



F
RD
2239
2011

Director's Speech Lic. Héctor Valdez Albizu

64 Anniversary of the Central Bank, October 21, 2011

F
RD
2239
2011

GOVERNOR OF THE
REPUBLIC OF DOMINICAN REPUBLIC



Lic. Héctor Valdez Albizu
Governor

Speech by Governor Héctor Valdez Albizu to Commemorate the 64th Anniversary of the Central Bank of the Dominican Republic

It is my great honor to address all of you for the **fourteenth** time, dear "*Bancentralianos*", on the occasion of commemorating the 64th anniversary of the creation of the Central Bank of the Dominican Republic.

I admit, once again, that when I live moments like these, I am overwhelmed with a particular emotion and a profound gratitude to God, for guiding my path and blessing me with an extraordinary family. The unconditional love, support and understanding of my loved ones are essential to performing the difficult task of serving as head of this institution, in charge of the Monetary and Financial System of the nation, thanks to the confidence placed in me by His Excellency the President of the Republic, Dr. Leonel Fernandez Reyna, who has honored me with such a high distinction.

It is truly not possible to make a commitment that involves so much responsibility without the support of the Central Bank staff, who daily strive to give their best to make "**mission accomplished**" our greatest service to the Nation.

This year has revealed yet again the beautiful bond that unites us as the Central Bank family. Without any reservations, your hearts opened in consolation, to wipe away the tears of the soul, in my very difficult moments of unspeakable pain, due to the loss of a very dear and close family member, and also the sorrow for all the Central Bank with the departure of beloved and memorable co-workers that, as Facundo Cabral has said, "*se nos adelantaron* (left us before their time)", or when we needed to pray together to the Almighty for the health of our employees and their families. Such solidarity joined in a common sentiment!

But not only have we been shaken by personal events. On the international economic and financial front, the aftermath of the global crisis that began in late 2007 has continued to impact all the nations of the world with varying intensity, generating considerable volatility affecting trade and the markets, increasing unemployment and leading to high levels of public and private leverage, among other factors. To be sure, few economists thought that four years after the fact we would still be feeling the brunt of this crisis, with concern that it could lead to a double-dip recession, as has been expressed by Nobel Prize-winning economist Joseph Stiglitz.

International Environment

At the end of 2010, the major economies of the globe were showing encouraging results. However, at the present time the international environment reflects many complexities and

challenges. Now, the new obstacles to global economic recovery are derived mostly from fiscal difficulties and sovereign debt, especially in Greece and other countries in the European periphery.

The latest projections published by the IMF World Economic Outlook (WEO) suggest that the growth of the **global economy** should be around 4.0% for both 2011 and 2012.

We note that for the **United States of America**, our principal trading partner, the IMF has revised growth prospects downward several times this year. The latest projections for this very month of October suggest that growth in the U.S. will stand at around 1.5% in 2011 and 1.8% for 2012, while its labor market continues to be stagnant. Indeed, the U.S. unemployment rate now stands at 9.1%, well above the historical average of around 5%, which has led to the consideration of new fiscal and monetary stimulus proposals, such as the new job-creation bill recently sent to Congress by the President of the United States, although in a rather difficult political environment.

Accordingly, the Eurozone countries should grow about 1.6% for 2011 and 1.1% for 2012. While in Germany and France there is a more encouraging outlook, countries like Portugal, Ireland, Italy, Greece and Spain have low rates of growth, which are negative in some cases. To illustrate this significant contrast, it is enough to mention that the unemployment rate in Germany is 6.6%, the lowest since Germany's reunification in 1989, while Spain has a rate of 21.2%, the highest in Europe.

Despite the difficulties faced by the world's major economies, the situation is very different in the **emerging markets**. As noted by Finance Minister Guido Mantega of Brazil, at the recent Fall Meeting of the IMF and World Bank, in which we participated, "...the developing economies have become the true engine of world economic growth." This is why the IMF predicts that economic growth in 2011 and 2012 will reach close to 9% in China, 7% in India, 6% in Argentina and 5% in Chile, to mention only a few economies. Together, the BRIC countries, namely Brazil, Russia, India and China, would grow by over 7% in the coming years, while the CIVETS, the new group comprised of Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa would grow by more than 4.5% over the medium term.

