



GUATEMALA

2026 ARTICLE IV CONSULTATION—PRESS RELEASE AND STAFF REPORT

August 2026

In the context of the 2026 Article IV Consultation with Guatemala, the following documents have been released and are included in this package:

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on a lapse-of-time basis, following discussions that ended on June 5, 2026, with the officials of Guatemala on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on July 10, 2026.
- An **Informational Annex** prepared by the IMF staff.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

Copies of this report are available to the public from

International Monetary Fund • Publication Services
PO Box 92780 • Washington, D.C. 20090
Telephone: (202) 623-7430 • Fax: (202) 623-7201
E-mail: publications@imf.org Web: <http://www.imf.org>

International Monetary Fund
Washington, D.C.



IMF Executive Board Concludes 2026 Article IV

Consultation with Guatemala

FOR IMMEDIATE RELEASE

Washington, DC – July 29, 2026: On July 28, 2026, the Executive Board of the International Monetary Fund (IMF) completed the Article IV Consultation for Guatemala and endorsed the staff appraisal without a meeting on a lapse-of-time basis.¹ The authorities have consented to the publication of the Staff Report prepared for this consultation.²

The 2026 Article IV Consultation for Guatemala met the established Executive Board criteria for lapse-of-time consideration: (i) there are no acute or significant risks, or general policy issues requiring Board discussion; (ii) policies or circumstances are unlikely to have a significant regional or global impact in the near term; and (iii) the use of Fund resources is not under discussion or anticipated.

Recent Developments and Outlook

Prudent macroeconomic management has underpinned Guatemala's resilience. Sound fundamentals—low and stable inflation, solid fiscal and external buffers, and current account surpluses—put Guatemala in a strong position to face ongoing high uncertainty. However, growth potential remains constrained by poor public infrastructure and social indicators remain weak. Large remittances, though supporting consumption, complicate monetary policy and put pressure on competitiveness.

The strong growth momentum has carried into 2026, with economic activity expanding 4.5 percent y/y through April. Driven by the oil price shocks, headline inflation increased to 2.9 percent y/y in May (1.7 percent at end-2025), with fuel-price subsidies limiting the passthrough. Core inflation and inflationary expectations are well anchored. The 2025 fiscal deficit widened to 1.9 percent of GDP, largely driven by capital spending--despite their modest execution--and tax administration gains. Public debt is low and sustainable (27 percent of GDP). The external position further strengthened as 2025 current account surplus reached 4.7 percent of GDP with a record-high remittances at 21 percent of GDP.

The outlook is broadly favorable with balanced risks. Hit by the oil price shock, 2026 growth is projected to dip to 3.8 percent before converging to 4 percent in the medium term as public investment and structural reforms yield returns. Inflation is expected to stay within the monetary policy target. The current account surplus is forecast to narrow, as remittances stagnate and private investment picks up. Both external and domestic risks are broadly balanced, with El Niño posing considerable risks to the near-term outlook.

¹ Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

² Under the IMF's Articles of Agreement, publication of documents that pertain to member countries is voluntary and requires the member consent. The staff report will be shortly published on the www.imf.org/Guatemala page.

Executive Board Assessment³

Strong macroeconomic fundamentals position Guatemala well to navigate high uncertainty and external headwinds. Prudent macroeconomic policies have underpinned resilience, delivering low and stable inflation, solid fiscal and external buffers, and current account surpluses. However, growth potential remains constrained by poor public infrastructure, which dampens private investment. Social indicators are weak, with high informality and poverty levels. In addition, large remittance inflows support consumption but complicate monetary management and weigh on competitiveness.

Risks are broadly balanced. High energy prices and tighter migration and trade policies could further weaken growth and raise inflation. However, faster-than-expected decline in oil prices presents an upside risk, while progress under the bilateral trade agreement could help anchor relations with the U.S. Domestically, implementation constraints and pre-electoral pressures may delay reforms, but recent timely judicial appointments could support progress and strengthen investor confidence. A severe El Niño poses a significant near-term risk.

Increasing growth potential over the medium term will require decisive policy implementation. Main areas of focus are (i) scaling up public infrastructure investment, (ii) improving public financial management and raising revenues, (iii) reinforcing monetary and financial frameworks and (iv) advancing financial integrity, governance and structural reforms.

Higher public investment would reduce the current account surplus and boost productivity and competitiveness, thus supporting external rebalancing and lowering reliance on remittances. The authorities' multi-prong infrastructure strategy is welcome, though swift progress is needed to: (i) reduce bottlenecks and improve project preparation and execution, including by implementing Public Infrastructure Management Assessment (PIMA) recommendations; (ii) streamline public procurement to reduce red tape while safeguarding transparency; (iii) resolve the impasse over the operationalization of the priority infrastructure law without exacerbating budget rigidities; and (iv) mobilize greater private sector participation in infrastructure investment.

Decentralized public investment through Departmental Development Councils (CODEDEs) should become more effective and subject to adequate oversight and control. This should be achieved by containing and better targeting extraordinary allocations. Project continuity should be ensured through multi-year pipelines, and not through the automatic rollover of unexecuted funds into the following year. Project selection should be guided by stronger strategic coordination, including at the departmental level. It is essential to reinforce the oversight capacity of the Comptroller General and the Secretariat for Executive Coordination of the Presidency.

Better targeted social safety nets would improve shock responsiveness. Absent reliable means-testing capacity, temporary and contained universal fuel subsidy can help alleviate the social burden of the oil price shock. However, since universal subsidies are regressive and weaken price signals, expanding the coverage and quality of the social registry would be critical to enable more targeted responses going forward.

An investment-friendly consolidation should commence in the medium term, alongside improvements in spending quality. The Medium-Term Fiscal Framework (MTFF) should anchor fiscal consolidation needed to reduce fiscal deficits to 2 percent of GDP in tax policy reforms, while maintaining elevated capital spending, and preserving social spending. Better coordination among MinFin, line ministries, and SEGEPLAN on development plans, budget allocations and multiannual targets, would improve spending efficiency, targeting, and value-for-money in investment and social programs.

³ The Executive Board takes decisions under its lapse-of-time procedure when the Board agrees that a proposal can be considered without convening formal discussions.

Fiscal revenues should further be increased, building on recent gains in tax administration. Increasing revenues above 12 percent of GDP requires avoiding measures further eroding the tax base, limiting domestic and cross-border tax arbitrage, and undertaking comprehensive tax reforms.

Credible medium-term fiscal planning can ensure predictability of public finances without resorting to costly revenue earmarking. The review and simplification of earmarking in tandem with strengthening the MTFF and multi-year budgeting would preserve predictability of priority spending, improve budget alignment with national priorities, and reduce costly cash balances. A new organic budget law could serve as a vehicle for these reforms.

Stronger treasury–debt management coordination is essential for improving financing efficiency and reduce costs. Greater reliance on domestic funding while developing the local bond market would reduce currency risks, deepen domestic financial markets, improve the macro-policy mix, and lower Banguat's sterilization costs.

While the monetary policy stance is appropriate, monetary policy transmission and liquidity management could be strengthened. Well-anchored inflation expectations point to continued policy credibility, while ample reserve buffers provide Banguat with room for maneuver in conducting monetary policy less dependent of U.S. Fed policy movements. It will be important to improve communication of objectives underlying Banguat's FX market participation and of the international reserves' accumulation rule. Recent reforms to the operational framework—including narrowing the policy corridor and streamlining term-deposit maturities—should be complemented by strengthening collateral infrastructure, including through a central securities depository.

Strengthening regulations and supervision would further safeguard financial stability. To this aim, adopting IFRS accounting would improve transparency and comparability, while bolstering supervisory capacity, revamping the 2002 Law on Banks and Financial Groups, and continuing investments in cybersecurity resilience would help safeguard financial sector resilience.

