

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

### **Press Release on Monetary Policy**

#### **The Central Bank Continues its Interest Rate Reduction and Adopts Other Measures**

The Central Bank of the Dominican Republic in an extraordinary session for monetary policy held on February 11, 2009, has resolved to reduce, effective Monday, February 16, 2009, its overnight interest rate to 6.0% per annum, and its Lombard interest rate to 11.50% per annum.

In addition to this cut in monetary policy rates, the Monetary Board, in its February 12 meeting, approved a set of measures oriented to reactivate credit and foster economic growth in a low-inflation environment. The resolution approved by the Monetary Board states that credit should be directed to productive sectors such as agriculture, construction and small and medium enterprises.

Interest rate reductions and credit incentives aim to accelerate the transmission mechanism for interest rates, which in normal conditions, operates on a lagged basis in order to achieve a complete transfer. Generally speaking, it is expected that a more rapid impact on the financial sector interest rates will contribute to improved economic performance, within a context of reduced inflation and macroeconomic stability. Accordingly the Central Bank will continue to condition its decisions regarding the policy interest rate to inflation rate performance and the principal inflation determinants.

In the external sector, the global economy continues to reflect low growth and low inflation, while the authorities in the leading economies apply measures geared to stimulate production and consumption. Weak performance in industrialized economies is exerting downward pressure on oil prices and on key raw materials and commodities in the international markets.

Domestically, inflation has remained low, registering of 0.28% in January, and is not showing signs of great change in the short term, having finished 2008 at 4.52%, while internal demand, in both the private and public sectors, remains moderate. The Central Bank shall be on the lookout for any evidence of inflationary pressure, from both the internal and external economic environment, that could affect price stability. Accordingly, the Bank will monitor developments closely in the world economy, as well as their impact on the national economy, and will continue to monitor internal demand performance and mid- and long-term inflation expectations.

Santo Domingo, February 16, 2009.