



THE EAST AFRICAN COMMUNITY GOVERNORS' MEETING ON THE CURRENT ECONOMIC DEVELOPMENTS IN THE REGION

Prof. Njuguna Ndung'u (Governor, Central Bank of Kenya), Prof. Benno Ndulu (Governor, Bank of Tanzania), Prof. E. Tumusiime Mutebile (Governor, Bank of Uganda) and Amb. Claver Gatete (Governor, National Bank of Rwanda) met in Nairobi on October 12, 2011 to deliberate on the current economic developments regarding inflation and exchange rate in the region. During their deliberations, the Governors were in consultation with Mr. Gaspard Sindayigaya (Governor, Banque de la Republique du Burundi).

Governors observed that the region is facing very high inflation originating primarily from high food and fuel prices but also from demand pressures. The Governors also observed that the region is facing pressures on the currencies to weaken and exchange rate volatility. The pressures for the currencies to weaken result mainly from the widening of the current account deficit originating from rapid expansion of the oil import bill and imports for infrastructure development. In addition, the exchange rate volatility has been due to the effects of the Euro sovereign debt crisis and currency speculation activities.

Given these challenges, the Governors agreed to coordinate the following actions:

- Tightening monetary policy,
- Stemming volatility in the foreign exchange markets, and
- Curbing currency speculation activities.

Nairobi, October 12, 2011