



Press Release No.
FOR IMMEDIATE RELEASE
August 18, 2008

International Monetary Fund
Washington, D.C. 20431 USA

An IMF Staff Team Visits Honduras

Mr. Mario Garza, the International Monetary Fund (IMF) resident representative in Tegucigalpa, issued the following statement today:

“The IMF mission met with the economic cabinet during August 12-15 to discuss performance under the Government’s macroeconomic program for 2008, which is being supported by a precautionary Stand-By arrangement with the IMF.

“The authorities have implemented key elements of their program. They have maintained the budget broadly on track, improved the finances of the state electricity company (ENEE), reduced nontargeted fuel and electricity subsidies, and raised the policy interest rate. While growth remains robust, domestic demand pressures and the external shock associated with higher fuel and food prices have raised inflation and widened the external current account deficit. In line with the Government’s program, and to address these challenges, the mission advised to decisively intensify the effort on monetary and exchange rate policies to strengthen the external position; limit net lending by public pension funds and maintain control over the public sector wage bill to protect investment and social spending; and a further strengthening of bank supervision.

“The authorities are reviewing policy options to address these challenges and ensure that the goals of the Government’s program are met. Over the next few weeks, the authorities and IMF staff will remain in close contact to work towards completing the review of the Stand-By arrangement.”