

Governor

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PRESS RELEASE

MONETARY POLICY COMMITTEE MEETING OF 24TH NOVEMBER 2009

The Monetary Policy Committee at its meeting on 24th November 2009 reviewed both the results of its market surveys on expectations, and the evidence of the economy's reactions to domestic and international economic performance. The emerging evidence shows that the banking sector was stable and credit risk was declining; the start of the economic recovery was being signalled by a wide range of indicators; and finally, there was no evidence of emerging inflationary pressure.

In reviewing the information available, the Committee noted that the market was responding to its decisions and signals. Both banks and the real sector understood the Committee's earlier decisions and credit to the private sector was once more picking up. This market reaction implied that the monetary targets designed to control inflation and enhance economic growth were bearing fruit. Furthermore, the efficiency of liquidity management by the banking sector is being enhanced through the horizontal repo uptake.

The Committee examined the status of inflation and economic activity. It welcomed the Kenya National Bureau of Statistics' release of the new inflation series that reflects an accurate measure of inflation. The economy is riding over the global economic crisis and moving to a recovery path. This is demonstrated by, among other things, an improvement in tea and coffee prices aiding an acceleration of rural recovery. In addition, the Treasury's Stimulus Package is similarly creating employment and augmenting spending power throughout the country.

Given the upside risk to inflation is low, credit risk is declining and in order to support the nascent economic recovery, the Committee considered that it was necessary to boost credit availability. To achieve this objective and to provide guidance on the path of monetary policy over the next two months, the Committee reviewed the CBR downwards by 75 basis points to 7.00 percent.

The full press release of the Committees' deliberations will be released on Thursday 26th November, 2009 followed by a press conference on Friday 27th November, 2009 at 10.30am.

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

PROF. NJUGUNA NDUNG'U
CHAIRMAN, MONETARY POLICY COMMITTEE
24th November 2009