

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 25TH NOVEMBER, 2010

At its meeting on 25th November, 2010, the Monetary Policy Committee (MPC) examined information that had become available since its last meeting and noted that key macroeconomic indicators endorsed its previous growth and inflation expectations. It reviewed the market's reaction to its previous decisions and noted that there was increased confidence in the economy.

Indications are that agriculture, construction, manufacturing and the financial sectors continue to lead the economy's recovery towards the *Vision 2030* growth trajectory. The Committee recognized a major new dimension of financial sector transformation through financial deepening and increased financial innovation. This has presented a new frontier for the economy. Medium-sized banks have led the way in supporting the growth of the small to medium size firms and in reducing lending rates and lending for longer term. Policy efforts need to be directed in this area to consolidate these leadership and growth poles for the economy. Financial deepening was seen as a way of enhancing competition in the financial sector where many institutions continue to operate in an environment of high returns not commensurate with the risk.

The Committee noted that the agreed government borrowing programme was broadly on track and therefore not exerting upward pressure on interest rates. Central Bank's acquisition of foreign exchange in the course of its programme to augment reserves was shown to have no impact on the exchange rate movements. The target money supply had delivered an appropriate level of inflation.

It was clear to the Committee that there were numerous signs of increasing confidence in the economy. For example, the country rating has increased to B+ and this enhances the strong economic recovery we are observing. This confidence could best be endorsed by maintaining stability and therefore, the Committee considered the present level of CBR at 6 percent to be appropriate. The Committee sought to expand the lessons learnt in the course of recent structural transformations of the financial sector so as to increase competition among the market players and thus improve on its pricing structure and risk management.

The full Press Release of the Committee's deliberations and the indicators used in arriving at its decisions will be released on Tuesday, 30th November, 2010 followed by a press conference on the same day at 11.00 am.

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

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

25th November, 2010