Fast-tracking a new secondary markets law is critical. It would help mobilize domestic savings (thus reducing external imbalances), strengthen monetary policy transmission, enhance financial sector competition and deepen domestic financial markets, and also enable erecting the financial infrastructure needed to accommodate potential capital inflows should Guatemala attain investment grade. A new e-money law would provide the necessary regulatory foundation for fintech development and broaden access to formal financial services.

The approval of the new AML/CFT law marks an important step toward strengthening financial integrity. A law fully aligned with FATF standards—promptly followed by the approval and implementation of accompanying regulations—should position Guatemala well for 2027 mutual evaluation by GAFILAT.

The governance and structural reforms agenda should proceed apace. Recent initiatives, including the establishment of the National Anti-Corruption Commission, the adoption of a code of ethics, and the Integrity and Corruption Prevention Strategy 2025–32, should be complemented by advancing pending legislation on beneficial ownership transparency, whistleblower protection, and public procurement. In parallel, reducing non-tariff barriers in line with commitments under the trade agreement with the U.S. would support improvements in the business environment. Guatemala should advance existing initiatives aimed at geographical and product diversification of exports, including through new trade agreements. Efforts to reduce informality would further promote more inclusive and sustainable growth.

Table. Guatemala: Selected Economic and Social Indicators

I. Social and Demographic Indicators									
Population 2024 (millions)	18.4					Gini index (2014) ¹	48.3		
Percentage of indigenous population (2018)	43.7					Life expectancy at birth (2022)	71.2		
Population below the poverty line (Percent, 2023)	55.1					Adult illiteracy rate (2022)	17.0		
Rank in UNDP development index (2022; of 189)	136					GDP per capita (US\$, 2024)	6,150		
II. Economic Indicators									
	2023	2024	2025	Projections					
				2026	2027	2028	2029	2030	2031
Income and Prices	(Annual percent change, unless otherwise indicated)								
Real GDP	3.5	3.7	4.3	3.8	3.8	3.9	3.9	3.9	3.9
Consumer prices (average)	6.2	2.9	1.6	3.7	3.7	3.7	3.8	4.0	4.0
Consumer prices (end of period)	4.2	1.7	1.7	4.6	3.7	3.7	4.0	4.0	4.0
GDP Deflator (yoy change)	6.5	3.7	3.4	3.6	3.7	3.7	3.8	4.0	4.0
Monetary Sector									
M2	6.8	7.8	13.4	10.7	8.6	8.8	7.7	7.0	7.0
Credit to the private sector	14.9	12.3	7.6	8.1	10.1	9.7	9.3	9.2	9.1
Saving and Investment	(In percent of GDP, unless otherwise indicated)								
Gross domestic investment	16.5	16.4	16.8	16.6	16.9	17.2	17.3	17.5	17.8
Private sector	14.9	15.5	15.3	15.1	15.3	15.5	15.7	16.0	16.2
Public sector	1.6	1.0	1.5	1.5	1.6	1.6	1.6	1.6	1.6
Gross national saving	19.6	19.3	21.5	20.1	19.7	19.4	18.9	18.5	18.2
Private sector	18.7	18.3	21.2	20.6	20.0	19.7	19.2	18.8	18.5
Public sector	0.9	1.0	0.3	-0.5	-0.3	-0.3	-0.3	-0.3	-0.3
External saving	-3.1	-2.9	-4.7	-3.5	-2.8	-2.2	-1.6	-1.0	-0.4
External Sector									
Current account balance	3.1	2.9	4.7	3.5	2.8	2.2	1.6	1.0	0.4
Trade balance (goods)	-13.8	-14.0	-13.6	-14.5	-14.3	-14.1	-13.9	-13.6	-13.4
Exports	12.5	11.8	11.6	11.4	11.3	11.2	11.3	11.2	11.2
Imports	26.3	25.7	25.2	25.9	25.6	25.3	25.1	24.9	24.6
Trade balance (services)	-1.3	-1.6	-1.8	-1.9	-1.9	-1.9	-1.8	-1.8	-1.8
Other (net)	18.1	18.4	20.1	19.9	19.0	18.1	17.3	16.4	15.6
of which: remittances	19.0	19.0	20.7	20.3	19.4	18.6	17.7	16.9	16.1
Financial and capital accounts balance (Net lending (+))	2.7	2.4	3.8	3.5	2.8	2.2	1.6	1.0	0.4
of which: FDI (net)	-1.0	-0.9	0.5	-0.7	-0.8	-0.8	-0.9	-1.0	-1.0
Errors and omissions	-0.4	-0.5	-1.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in reserve assets (Increase (+))	0.9	2.6	6.0	1.7	1.0	0.3	0.2	0.0	0.0
Net International Reserves									
Stock in months of next-year NFGS imports	6.7	7.2	8.8	8.9	8.7	8.2	7.7	7.2	...
Stock over short-term debt on residual maturity	4.8	5.0	4.7	4.8	4.6	4.6	4.6	4.4	...
NIR as % of ARA metric	162.9	174.8	203.2	199.7	193.5	183.1	172.8	162.5	153.1
Gross international reserves (US\$ billions)	21.3	24.4	32.7	35.0	36.5	37.0	37.3	37.3	37.3
Public Finances (Central Government)									
Revenues	12.5	12.4	12.6	12.8	12.7	12.7	12.7	12.7	12.7
Expenditures	13.7	13.4	14.5	15.5	15.3	15.3	15.3	15.3	15.3
Current	11.2	11.0	11.5	12.4	12.1	12.0	12.1	12.1	12.1
Capital	2.5	2.4	3.0	3.1	3.2	3.3	3.2	3.2	3.2
Primary balance	0.4	0.7	-0.3	-1.1	-0.9	-0.9	-0.8	-0.8	-0.7
Overall balance	-1.3	-1.0	-1.9	-2.7	-2.6	-2.6	-2.6	-2.6	-2.6
Financing of the central government balance	1.3	1.0	1.9	2.7	2.6	2.6	2.6	2.6	2.6
Net external financing	1.3	1.0	1.1	0.8	1.1	0.5	0.6	0.8	0.8
Net domestic financing	-0.1	0.0	0.8	1.9	1.5	2.1	2.0	1.8	1.8
Central Government Debt									
External	27.2	26.3	26.7	27.4	28.0	28.6	29.1	29.6	29.9
Domestic ¹	11.9	11.9	12.1	12.1	12.2	11.9	11.7	11.6	11.5
	15.3	14.5	14.6	15.4	15.8	16.7	17.5	18.0	18.4
Memorandum Items:									
GDP (US\$ billions)	104.3	113.2	123.3	133.1	143.3	154.5	166.6	180.0	194.6
Volume of exports and services (annual percentage change)	-2.4	2.1	2.0	6.2	7.3	7.7	8.2	7.7	7.7
Volume of imports and services (annual percentage change)	5.3	8.9	7.6	5.0	7.5	7.0	7.1	6.6	6.6
Output gap (% of GDP)	0.1	0.3	0.5	0.3	0.2	0.1	0.1	0.1	0.0
Terms of trade (annual percentage change)	5.9	2.8	4.8	-5.1	0.6	0.1	-0.2	0.0	0.0

Source: Bank of Guatemala; Ministry of Finance; and Fund staff estimates and projections.

¹ Does not include recapitalization of obligations to the central bank.



GUATEMALA

July 10, 2026

STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION

KEY ISSUES

Context. Sound fundamentals—low and stable inflation, solid fiscal and external buffers, and current account surpluses—put Guatemala in a strong position to face ongoing high uncertainty. However, growth potential remains constrained by poor public infrastructure, which dampens private investment. Large remittances, though supporting consumption, complicate monetary policy and put pressure on competitiveness.

