

# **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 monetary policy meeting of June 30, 2010, decided to maintain the Monetary Policy Rate at 4.00% and the Lombard Rate at 9.50% per annum.

The decisions on interest rate policy are driven by the behavior of the main determinants of inflation. Indeed, in May the CPI was 0.34%, with a year-to-date inflation of 3.04% and core inflation of 1.29%. The annual rate of inflation reached 7.90% and core inflation was 3.18%. We expect that, in the coming months, the annualized inflation rate will converge with the 6%-7% target range established in the 2010 Monetary Program.

While the debt crisis in Europe has spilled over into international markets, there have been no significant changes of global growth forecasts. The fiscal adjustment measures proposed by several developed countries could in the long run solve their fiscal sustainability. However, in the short term, the absence of inflationary pressures could add uncertainty about the strength of the global economic recovery.

Domestically, the economy grew 7.5% during the first quarter and maintained a similar growth trend in April-June. In the labor market, due to the economic recovery, the open unemployment rate fell 0.6 percentage points, from 5.1% in October 2009 to 4.5% in April 2010. The broad unemployment rate also dropped from 14.9% to 14.4%.

The Central Bank will continue to monitor the evolving international markets and the domestic economic activity, looking out for any deviation of the inflation target in order to take the necessary policy measures.

Santo Domingo, June 30, 2010.