

Governor

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PRESS RELEASE

MONETARY POLICY COMMITTEE MEETING OF 1ST DECEMBER 2008

The Monetary Policy Committee met on 1st December 2008. It reviewed current and recent economic developments. In particular, it assessed the implications of the global economic downturn and evaluated the performance of key domestic economic indicators.

The November 2008 data points to inflation continuing to be a challenge. This is mainly driven by food prices which have arisen from structural constraints in the economy specifically supply and distribution factors. However, the Committee observed that the growth of monetary aggregates as well as economic activity was within their targets.

Considering the prevailing liquidity conditions as we approach the festive period, and the subsequent launch of the infrastructure bonds, the committee reduced the cash ratio requirements from 6 percent to 5 percent. This would be backed by a reduction in the CBR from 9 percent to 8.5 percent. This will enhance liquidity in the banking system and nurture growth in the recovery process.

The full press release of the MPC deliberations will be released on 3rd December 2008.

A handwritten signature in black ink, appearing to read 'Njuguna Ndung'u', with a small dot at the end.

**PROF. NJUGUNA NDUNG'U
CHAIRMAN, MONETARY POLICY COMMITTEE**

1st December, 2008