

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

### **MONETARY POLICY NOTICE**

#### **The Central Bank's Monetary Policy Rate Remains Unchanged**

The Central Bank of the Dominican Republic, in its monetary policy meeting of February 24, 2009, decided to maintain its Monetary Policy Rate at 4.00%. The Lombard interest rate was also left unchanged at 9.50% per annum.

Decisions on interest rate policy were influenced mainly by the behavior of the main inflation determinants. Indeed, January inflation rate stood at 6.85% in annual terms, boosted by higher fuel prices that led to a CPI of 1.31% in the month. However, the core inflation in the first month of the year was 0.19%, while the annual rate was only 2.9 percent.

In the external context, the disturbances in some European Union economies have led to some volatility for the international capital markets, the strengthening of the U.S. dollar and moderation of certain commodities prices. The modest increase in the discount rate of the Federal Reserve Bank should not alter the stance of U.S. monetary policy, given its low inflation levels and an incipient recovery in economic activity. Therefore, from the available data, the prospects for global economic recovery remain unchanged.

Domestically, inflation expectations remain anchored in the range of 6.0% -7.0% consistent with the monetary program. The latest inflation forecasts in different scenarios do not provide additional inflationary pressures that could jeopardize macroeconomic stability in the short term. The private credit expansion would contribute to boost economic activity and therefore have an impact on the growth of domestic production this year. The Dominican Republic's efforts rebuilding Haiti could increase net exports, given that the economy has the production capacity to meet increased demand in the short term without generating inflationary pressures since domestic production is still operating below its potential level.

The Central Bank will continue to use its auctions as a liquidity management tool, issuing securities whenever is needed for the rollover of some maturities and ensuring that the balance between the supply and demand for money is consistent with the inflation target of the monetary program.

The Central Bank shall continue to monitor the evolving international environment and performance of the inflation determinants in the medium and long term, to anticipate the any deviations from the inflation target.

Santo Domingo, February 24, 2010.