In the case of **Latin America**, I agree with Chilean Finance Minister Felipe Larrain, who considers that the region today is part of the solution, not the problem. Despite the uncertainty surrounding the major world economies' performance, it is fortunate that Latin America and the Caribbean are well positioned, maintaining a level of growth projected to reach 4.5% by year-end 2011 and 4% for 2012, thanks to the implementation of sound macro policies during the last decade, as well as to the stability and adequate capitalization of their banking sectors.

As you can see, this difficult external situation, which originated in the developed nations, is still fraught with uncertainty because there is no consensus among economists and international agencies insofar as envisioning a solution to this complex situation. This represents the greatest challenge in the decade going forward.

Domestic Policy Responses to the International Crisis

In this context and on the threshold of an Era of Digital Technology that has turned the world into a cyber-village, it is hardly feasible that a small open economy like the Dominican Republic can find itself in isolation from this global problem. We are increasingly integrated, and therefore our economic cycle is impacted by developments in the rest of the world.

Thus, so that the economic agents and the general public may gauge the scope of domestic policies in light of the restrictions imposed by the international crisis, I would like to offer a succinct exposition of the strategies put in place by the government authorities.

As you may recall, as a result of the unfavorable external situation, the present government decided to sign a new Stand-By Arrangement with the IMF in 2009 to protect the national economy, developing a plan of counter-cyclical measures aimed at stimulating economic growth in the short term.

Under this arrangement, and with minimal inflationary pressure, **the Central Bank reduced its policy interest rate by 5.5 percentage points**, this being the third greatest reduction of a benchmark rate in Latin America, exceeded only by Chile and Colombia. Consequently, the weighted average bank lending rate fell by 14.5 percentage points, from 25.2% in January 2009 to 10.7% in August 2010, giving Dominicans access to loan interest rates that have proven to be the lowest in all our national monetary and financial history.

These monetary measures were accompanied by a strong fiscal stimulus through June 2010, in accordance with the IMF Agreement. This combination of policies met our expectations, stimulating consumer activity and public and private investment, thereby expanding GDP, which reached 3.5% in 2009, the highest in the region, and 7.8% in 2010, consolidating the recovery of the economy in an environment with low inflation and a relatively stable exchange rate.

However, as expected, the reduced interest rates meant that all financial institutions increased lending to the private sector at a rate almost double that of nominal GDP. These developments revealed the potential danger of overheating the Dominican economy.

Exacerbating this domestic situation, the sustained rise in international oil prices and other commodities since mid-2010 suggested a need to moderate the rate of growth of domestic demand, to avoid strong deviations from the inflation target. Hence, and proactively if you will, the monetary authorities started the gradual phasing out of the monetary stimulus measures that had been introduced to cushion the effects of the global crisis, and assumed a more neutral policy stance.

Indeed, between October 2010 and May 2011, **the Central Bank gradually increased its policy interest rate by 275 basis points, from 4% to 6.75%**. These measures, by way of the monetary policy transmission mechanism, had an effect on market rates, which increased gradually by about 5 percentage points during this period. To date, the expected moderation in lending, economic activity, and inflation has been achieved.

The monetary aggregates (that is to say money circulating in the economy to sustain the growth of commercial and financial transactions) have followed a similar trajectory. The broad money supply grew at an annualized rate of 7.2% in September 2011, while the expansion

of local currency credit to the private sector slowed from 20% in October last year to 12.5% at the last available date, in line with the Monetary Program and consistent with the behavior of nominal GDP and the inflation target. Furthermore, annualized total bank credit, which includes funding to the public sector, was reduced from 18.1% in October 2010 to 7.3% to date.

I think it is useful and necessary to point out, for the edification of the economic agents, that this recent interest rate performance in the Dominican Republic has been similar to that of other countries in the region. And it is a fact that the monetary policy rate tends to be counter-cyclically adjusted downwards, assuming an expansionary stance, when a major economic slowdown occurs or is foreseen, while the monetary policy rate rises, in a neutral or restrictive stance, when there is a potential risk of overheating that could disturb price stability and the current account deficit.

