

Governor

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## **PRESS RELEASE**

The Kenya Shilling has weakened steadily against the US dollar in the recent months, and the foreign exchange market has been very volatile over the last week.

An important contributor to this trend has been the strengthening of the US dollar against most currencies, translating to a weakening of these currencies—including the Kenya Shilling—against the US dollar. Current global risks have also dampened investor sentiments. Domestic factors have compounded these external pressures—e.g., US dollar requirements arising from large corporate deals, temporary liquidity surge in the banking system, and the widening external current account deficit (in part due to imports of capital goods and lower-than-expected earnings from traditional exports), among others. Against this backdrop is a positive outlook by the private sector and improved confidence in the economy, on the back of an improved positioning and image of Kenya on the global stage.

The Central Bank of Kenya (CBK) is monitoring the situation very closely, and is taking appropriate measures to eliminate disorderly market developments. The policy stance announced by the Monetary Policy Committee on July 7, 2015, will provide a stabilizing effect and, importantly, help anchor inflation expectations. The CBK stands ready to enhance its open market operations and other measures, including intervening through the direct sales of US dollars to commercial banks to stem a sharp depreciation of the Kenya Shilling. The CBK will also work closely with the National Treasury to strengthen the coordination of monetary and fiscal operations.

The CBK's foreign exchange reserves remain adequate to stabilize the exchange rate against these short-term shocks.

**Dr. Patrick Njoroge**

**Governor**

July 16, 2015