

CENTRAL BANK OF THE DOMINICAN REPUBLIC

Press Release on Monetary Policy

The Central Bank Maintains Unchanged its Monetary Policy Rate

Following its commitment to pursue macroeconomic and price stability, the Central Bank of the Dominican Republic decided to keep its overnight interest rate at 9.50% in its October 31st monetary policy meeting. The Lombard Rate also remained unchanged at 16%.

Movements in the monetary policy interest rate depend on the behavior of key internal and external determinants of inflation, and on the time lags of the monetary transmission mechanism. They take into account as well, the Central Bank's Monetary Program, which defined the main policy goals for 2008.

In the external sector, factors affecting domestic inflation, noticeably the international prices of oil, other commodities and raw materials, have eased during most of this year's second half. Global financial markets continue to adjust while industrialized economies, such as the United States and Europe, pursue policies oriented to reverse economic deceleration. The outlook for the World Economy is still uncertain.

Domestically, inflation pressures have begun to moderate. While it still remains in double digits, year-on-year inflation has shown a downward trend that we expect to continue in the coming months. This implies monetary policy decisions taken by the Central Bank continue to operate effectively through its transmission mechanisms. According to our forecast, year-on-year inflation will decrease to single digits in the first quarter of 2009.

The Central Bank will continue to monitor future developments in the external and internal markets, as well as their implications for mid- and long-term inflation expectations.

Santo Domingo, October 31, 2008.