

## 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 July 30, 2010, 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 main determinants of inflation. In fact, the CPI variance for June was -0.17%, resulting in a cumulative inflation rate of 2.87%, and core inflation for the January-June period was 1.48%. The year-on-year inflation rate reached 5.44% and core inflation for the same period was 3.49%. The annualized inflation rate is consistent with the year-end 6%-7% target range established in the Monetary Program.

On the international front, the available information suggests a moderate recovery in the global economy. Financial market volatility is relatively high and international oil prices, as well as the prices of other important commodities, are still above historical levels.

Domestically, recent data show that private sector credit growth remains at a level consistent with nominal GDP growth. Market interest rates remain at historically low levels, and this has boosted consumption and demand for imported goods.

At this time, inflationary pressures remain within the expected range. The monetary authorities are prepared to respond promptly if reasons to expect upward pressure on prices that could affect macroeconomic stability were to appear in the coming months.

The Central Bank shall continue to monitor developments on the international scene, as well as internal economic activity, and will be on the lookout for any variances in the inflation target, in order to apply corrective measures should they be warranted.

Santo Domingo, July 30, 2010.