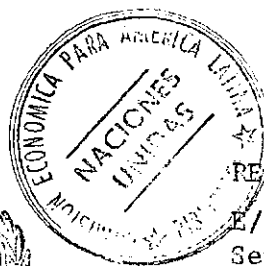


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ECONOMIC SURVEY OF LATIN AMERICA

1979

DOMINICAN REPUBLIC

This preliminary version of the Economic Survey of Latin America, 1979 is being distributed in 27 separate parts: an Introduction of a general nature, bearing the symbol E/CEPAL/R.227, and 26 Addenda to this document, each containing a study of the economic development of a country of the region. These Addenda will not appear in alphabetical order, but in order of completion. The complete Survey will be published in the usual printed version when the comments arising out of this preliminary version have been collected.

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DOMINICAN REPUBLIC

1. Recent economic trends: Introduction and summary

The favourable development of the main productive activities in the first two thirds of the year and the satisfactory performance of exports and their purchasing power seemed to indicate that 1979 would be a good year for the economy of the Dominican Republic. However, some problems of a secondary and relatively manageable nature were subsequently aggravated by other, uncontrollable problems which caused a total upheaval in economic activity. Thus, in the middle of the year there were heavy rains and flooding, which mainly affected agriculture, then, towards the end of August, hurricane David devastated one area of the country, while at the beginning of September tropical storm Frederick completed a series of disasters which caused damage estimated at US\$ 800 million.

In these conditions, the gross domestic product rose by 3.6% - an obvious improvement over 1978, but not so impressive when compared with the evolution of the product during the rest of the decade, and especially when it is considered that the per capita product increased by less than 1% (see table 1).

Except for agriculture and electricity, gas and water supply, where production fell, the other sectors showed positive growth rates during 1979. Some sectors, such as mining grew quite considerably, and while manufacturing and construction did not match these rates, their growth was at least higher than that recorded for the previous year.

The most successful results were those for foreign trade. As a result of the 34% increase in exports of goods and services due both to rises in the volume exported and an increase in prices of about 16% it was possible to increase imports of goods and services significantly (22%) and, to a lesser extent, to improve the terms of trade, thanks to which gross income rose by slightly over 4%, which was a bigger increase than that shown by the total product.

/The fact

The fact that exports rose more rapidly than imports and that there was a bigger inflow of resources under the heading of private transfers resulted in a slight reduction in the current deficit. Moreover, the net inflow of foreign capital was as high as that reached in 1978, resulting this time in an increase in the net international reserves.

In addition, unlike the preceding year, imports rose substantially (14% at constant prices), and this, along with the increase in domestic production, meant that total supply increased by somewhat more than 5% and domestic availability of goods and services by nearly 4%. Although these figures are not high, they nevertheless represent significant progress over those recorded for 1978 and made possible a slight recovery in fixed capital formation and a somewhat larger one in consumption expenditure.

The storm and hurricane damage, which mainly affected agriculture but also had an impact on other productive activities, resulted towards the end of the year in scarcities of many products, especially foodstuffs, and higher prices. Consumer prices, which had risen by an average of 1% a month up to October, showed an increase of 3.3% in November and 10% in December, so that the rate of inflation (25% from December 1978 to December 1979) rose again sharply after having slackened off in 1978 (see table 1).

The means of payment also increased much more than in the four preceding years, and Government expenditure likewise showed an unusually large rise of almost 50% owing to the reconstruction activities undertaken. The fiscal deficit thus increased markedly to 34% of total Government expenditure. In these circumstances, the Government resorted to increased external borrowing, and the debt servicing payments for 1979 rose to such a level that it was impossible to cover them completely.

Moreover, the meteorological disasters caused the paralyzation and abruptly change of the policy which the Government had been following in line with the economic and social strategy formulated by the administration which took office in 1978.

Between January and August considerable progress was made in the initial phase of this strategy. The measures taken included the financing of improved seeds, the initiation of action to reorient social welfare spending towards

/the provision

the provision of housing, education and health services to rural communities, the revision of the private investment code to delineate the field of action of the various economic agents, and the granting of incentives to industry in certain priority areas.

In institutional matters, steps were taken to reorganize the financial and administrative arrangements. For example, part of the external debt of the decentralized enterprises was settled; the structure of current spending was modified, and tax reform was instituted, while a Ministry of Tourism was created for the purpose of regulating activities related to promotion and expansion of the infrastructure, and a National Committee on Energy Policy was set up and made responsible for formulating and carrying out a programme of finding substitutes for hydrocarbons as the chief energy source.

2. Trends in economic activity

(a) Total supply and demand trends

In 1979 the overall supply of goods and services recovered from the marked slowdown experienced in 1978 and grew by 5.3%. Imports of goods and services were especially important in this connexion, since the increase in the gross domestic product was only moderate (see table 2).

The production of goods and economic activity in general felt the repercussions of the storms which occurred at the beginning of the second half of the year and of hurricanes David and Frederick at the end of August and beginning of September, upsetting the promising economic outlook of the early months of 1979. Thanks to the ample purchasing power of exports, the volume of imports increased by rather more than 14% (after having contracted significantly the preceding year) in spite of the measures imposed by the Central Bank to prohibit or restrict the importation of certain luxury consumer goods.

/Total demand

Total demand was backed up primarily by the significant (16%) increase in exports at constant prices after the declines of 1977 and 1978. In these conditions, the domestic availability of goods and services rose by about 4% owing to a sharp drop in gross domestic investment due to a reduction in stocks and the considerable rise in overall consumption, in which a large part was played by the expansion of general government consumption expenditure and in particular the hiring of a large labour force for reconstruction work in the last four months of the year.

Unlike what happened in the case of gross domestic investment, the rise in gross fixed investment was not as weak as it had been the preceding year. This was of course partly attributable to the reconstruction work carried out by the public and private sectors.

In the past two years, there has been no large-scale project to take the place of the big infrastructure programmes which boosted public investment in preceding years and caused it to grow at an average annual rate of 21% in the period 1970-1976.

(b) Evolution of the main sectors

Economic activity did not manage to grow by more than 3.6% owing to the serious damage caused by the natural disasters mentioned above with the result that the per capita product increased by less than 1%. These figures are, however, an improvement over those recorded in 1978, and the recovery of mining activity in particular was significant. Manufacturing, construction, transport and government services also did better than in 1978. On the other hand, agriculture declined in contrast with its favourable performance the preceding year (see table 3).

(i) Agriculture. In recent years, agricultural production has been affected by various disasters. The first of these was the drought of 1977, which had grave repercussions; in 1978, the country's pigs were decimated by African swine fever, and in May and June 1979 there were heavy rains, followed in August by hurricane David, which caused tremendous damage to plantations - especially of coffee, cocoa and bananas - and in September by tropical storm Frederick, which flooded sugar plantations and crops for domestic consumption. Both the hurricane and the storm struck in the richest

/agricultural areas

agricultural areas of the country, destroying crops which had already been lifted, devastating plantations, damaging irrigation canals, roads and buildings, and causing losses in animal and poultry farms.

