

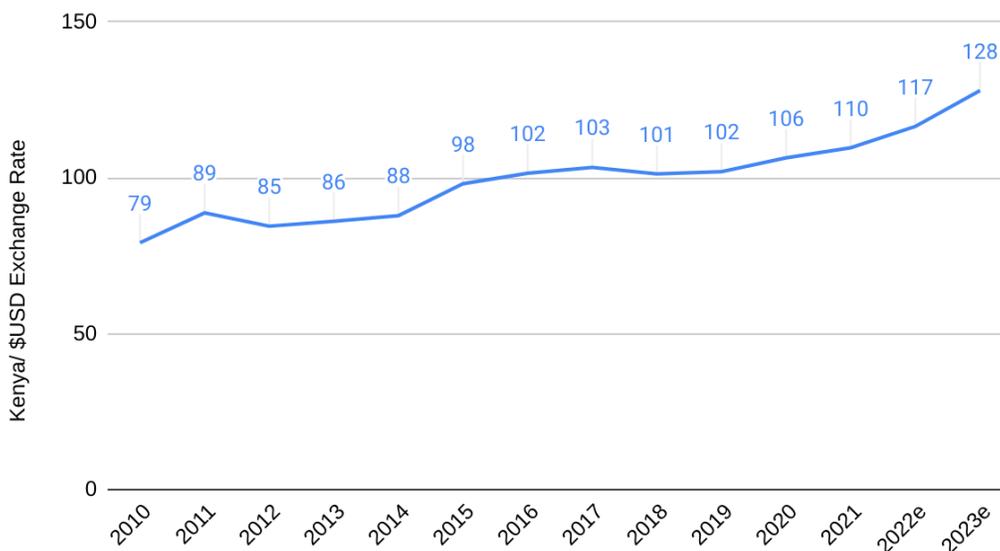
# Kenya’s new cabinet signals upcoming rift with central bank

Hawkish CBK Governor Patrick Njoroge to likely quit rather than fight government

September 28, 2022

Kenya’s new government led by President William Ruto is on a policy collision course with the respected hawkish central bank governor Patrick Njoroge. Having served ably for 7 years, Njoroge, is likely to tender his resignation before Christmas rather than engage in a fruitless battle with the new regime. With the 27 September announcement by Ruto of Njuguna Ndung’u, himself a former central bank governor previously indicted by Kenya’s anti-corruption agency as the country’s new finance minister - the policy and personal disagreements between Ndung’u and Njoroge are likely to ultimately result in Njoroge’s resignation and a turn away from a hawkish monetary policy stance by the CBK. Ndung’u, a Swedish trained development economist favors a more dovish monetary policy stance and expansionary fiscal posture and a weaker Kenyan shilling. Njoroge, a Yale educated monetarist favors a more orthodox hawkish stance in the face of growing global inflation pressures. The pair also disagree on money laundering cash withdrawal thresholds for banks as well as disagreements on digital currency. Kenya has so far this year avoided a major forex rout unlike Ghana due to the strong hawkish stance of the CBK under Njoroge. A new pliant CBK governor chosen by Ruto in consultation with Ndung’u is likely to favor a weaker Shilling. An abrupt resignation of Njoroge could see the shilling fall by as much as 5%-7% before the end of 2022.

Kenya/ \$USD Exchange Rate



Source: CBK/ DaMina Advisors

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