops this macroeconomic framework.

In the particular case of the price of the WTI, after 8 months of the year with an average of US$57 per barrel, it was adjusted 4.5% below the value initially budgeted for 2019 (US$60.5). For 2020-2023 a price around US$59 per barrel is considered and although a certain downward bias is expected given the weak demand due to a slowdown in economic growth and an abundant supply associated with production in the US, the committee considered appropriate to assume a conservative position and raise a slight increase of 2.2% for the annual average price, knowing the possible presence of some volatility due to the global uncertainty. The monthly average price in August was US$54.8 per barrel and the EIA at its most recent report (September 10) lowered US$3 to its forecasts of the expected price for 2020. As previously indicated, due to a volatile panorama and as our country is a small and open hydrocarbon importing economy, it is important to be aware of fluctuations in prices due to the impacts they produce.

Considering the outlook stated above, in the central scenario for 2019, given that remains a normal flow of foreign currency towards the national economy, no substantial deviations from the values provided in the previous frameworks are expected for the exchange rate as of December (RD$53.10), although the annual average value (RD$51.25) is adjusted due to the lower depreciation observed in the first 8 months of the year. Due to the complex external panorama the committee assumes a higher nominal depreciation rate for 2020. In that sense, the average exchange rate (RD$53.56) and for the end of the period (RD$55.49) are adjusted accordingly. In the medium term, from 2021, the exchange rate variation returns at a rate equal to general inflation, bringing the estimated values for the average exchange rate for 2021, 2022 and 2023 at RD$55.70, RD$57.93 and RD$60.24 per dollar, respectively. While the expected values for December 2021, 2022 and 2023 are RD$57.70, RD$60.01 and RD$62.41 per dollar, respectively.

The following table presents the projections for the period 2019-2023.

MINISTRY OF ECONOMY, PLANNING AND DEVELOPMENT

MACROECONOMIC FRAMEWORK 2019 - 2023

September 4th 2019

	2017	2018	2019	2020	2021	2022	2023
Real GDP (Index 2007=100)	160.2	171.4	180.0	189.0	198.5	208.4	218.8
Real GDP Growth	4.7	7.0	5.00	5.00	5.00	5.00	5.00
Nominal GDP(Millions RD$)	3,802,655.8	4,235,846.8	4,558,830.1	4,918,407.8	5,370,901.3	5,865,024.2	6,404,606.5
Nominal GDP Growth	9.04	11.39	7.62	7.89	9.20	9.20	9.20
Nominal GDP(Millions US$)	80,024.5	85,536.9	88,952.8	91,836.3	96,428.1	101,249.5	106,312.0
Nominal US$ GDP Growth	5.6	6.9	4.0	3.2	5.0	5.0	5.0
Inflation Target (±1)	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Inflation (average)	3.28	3.56	2.00	4.00	4.00	4.00	4.00
Inflation (december)	4.20	1.17	3.50	4.00	4.00	4.00	4.00
GDP Deflactor Growth	4.18	4.12	2.50	2.75	4.00	4.00	4.00
Exchange Rate (average)	47.57	49.54	51.25	53.56	55.70	57.93	60.24
Variation Rate (%)	3.2	4.2	3.4	4.5	4.0	4.0	4.0
Exchange Rate (december)	48.25	50.39	53.10	55.49	57.70	60.01	62.41
Variation Rate (%)	3.3	4.4	5.4	4.5	4.0	4.0	4.0

ASSUMPTIONS

	2017	2018	2019	2020	2021	2022	2023
WTI (US$ per barril)	50.9	64.8	57.8	59.1	58.8	59.3	59.0
Gold (US$/Oz)	1,258.8	1,269.0	1,343.1	1,390.8	1,373.0	1,338.2	1,336.2
Nickel (US$/TM)	10,409.6	13,118.5	12,610.3	13,188.6	13,436.4	15,000.0	15,916.7
Mineral Coal API2 (US$/TM)	84.3	92.0	65.2	65.7	62.1	68.4	70.0
U.S. Real GDP Growth (%)	2.4	2.9	2.3	1.9	1.9	1.9	1.9
U.S. Inflation (average)	2.1	2.4	1.8	2.1	2.1	2.2	2.2
U.S. Inflation (december)	2.1	1.9	2.0	2.1	2.0	2.1	2.1

Notes:
1. Projections of the Ministry of Economy,Planning and Development, agreed with the Central Bank and the Ministry of Finance.
2. 2021 onwards, the inflation is projected according to the Central Bank's target.
3. The inflation target is related to the inflation target set by the Central Bank Monetary Board; On the other hand, inflation projections correspond to the expected results, given the evolution of domestic prices and international oil prices.
4. Sources for Exogenous Assumptions: Consensus Forecasts™, IMF, World Bank, EIA and Bloomberg©.