Outlook and risks. Growth is projected to dip to 3.8 percent this year before converging to 4 percent in the medium term. Despite the oil price spike, inflation is expected to stay within target. The current account surplus is expected to narrow. Both external and domestic risks are broadly balanced, with El Niño posing considerable risks to the near-term outlook.

Fiscal Policy and Public Infrastructure. Staff support the moderate fiscal expansion in 2026. While appropriately temporary and modest in size, universal fuel subsidies should shift to targeted options going forward. Improved revenue mobilization and spending efficiency, supplemented in time by tax reforms, could lower medium-term deficits to 2 percent of GDP while preserving capital spending. PFM reforms should strengthen the medium-term fiscal framework, reduce revenue earmarking, ease constraints on debt management, and improve treasury-debt management coordination. Implementing PIMA recommendations will help address perennially low capex execution. Passage of pending infrastructure-related legislation (public procurement law, ports and airports law) and operationalization of recent laws (priority road infrastructure law, PPP law) should advance apace. Better targeting, planning and oversight of capital transfers to departmental development councils (CODEDEs) will help contain fiscal risks.

Monetary and Financial Sector Policy. The pause in the monetary cycle is warranted given the very high uncertainty, especially concerning future fuel and food prices. Measures to improve financial sector oversight, promote financial inclusion and deepen domestic markets will improve the sector's ability to advance Guatemala's development.

Other Policies. The welcome approval of the AML/CFT law should be followed by the swift passage of accompanying regulations. Boosting growth requires improved rule of law, eliminating red tape (including in international trade), and addressing informality.

Approved By
Dora Iakova (WHD)
and Michele Ruta
(SPR)

The discussions took place in Guatemala City during May 27 – June 5, 2026. The team comprised Alexander Culiuc (head), Beata Jajko, Jean Frédéric Noah Ndela, Sotirios Georgousis, Shun Wakimoto, Gerardo Peraza (Resident Representative), and Gloria Elizabeth Alvarez Garcia (local economist). Xiana Méndez Bertolo joined the concluding meeting and Oscar Monterroso (both OED) participated in the discussions. Alfredo Alvarado provided analytical support and Giselle Ballon de Rivero (all WHD) assisted in the preparation of the report. The mission met with the President and Vice-president of the Central Bank, the Minister of Finance, Deputy Ministers of Finance, Minister of Economy, Minister of Communications, Infrastructure, and Housing, senior government officials, and other stakeholders.

CONTENTS

CONTEXT	5
RECENT DEVELOPMENTS	5
OUTLOOK AND RISKS	8
POLICY DISCUSSIONS	9
A. Scaling up Public Infrastructure	9
B. Other Fiscal Issues	13
C. Monetary and Exchange Rate Policies	16
D. Financial Sector Policies	18
E. Governance, Financial Integrity and the Structural Agenda	19
F. Policy Response under Adverse Scenario	20
STAFF APPRAISAL	21
BOXES	
1. Oil Price Shocks and Inflation Pass-Through	24
2. Optimality of CODEDEs allocations	26
3. Tax Policy and Informality	28
4. Monetary Policy, the Federal Reserve, and International Reserves	29
5. Export Competitiveness and Opportunities for Guatemala	31
FIGURES	
1. Recent Economic Developments	33

2. External Developments	34
3. Fiscal Sector Developments	35
4. Monetary Policy and Financial Developments	36
5. Financial Sector Developments	37
6. Socioeconomic and Innovation Indicators	38
7. Worldwide Governance Indicators	39

TABLES

1. Selected Economic and Social Indicators	40
2a. Public Sector Balance (in millions of Quetzales)	41
2b. Public Sector Balance (in percent of GDP)	42
3. Summary Balance of Payments	43
4. Monetary Sector Survey	44
5. Financial Soundness Indicators	45

ANNEXES

I. External Sector Assessment	46
II. Risk Assessment Matrix	49
III. Public Debt Sustainability Analysis	51
IV. Update on Implementation of Past Recommendations	57
V. Data Issues	63
VI. Capacity Development	66

Glossary

AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
APP	Asset Purchase Program
ANI	National Infrastructure Agency
ARA	Assessing Reserve Adequacy
BANGUAT	Central Bank of Guatemala
CAPTAC-DR	Regional Technical Assistance Center for Central America, Panama and the Dominican Republic
CA	Current Account
CAFTA-DR	Central America Free Trade Agreement
CNC	National Commission Against Corruption
CAPDR	Central America, Panama and the Dominican Republic
CODEDEs	Departmental Development Councils
DIPP	Directorate of Priority Road Projects
DSA	Debt Sustainability Analysis
EBA	External Balance Assessment
ER	Exchange Rate
FDI	Foreign Direct Investment
FX	Foreign Exchange
IDB	Inter-American Development Bank
IFRS	International Financial Reporting Standard
IGSS	Guatemalan Social Security Institute
IT	Inflation Targeting
MinFin	Ministry of Finance
MICIVI	Ministry of Communications, Infrastructure, and Housing
MTDS	Medium-Term Debt Management Strategy
NIIP	Net International Investment Position
NPL	Nonperforming Loan
PFM	Public Financial Management
PIMA	Public Infrastructure Management Assessment
PIT	Personal Income Tax
PPP	Public-Private Partnerships
REER	Real Effective Exchange Rate
SAT	Superintendence of Tax Administration
SEGEPLAN	General Secretary of Planning
SIB	Superintendence of Banks
SME	Small and Medium Enterprises
STEM	Science, Technology, Engineering and Mathematics
TA	Technical Assistance
VAT	Value-Added Tax