It is estimated that the gross value of agricultural production fell by almost 7% in 1979, the damage being less severe in the domestic consumption sector than in the export sector (see table 4).

The action taken by the Government in 1978, and in particular the institution of price policies for rice and bean production, which had given good results that year and promised to be equally successful in 1979, made it reasonable to hope that the output at least of rice, cassava, plantains and beans would be sufficient to meet normal domestic demand.

Harvesting of most of the crops for domestic consumption produced in the 1978/1979 growing season was completed in August. The excessive rains which flooded a large part of the arable land area delayed preparations for the 1979/1980 season, and only a few products with a short growing season, such as early vegetables and legumes, were back on the market at the end of November. On the other hand, it was impossible to begin planting tubers and pulses until early in 1980. The cultivation of plantains, which are a very important item for domestic consumption, was also seriously affected. Although many agricultural and livestock products for domestic consumption were in short supply on the local market for nearly two months, it is estimated that production finally fell by only 2.8%, which made it necessary to import US\$ 41 million worth of maize, wheat, onions, potatoes, garlic, beans and other products.

The output of agricultural products for export fell by nearly 14%: among them, sugar production dropped by 11% to 1,135,000 tons. The flooding of the cane fields delayed the 1979/1980 harvest until the middle of December, so that only a small part of the output was included in the 1979 production figures.

/The coffee

The coffee harvest fell by almost 38%. By disrupting communications and destroying installations, the storms caused an estimated loss of 120,000 bags, and the damage is even more severe when it is considered that 40% of the coffee plantations in the area west of Santo Domingo were affected and it will take three or four years to recover the levels of production registered before the hurricanes. Moreover, it should be noted that the 1979 harvest was also affected by the spring rains, which came when the plants were in flower, the inadequate use of fertilizers, and the advanced age of the coffee plantations.

As regards livestock production, after the 1978 outbreak of African swine fever, which made it necessary to slaughter a large part of the pig population, in 1979 practically all poultry farming was wiped out by wind, rain and flooding. In these circumstances, livestock production grew by 3.4% - only one-third of its 1978 growth rate. Production of pigmeat fell by 16% for the reasons mentioned above, but production of chickens rose by 11% and provided a substitute for this type of meat.

(ii) Mining. A 24% increase in mining production made up for the large decrease in 1978, which had been preceded by a smaller decrease in 1977 (see table 3).

The production of bauxite, which had been dropping markedly since 1974, decreased again in 1979, making it impossible to benefit from the favourable trend in the international price of this commodity in recent years. The drop in production was about 4%, while the volume exported fell by approximately 16%. Towards the end of 1979 the Government embarked on negotiations to renew the contract with the enterprise exploiting the Cabo Rojo bauxite deposit.

In contrast, the production of ferronickel rose by a little over 35%, marking a return to the production levels of 1976 and 1977. The volume of exports of this mineral increased by 31%, and its price in external markets by 27%. Because of the increasing external demand for ferronickel, it was decided to bring back into operation an electric smelting plant which had been laid off in 1978 (see table 5).

/Production of

Production of doré - a gold and silver alloy, in which silver predominates - rose by 22%. Production of silver alone increased by almost 27% to 2.3 million troy ounces, or 2.6 times the 1976 output. However, gold output has dropped by 17% since that year. The average export price of these products rose by approximately 50% during 1979.

At the end of 1976 the Government had acquired a 46% share in Rosario Dominicana, a mixed company exploiting the ferronickel deposits, and in October 1979 it acquired, at a cost of US\$ 70 million to be paid over a period of five years from 1981, the remaining 54% of the capital which had been held by a foreign firm. A service contract was also signed with the same firm to operate the Pueblo Viejo gold mine until the end of 1980, as was another contract to carry out studies on the exploitation of the Los Cacaos and Monte Negro deposits. In addition the Government of France is providing assistance in exploring the possibility of exploiting copper and magnesium deposits in the Central Cordillera.

(iii) Manufacturing. In 1978 the manufacturing product fell by about 1%, and in 1979 it rose by barely 2%, while the gross value of production rose by 5%. The small amount of information available for 1979 indicates that the food and beverages branch was the major contributor to this increase. Sugar milling grew by only 2% (see table 6).

The main problems impeding the normal development of industrial activity arose from September onwards, and were mainly related to the supply of electric power and petroleum products, losses of stocks of raw materials and finished products, and damage to industrial installations, all of which had a negative impact on manufacturing production.

In the course of 1979 steps were taken to restructure the industrial strategy for providing incentives for the production of goods for the domestic market, with special emphasis on agro-industries, and production for external markets was also promoted through the law on export incentives, while training programmes were conducted by the State Sugar Council. This policy also provided for the expansion of credit to industrial enterprises through the Economic Development Investment Fund (FIDE).

/The assembling

The assembling of imported parts for export has been expanding since 1971. During the period 1971-1978, exports of these products increased 17 times over and accounted for 75% of the total increase in sales of manufactures abroad. However, there is insufficient data available to evaluate the relative importance of these new industries in national manufacturing.

At present there are three free zones, all of them outside the capital district. The largest is La Romana, which is operated by a United States enterprise; the second largest is San Pedro de Macoris, which is in the hands of the Industrial Development Corporation, and the third is Santiago de los Caballeros, which depends on Dominican private initiative. These enterprises employ about 13,000 people who represent 28% of the population engaged in manufacturing outside the sugar industry. The minimum wage is equivalent to about 50 US cents an hour, which is about the same as the national minimum wage. The total cumulative investment in these 56 enterprises, most of which are of United States origin, amounts to about US\$ 35 million.

The leading exports of these new industries are cigarettes and cigars (35%), for which the inputs are entirely of national origin; textiles and wearing apparel (28%); electrical and electronic products (17%) and footwear and leather manufactures (10%). All of these products are exported to Puerto Rico and the United States of America.

Although the free zone enterprises were not hit directly by the hurricanes, they encountered other difficulties relating to a decrease in the supply of diesel oil, which led to cuts and interruptions in the electric power supply. During the year, the Government negotiated with the Government of the United States of America regarding restrictions on the export of cotton wearing apparel to that country. These restrictions affect the enterprises in San Pedro de Macoris and Santiago de los Caballeros, 75% of which are engaged in the textile industry.

Finally, the private sector delayed taking investment decisions until such time as the results of the revision of the law on industrial incentives (Act 299 of 1968) and of the adoption of new measures to promote exports became known.

/(iv) Construction.

(iv) Construction. For a number of years past construction activity has played an essential role in the country's development. Between 1970 and 1977 the value added in the sector rose at a rate of 14% a year, but this increase slackened in 1978 to a little over 2% and to 3% in 1979. In the latter year, the Government confined itself to the construction of a few rural clinics and secondary roads. It did not initiate any large-scale projects, although at the beginning of the year it prepared a programme to construct low-cost dwellings, on which little progress was made because of the changes in priorities necessitated by the weather conditions.

