

**Release on Monetary Policy**  
**Central Bank continues reducing interest rates**

Based on the behavior of the inflation rate during the first quarter of 2009, the Central Bank of the Dominican Republic decided, in its March 31 monetary policy meeting, to reduce the annual interest rates on Overnight deposits from 6.0% to 5.0% and on the Lombard standing facility from 11.50% to 10.50%. The Central Bank also cut interest rates on retail certificates, shaving 300 bps on three-year investments and 200 bps on one-year investments. As a result of these actions, the annual interest rates paid on three-year and one-year certificates declined to 13% and 8%, respectively.

Monetary policy decisions that lead to movements in interest rates depend largely on the determinants of inflation. However, as output growth has decelerated and inflation has remained below this year's target, output determinants have also influenced the current resolution to further cut interest rates.

In the external sector, monetary and fiscal authorities of the major global economies and countries in the region continue to implement expansionary policies to stimulate economic activity in the short term. Due to these policies, a recovery in international markets during the second half of 2009 is more likely to happen. Moreover, it is expected that the recent measures implemented in the United States have a stabilizing effect on the credit conditions of that economy and the international financial system, improving the prospects for economic growth.

In the domestic sector, demand continues to moderate while inflation remains below the estimated range posting a monthly rate of 0.31% in February and a cumulative rate of 0.59% during the first two months of the year. As expected, market interest rates began to descend signaling the effectiveness of the monetary transmission mechanism. This should lead to an improvement in credit conditions for the private sector and eventually to greater economic activity.

The Central Bank will continue to follow up on developments in the international financial crisis and its impact on the global economy, while it will also continue monitoring the behavior of domestic demand and inflation expectations in the medium and long term.

Santo Domingo, Marzo 31, 2009.