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On April 8, the Venezuelan Central Bank authorized an increase in bank interest rates, setting records in the country's history. Effective immediately, the maximum annual rate on commercial bank loans was increased to 35%. The maximum annual rate banks can pay on savings deposits was set at 23%. These measures raised the maximum legal interest rates on commercial bank loans by 169.2%, or from 13% to 35%, and by 155.5% for savings deposits, or from 9% to 23%. Exceptions to the maximum rates on loans were established in the cases of agricultural credit (28%), and for construction of low-income housing units (15% maximum, and 7% minimum). On numerous occasions bank president Pedro Tinoco has insisted that interest rates must be raised above the rate of consumer price inflation (35% in 1988) to provide incentive for domestic savings, and to forestall capital flight. At present, Venezuelan flight capital is estimated at $30 billion. The central bank's announcement occurred two days after the Supreme Court of Justice declared null a previous decision by the bank to implement a floating interest rate policy under which commercial banks and savings and loan institutions could set interest rates based on market supply and demand. [Basic data from El Nuevo Herald (Miami), 04/09/89]

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