

Governor

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PRESS RELEASE

SUPPORTING CORPORATE DEMAND FOR FOREIGN EXCHANGE TO EASE EXCHANGE RATE PRESSURE

The Central Bank of Kenya has been taking action in an effort to moderate the rate of the weakening of the Kenya Shilling by selling foreign exchange directly to commercial banks. However, this has not achieved the desired objective due to lack of support from those who are in the fortunate position to be holding foreign exchange at this time. Consequently, importers have been driven into a captive position where they have to pay whatever is demanded from them. Further, the Central Bank has noted that the foreign exchange which it has been using to moderate the weakening of the Kenya Shilling has been acquired by those who were already in possession of foreign exchange. Therefore, this has failed to get through to the final importer to the detriment of both the economy and the price level.

To address this problem, the Central Bank now proposes to sell foreign exchange directly to targeted sectors of the economy which are most beneficial to the widest public. This will therefore shift a significant component of the demand for foreign exchange away from commercial banks. The Central Bank will work initially, with the Energy Regulatory Commission, to identify the importers in the oil sector who obviously affect the widest public.

In addition, the Central Bank will continue with its onsite surveillance to establish whether banks have in fact been exploiting market power to the detriment of both foreign exchange earners and buyers. The Central Bank will also enhance its capacity to buy directly from the major foreign exchange earners thereby diversifying its sources of building up its foreign exchange reserves.

A handwritten signature in black ink, appearing to read 'Njuguna Ndung'u'.

PROF. NJUGUNA NDUNG'U, CBS

27th September, 2011