

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, in its monthly monetary policy meeting of December 29, 2009, has resolved to maintain unchanged its Monetary Policy Rate (Interest Bearing Overnight Rate), at 4.00% per annum. Also remaining unchanged is the Lombard rate, at 9.50% per annum.

Decisions with respect to the monetary policy interest rate are essentially conditioned by the performance of the principal inflation determinants. In fact, inflation for November was 1.07%, while the cumulative inflation rate for January- November 2009 stood at 5.66%. The rate on an annualized basis rose to 4.18%. The inflation forecasts indicate that the rate will close 2009 in the lower extremes of the 6.0-7.0% range contemplated in the Monetary Program.

Externally, the available data point to a positive outlook for a 2010 recovery in the global economy. Inflationary pressures will remain low, while the global economy will grow at a rate below pre-crisis levels.

Domestically, local currency credit to the private sector should end the year with an increase of 10%, double the rate for nominal GDP. As a consequence of the reactivation of credit in the second half, the economy has reacted with more vigor. For year-end 2009, we estimate a 3.5% increase in real GDP; this surpasses the upper threshold forecast in the Monetary Program.

The economic growth in 2009 has been achieved in an environment of relative stability in the exchange rate, which depreciated only 2.1% during the entire year. Concurrently, Central Bank international reserves showed notable improvement, and the Overall Balance of Payments registered a surplus balance. The current account balance was reduced by 4.5% of GDP, going from -9.7% of GDP in 2008 to around 5.2% of GDP in 2009. For 2010, the outlook is that economic growth will be greater than the 2.5% to 3.5% range established in the IMF Agreement, whereas inflation will hover between 6.0% and 7.0%.

The Central Bank shall continue to monitor closely the developments on the international scene, as well as the performance of mid- and long-term inflation determinants.

Santo Domingo, December 29, 2009.

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