

# CENTRAL BANK OF THE DOMINICAN REPUBLIC

## MONETARY POLICY COMMUNIQUÉ

### Central Bank Policy Rate Remains Unchanged

The Central Bank of the Dominican Republic, in its January 2012 Monetary Policy meeting, decided to maintain the Monetary Policy (Overnight) Rate, at 6.75% per annum. It also left the Lombard Rate unchanged at 9.0%.

The decision on the policy rate is based on inflation projections that do not expect deviations from the projected convergence path towards the target and on expectations relating to the main determinants of inflation. Under the new inflation targeting framework (ITF) the Monetary Board has adopted a goal of  $5.5\% \pm 1\%$  for the CPI during 2012. During December 2011, monthly inflation was 0.1%, while the annualized rate reached 7.8% for 2011.

With regard to the international context, both the IMF and Consensus Forecast are maintaining their prospects of moderate growth for the global economy. The projections suggest that the United States would continue its nascent recovery, whereas Europe could be entering a recession during 2012. The resolution of economic policy in the Eurozone seems to be facing a dilemma between fiscal austerity and economic growth, which hinders the correction process concerning the debt crisis and the fiscal sustainability of the monetary union as discussed in the recent World Economic Forum in Davos.

Also, forecasts show that the emerging economies would be slowing down while international financial conditions remain restricted. In this regard, China's growth would be below the average seen during the recent past, while growth forecasts for Latin America are being corrected downwards. Commodity prices remain high in the face of geopolitical tensions in the Middle East.

Domestically, private credit, economic activity and inflation are performing in line with projections published in the recent Monetary Policy Report. Credit to the private sector continues to expand at a rate close to projected nominal GDP, so preserving the growth of domestic demand. At the same time, forecasts suggest the convergence of y-o-y CPI inflation to its target during the first quarter of 2012, indicating that, even in the midst of an election cycle, price stability and the continuity of macroeconomic policies will be maintained, creating an environment of certainty that facilitates decision-making among private sector economic agents.

The Central Bank will continue to closely monitor developments in the global and domestic economy in order to act promptly in the face of any perceived risks to price stability and to the proper functioning of the financial and payments systems.

Santo Domingo, January 31, 2012.