Fiscal policy was following the same direction as monetary policy, moving from a growth phase until mid-2010 to one of significant spending adjustments, as is evident in the reduction of the central government deficit, from 3.5 % of GDP in 2009 to 2.5% in 2010. This adjustment has continued, so that it is expected that by the end of this year the deficit should be reduced to 1.6% of GDP. This is a truly extraordinary effort if we frame it within the context of the current global economic slowdown.

This distinguished audience is aware of the fact that recently an IMF mission visited the country, in order to complete the seventh revision of the agreement. Following some very fruitful discussions, consensus was reached on almost all the issues, with the exception of the structural criteria for the electricity sector. The reality is that the strong impact of the oil shock meant that, during the first half of the year, the government had sacrifice more than RD\$15.0 billion to subsidize the sector and avoid the necessity of adjusting electricity rates upward to levels higher than had been authorized.

However, I must emphasize and make clear to the public and to all economic agents that the monetary targets for Consolidated Net International Reserves and Net Domestic Assets were met with comfortable margins. Additionally, the implementation of a fiscal adjustment plan allowed the central government deficit target to be met. This figure reached a total of RD\$20.68 billion at end-June 2011, less than the RD\$21.30 billion stipulated in the Stand-international conditions facing the country, the Government has done its homework. Similarly, for end-September 2011, the above mentioned monetary targets are being comfortably complied with, the figures being in the process of final review.

As pointed out in his recent visit to the country to participate in the Twelfth Biarritz Forum, IDB President Luis Alberto Moreno said, "It takes an effort combining monetary and fiscal policies, as well as timely access to external resources, to counteract the effects of the global presence of turbulence," while recognizing the Dominican Republic "as a model country in international crisis management."

In similar fashion this week, Irene Horejs, Ambassador of the European Union, noted that "while the crisis is wreaking havoc in the United States and Europe, the Dominican economy is a prophet in their own land."

Real (Non-Financial) Sector

I now turn to the recent economic performance in the Dominican Republic, as has been customary on this significant date for all "*Bancentralianos*".

Let me announce to the country in this auditorium, this exclusive "first": that the Dominican economy in the January-September 2011 period, as measured by Real Gross Domestic Product, according to still very preliminary figures at this time, registered a growth of 4.2%, a performance that could well be considered satisfactory, if one takes into account the prevailing adverse international situation.

This performance is within the Central Bank's Monetary Program estimate, in conformity with the IMF Agreement, which envisions a rate of growth lower than that recorded in the same prior-year period, given the need to slow down domestic demand and achieve growth according to our potential capacity in a stable environment.

I want to highlight a factor that has undoubtedly contributed to GDP growth this year. I refer to the recovery in economic activities related to external demand, particularly the industrial free zones. These grew by 13.8% in the January-September 2011 period, reversing a negative figure of -5.7% over the same prior-year period.

Similarly I would like to point to growth in the mining sector of 73.9%, which has great promise for 2012, as ferronickel mining activity will continue and gold mining shall begin against a background of high international prices. This should have a positive impact on further boosting Dominican exports, contributing to improvements in the terms of trade and in the Balance of Payments Current Account.

Another externally oriented sector I want to discuss is tourism, the largest source of foreign exchange for the country, and which has a great impact on the rest of the economy. Many analysts had foreseen the collapse of this sector due to the effects of the global crisis. However, it seems that they did not take into account the emergence of new niche markets and the success of Dominican promotional campaigns, since tourism, as measured by the added value to the Hospitality Sector, increased 3.7% in the January-September 2011 period.

Ladies and gentlemen, in the above mentioned period the country welcomed some 3.3 million non-resident travelers, representing an increase of 111,469 in additional foreign visitors, indicating that our tourist sector remains attractive internationally. This result is favorably impacted by South American tourist flows, which in the period in question grew by 42.6%. This represents 84,901 additional tourists, mostly from Brazil, Argentina, Chile and Peru.

