

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

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

The Central Bank of the Dominican Republic, in its monthly monetary policy meeting of May 27, 2009, has resolved to maintain unchanged at 5.0% per annum its overnight or monetary policy interest rate. Also remaining unchanged is the Lombard rate, at 10.5% per annum.

Decisions with respect to monetary policy interest rate movements are essentially conditioned to the performance of the principal determinants for inflation, which has been registering a downward trend in an environment of moderating internal demand. In fact, inflation was 0.14% in the month on April and reached 0.89% on a cumulative basis. In annual terms, it stood at 0.69%, the lowest in Latin America. For the first quarter of the year, consumer price index (CPI) grew 1%.

In the external sector, despite the fact that the world economic situation continues on the downside of the cycle, recent data suggest that the turning point is drawing near. Nonetheless, the lag effect of the international economic crisis will continue to disrupt performance of the developing economies during the next two quarters.

Domestically, it is expected that recent reductions in reserve requirement will contribute to foster credit and liquidity, stimulating internal demand in the second half of the year. Similarly, as a result of monetary measures taken early this year, an increase has been registered in private sector credit in local currency, while asset interest rates at commercial banks have fallen by nearly 7 percentage points to date from the highest point reached in January of this year. The exchange rate has remained slightly above the equilibrium exchange rate as per the methodology published by the IMF.

The Central Bank shall continue to monitor closely developments related to the international financial crisis and their impact on the global economy, as well as internal demand performance and mid- and long-term inflation expectations.

Santo Domingo, May 29, 2009.