

## **CENTRAL BANK OF THE DOMINICAN REPUBLIC**

### **The Central Bank's Interest Bearing Deposit Rate and Lombard Rate Remain Unchanged**

The Central Bank of the Dominican Republic has agreed in its monetary policy meeting of February 26, 2009, to keep its overnight rate on interest bearing deposits at 6.0% per annum, as well as the Lombard rate at 11.50% per annum.

The decisions concerning monetary policy interest rate movements are based on the behavior of the main sources of inflation.

The international economic condition remains largely unchanged. To deal with the current crisis, central banks of the leading economies and those in the Caribbean region have chosen to loosen their monetary policy to stimulate credit flows and the recovery of economic activity. The United States has announced a stimulus plan together with other complementary measures to improve their economic conditions.

Domestically, the internal demand remains moderate and inflation levels are low, as observed in the January rate of inflation of 0.28%. In the short run, no major inflationary pressures are expected. It is expected that the monetary measures adopted in February, which allows up to RD\$ 10.5 billion of the legal reserve requirements to flow into the economy, will encourage a drop in market interest rates over the next few weeks. This action will help productive sectors to increase their activity levels. It is noteworthy that output growth for 2008 was 5.3% in real terms.

The Central Bank will continue to monitor closely the developments of the international financial crisis and the impact on the global economy. The performance of the domestic demand will be also examined closely, as well as mid- and long-term inflation expectations.

Santo Domingo, February 26, 2009.