Contrary to the negative estimates of some colleagues, tourists arrivals from the United States increased by 40,345 additional passengers and, although on the whole European tourist visits fell by 14,813, a reduction originating mainly in Spain, England and Portugal, Russian tourist arrivals increased by 29,536 additional passengers, followed by France, Italy, Germany and Poland, which also increased their visits to the country.

Other economic activities that contribute to GDP, mostly showed growth in value added, mostly in local manufacturing, 5.7%; agriculture, 6.9%; financial intermediation and insurance, 3.9%; commerce, 3.7%; education, 5.3%; health services, 5.3%; and other service activities, 5.6%. These sectors together represent 72.0% of GDP. In contrast, contractions were observed in the energy and water (-6.9%) and communications (-1.7%) sectors.

Here, it is pertinent to note that the performance of the telecommunications sector has invalidated the argument of some economists, who had claimed that Dominican economic growth could be explained by strong cellphone growth. Well, my friends, in the light of these results, I invite you to draw your own conclusions.

On the other hand, I want to inform you that the sustained economic growth that has been evident over the past seven years has resulted in the creation, on a net basis, of 714,286 new jobs. This, coupled with low inflation and relative exchange rate stability, has resulted in a significant reduction in poverty levels, by 11.8 percentage points as of April 2011. This index fell to 31.6%, in contrast to an elevated figure of 43.4% that existed in October 2004, according to the figures published by the Ministry of Economy, Planning and Development and using the poverty methodology of the World Bank.

This does not mean that we deny that high levels of poverty exist in our country. But we must recognize that, while there has been progress in this regard, additional efforts are still required to reduce this terrible scourge, through national income redistribution policies and targeted social programs that benefit the most vulnerable segments of the population.

Domestic Prices

I believe this satisfactory economic performance is important for maintaining a climate of confidence conducive to investment. To achieve this, it has been crucial to keep inflation pressures in all countries that are net importers of these goods. The Dominican Republic has been no exception.

Indeed, during the January-September 2011 period, **cumulative inflation** measured by the variance in the Consumer Price Index (CPI) was **7.51%**. In this regard, it is necessary to explain that 81% of that variance is attributable to the above mentioned exogenous factors, which led to increases in the price of transportation fuels, electricity, food, and non-alcoholic drinks.

Indicative of the fact that most of the inflation for the period in question responds to external factors, we observe that core inflation, which is caused by monetary factors, stood at just 4.42% during this period. Here I would like to note that in September inflation was only 0.20%, due mainly to the reduction in international oil prices taking place at the time.

External Sector

There is no doubt, dear friends, that the country's external transactions are of great relevance in light of the current international economic situation. I acknowledge that the results of our current external operations have been a major concern for economic agents, analysts, and business groups, who at times offer opinions without carefully considering the issues beyond the domestic sphere, such as the effects of the price of oil and certain commodities that we import.

Preliminary figures related to the external sector for the first nine months of the year show that, despite the unfavorable international outlook, total **exports** showed a notable increase of 24.4%, representing about US\$1.2 billion more than in the same prior-year period. This growth has been driven mainly by mining, minor products, and industrial free zones, the additional income of which significantly surpassed the increases in the oil bill during that period.

In the case of domestic exports of goods, their performance during the period from January to September has been very positive, rising by US\$650.3 million. This was driven by growth in industrial exports, such as rum, beer, steel rebar and Portland cement, as well as of agricultural goods including bananas, avocados, and peppers, in particular to Haiti, a market that consumes about 50% of these products.

In this regard, it is important to note the turnaround in exports from industrial free zones, especially footwear, medical and surgical equipment, jewelry, and textiles, representing an increase of US\$565.2 million over the amount recorded during January-September 2010 and reflecting favorably upon employment in this sector this year.

It is worth noting that during the January-September 2011 period, in line with the slowdown in economic growth and according to still very preliminary figures, total **imports** grew 16.7%. This is a significant reduction of more than 10 percentage points, compared to the 26.9% growth for the same prior-year period. Similarly, growth of domestic imports has fallen by almost half, from 32.6% in January-September 2010 to 16.5% during the same period this year.