The growth in construction was primarily due to home repairs and rehabilitation of the infrastructure. However, growth was held back by a rise in the price of building materials compared with the preceding year which exceeded 50% in many cases.

(v) Energy production and consumption. The structure of energy supply has changed little since 1973. Petroleum has continued to constitute the primary energy source (68%), followed by sugar-cane bagasse (19%) and wood and charcoal (10%). Hydroelectric power represents only 2% of the total energy supply.

The rapid growth of mining and industry was reflected in an increase in the consumption of electricity and liquid fuels. In 1978, 43% of the imported petroleum consumed was accounted for by these sectors, one reason being that the mining industry requires large amounts of energy in order to operate.^{1/} The frequent interruptions in the electricity supply up to 1977 caused many industries to import their own generating equipment. Between 1973 and 1977, 300 generating plants with a total capacity of 120 MW were imported: i.e., the equivalent of 25% of the effective capacity of the Dominican Electricity Corporation.

^{1/} A fifth of all hydrocarbon imports are carried out directly by the mining enterprise which exploits ferronickel (US\$ 56 million in 1979).

The transportation sector consumes 25% of the petroleum imported. This figure has risen a great deal because of the large increase in the number of private motor vehicles and is also influenced by the need to transport 11 to 12 million tons of sugar-cane a year to the storage centres by truck. It should be pointed out that in spite of an 87% increase in the price of gasoline and a smaller increase in the price of diesel oil, consumption of these fuels did not fall during 1979.

Ninety per cent of the electric power consumed is generated in thermal power stations using petroleum, and only 10% in hydroelectric stations. For the past 10 years, home consumption has represented 39% of the total consumption of electricity; the industrial sector, 38%; the commercial sector, 13%, and public lighting 10%. Rises in the international price of hydrocarbons during 1979 compelled the Dominican Electricity Corporation to raise its electricity tariffs progressively. On the other hand, although an attempt has been made to bring irregular users into the distribution system, the absence until recently of a national energy policy 2/ has greatly increased the country's dependence on liquid petroleum derivatives, and nothing can be done to lessen this dependence in the medium term, since the great majority of power stations under construction are thermal stations (Itabo (128 MW), Haina 5 (85 MW) and Puerto Plata II (37 MW)), only one of them (Río Blanco (25 MW)) being a hydroelectric station. In the next three years an assesment will be made of potential hydrocarbon reserves (estimates have so far been very low), and of the possibilities for using water resources. Feasibility studies will also be completed on three hydroelectric stations (Alto Yaque (175 MW), Alto Bao (150 MW) and Río Yaque del Sur (27 MW)), construction of which is scheduled to begin after 1982.

3. The external sector

(a) Merchandise trade

There was a considerable increase (32%) in the value of exports of goods in 1979 following the appreciable drop the preceding year. The favourable results obtained were due to an increase of about 15% in the volume exported and in average prices (see table 7).

2/ The National Energy Policy Commission was created by law in February 1979 by Decree No. 584 and was actually set up in November of the same year.

The higher prices were mainly due to the increases recorded for ferronickel and doré (an alloy of gold and silver), while the biggest increases in the volume exported were recorded for the same two products and for coffee.

Imports of goods grew by 23%, in contrast with the almost total stagnation shown in 1978, due to increases of around 11% in both volume and price.

Because the unit value of exports showed a greater increase than the unit value of imports, the terms of trade improved by approximately 4%, although this represented only a slight recovery after the drastic deterioration which had occurred in the three preceding years.

The purchasing power of exports increased by 20%, thanks to the spurt in the volume exported and the improvement in the terms of trade mentioned above. Even so, however, the purchasing power of exports in 1979 was 25% lower than that recorded in 1975 and also lower than it had been in 1977, prior to the drop in 1978.

(i) Exports. Income from exports of goods amounted to approximately US\$ 900 million in 1979: a similar figure to that reached in 1975, when the average price of sugar amounted to US\$ 590 a ton.

Non-traditional exports such as doré, ferronickel and manufactures, which represent 38% of total foreign sales, rose by 68% in 1979 and thus helped to secure a more dynamic growth rate for exports as a whole. Sales of traditional products increased by almost 15% (see table 8).

Sugar continued to constitute the main export product. Exports of this commodity came to US\$ 206 million in 1979, 23% of total export income. Although it proved possible to export most of the 1978/1979 harvest before the hurricanes struck, the delay in the 1979/1980 harvest as a result of flooding made it necessary to fall back on the 136,000 tons in storage during the final quarter in order to try to meet the basic initial quota of 935,000 tons provided for in the International Sugar Agreement, which was expanded by 100,000 tons in 1979. In the end 985,000 tons were exported (an increase of 8.7% over 1978), at a price which was 2% higher on average. The price of sugar on the international market began to

/rise in

rise in September, reaching 15.5 US cents a pound at the end of December. Because of the bad weather conditions already referred to, full benefit could not be taken of that favourable price trend or of the increased access to the United States market.^{3/}

The value of coffee sales increased 48% thanks to an increase of 44% in the volume exported (including the sale of part of the 1979/1980 harvest) and a rise of not quite 3% in the price. Cocoa exports, on the other hand, fell by around 14%. The volume of cocoa sold decreased by approximately 10%, although production rose by about the same amount, and the price fell by slightly less than 5%.

The value of tobacco exports has doubled over the past two years, with increases of 50% in 1978 and 26% in 1979. Both the price and the volume of exports rose between 12% and 14%, although the end-of-season stocks were damaged by the rains and flooding delayed the harvesting of the 1979/1980 crop.

As regards minerals, only 635,000 tons of bauxite were sold, representing a drop of 16% from the preceding year, so that although the price of bauxite rose by about 8%, the value of exports of this product fell by 9%. On the other hand, exports of ferronickel and doré increased considerably, and in 1979 ferronickel sales amounted to US\$ 48 million more than the previous year, an increase of 66%.

The increase in doré exports was even greater (88%), owing to a 25% increase in the volume of sales and a 50% increase in price. As a result, sales of this metal rose to US\$ 137 million, making it the third most valuable export item and bringing its value very close to that of coffee exports.

Exports of industrial products rose by 46%, mainly thanks to the buoyant performance of the assembly industries, since the export of agro-industrial products was prohibited as from September in order to ensure that the domestic market was kept supplied.

(ii) Imports. Purchases of goods abroad rose by 23% in 1979. About half of that increase was due to an increase in the volume imported and the other half to higher prices. Rises in the international prices of hydrocarbons alone accounted for 40% of the increase in the value of imports.

^{3/} In October 1979, the United States eliminated the tariff on imports of raw sugar in response to the growing price rises on the open market. In addition, import duty was reduced from 2.81 to 0.625 US cents per pound in January 1980.

