

Governor

**BANKI  
KUU YA  
KENYA**



**CENTRAL  
BANK OF  
KENYA**

Haile Selassie Avenue  
P.O. Box 60000-00200 Nairobi, Kenya  
Telephone: 2861003/24 Fax: 2716556

## **PRESS RELEASE**

### **MONETARY POLICY COMMITTEE MEETING OF 21<sup>st</sup> MAY 2009**

The Monetary Policy Committee met on 21<sup>st</sup> May 2009. It reviewed market responses to its decisions of 20<sup>th</sup> March 2009 and noted that there had been short term distortions which had temporarily caused interest rates to rise. The Committee also noted that the international economic downturn showed evidence that it was moderating and could be expected to reflect into improved economic activity by year end.

Taking advantage of the release of the 2009 Economic Survey, the Committee was able to track the growth in the second and third quarters of 2008. Furthermore, it noted that the downturn in the final quarter - associated with a poor agricultural environment - was nevertheless turning round in the first quarter of 2009. These developments informed the decisions of the Committee which provides support to the economic recovery.

The critical element of the Committee's analyses was the liquidity position of the banking sector where it noted that expansion of lending to the private sector was essential to attainment of national growth targets. In addition, it was encouraged by the lack of any visible threat of resurgent inflation from the demand side. It took measures in line with previous decisions to enhance liquidity management by strengthening the operations of the repo market.

The Committee therefore reviewed the CBR downwards by 25 basis points to 8.00 percent. In addition, the Committee reviewed the tenure for repo transactions to a single fixed 5 day with immediate effect. These two measures together should not only improve liquidity management but also enhance the potential for future economic growth.

The full press release of the Committee deliberations will be released on 26<sup>th</sup> May 2009.

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

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

21<sup>st</sup> May 2009