It should be noted that one-third of the total national import figure, or US\$ 3.45 billion, corresponded to the oil bill. This is higher by US\$847.0 million than the 2010 figure, due to an increase of 33.8% of the price of oil and its derivatives, despite a volume decrease of 2.4%. It is estimated that by year-end, the oil bill will be in excess of US\$4 billion. This is a heavy burden for an economy like the Dominican Republic, and compels us to implement cost saving measures and alternative sources of power generation, replacing expensive fuels with cheaper options, for example natural gas, the imported volume of which increased by 15.6 percent.

Although imported inflation impacts economies like the Dominican Republic's, it should be noted that the favorable results in the export market and in other foreign currency generating sectors were factors that contributed to the current account deficit growing by US\$565.2 million in the January to September 2011 period. So as can be seen, there has been a gradual improvement in the deficit derived from increasing exports and reducing imports.

Moreover, in the January-September period tourism-related inflows reached US\$3.36 billion, an increase of 3.7% over the same prior-year period. **Remittances** were able to reverse the decline registered in the January-September period last year, growing by 7.2% to a total of US\$ 2.36 billion. These two items exceeded their income corresponding to the same prior-year period by US\$278.6 million.

Regarding the counterpart of the current balance, that is, the balance of payments capital and financial account, it performed favorably, registering US\$3.19 billion. This was due to significant foreign capital inflows, thanks to the confidence that foreign investors have in Dominican macroeconomic stability.

Affecting this result was the fact that, during the January to September period this year, foreign direct investment reached US\$18.4 billion, an increase of US\$397.4 million over the same prior-year period. It is estimated that by the end of this year this figure will surpass US\$2.0 billion for the third consecutive year, quite an achievement considering the prevailing international environment after the global crisis.

Similarly, it should be noted that thanks to macroeconomic stability, the positive outlook for the Dominican economy, and the relatively low country risk levels at the time, the government successfully placed a US\$500 million sovereign bond at 6.95%, which is the lowest financial cost of all of the country's bond issues since 2001.

There is no doubt that this increased flow of foreign exchange has helped to maintain the level of net international reserves above the IMF agreement target, as well as relative exchange rate stability.

There has been a great deal of public discussion related to the magnitude, sustainability, and budgetary impact of the Dominican public debt. Indeed, some economists have suggested that the country's borrowing capacity has reached its limit. The reality is that most of these claims are based on personal opinions, subjective criteria, and incomplete information, without regard to the macroeconomic context, nor do they address the problem within a long-term perspective. By any yardstick, the Dominican Republic's consolidated public debt (including the non-financial public sector and all other public sector debt) is sustainable in the long term, and its annual debt service is manageable from a budgetary perspective.

At the end of August 2011, according to preliminary figures from the Ministry of Finance, the Dominican Republic's consolidated public debt totaled US\$21.11 billion, equivalent to 37.9% of the GDP estimate for this year and significantly below the 48.1% of GDP that the debt represented in 2004. If we take the month of June 2011 as a reference to compare the Dominican consolidated public debt to GDP ratio to that of the major economies of the region, we see that it is below the average for most of these countries, some of which are more developed and competitive, such as Brazil (66.1%), Mexico (42.7%), Argentina (47.8%), Costa Rica (44%), and Panama (40.9%).

It should be remembered that some Latin American economies, such as Haiti, Bolivia, Honduras and Nicaragua, benefit from the Heavily Indebted Poor Countries (HIPC) Initiative. These countries came to have a debt service greater than 20% to 25% of export earnings and a stock of debt equal to or greater than 250% of their export earnings, among other indicators. Therefore, they were extended special treatment, and now receive only concessional loans, which include terms up to 40 years with interest rates below 1 percent.

Financial Sector

There is no doubt, dear friends, that the Dominican financial sector's high levels of capitalization, stability and solvency reflect its solidity and work to mitigate the adverse effects of the widespread global economic crisis.

At month-end September 2011 on an annualized basis, total financial sector asset growth was 11.7%, and the paid-in capital for the sector rose by 32.4%. Some banks registered growth rates that were higher than these. It should be noted that for August of this year, the financial intermediaries taken as a whole had a solvency index of 17.3%, which is well above the 10% established by the Monetary and Financial Law.