Imports of petroleum and petroleum derivatives represented 27% of total purchases of goods in 1979 - a figure almost four times higher than that recorded at the beginning of the 1970s - and for the second year running, sugar exports were not enough to cover the petroleum bill. While the total value of imports in 1979 was 3.8 times higher than in 1970, purchases of petroleum and petroleum derivatives were over 15 times as great (see table 9).

The average price paid for each barrel of petroleum during the year was approximately US\$ 20, which was 50% higher than the price paid in 1978. Moreover, the volume of liquid fuel imported was 7.5% higher.

Imports of machinery and equipment, which represent the second highest import category after petroleum, have not grown in the past four years, and in terms of volume they have actually gone down.

As regards food, imports of oils and fat rose by almost 80%, this rise being due in particular to the bigger purchases of cottonseed oil (US\$ 28 million) and soya bean oil (US\$ 19 million). Cereal purchases were mainly made up of wheat (US\$ 23 million), maize (US\$ 11 million) and kidney beans (US\$ 4 million). Because of the hurricanes, it was necessary to import other food products as well, including potatoes, garlic, tomatoes, onions and frozen chicken, at a cost of US\$ 2.4 million.

In an effort to check the increase in imports, in April the Central Bank institutionalized the unofficial foreign currency market by issuing a list of goods which can only be imported with foreign currency paid for at the unofficial exchange rate.^{4/} About a quarter of the imports of goods and approximately 40 to 45% of all international transactions were financed through this mechanism. The parallel system applied to such items as food imports, travel expenses and transfers to Dominican subjects abroad, etc. Also in April, a two-year prohibition was placed on the import of automobiles costing more than US\$ 4,000 FOB and on prepared foods and wearing apparel which could be produced locally.

^{4/} During 1979 the unofficial rate of exchange of foreign currency in the city of Santo Domingo was between 18 and 20% higher than the official rate. The unofficial rate began to decrease in September on account of the increasing foreign currency remittances by residents abroad.

(b) Tourism and other services

Tourism constitutes a very important and dynamic sector, although it nevertheless usually yields a deficit, which came to US\$ 6 million in 1979. Income from tourism rose by 18% and the number of tourists by 17%. About 482,000 people visited the country during the year, but most of them were cruise-ship visitors, who spend less money than other tourists on the average.

In 1979 the Government established a Ministry of Tourism to promote this sector by conducting campaigns abroad and to co-ordinate efforts made in conjunction with the private sector to create a tourist infrastructure. One illustration of the results of this policy is the integral development of a 125 kilometre coastal strip (the Playa Dorada project at Puerto Plata and the Playa Grande project at Río San Juan), with an initial investment of US\$ 71 million supplied by the World Bank (US\$ 25 million), the Central Bank (US\$ 10 million) and private shareholders (US\$ 36 million). An international hotel complex is also under construction in Punta Cana at a cost of US\$ 12 million.

As regards other services, the high receipts recorded in 1979 were due to reinsurance payments of approximately US\$ 45 million as a result of the hurricanes.

(c) The current account position and its financing

There was a negative merchandise trade balance of US\$ 165 million, US\$ 20 million less than in 1978, while the overall trade deficit was US\$ 292 million - US\$ 28 million less than the previous year.

Net payments of profits and especially of interest on foreign capital rose tremendously (68%) in 1979. However, this was compensated for to a large extent by unusually high private transfer payments, so that the deficit on current account followed the same pattern as the trade deficit, dropping by US\$ 22 million in comparison with the preceding year to US\$ 355 million (see table 10).

Net receipts of non-compensatory capital in 1979 came to about the same amount as the year before, but unlike what happened in that year they made possible a US\$ 9 million increase in net international reserves.

/In recent

In recent years the deficit on current account has been covered by the growing inflow of short- and medium-term capital, whereas direct foreign investment has been rising only slowly.

Because of the hurricane and the storms and the damage they caused, the payment of credits arranged previously was speeded up and there was also a greater inflow of capital (especially long-term capital) for purposes of reconstruction. Among such capital inflows, mention may be made in particular of two contributions from the International Monetary Fund: one for an amount equivalent to 27.5 million Special Drawing Rights (SDRs), corresponding to the first and second credit branches for the Dominican Republic, and the other for slightly over 23 million SDRs representing compensatory financing for the drop in traditional exports such as cocoa. The Inter-American Development Bank also allocated US\$ 80 million from the Special Operations Fund to assist livestock and crop farming rehabilitation projects and an equivalent amount to cover expenses incurred in the reconstruction and repair of the infrastructure. The World Bank, for its part, granted two loans totalling US\$ 70 million to the State Sugar Council, US\$ 35 million of this being earmarked for the rehabilitation of the sugar plantations. It also extended US\$ 10 million of credit to the Central Bank for the Puerto Plata tourist project. The Venezuelan Investment Fund loaned US\$ 40 million, and a US\$ 60 million loan granted in 1976 was renegotiated with Venezuela. Finally, the Government obtained a US\$ 185 million loan from a consortium of commercial banks, mainly for the short-term financing of the public debt.

(d) External debt

At the end of 1979, the external debt with a term of more than one year amounted to about US\$ 1,600 million. In other words, it increased 24% during the year, or twice the increase recorded in 1978 (see table 11).

The increase in the deficit on current account and the emergencies which had to be dealt with towards the end of the year forced the Government to resort to greater external financing, and the public external debt, which rose by 48% in the course of the year, stood at approximately US\$ 1,100 million in December 1979. Many of the loans were granted by

/international financial

international financial agencies on very favourable terms, in view of the purpose for which they were intended, but nevertheless commercial credit amounting to US\$ 185 million was used both to finance part of the external debt incurred by decentralized enterprises and to cover the deficit on current account.

Payments scheduled for 1979 included US\$ 680 million to service the external debt, US\$ 575 million in amortization payments, and US\$ 105 million in interest, but according to preliminary information only a third of those amounts were paid. The Government was in general successful in refinancing the debt, partly because of the country's afflictions due to the hurricanes.

4. Prices and wages

Domestic prices climbed significantly in 1979, particularly towards the end of the year. The variation between annual averages for the consumer price index came to a little over 9%, while the December to December variation was slightly more than 26%. These figures were several times higher than in 1978, when the inflationary process slackened markedly. Compared with previous years, however, although the variation between annual averages had been exceeded several times in the past, the increase between December 1978 and December 1979 was by far the highest recorded in the 1970s (see table 12).

Up to October consumer prices rose at an average rate of 1% a month, but in November they rose by 3.3% and in December, by 10.2%. This rapid acceleration may be ascribed mainly to the rise in food prices, which climbed by almost 42% between December 1978 and December 1979.

Damage to food crops and the drop in the production of meat and processed foodstuffs in the final months of the year resulted in interruptions in supplies to domestic markets which imports could not immediately correct, thus giving rise to shortages and high prices.