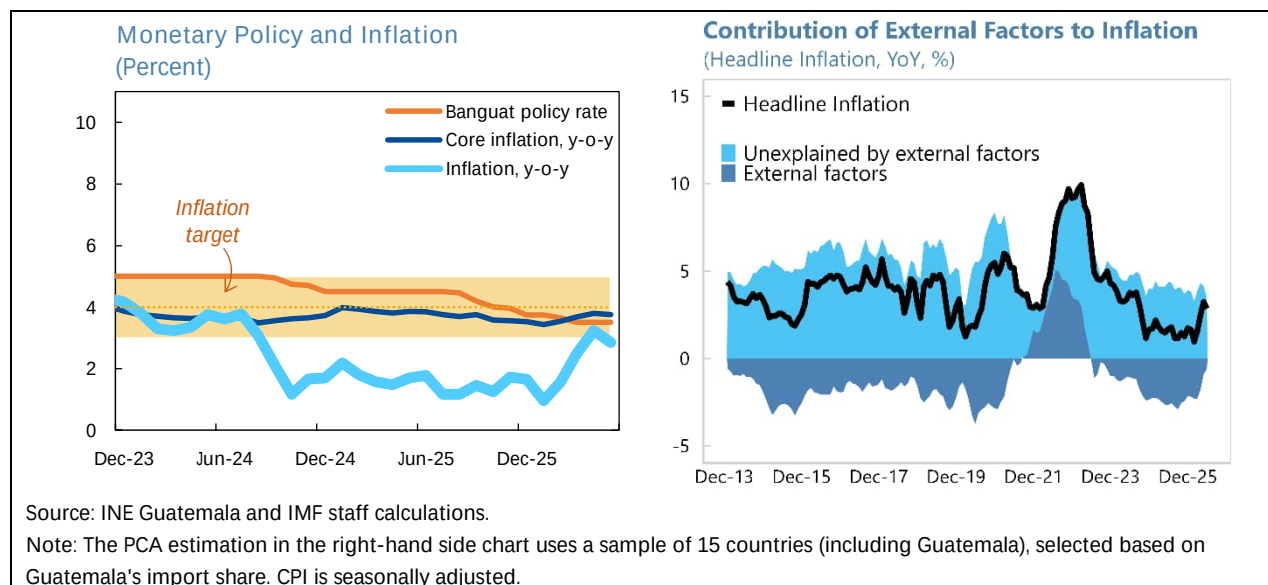
CONTEXT

1. Prudent macroeconomic management has underpinned Guatemala's resilience, but inadequate public infrastructure and public services constrain growth potential. Favorable fundamentals—low and stable inflation, ample external and fiscal buffers, and, in recent years, a current account surplus—stand in contrast to persistent deficiencies in public infrastructure and social indicators, including education, healthcare, and public security. High remittance inflows—while supporting household consumption, alleviating poverty, and augmenting domestic savings—have prompted costly foreign exchange interventions to dampen appreciation pressures on the real exchange rate. Nevertheless, this has only partially mitigated price competitiveness pressures in the tradable sector, which is already weighed by infrastructure and regulatory bottlenecks.
2. The complex political landscape poses headwinds, though the conclusion of appointments to key state institutions enables renewed focus on advancing reforms. The Arevalo administration is pursuing a multi-pronged strategy to address binding constraints to private sector-led growth, while a fragmented Congress and a contentious relationship with the former Attorney General's office delayed progress. However, the recent approval of the long-awaited AML/CFT law marks an important achievement, and the timeliness of appointments of a new Attorney General, and new members of the Constitutional Court and the Electoral Tribunal were crucial in ascertaining constitutional order and legal certainty, and for shifting focus to implementation.

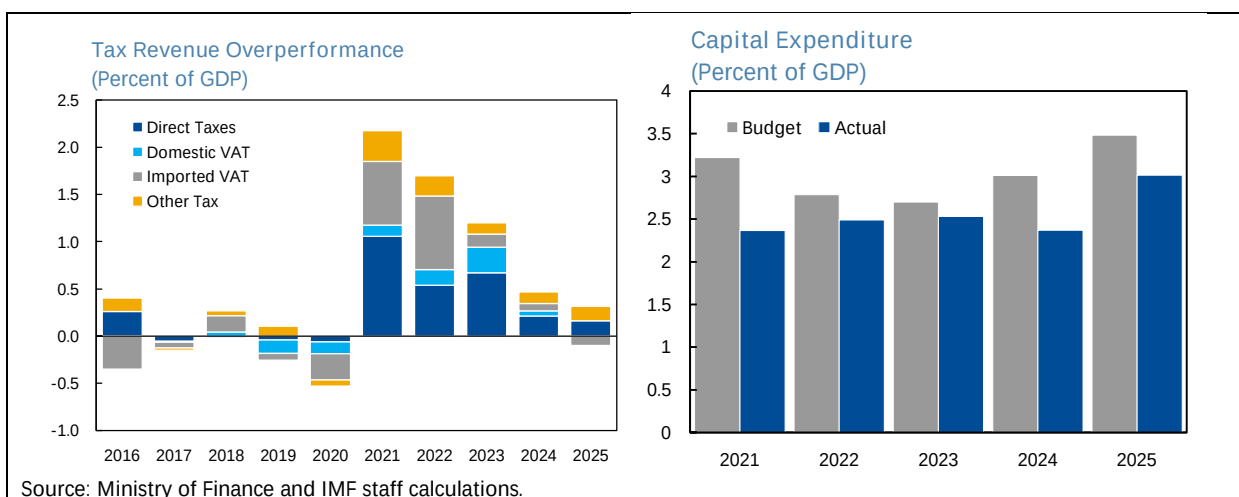
RECENT DEVELOPMENTS

3. At 4.3 percent, 2025 growth was stronger than expected. Robust private consumption, underpinned by historically high remittance inflows, was the main driver. On the supply side, growth was led by the trade and construction sectors—the latter supported by somewhat higher public capex—as well as by real estate and financial services. The strong growth momentum carried into 2026, with economic activity expanding 4.5 percent y/y through April.
4. Headline inflation in 2025 remained well below the target of 4 percent $\pm$ 1 percentage point. End-year inflation stood at 1.7 percent in 2025, broadly unchanged from end-2024, with food, hospitality and education seeing the largest price increases. After jumping to 3.2 percent y/y in April on account of spiking fuel prices, inflation decelerated to 2.9 percent y/y in May, as fuel price subsidies limited the passthrough. Nevertheless, at around 3¾ and 4 percent, respectively, core inflation and inflationary expectations remain well anchored and close to target.
5. Banguat's easing cycle is on hold. Four quarter-percentage cuts between mid-2025 and February 2026 lowered the policy rate to 3.5 percent, below that of the U.S. Federal Reserve. Since then, Banguat kept the rate unchanged, reflecting heightened uncertainty, including over commodity prices and U.S. monetary policy. Banguat continues actively managing quetzal and FX liquidity, having sterilized a record GTQ9.2 billion (1 percent of GDP) in 2025, mirroring record FX

purchases (¶18). Nevertheless, Banguat's higher income drove down net cumulated quasi-fiscal costs to 2.4 percent of GDP (from 3 percent of GDP at end-2024).¹



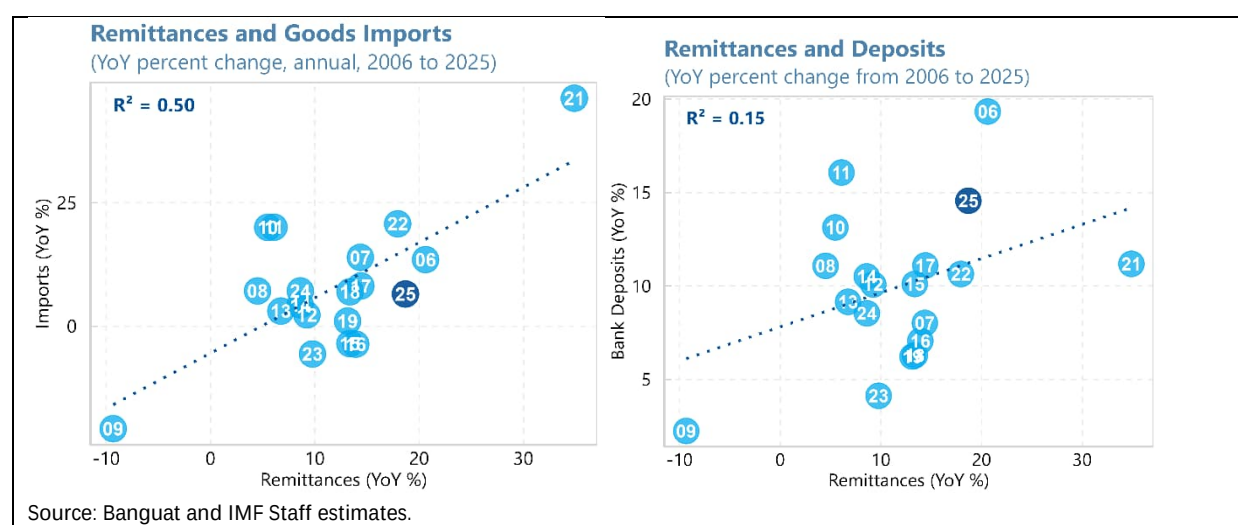
6. Expansionary fiscal policy attempts to narrow infrastructure and social gaps. The 2025 fiscal deficit widened to 1.9 percent of GDP, almost 1 percentage point higher than in 2024 but about 2 percentage points below the budgeted 3.8 percent. This expansion—significant, but below budgeted levels—was largely driven by capital spending, where a large augmentation was partly offset by modest execution (78 percent), especially low for transfers to CODEDEs. Bolstered by tax administration efforts, 2025 tax revenues exceeded the amount planned in the budget. The 2026 budget—targeting a deficit of 3.6 percent of GDP—was approved last November but swiftly suspended by the Constitutional Court on procedural grounds; a January budget amendment largely restored the expenditure envelope to initial levels. In response to the 2026 oil price shock, the authorities introduced temporary but untargeted fuel subsidies—higher for diesel and lower for gasoline—totaling 0.2 percent of GDP.



