

# 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, at its monthly monetary policy meeting on December 2, 2009, has resolved to maintain its Monetary Policy Rate (Interest Bearing Overnight Rate), unchanged at 4.00% per annum. Also remaining unchanged is the Lombard rate, at 9.50% per annum.

Decisions with respect to monetary policy interest rate movements are essentially conditioned by the performance of the main determinants of inflation. The monthly inflation rate for October was 0.23%, while the cumulative inflation rate for January -October 2009 stood at 4.54%. On an annualized basis inflation in October was -1.30%. Inflation forecasts for the year indicate that the rate will remain within the 6.0-7.0% range contemplated in the 2009 Monetary Program.

As regards the external context, the global economy will finish 2009 with negative growth whereas perspectives for 2010 are favorable, as the developed economies are expected to come out of recession in the first half of the year. Since the global economy is growing at a rate below its potential, inflationary pressures are also expected to remain low. Despite the encouraging signs, unemployment will continue to grow in the advanced economies, but this trend is expected to be reversed in mid-2010 affecting export demand?

Domestically, the effects of the monetary stimulus measures taken during the first semester of 2009 on economic activity are now being reinforced through fiscal stimulus measures resulting from the expansion of spending as contemplated in the IMF Stand-By Agreement. In fact, the economy grew by 2.1% in real terms during the first three quarters of 2009, and is expected to grow at a growth rate near 3.0% for the year. Accordingly, the Dominican Government this week received IDB and World Bank disbursements in an amount close to US\$600 million, in addition to the US\$300 million received this past November. While fiscal policy in 2010 will be countercyclical, which will encourage economic activity; we do not foresee significant inflationary pressures until output reaches levels close to potential GDP.

The Central Bank shall continue closely monitoring the events related to the international financial crisis, as well as the performance of the mid- and long-term inflation determinants.

Santo Domingo, December 2, 2009.