/Wages came

Wages came under official review in June and as a result the minimum monthly wage rose from 100 to 125 pesos (the last increase had been approved in October 1978). Salaries and wages lower than 300 pesos were raised by 10%, and the minimum daily wage for farm workers rose from 2.50 to 3.50 pesos. However, these increases did not benefit a large percentage of workers in the informal sector.

5. Monetary and fiscal policies

(a) Monetary policy

Both external and domestic factors affected the monetary policy in 1979. Increased import prices, resulting in particular from rises in the price of petroleum and the increasing burden of servicing the public external debt, were responsible for a continued decline in the net international assets. On the other hand, the revitalization of the economy and the unusually high expenditure for purposes of reconstruction caused an increase in the expansion of domestic credit, which grew more than twice as fast as it had the previous year (see table 13). Thus, net credit granted to the Government increased by 43%, which was much higher than the 13% rise recorded in 1978, and credit granted to public institutions and bodies continued to grow at the same high rate of the previous year (25%). Credit granted to the private sector increased by almost 11%, which was also considerably higher than the figure for 1978.

All these factors helped to expand the means of payment. The money supply, which had grown by only a little over 4% in 1978, grew by almost 30% in 1979. Currency outside banks grew by 23% and current account deposits by 36%.^{5/} In the final quarter, the growth of money in circulation (22%) was greater than in earlier quarters, both in keeping with what usually happens at the end of the year and also because of the need to obtain more resources to cover the high additional expenses incurred by the State since October. Domestic credit covered 40% of the fiscal deficit.

^{5/} It should be pointed out that between December 1978 and May 1979, money in circulation decreased by 17% owing to the decision by the Central Bank to restrict it until US\$ 75 million of an external commercial loan of US\$ 185 million was paid.

/Finally, although

Finally, although quasi-money recovered from its decline of the previous year, it still grew very slowly (4.3%), in contrast with the growth recorded by sight deposits.

(b) Fiscal policy

During 1979 the fiscal imbalance became more pronounced. The substantial increase in current and capital expenditure, which was much higher than the increase in receipts, caused the fiscal deficit to treble so that it amounted to 34% of the total expenditure and 6% of the gross domestic product.

Current central government income grew by nearly 17% (in 1978 it had declined) and tax revenue by about 13%, with about 44% of this revenue coming from foreign trade (see table 14). Import taxes rose by less than 5% during the year because hydrocarbons, which are subject to very low tariffs, accounted for an increasing proportion of foreign purchases and because the external aid received because of the hurricanes was of course tax-free. On the other hand, revenue from taxes on external sales increased by 37%, since the main exports rose both in volume and price. Moreover, in consequence of a revision of the taxable income scale, income tax revenue rose by 17%.^{6/} Taxes on sales of goods and services, and especially on sales of alcoholic beverages and tobacco, rose by a little more than 15%.

The tax burden has decreased since 1975, and it is estimated that in 1979 it represented about 11% of the gross domestic product. With a view to increasing the elasticity of the system, tax reforms were adopted to improve its structure and administration, and consideration is being given to the introduction of a value added tax.

Current expenditure grew by 37% - much more than income - owing both to wage rises and to the hiring of additional labour for reconstruction activities during the final quarter of the year. This reduced current saving to less than half its previous level.

^{6/} Act No. 39 of 9 May 1979 provides for new income tax scales (the old scales had remained unchanged since 1961) and exempts the lower income categories from paying income tax.

Capital expenditure increased even faster than current expenditure, owing in particular to the sharp increase in transfers of capital to decentralized bodies and public service enterprises, including a US\$ 155 million transfer in the form of a loan, of which US\$ 75 million was transferred to various State enterprises to modernize their equipment and expand their productive capacity. On the other hand, real investment by the central government again decreased, this time by slightly more than 22%, thereby bringing its share in total public investment down from 49% in 1978 to one-third of the total in 1979.

Finally, although the special public expenditure programme for national reconstruction could not be fully implemented during the final quarter of 1979, part of the 114 million pesos earmarked for that programme were allocated to various sectors of the public service.

Table 1

DOMINICAN REPUBLIC: MAIN ECONOMIC INDICATORS

	1974	1975	1976	1977	1978	1979(a)
<hr/>						
A. Basic economic indicators						
Gross domestic product at factor cost (millions of US dollars at 1970 prices)	2 231	2 347	2 205	2 643	2 704	2 801
Population (millions)	5.09	5.23	5.37	5.51	5.65	5.80
Per capita gross domestic product (US dollars at 1970 prices)	439	449	467	480	478	483
<hr/>						
	<u>Growth rates</u>					
<hr/>						
B. Short-run economic indicators						
Gross domestic product	6.0	5.2	6.7	5.5	2.3	3.6
Per capita gross domestic product	3.1	2.3	3.9	2.8	-0.3	0.9
Gross income (b)	8.4	11.6	-0.4	6.1	0.8	4.2
Terms of trade	13.2	40.3	-32.9	4.0	-10.4	3.7
Current value of exports of goods and services	42.2	38.2	-16.7	9.3	-10.2	34.1
Current value of imports of goods and services	62.4	10.2	-0.3	10.1	3.2	22.2
Consumer price index (c)						
December to December	10.5	16.5	7.0	8.5	1.8	26.2
Variation between annual averages	13.2	14.5	7.9	12.8	3.5	9.2
Money	38.2	5.7	0.8	17.9	4.4	29.8
Current income of government	32.3	37.7	-11.3	9.9	-6.8	16.6
Total expenditure of government	32.5	27.3	-12.9	9.0	9.5	47.7
Fiscal deficit/total expenditure of government (d)	1.6	2.6	2.4	1.6	16.2	33.9
<hr/>						
	<u>Millions of US dollars</u>					
<hr/>						
C. External sector						
Trade balance (goods and services)	-187	-1	-167	-191	-320	-292
Balance on current account	-243	-78	-247	-266	-376	-355
Variation in net international reserves	-30	19	8	9	-11	9
External debt	632	721	870	1 034	1 156	1 434

Source: CEPAL, on the basis of official data.

(a) Preliminary figures.

(b) Gross domestic product plus terms-of-trade effect.

(c) General index of consumer prices in Santo Domingo.

(d) Percentage.