¹ The 2002 Banguat law mandates the government to offset the central bank's losses by issuing marketable government securities at prevailing market interest rates; compliance has been partial and inconsistent (see ¶31).

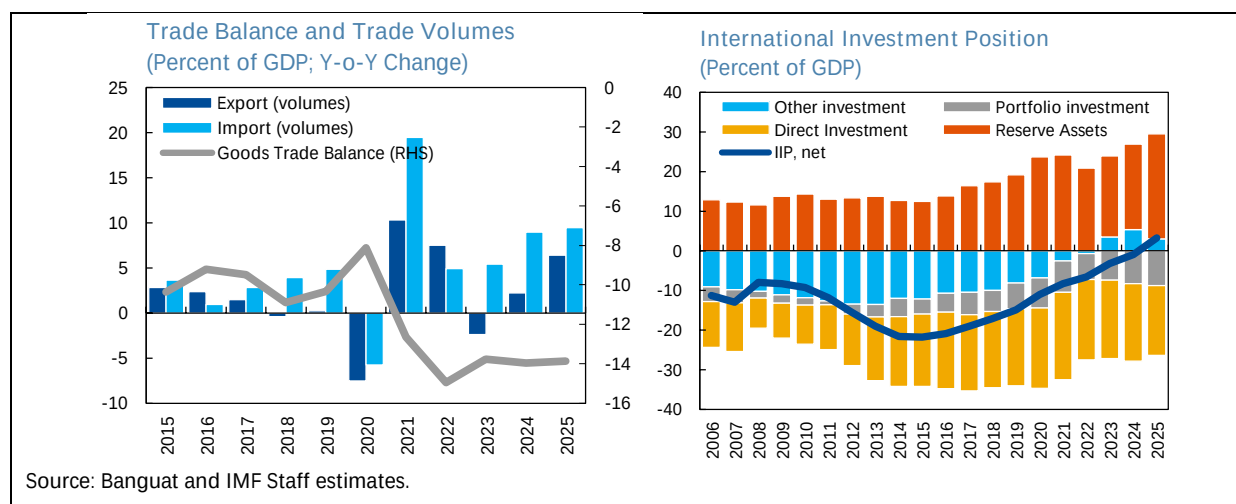
7. Guatemala's public debt remains low and sustainable at under 27 percent of GDP at end-2025. Strong policy buffers and a sustained track record of prudent fiscal management have brought Guatemala to within a single step from investment grade, ensuring continued access to international capital markets (a US\$1.5 billion Eurobond was issued in July 2025). Domestic debt issuance grew as a share of total issuance, in line with the 2025 Article IV recommendation. Central government non-remunerated deposits at Banguat reached 3.4 percent of GDP at end-2025—a significant liquidity cushion, but also a reflection of structural issues (§25).

8. The external position has strengthened further. The current account surplus reached 4.7 percent of GDP in 2025, as remittances jumped to a record 21 percent of GDP. Staff's view that above-trend remittances largely reflect precautionary motives—Guatemalans in the U.S. shifting savings home in response to tighter migration policies—is supported by (i) the weaker response of consumption and imports and (ii) the significant rise in banking system deposits. The trade balance remained flat, despite favorable terms-of-trade. International reserves reached US\$32.7 billion at end-2025 (26.5 percent of GDP, 203 percent of the ARA metric), on the back of record-high net foreign exchange purchases (US\$5.3 billion) that mirrored the surge in remittances. However, these interventions did not prevent a 3.3 percent real y/y appreciation at end-2025. Remittance inflows have decelerated in 2026 (7.5 percent y/y in January-May), including due to the large base effect.

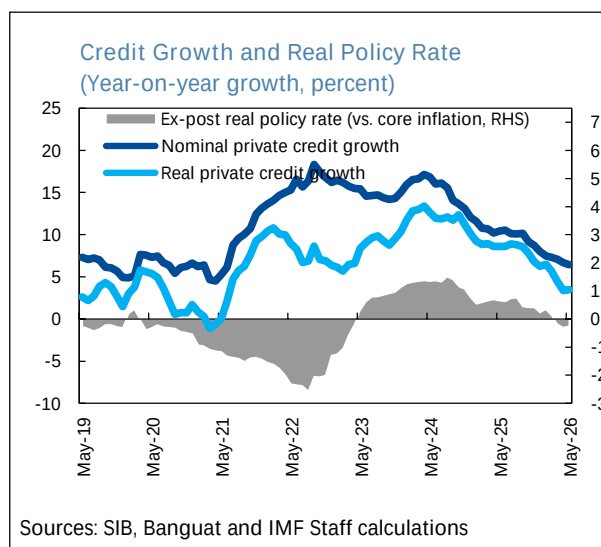


9. Staff assesses Guatemala's external position to be stronger than implied by medium-term fundamentals and desirable policies (Annex I). The IIP turned positive in 2025—mainly on account of rising reserve assets—a rarity among commodity-importing middle-income economies. The positive current account gap estimated by the IMF's External Balance Assessment (EBA) current account model suggests an undervalued real exchange rate, whereas the REER model suggests overvaluation. This difference between quantity-based (current account) and price-based (exchange rate) estimations is explained by substantial remittance inflows and the central bank's policy response. As the current account surplus primarily reflects structurally low investment, external rebalancing should rely on policies aimed at stimulating private investment, which is the main thrust of these Article IV consultations. Three policy objectives stand out in this respect: (i) better public

infrastructure both at national and local levels, (ii) more efficient delivery of social services (education and healthcare), and (iii) structural reforms aimed at improving investment climate.



10. Credit to the private sector has decelerated. Following double-digit nominal growth during 2021–24, credit growth slowed to about 8 percent in 2025 and continued decelerating in early 2026. The banking system exhibits strong capitalization and liquidity, while NPLs—concentrated in consumer, microcredit, and mortgage portfolios—stood at 2.4 percent at end-2025. Provisioning levels declined modestly to 131 percent (from 135 percent).² The [Financial Sector Stability Report](#)—featuring the authorities’ first published stress tests—deemed the banking system capable of absorbing shocks and preserving financial stability over the medium term.



OUTLOOK AND RISKS

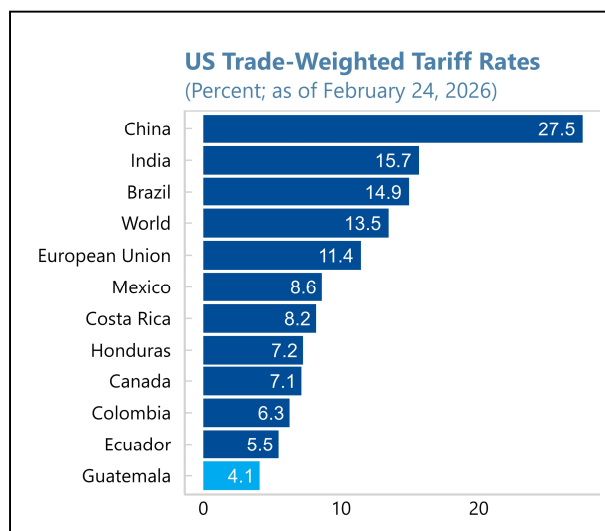
11. The outlook remains broadly favorable. Despite the oil price shock and stabilizing private consumption—reflecting decelerating remittances—a moderate fiscal impulse and the strong first months of 2026 point to 3.8 percent growth in 2026. As the oil shock dissipates and public investment and structural reforms start yielding returns, GDP growth will converge to 4 percent. Inflation—despite an uptick in 2026 (Box 1)—is expected to remain within target. The current account surplus is projected to narrow, as remittances stagnate and private investment picks up. The

² The expected loss-based provisioning system is phased in until 2028, allowing banks to adjust reserves gradually.

fiscal deficit is projected to undershoot the budgeted 3.6 percent of GDP in 2026, and—under staff’s revenue projections—stabilize around 2½ percent of GDP in the medium term.

