

## 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 August 30, 2010, has resolved to maintain unchanged its Monetary Policy Rate (Overnight Rate), at 4.00% per annum. Also remaining unchanged is the Lombard rate, at 9.50% per annum. These rates have been kept constant since the previous reduction was implemented in August 2009.

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 inflation for June was 0.34%, resulting in a cumulative inflation rate of 3.22%. Core inflation for the January-June period stood at 1.60%. The year-on-year inflation rate reached 5.67% and core inflation for the same period was 3.37%. The annualized inflation rate is consistent with the year-end 6%-7% target range established in the Monetary Program.

On the international front, there is increasing uncertainty as to how quickly the global recovery is taking place. This is reflected in high levels of volatility in capital markets. Recently, second-quarter growth for the United States, Dominican Republic's main trade partner, was revised downward. For the rest of the year, it is anticipated that the expansion of the U.S. economy will be slower than previously forecast.

Domestically, internal demand remains strong, while local currency credit to the private sector continues to grow at a rate close to 20%. During the first two quarters of the year, the economy grew by 7.5%, and for the rest of the year it is expected to perform in line with recent IMF projections, which were revised upward to 5.5% - 6%.

The Central Bank shall continue to monitor developments on the international scene and internal economic activities, so as to be on the lookout for any variances in the inflation target, applying, should they be warranted, corrective measures to preserve macroeconomic stability and maintain inflation within the Monetary Program target range.

Santo Domingo, August 30, 2010.

*Div. de Trad.: COMA-30 ago 2010-ingl.doc*  
*31-08-10*  
*LHF/lhf.*