Table 2

DOMINICAN REPUBLIC: TOTAL SUPPLY AND DEMAND

	Millions of pesos at 1970 prices			Percentage breakdown		Growth rates		
	1977	1978	1979(a)	1970	1979(a)	1977	1978	1979(a)
<u>Total supply</u>	<u>3 127</u>	<u>3 151</u>	<u>3 319</u>	<u>124.5</u>	<u>121.5</u>	<u>5.1</u>	<u>0.8</u>	<u>5.3</u>
Gross domestic product at market prices	2 577	2 637	2 732	100.0	100.0	5.5	2.3	3.6
Imports of goods and services (b)	550	514	587	24.5	21.5	3.5	-6.5	14.2
<u>Total demand</u>	<u>3 127</u>	<u>3 151</u>	<u>3 319</u>	<u>124.5</u>	<u>121.5</u>	<u>5.1</u>	<u>0.8</u>	<u>5.3</u>
Domestic demand	2 700	2 753	2 857	107.3	104.6	6.2	2.0	3.8
Gross domestic investment	641	602	527	19.1	19.3	11.9	-6.0	-12.5
Gross fixed investment	579	585	606	16.6	22.2	10.0	1.1	3.6
Construction	362	371	390	9.9	14.3	16.8	2.4	5.1
Machinery and equipment	217	214	216	6.7	7.9	0.1	-1.1	1.0
Public	181	181	189	5.1	6.9	11.7	0.1	4.5
Private	398	404	417	11.4	15.3	9.2	1.5	3.2
Changes in stocks	62	17	-79	2.5	-2.9			
Total consumption	2 059	2 151	2 330	88.2	85.3	4.6	4.4	8.3
General government	152	176	215	11.6	7.9	12.5	16.2	22.0
Private	1 907	1 975	2 115	76.6	77.4	4.0	3.5	7.1
Exports of goods and services (b)	427	398	462	17.2	16.9	-1.1	-6.7	15.9

Source: CEPAL calculations, on the basis of figures supplied by the Central Bank of the Dominican Republic.

(a) Preliminary figures.

(b) The figures for exports and imports of goods and services were taken from balance-of-payments data expressed in dollars at current prices, which were converted to constant 1970 values by deflation, using price indexes calculated by CEPAL for the purpose.

Table 3

DOMINICAN REPUBLIC: GROSS DOMESTIC PRODUCT, BY KIND OF ECONOMIC ACTIVITY, AT FACTOR COST

	Millions of pesos at 1970 prices			Percentage breakdown		Growth rates		
	1977	1978	1979(a)	1970	1979(a)	1977	1978	1979(a)
Agriculture	433	461	448	25.8	18.5	1.7	6.5	-2.1
Mining	145	117	145	1.7	6.0	-1.2	-19.3	24.0
Manufacturing	388	385	393	16.7	16.2	5.7	-0.6	2.0
Construction	179	183	189	5.5	1.8	16.8	2.8	3.2
Subtotal goods	<u>1 144</u>	<u>1 146</u>	<u>1 175</u>	<u>49.7</u>	<u>48.5</u>	<u>4.8</u>	<u>0.2</u>	<u>2.5</u>
Electricity, gas and water	39	43	43	1.3	1.8	27.4	9.2	-0.8
Transport, storage and communications	209	215	222	8.5	9.1	10.9	3.1	3.3
Subtotal basic services	<u>248</u>	<u>258</u>	<u>265</u>	<u>9.8</u>	<u>10.9</u>	<u>13.2</u>	<u>4.1</u>	<u>2.1</u>
Commerce, financial institutions and insurance	314	325	334	12.7	13.8	4.4	3.3	2.9
Real estate (b)	170	174	178	7.6	7.4	8.3	2.6	2.4
Community, social and personal services (c)	409	437	472	20.2	19.4	3.1	6.7	8.1
Subtotal other services	<u>893</u>	<u>936</u>	<u>984</u>	<u>40.5</u>	<u>40.6</u>	<u>4.5</u>	<u>4.7</u>	<u>5.2</u>
Gross domestic product (d)	<u>2 299</u>	<u>2 352</u>	<u>2 437</u>	<u>100.0</u>	<u>100.0</u>	<u>5.5</u>	<u>2.3</u>	<u>3.6</u>

Source: CEPAL calculations, on the basis of figures supplied by the Central Bank of the Dominican Republic.

(a) Preliminary figures.

(b) Ownership of dwellings only.

(c) Including restaurants, hotels and business services.

(d) As the individual activities and the totals were calculated independently, the sum of the former does not correspond exactly with the latter.

Table 4

DOMINICAN REPUBLIC: INDICATORS OF AGRICULTURAL PRODUCTION

	1976	1977	1978	1979(a)	Growth rates		
					1977	1978	1979(a)
Index of agricultural production (1973 = 100) (b)	99.8	101.7	109.2	101.7	1.9	8.3	-6.9
Crop farming	97.4	100.1	106.5	96.5	2.8	6.3	-9.4
For domestic consumption	97.6	99.8	103.3	100.4	2.2	3.5	-2.8
For export (c)	97.2	100.4	108.6	93.8	3.2	8.2	-13.7
Stock-raising	110.9	109.1	121.9	126.0	-1.6	11.7	3.4
Production of some crops (thousands of quintals)							
Rice	4 654	4 435	5 031	5 340	-4.7	13.4	6.1
Maize	1 895	1 395	1 088	1 060	-26.4	-22.0	-2.6
Cassava	2 732	5 094	3 272	2 630	86.5	-35.8	-19.6
Kidney beans	445	742	839	834	66.7	13.1	-0.6
Plantains (d)	830	647	868	817	-22.0	34.2	-5.9
Coffee	479	878	1 334	829	83.3	51.9	-37.9
Cocoa	726	741	720	794	2.1	-2.8	10.3
Sugar-cane	27 500	25 908	25 629	22 716	-5.8	-1.1	-11.4
Tobacco	760	780	984	747	2.6	26.2	-24.1
Livestock slaughtered (thousands of quintals)							
Beef	967	992	1 032	1 086	2.6	4.0	5.2
Pork	265	278	350	294	4.9	25.9	-16.0
Chicken	851	742	899	1 000	-12.8	21.2	11.2

Source: CEPAL calculations, on the basis of figures contained in Plan operativo 1980, published by the Department of Agriculture, Santo Domingo, in January 1980.

Note: Percentage breakdown and growth rates were calculated on the basis of unrounded figures.

(a) CEPAL estimates, on the basis of preliminary figures.

(b) Calculated on the basis of the gross value of production at 1973 prices.

(c) Includes coffee, cocoa, sugar, tobacco and pigeon peas.

(d) Millions of units.

Table 5

DOMINICAN REPUBLIC: PRODUCTION OF SOME IMPORTANT MINERALS

	1976	1977	1978	1979(a)	Growth rates		
					1977	1978	1979(a)
Bauxite (thousands of tons)	621	576	568	547	-7.4	-1.4	-3.8
Ferro-nickel (thousands of tons)	64	66	48	65	2.1	-27.2	35.4
Gold (thousands of troy ounces)	413	343	343	344	-17.0	0.2	0.4
Silver (thousands of troy ounces)	891	1 852	1 848	2 341	107.9	-0.2	26.6

Source: Central Bank of the Dominican Republic.

(a) Preliminary figures.