12. Risks are broadly balanced (Annex II).

On the domestic front, legislative fragmentation may delay the passage of key reforms, while institutional capacity constraints could hinder their effective implementation. On the other hand, completion of judicial appointments (Constitutional Court, Attorney General) could enable shifting focus to reforms. On the external front, heightened geopolitical tensions and potential escalation of global conflicts could exacerbate volatility. Volatile commodity prices—particularly oil—may intensify inflationary pressures, while tighter global financial conditions could pose additional



challenges, though the fall in oil prices in the weeks since the completion of Article IV discussions create upside risk.³ Further tightening of U.S. migration policies could reduce remittances, while reduced outward migration may increase domestic labor market pressures, including unemployment and informality. On the other side, the [bilateral trade agreement with the United States](#) positions Guatemala favorably relative to key competitors, particularly in the textile sector. Guatemala is highly vulnerable to climate shocks; a severe 2026–27 El Niño poses considerable risks to the near-term outlook.

Authorities' Views

13. The authorities forecast a stronger 2026, but share staff’s medium-term outlook and risk assessment. Their baseline assumes a lower drag from the oil price shock on growth. They project growth of around 4 percent in 2026 and over the medium term, while acknowledging downside risks, particularly for 2026–27. Inflation is expected to remain well anchored and within the target under the authorities’ baseline and an adverse oil price scenario, temporarily exceeding the target only under a severe shock. A severe El Niño is expected to impact mostly prices (likely in 2027), while having limited impact on the economic activity.

POLICY DISCUSSIONS

A. Scaling up Public Infrastructure

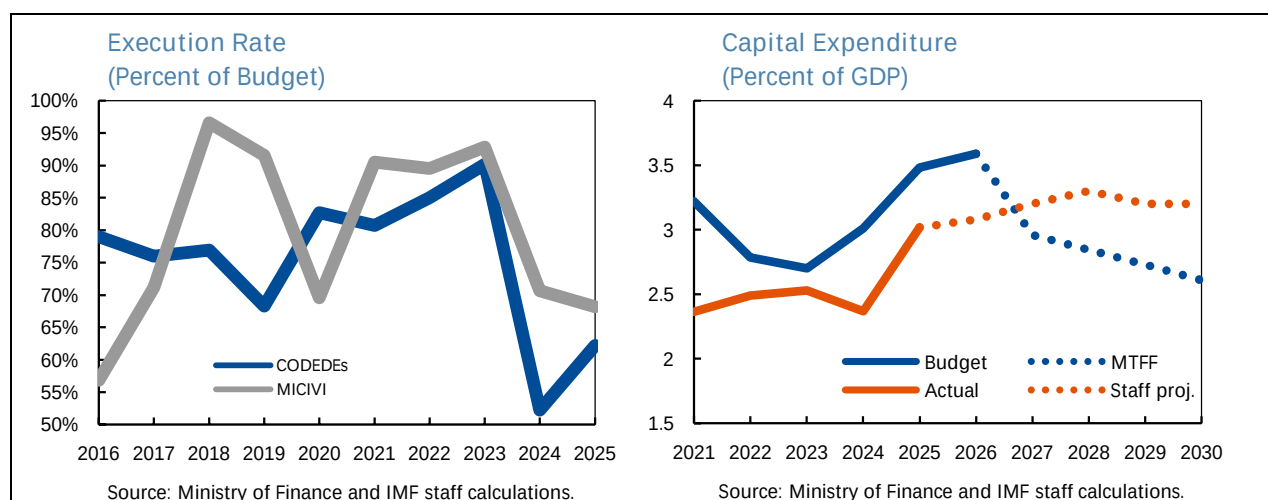
14. Scaling up public infrastructure is critical for redressing Guatemala’s competitiveness and reducing dependence on remittances. The current account surplus masks an underlying trade balance deficit that is offset by very large remittance inflows, which hamper competitiveness by

³ At the time of Article IV discussions in early June, the average WTI oil price for 2026 was projected at \$87 per barrel. Based on oil price futures as of early July, the average price for the year is forecasted at \$77.

putting appreciation pressure on the exchange rate (ESA Annex I; see also Box 1 in the 2025 Article IV). Scaling-up public infrastructure investment would reduce the CA surplus in the short run, but also strengthen productivity and competitiveness in the medium term, supporting a gradual internal rebalancing and reducing reliance on remittances.

15. The authorities recognize the urgency of scaling up infrastructure spending and strengthening institutions governing public investment. The government is pursuing a multi-prong strategy to boost public investment, though significant challenges remain. In particular:

- *The 2026 budget allocated a record 3.6 percent of GDP for capital spending, about 1 percentage point above the 2022–24 actuals. However, much of this difference is on account of low historical execution rates; if execution improves only slowly (staff baseline assumption), 2026 capex will end up only marginally above past years. Also, the Medium-Term Fiscal Framework (MTFF) envisages capex/GDP reverting to historical averages, mainly due to falling CODEDE allocations (see next bullet), while current spending is projected to rise as share of GDP (¶122); staff's baseline assumes that reining in transfers to CODEDEs will take longer.*



- *Capital transfers to CODEDEs have increased steadily in response to large regional disparities in social infrastructure; the allocation for 2026 amounts to 1½ percent of GDP. More than half is at Congress's discretion (the “extraordinary” allocation), where the regional distribution is only weakly aligned with development needs (Box 2). The total also includes carryovers of previous years' non-executed funds. In the absence of full-fledged multiyear budgeting, this rollover mechanism seeks continuity of projects. However, persistent under-execution snowballed CODEDE allocations to levels that are stretching central government's oversight capacity.*
- *The Government-to-Government (G2G) turnkey contract with the U.S. Army Corps of Engineers aims to expand Puerto Quetzal—Guatemala's largest port on the Pacific—and the connecting road (other projects are also under discussion). The project (about ½ percent of GDP) bypasses domestic regulatory, procedural, and capacity constraints. The announced timeline—feasibility*

studies in 2027, port expansion by 2032 with some efficiency-improving processes implemented earlier—means that chronic delays at the port will dissipate only in the medium term.

- *The 2024 Priority Infrastructure Law established the Directorate of Priority Road Projects (DIPP) as a decentralized, autonomous body, to ensure greater agility in upgrading national road corridors compared to capex overseen by the Ministry of Communications, Infrastructure, and Housing (MICIVI). However, disputes over DIPP's legal standing delay its operationalization, unintentionally slowing down the projects the law was designed to accelerate.*
- *The 2025 amendments to the *Public-Private Partnership* law simplify the procedures for attracting private sector participation in infrastructure projects and revamp the state entity overseeing PPPs, the National Infrastructure Agency (ANI). However, ANI is still in the process of putting together the pipeline of PPP projects.*
- *Other legislative initiatives are at various stages. A *Public Procurement Law* was submitted to Congress late 2025 to modernize processes, broaden competitive modalities, and strengthen transparency. The ports and airports laws, which would separate operations from regulation and facilitate private sector participation in respective industries, are also in the pipeline.*

16. Improved execution would ensure that higher allocations translate into actual investment. MICIVI's low execution rate—at around 70 percent in 2024 and 2025—underscores the urgent need to address bottlenecks in project preparation, procurement, and contract management. Staff recommend advancing the implementation of the [2023 Public Investment Management Assessment](#) (PIMA) recommendations. In particular:

- *Tighten central control over investment projects included in the budget.* Budget inclusion should be restricted to projects that have already received a favorable technical opinion from SEGEPLAN, except emergency-response projects. This would help avoid crowding the budget with projects that have not been fully vetted or are not affordable—an issue with projects introduced during Congress budget deliberations—which in turn weakens their execution.
- *Strengthen central monitoring of major infrastructure projects* to provide a currently missing multi-year view of project execution, which would help identify emerging bottlenecks at an early stage and support timely corrective action.
- *Improve coordination among MinFin, SEGEPLAN, and line ministries in project execution* to ensure that budget reallocations, cash management, and adjustments align with implementation realities. This would improve funding predictability and reduce disruptions in execution.

