

Governor

BANKI
KUU YA
KENYA



CENTRAL
BANK OF
KENYA

Haile Selassie Avenue
P.O. Box 60000-00200 Nairobi, Kenya
Telephone: 2861005/24 Fax: 2716556

PRESS RELEASE

MONETARY POLICY COMMITTEE MEETING OF 23RD SEPTEMBER 2009

The Monetary Policy Committee at its meeting on 23rd September 2009 reviewed the market's response to its decisions in the July 2009 meeting, while continuing to monitor the evolution of internal and external events. Dominating the discussion was the impact of the drought on the performance of the economy and the slow growth in private sector credit.

Agriculture, livestock and energy dependent sectors have been adversely affected by the drought. The situation is being compounded by the global economic crisis which continues to affect the demand for Kenyan exports. These factors may stifle economic growth in the third quarter.

These downside risks notwithstanding, there are a number of positive expectations. The October to December 2009 rains are forecast to be good throughout the country. The Economic Stimulus package factored in the budget is being fast-tracked. The prices of tea and coffee are trending upwards. The final quarter of 2009 is therefore expected to show an upturn.

Recent data from KNBS indicates that underlying inflation has been falling. However, the Central Bank remains concerned over the high levels of overall inflation. The liquidity in the economy is certainly adequate as can be seen from the low level interest rates in the short end of the money market. This liquidity will support a revival of economic growth if backed by more efficient intermediation. Improved efficiency will ensure lower transaction costs and reduced cost of borrowing. The most recent stress tests conducted by the Central Bank indicate that the banking sector is robust.

Following these deliberations, the Committee agreed to continue with the current monetary policy stance. The Committee therefore decided to retain the CBR at its existing level of 7.75 percent, and will continue to monitor performance of the financial sector.

The full press release of the Committee's deliberations will be released on 25th September, 2009 followed by a press conference at 12.00 noon.

A handwritten signature in blue ink, appearing to read 'Njuguna Ndung'u', written over a light blue circular stamp.

PROF. NJUGUNA NDUNG'U
CHAIRMAN, MONETARY POLICY COMMITTEE

23rd September 2009