Table 6

DOMINICAN REPUBLIC: INDICATORS OF MANUFACTURING PRODUCTION

	1975	1976	1977	1978	1979	Growth rates			
						1976	1977	1978	1979(a)
<u>Indexes of manufacturing production</u> (1970 = 100)	163	175	187	186	195	7.4	6.8	-0.5	5.0
Sugar milling	115	126	125	117	119	9.6	-0.8	-6.4	2.0
Other food products, beverages and tobacco	178	188	198	183	198	5.6	5.3	-7.6	8.0
Textiles, clothing and footwear	199	244	249	245	...	22.6	2.0	-1.6	...
Wood and furniture	233	293	311	317	331	25.8	6.1	1.9	4.5
Paper and printing	143	150	172	172	...	4.9	14.7	-	...
Chemical products	258	296	313	311	...	14.7	5.7	-0.6	...
Non-metallic mineral products	300	184	202	202	...	-38.7	9.8	-	...
Basic metal industries	320	205	291	256	...	-35.9	42.0	-12.0	...
Metal products, machinery and equipment	301	288	360	357	...	-4.3	25.0	-0.8	...
Others	910	722	723	634	...	-20.6	0.1	-12.3	...
<u>Other indicators of manufacturing production</u>									
Industrial consumption of electricity (millions of KWH)	1 355	1 243	1 285	...	...	-8.2	3.4	...	...
Employment (thousands)	122	111	113	...	...	-9.4	1.6	...	...

Source: Central Bank of the Dominican Republic and National Bureau of Statistics.

(a) Preliminary figures.

Table 7

DOMINICAN REPUBLIC: MAIN INDICATORS OF FOREIGN TRADE

	1974	1975	1976	1977	1978	1979(a)
	<u>Growth rates</u>					
<u>Exports of goods</u>						
Value	44.0	40.4	-19.9	9.0	-13.5	32.1
Volume	-0.6	-11.4	13.8	-1.1	-10.8	15.3
Unit value	44.8	58.5	-29.6	10.2	-3.0	14.6
<u>Imports of goods</u>						
Value	59.5	14.8	-1.2	11.0	1.4	23.0
Volume	24.7	1.6	-5.9	4.7	-6.3	11.3
Unit value	27.9	13.0	5.0	6.0	8.2	10.5
Terms of trade	13.2	40.3	-32.9	4.0	-10.4	3.7
	<u>Indexes (1970 = 100)</u>					
Terms of trade	106.5	149.4	100.2	104.2	93.6	97.1
Purchasing power of exports of good	180.3	224.0	171.0	175.7	140.8	168.6
Purchasing power of exports of goods and services	179.3	221.3	175.2	179.4	152.7	183.3

Source: CEPAL, on the basis of official data supplied by the Central Bank of the Dominican Republic, and CEPAL's own estimates for 1979.

(a) Preliminary figures.

Table 8

DOMINICAN REPUBLIC: EXPORTS OF GOODS, FOB

	Millions of dollars				Percentage breakdown		Growth rates		
	1976	1977	1978	1979(a)	1970	1979(a)	1977	1978	1979(a)
Total	716	780	676	893	100.0	100.0	8.9	-13.3	32.1
Main traditional export products (b)	494	577	462	531	90.8	59.5	16.8	-19.9	14.9
Sugar	272	231	180	206	51.9	23.1	-15.1	-22.1	14.4
Coffee	101	185	97	144	13.5	16.1	83.2	-47.6	48.4
Cocoa	45	93	86	74	9.2	8.3	106.7	-7.5	-13.7
Tobacco	39	29	46	58	6.7	6.5	-25.6	58.6	26.1
Bauxite	16	22	23	21	7.1	2.4	37.5	4.5	-8.7
Furfural	21	17	30	28	2.4	3.1	-19.0	76.5	-6.7
Main non-traditional export products	211	202	202	340	2.8	38.1	-4.3	-	68.3
Gold and silver	55	55	73	137	-	15.3	-	32.7	87.7
Manufactured products (c)	45	56	56	82	2.8	9.2	24.4	-	46.4
Ferro-nickel	111	91	73	121	-	13.6	-18.0	-19.8	65.8
Other products	11	1	12	22	6.4	2.4	-90.9	...	83.3

Source: Central Bank of the Dominican Republic, Boletín, november 1979.

(a) Preliminary figures.

(b) Sugar exports include exports of molasses and syrup; coffee exports also include exports of roasted and ground coffee; cocoa exports include exports of cocoa products.

(c) Including net re-exports by assembly industries.

Table 9

DOMINICAN REPUBLIC: IMPORTS OF GOODS, FOB

	Millions of dollars				Percentage breakdown		Growth rates		
	1976	1977	1978	1979(a)	1976	1979	1977	1978	1979(a)
Total	764	848	860	1 058	100.0	100.0	11.0	1.4	23.0
Cereals	37	48	40	38	4.8	3.6	29.9	-17.8	-4.0
Fat and oils	18	29	31	55	2.4	5.2	60.8	5.8	79.5
Petroleum and fuels	170	177	194	280	22.2	26.5	4.2	9.9	44.2
Pharmaceutical products	28	26	29	32	3.6	3.0	-5.8	10.3	9.4
Plastics	21	24	26	34	2.7	3.2	17.5	6.5	31.8
Wood and wood products	17	16	16	23	2.2	2.2	-3.0	0.6	40.2
Paper and paperboard	24	24	27	33	3.2	3.1	-2.5	16.2	21.2
Cast iron	48	49	52	56	6.3	5.3	-2.3	6.8	7.5
Boilers and machinery	86	96	94	90	11.2	8.5	11.9	-2.0	-4.0
Electrical machinery	37	35	32	40	4.8	3.8	-5.7	-7.7	23.8
Vehicles, etc.	63	74	67	70	8.3	6.6	18.1	-10.6	5.1
Other imports	216	250	252	307	28.3	29.0	15.4	0.9	21.7

Source: National Planning Office of the Dominican Republic.

(a) Preliminary figures.