17. Decentralized public investment through CODEDEs should be made more effective, and subject to adequate oversight and control (Box 2). CODEDEs account for one tenth of all budgeted 2026 spending and one third of capital spending. While under-provision of basic services (sanitation, local roads, etc.) justify higher CODEDE allocations, their snowballing—due to large extraordinary allocations and the rollover of past unexecuted funds—stretches the central government's planning, control and monitoring capacity, and risks crowding out other priority spending. To efficiently close social infrastructure gaps, these funds should be (i) optimally

distributed across regions, (ii) allocated to well-targeted and designed projects, and (iii) subjected to adequate control and oversight. Staff recommend:

- *Containing extraordinary CODEDE allocations and improving their targeting.* To the extent extraordinary allocations continue, their regional distribution should be subject to clear criteria reflecting regional development disparities.
- *Enhancing planning, strategic guidance and coordination for project selection.* Clear guidance from SEGEPLAN could better align CODEDE projects with national development priorities and regional needs.
- *Developing a more credible, prioritized, and multi-year pipeline of local social and infrastructure projects* to ensure continuity of priority projects without relying on the recently-introduced rollover of unexecuted funds. This should be done at the CODEDE level, alongside the national project pipeline, and be consistent with implementation capacity and national and regional development objectives.
- *Improving project oversight,* by strengthening the capacity of the Comptroller General's office and the Secretariat for Executive Coordination of the Presidency, and by incentivizing civil society participation in flagging issues.

18. Staff encourage swift advancement of infrastructure-focused legislation. Staff recommend swift resolution of legal obstacles to the operationalization of the DIPP, while ensuring that it does not come at the cost of additional budget rigidities (see next section).⁴ The prompt approval and implementation of the new Public Procurement Law would help reduce inefficiencies, enhance transparency, and improve value for money in public investment. Fully operationalizing the new PPP framework will require strengthening project preparation capacity and developing a credible pipeline of ANI projects. Timely implementation of the ports law and adoption of an airport law would help reduce legal and procedural uncertainty and crowd in private participation.

Authorities' Views

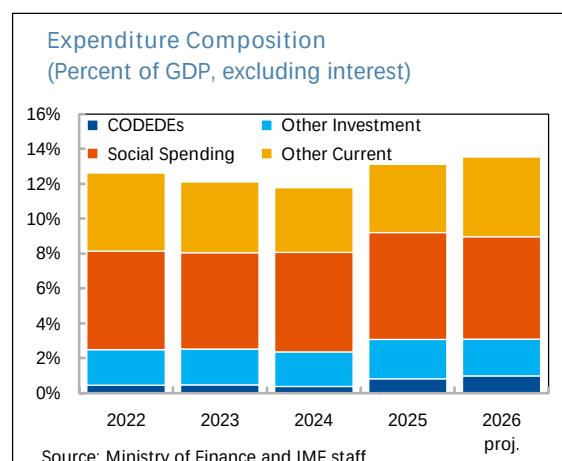
19. The authorities view their investment agenda as having the potential to unlock higher private investment, increase productivity, and aid long-term growth. They recognize that improving execution of capital spending is a key challenge, including at MICIVI. Ongoing reforms to public procurement, budget planning, and public financial management aim to address these constraints and support better project appraisal, prioritization, and implementation. The authorities intend to work with the World Bank on assessing the public investment process to identify possible further improvements. On CODEDEs, the authorities recognize the importance of ensuring that the expansion of CODEDE allocations remains well planned, sequenced and supported by adequate monitoring capacity; the Ministry of Finance has requested World Bank's assistance on this topic.

⁴ The *Priority Road Infrastructure Law* envisages allocating 30 percent of central government deposits at Banguat at the end of a year to finance DIPP's next year's operations.

B. Other Fiscal Issues

20. Under staff's revenue and spending execution assumptions, 2026 will see a moderate fiscal expansion. Targeting an overall deficit of 3.6 percent of GDP, the 2026 budget is expansionary, with higher capital spending contributing around a third of the 1.7 percent of GDP fiscal impulse embedded in the budget forecast. However, staff expects 2026 to end in a deficit of only 2.7 percent (producing a 0.8 percent of GDP impulse), with expenditure shortfalls from low capex execution partly offset by softer tax revenue owing to staff's lower growth projections.

21. The oil price shock calls for expanded, more cohesive and better targeted social safety nets. In the absence of reliable data for means-testing assistance, the universal fuel subsidy is superior to earlier-considered alternatives (e.g., permanent cut in the fuel tax), given its temporary nature and contained fiscal cost—around 0.2 percent of GDP for up to three months. However, universal subsidies are regressive and weaken price signals, dampening the demand response to prices. To ensure that such shocks can be addressed in a more targeted way in the future, World Bank-supported work to extend coverage of the social registry should advance apace.



22. An investment-friendly fiscal consolidation should commence in the medium term. The current MTFE envisages deficits coming down to close to 2 percent by 2031, mostly on account of optimistic revenue assumptions and a fall in investment spending, while current spending is projected to continue rising some 1 percent of GDP. Staff recommend deficits converging towards the historical average of around 2 percent of GDP even under less optimistic revenue projections (staff's baseline), while preserving capital spending at current levels.

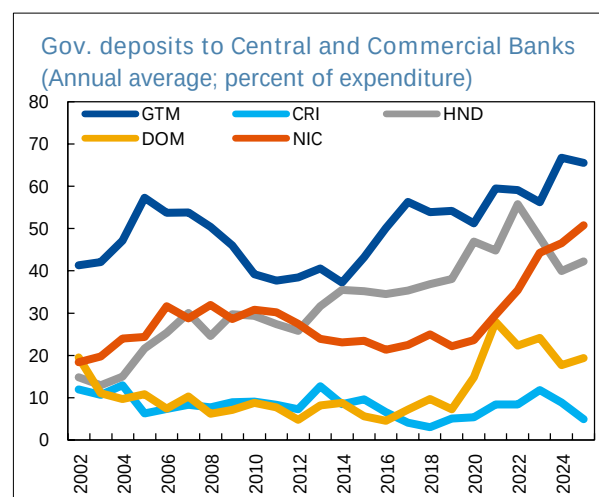
23. Authorities should build on recent gains in revenue mobilization. Despite measurable gains by the tax administration (SAT)—in tax compliance, digitalization, tax refund governance, and customs modernization—tax revenue has been hovering near 12 percent of GDP for decades. Converting SAT's ongoing and planned efforts into higher tax revenue—and reaching the declared target of 12.7 percent of GDP by 2030—will require further improvements in tax administration and, over the medium term, carefully sequenced tax policy reforms. At the same time, staff continue to discourage piecemeal measures in favor of a comprehensive review of tax policy. Staff recommend:

- *Strengthening tax compliance through risk-based enforcement and digital tools.* SAT has stepped up the fight against tax evasion and avoidance, and aligned its strategic plan with the [2024 TADAT](#) findings and medium-term fiscal planning. Full implementation of the strategic plan and improving the organization structure would help deepen risk-based compliance management, expand the use of analytics, and strengthen institutional capacity.

