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THE CENTRAL BANK OF KENYA ACT

(Cap. 491)

THE FIRST MONETARY POLICY STATEMENT

IN EXERCISE of the powers conferred by section 4B (3) of the Central Bank of Kenya (Amendment) Act, 1996, the Central Bank of Kenya submitted to the Minister for Finance on 11th June, 1997, the first monetary policy statement which reviewed Kenya's monetary policy performance over the past one year and outlined the stance to be adopted in the twelve months to 30th June, 1998. The Central Bank is required by the Act to inform the public through the official gazette on the monetary policy objectives and in this regard the following is extract of the said statement:

1. The Central Bank shall focus on maintaining price stability, particularly the containment of inflation to single digit levels.
2. Lending to the Government shall be limited to an amount not exceeding 5 per cent of the gross recurrent revenue as reflected in the latest Appropriation Accounts audited by the Controller and Auditor-General.
3. Monetary policy in the next twelve months to June, 1998, will seek to contain the underlying inflation at single digits. Critical to achieving the low single digit inflation

objective, will be the observation of the limit on Government borrowing from Central Bank to not more than 5 per cent of the most recent audited Government gross recurrent revenue according to section 46 (3) of the amended Central Bank of Kenya Act. The most recent audited Government revenue are those for 1994/95 in which the ordinary revenues were Sh. 119 billion, 5 per cent of which translates to Sh. 6 billion. This limit will ease the task of managing the money supply by eliminating excess Government borrowing, the main monetary injection channel.

To confine inflation to single digit rates in the year to June 1998, the Central Bank will ensure that the expansion of money supply (M3), that is, currency outside banking institutions plus the deposits of both the private and other public sectors with the institutions, eases from 13.5 per cent in April 1997 to not more than 11 per cent in the year to June 1998. The full text of the monetary policy statement is available at the Central Bank of Kenya and may be obtained on request, from the Director of Research free of charge.

Dated the 27th June, 1997.

MICAH CHESEREM,
Governor,
Central Bank of Kenya.