

Governor

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PRESS RELEASE

MONETARY POLICY COMMITTEE MEETING OF SEPTEMBER 29, 2008

The Monetary Policy Committee met on 29th September 2008. Considering recent and current economic developments the Committee observed that economic recovery from the post-election disturbances had continued and that the economic indicators suggest that the improvement will accelerate during the 3rd and 4th quarters.

This economic recovery will dampen supply side related inflationary pressure while stability in the interest rates in the various markets would decrease risks and enhance investment incentives.

The meeting was held against a background of international economic downturn which amongst other things was causing turbulence in the foreign exchange market. These developments are of concern as they could be passed on to the domestic inflation.

Considering the balance of prospects and risks the Committee decided to retain the CBR at 9%. At this rate the Central Bank will deepen its open market operations to effectively manage market liquidity. It will also vigilantly continue to monitor the international developments and their possible impacts on the domestic market.

A handwritten signature in blue ink, appearing to read 'Njuguna Ndung'u', with a small registered trademark symbol (®) to the right.

PROF. NJUGUNA NDUNG'U

September 29, 2008