Table 10

DOMINICAN REPUBLIC: BALANCE OF PAYMENTS
(Millions of US dollars)

	1974	1975	1976	1977	1978	1979(a)
Current account						
Exports of goods and services	730	1 009	840	918	824	1 105
Goods FOB (b)	637	894	716	781	675	893
Services	93	115	124	137	149	212
Transport	15	16	18	19	20	21
Travel	54	59	71	84	88	104
Imports of goods and services	917	1 010	1 007	1 109	1 144	1 397
Goods FOB (b)	673	773	764	848	860	1 058
Services	244	237	243	261	284	339
Transport	142	124	123	134	138	142
Travel	76	75	84	88	101	110
Net payments of profits and interest on foreign capital	-89	-113	-124	-123	-108	-181
Profits	-57	-78	-87	-79	-71	-90
Interest	-32	-35	-37	-44	-37	-91
Net private transfer payments	33	36	44	48	52	118
Balance on current account	-243	-78	-247	-266	-376	-355
Capital account						
Net external financing (a+b+c+d+e)	243	78	247	266	376	355
a) Long-term capital	162	159	169	180	150	
Direct investment (net)	54	64	60	46	40	
Private sector	46	41	33	50	-31	
Loans	75	72	85	117	57	
Amortization payments	-29	-31	-52	-67	-86	
Other liabilities and assets (net)	-	-	-	-	-2	
Official sector	62	54	76	84	129	
Loans	81	92	116	111	149	
Amortization payments	-19	-38	-40	-27	-20	
Other liabilities and assets (net)	-	-	-	-	-	
Monetary authorities (net)	-	-	-	-	12	
b) Short-term capital (net)	49	-65	83	92	212	
Private sector	117	-14	9	128	145	
Official sector	-	-	-	-	5	
Monetary authorities	4	-10	19	-84	68	
Errors and omissions	-72	-41	55	48	-6	
c) Allocation of Special Drawing Rights (SDRs)						
d) Official transfer payments	2	3	3	3	3	
e) International reserves						
(minus sign indicates an increase)	30	-19	-8	-9	11	-9
Use made of IMF credit	-	-	25	18	-	76
Other liabilities	34	8	-23	27	-	-
Monetary gold	-	-	-	-1	-16	-
Special Drawing Rights	-1	1	1	1	1	-4
IMF reserve position	13	-	-	-	-	-
Foreign exchange and other assets	-16	-28	-11	-54	26	-81

Source: 1974-1978, International Monetary Fund, Balance of Payments Yearbook; vol. 30; 1979, CEPAL, on the basis of official data.

(a) Preliminary figures.

(b) Including non-monetary gold.

Table 11

DOMINICAN REPUBLIC: INDICATORS OF EXTERNAL INDEBTEDNESS
(Millions of dollars)

	1974	1975	1976	1977	1978	1979(a)
External debt (b)	632	721	870	1 034	1 156(c)	1 577
Public debt	354	414	484	597	737	1 090
Private debt	278	307	386	437	419(c)	487
Servicing of external debt	95	118	126	139	153	...
Amortization payments	58	78	86	94	106	...
Interest payments	37	40	40	45	47	...
Servicing of external debt, as a percentage of total exports of goods and services	13.0	11.7	15.0	15.1	18.6	...

Source: Central Bank of the Dominican Republic and World Bank.

(a) Preliminary figures.

(b) End-year balance of disbursed debts having a term of over one year.

(c) Loans from private sources not included.

Table 12

DOMINICAN REPUBLIC: EVOLUTION OF DOMESTIC PRICES(a)
(Percentages)

	1974	1975	1976	1977	1978	1979
<u>Variation from December to December</u>						
Consumer price index	10.5	16.5	7.0	8.5	1.8	26.2
Food	11.8	16.0	-6.1	4.3	-0.5	41.7
<u>Variation between annual averages</u>						
Consumer price index	13.2	14.5	7.9	12.8	3.5	9.2
Food	17.7	17.7	-2.8	9.3	-3.4	14.5

Source: CEPAL, on the basis of data supplied by the Central Bank of the Dominican Republic.

(a) Corresponds to the price index for Santo Domingo.

Table 13

DOMINICAN REPUBLIC: MONETARY POSITION

	End-year balance (millions of pesos)				Growth rates		
	1976	1977	1978	1979(a)	1977	1978	1979(a)
Money	403	475	496	644	17.9	4.4	29.8
Currency outside banks	172	203	224	27	18.0	10.3	22.8
Demand deposits	231	272	272	369	17.7	-	35.7
Factors of expansion	1 179	1 378	1 420	1 679	16.9	3.0	18.2
Foreign assets (net)	-11	51	-32	-60			
Domestic credit	1 190	1 327	1 452	1 739	11.5	9.4	19.8
Government (net)	215	234	265	380	8.8	13.2	43.4
Official entities	186	242	301	378	30.1	24.4	25.6
Private sector	789	851	886	981	7.9	4.1	10.7
Factors of absorption	777	903	924	1 035	16.1	2.3	12.0
Quasi-money							
(savings and time deposits)	485	545	533	556	12.4	-2.2	4.3
Other items (net)	292	358	391	479(b)	22.3	9.2	22.5

Source: Central Bank of the Dominican Republic.

(a) Preliminary figures.

(b) Including US\$ 50 million on reconstruction bonds.

Table 14

DOMINICAN REPUBLIC: CENTRAL GOVERNMENT INCOME AND EXPENDITURE

	Millions of pesos				Growth rates		
	1976	1977	1978	1979(a)	1977	1978	1979(a)
<u>Current income</u>	<u>564</u>	<u>620</u>	<u>578</u>	<u>674</u>	<u>9.9</u>	<u>-6.8</u>	<u>16.6</u>
<u>Tax revenue</u>	<u>538</u>	<u>589</u>	<u>552</u>	<u>623</u>	<u>9.5</u>	<u>-6.3</u>	<u>12.9</u>
Income and property tax	140	126	129	151	-10.0	2.4	17.0
Goods and services	119	141	144	166	18.5	2.1	15.3
From taxes on foreign trade	255	296	251	276	16.1	-15.2	10.0
Others	24	26	28	30	8.3	7.7	7.1
Non-tax revenue	26	31	26	51	19.2	-16.1	96.2
<u>Current expenditure</u>	<u>344</u>	<u>367</u>	<u>448</u>	<u>615</u>	<u>6.7</u>	<u>22.1</u>	<u>37.3</u>
Wages and salaries	171	182	228	321	6.4	25.3	40.8
Other current expenditure	173	185	220	294	6.9	18.9	33.6
 Saving on current account	 220	 253	 130	 59	 15.0	 -48.6	 -54.6
 <u>Capital expenditure</u>	 <u>234</u>	 <u>263</u>	 <u>242</u>	 <u>404</u>	 <u>12.4</u>	 <u>-8.0</u>	 <u>66.9</u>
Real investment	166	176	150	117	6.0	-14.8	-22.0
Debt amortization payments	17	15	17	44	-11.8	13.3	158.8
Capital transfers	44	65	72	170(b)	47.7	10.8	136.1
Other capital expenditure	7	7	3	73	-	-57.1	...
<u>Total expenditure</u>	<u>578</u>	<u>630</u>	<u>690</u>	<u>1 019</u>	<u>9.0</u>	<u>9.5</u>	<u>47.7</u>
<u>Fiscal deficit</u>	<u>-14</u>	<u>-10</u>	<u>-112</u>	<u>-345</u>			
<u>Financing of deficit</u>							
Domestic financing	14	10	50	105			
External financing	-	-	62	227			
Reduction in bank deposits	-	-	-	13			

Source: CEPAL, on the basis of data supplied by the National Budget Office.

(a) Preliminary figures.

(b) Including disbursement of US\$ 155 million from a loan totalling US\$ 185 million.