Accordingly, it should be noted that private sector lending by multiple service banks at end-September 2011, represented 91.2% of total lending, with the greatest volume directed to the manufacturing, communications, micro-commerce, consumer, and mining sectors.

In addition to this, I should mention that the Monetary and Financial Administration, in line with the new Basel standards and best practices for risk-based supervision, has promoted the adaptation of legislation that regulates the financial system.

Consequently, the Congress has received the Draft Amendments of the Monetary and Financial Law and the Law on Checks, in compliance with the commitments undertaken with the International Monetary Fund in the Stand-By Agreement, in order to provide the country with a modern legal framework in consonance with the new global standards. Also nearing completion is the development of the Draft Law on Financial and/or Economic Groups, which will establish the regulatory framework for consolidated supervision and the prevention of systemic risk.

Similarly, the Monetary Board approved a draft that has already become the Mortgage and Trust Market Development Law, which proposes a range of new financial instruments that will energize the stock market. The Monetary Board is now in the final stages of issuing the corresponding regulations.

Institutional Progress

Dear friends, let me make use of this important occasion to share with you some of the major institutional developments that we have achieved.

I am pleased to announce that, beginning next year, the Central Bank of the Dominican Republic shall officially adopt a monetary policy framework based on an inflation targeting strategy. Consequently, the monetary program will move from annual monetary aggregate targeting to explicit inflation targeting, under the mandate of the new Constitution and the Monetary and Financial Law, which establish price stability as the central policy objective of this institution.

As of 2005, the Central Bank began a gradual transition process towards such an arrangement, in accordance with the best practices of modern central banking. In fact, several Latin American countries, such as Mexico, Brazil, Chile, Peru, Colombia and Guatemala, have been operating under this regime quite successfully for several years. In it, the monetary authorities make a public announcement of a quantitative inflation target for a given timeframe, which tends to anchor the expectations of market players around that specific goal.

As part of this strategy, in monthly meetings dealing with the analysis and forecasting of the principal international and domestic economic variables, the central bank uses its overnight rate to indicate to the market its monetary policy stance, complemented by a diverse range of monetary instruments to control financial system liquidity and thus affect domestic demand in order to control inflation.

In addition, the means employed for the Central Bank's disclosure of information on its website have been strengthened, enhancing the framework of transparency and access to information that characterizes the Central Bank, so that economic agents and the general public are duly informed about monetary and economic decisions and economic perspectives. Recently, the Central Bank began to publish the economic studies prepared by its technical staff on various topics of a macroeconomic nature, and also the biannual publication of the Monetary Policy Report.

I would like to mention that in February, 2011 the Central Bank introduced the results of the new December 2010 CPI base, used to measure inflation. This involved the updating of Dominican consumer patterns, through a new family shopping basket containing 305 goods and services in twelve groups, to calculate the CPI for each quintile. This project incorporates global best practices in the field, and benefitted from technical assistance from several international experts, including from the Economic Commission for Latin America and the Caribbean (ECLAC).

I would also like to repeat the announcement I recently made, that beginning in 2012, the Central Bank will present the results of the national accounts, changing the base year to 2007. This will allow economic agents to receive the latest information relating to the national economy, given the structural changes experienced by the Dominican productive system, after confronting two economic crises, one external and one internal in origin.

With respect to payment systems, we continue the path of modernization and development. As of February of this year, the Central America and Dominican Republic Payment Interconnection System (SIP) began operations. This system allows funds transfers between

customers of banking institutions in Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and the Dominican Republic, and is managed by our Central Bank, in recognition of our having one of the most advanced, safe, and efficient electronic platforms in the region. I would also like to announce that a new Electronic Check Clearinghouse is in the process of being implemented, which will reduce banking transit time to a minimum.

Moreover, beginning in January of this year, Central Bank securities are being placed in a dematerialized form; that is to say, no physical certificates are being issued. Instead, they are being represented by book-entry accounts, similar to the way it is done in modern international stock markets. This means that physical distance is now immaterial, so that investors in Australia or Japan for example, can acquire and negotiate our securities in real time.

Additionally, at the end of this year a new electronic securities auction system will go into service, which will be much more efficient and secure, and repo or repurchase transactions between financial intermediaries will be modernized, using Central Bank and Ministry of Finance securities for collateral, for the purpose of deepening the interbank and public debt markets.

As we can see, our institution has been strengthened in recent years by incorporating the highest standards, for which purpose the Office of Risk Management and Continuity has been created. Similarly, with arduous efforts, we have managed to reduce significantly and continuously the central bank quasi-fiscal deficit as a proportion of GDP, thus complying fully to date with the Recapitalization Law of 2007.

Economic Outlook

Dear friends, at a time when most international organizations are revising their growth projections downward for most of the world's nations, the Dominican Republic should grow by about 5% by the end of this year, with an inflation rate of between 8 and 8.5%, more than 70% of which should be attributable to the price of oil and key commodities, as evidenced by the fact that core inflation would be around 5 percent.

The truth is that overcoming the difficult international situation has been a **Herculean task**, as I have said on several occasions. And to maintain the macroeconomic stability that the country currently enjoys has involved many hours of hard work on the part of His Excellency, Mr. Leonel Fernández Reyna, President of the Republic, the economic team, and many officials and technicians from various public institutions, in the service of the highest national interest.

Despite the unfavorable predictions regarding the performance of the global economy, I confess, albeit perhaps obstinately, that I remain optimistic, because I believe that in the face

of adversity there are also great **opportunities** for an economy like ours, which has comparative and competitive advantages in many sectors. In fact, some of the commodities whose prices have risen in international markets are produced here in this country, as is the case with gold, ferronickel, sugar, coffee and cocoa, among others. This, together with the upswing in the industrial free zones, is indicative of good prospects for the performance of our exports, along with the positive outlook that is foreseen for tourism, remittances, and foreign investment.

For those sectors that cater to domestic demand, we expect that key activities such as agriculture, manufacturing and construction, to name a few, will continue to grow. The construction sector in particular, which has the greatest multiplier effect, is looking at great opportunities made possible by the new Law on Mortgage Market Development and Trusteeships, which will contribute to reduce the country's housing shortage substantially, lead to sustained economic growth and job creation, and will improve the quality of life for Dominican workers.

Final Insights

Dear friends, the complex international situation that affects us today cannot be denied; as the distinguished economist Paul Krugman said, "The economic crisis that began in 2008 has not been overcome under any circumstances." Here at the Central Bank we will continue monitoring the situation, to act promptly and proactively as we have been doing, to help mitigate its effects domestically, and will maintain our uncompromising commitment to preserve price stability.

I'm convinced that persistent, high inflation leads to uncertainty in the economy, and is detrimental to economic growth, job creation, and the welfare of the large segments of the population that would be most vulnerable.

A nation behaves like a set of scales that, in order to maintain balance, depends on a support, which in this case is **macroeconomic stability**. This is something that we have achieved but once had lost, and that we must watch over very carefully. Fortunately in this pre-electoral period, the candidates have committed themselves to preserve it as a key element of their government proposals.

As I have stated so emphatically on the occasions where I have had the opportunity to speak, the challenges going forward are great. Dominicans have demonstrated that we have the ability to reinvent ourselves when necessary, with a creative and entrepreneurial spirit, with the private sector assuming the leadership role that is required to stimulate economic growth.

We must make an effort to reorient our economic model, placing the integral development of the human being at its central axis, emphasizing education, health, decent housing and equal opportunity for all. To achieve this, it is essential to promote domestic savings, investment, and competitiveness, as well as a larger and better domestic production conducive to food security, among other strategic and high priority tasks that will allow us to continue along a path of progress and greater social equity.

To paraphrase that great technological entrepreneur who recently passed away, Steve Jobs, the founder of Apple, I wish to leave a message for the Central Bank family: "everybody's

time has limits ... have the courage to follow your heart and intuition ... everything else is secondary."

I end my message, as usual, urging you to commit yourselves to the future, with faith in God, and optimism for better days ahead. May God bless you all!

Thank you very much!

October 21, 2011