- *Improving the efficiency and governance of tax refunds.* The 2025 Law to Facilitate Compliance in Tax Refunds has helped expedite VAT credit refunds through a simplified procedure and substantially reduce the backlog. Going forward, safeguards should ensure that faster processing is accompanied by strong risk management and controls to mitigate fraud risks.
- *Continuing customs modernization and anti-smuggling efforts.* Simplifying and modernizing customs procedures would facilitate legitimate trade, reduce delays, and improve competitiveness, while maintaining effective controls and strengthening revenue collection.
- *Complementing administrative gains with tax policy reforms over time.* Near-term priorities include avoiding measures that would further erode the tax base—such as elimination of taxes, introduction of special tax regimes—and limiting domestic and cross-border tax arbitrage. Over time, the authorities should undertake comprehensive tax reforms to rationalize tax expenditures and exemptions, broaden the tax base, clarify eligibility across tax regimes, and strengthen personal income taxation in a progressive manner (Box 3).

24. Authorities are increasingly focused on raising quality of spending as a prerequisite for building public support for revenue-raising measures. Over the past year, they have taken steps to strengthen the efficiency and strategic orientation of public expenditure. While analytical tools and implementation arrangements remain under development, these early efforts have helped establish a stronger foundation for coordinated reforms between MinFin, line ministries and SEGEPLAN, and promote systematic use of indicators that facilitate alignment among development plans, budget allocations, and multiannual targets and projections. These initiatives could eventually inform the budget process reforms under a new Organic Budget Law. Developing analytical capabilities to evaluate spending policies and assess their distributional impact will help improve targeting and the value-for-money of programs, such as the fuel subsidies or social programs.

25. High treasury cash balances are a symptom of structural fiscal issues. High central government deposits at Banguat provide a significant liquidity cushion, but also reflect budget rigidities, weaknesses in expenditure execution and liquidity management, and imperfect coordination between the Treasury and the Public Credit departments. Extensive earmarking of revenues limits fungibility of tax receipts and incentivizes MinFin to seek alternative sources of fungible resources. Legal constraints in debt financing, such as the need to repay short-term T-bills within the same fiscal year they are issued, incentivize greater reliance on costly long-term borrowing (with typical maturities of 7 to 20 years). Combined with chronic capex under-execution and weak cash forecasting, this contributes to rising non-remunerated government deposits, which then attract proposals for questionable new spending and undermine the case for higher revenue mobilization.



26. Credible medium-term fiscal planning can deliver predictability of public finances without resorting to costly and stifling revenue earmarking. Extensive revenue earmarking—pre-committing between a third and half of all budget revenues—has partially provided predictability for specific sectors and institutions in the absence of medium-term budgeting. However, it has reduced budget flexibility, weakened the link between annual budgets and evolving priorities, and limited scope for reprioritization. Staff recommends reviewing and simplifying—possibly gradually—earmarking, in parallel with strengthening the MTFF and multi-year budgeting, to preserve predictability for priority spending while improving flexibility and alignment with national priorities. To maintain predictability of spending, MTFFs should build on and inform multi-year sectoral strategies and spending plans. A new Organic Budget Law could enable needed reforms while preserving legally-mandated allocations.

27. Staff advises closer treasury–debt management coordination and facilitating domestic financing mobilization. Better treasury–debt management coordination would help avoid overborrowing, reduce unnecessary financing costs, improve overall cash management, and facilitate the implementation of the medium-term debt management strategy. Greater reliance on domestic funding—anchored in a credible medium-term debt management strategy—would help reduce currency risks, deepen domestic financial markets, improve the macro-policy mix, and lower Banguat’s sterilization costs. Developing the local bond market requires:

- *Ensuring the effective functioning of the primary market for government securities.* MinFin should adhere to a regular and predictable issuance calendar throughout the year. Strengthening price formation—by clearing auctions at market-determined prices—is also essential.
- *Eliminating market fragmentation to ensure an efficient and liquid market for government securities.* A single window for all purchases of government securities should be established. The infrastructure for trading, custody, registration, clearance and settlement of government securities should be homogenized. Restrictions preventing the Guatemalan Institute for Social Security from trading bonds should be lifted.
- *Modernizing the legal and regulatory framework.* The Organic Budget Law should facilitate MinFin’s issuance of T-bills and allow for liability management operations (e.g., buybacks and exchanges), to optimize the debt portfolio and retire old non-tradable bonds issued in physical format. MinFin should also be able to issue securities at a discount when conditions warrant it.

Authorities’ Views

28. The authorities reiterate their commitment to addressing the country’s large infrastructure and social needs while maintaining fiscal sustainability. They view the temporary and measured increase in the fiscal deficit as appropriate to support priority spending and expect the deficit to gradually converge to around 2 percent of GDP over the medium term. They also consider the temporary universal fuel subsidy a necessary measure to cushion households and productive sectors from the impact of higher oil prices while the social registry is being further developed to enable more targeted support over time. They note that diesel support is particularly important given its central role in logistics and production costs. Their revenue gains rely on SAT’s

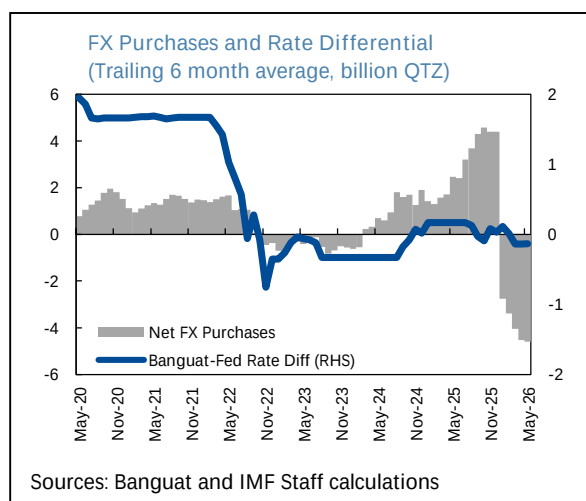
modernization strategy, including electronic invoicing, stronger customs administration, and compliance-enhancing measures. These are expected to increase tax revenues to 12.7 percent of GDP by 2030 without raising tax rates or introducing new taxes. The authorities see the need to further improve the quality of spending, particularly by addressing high spending rigidities. A new Organic Budget Law to be prepared in the coming months would aim at strengthening budget formulation, medium-term planning, and expenditure management. Given the low public debt level, the authorities consider that available fiscal space allows the financing of priority spending while preserving debt sustainability and keeping public debt around 30 percent of GDP. They also reiterate their intention to continue developing the domestic debt market, in line with Fund advice.

C. Monetary and Exchange Rate Policies

29. The current monetary policy stance is appropriate. While a more accommodating monetary stance could have been argued before the War in the Middle East—when inflation was over 2 percentage points below target—Banguat's asymmetric approach to policy rate decisions (slower for cuts than for hikes) has been, in hindsight, vindicated. High uncertainty—primarily concerning oil price developments, but also other factors discussed in the risk section—prevents staff from offering a clear-cut recommendation on future policy rate decisions. However, the monetary authorities have proven skillful in incorporating new information into decision-making; well-anchored inflationary expectations are proof of that. Banguat's space for maneuver is bolstered by strong reserve buffers, which provide some autonomy in conducting domestic monetary policy independently of U.S. rate movements (Box 4).

30. Banguat's strategic communication framework could be strengthened further. The 2026–30 Institutional Strategic Plan appropriately recognizes the role of communication in enhancing policy credibility, increasing the usefulness of public information, and fostering a better understanding of the central bank's mandate. Going forward, communication could be better integrated with policy analysis and provide greater clarity to monetary policy decisions. To address communication challenges associated with de facto exchange rate stability under an inflation-targeting regime, Banguat could convey more clearly objectives of FX interventions. As the international reserve accumulation rule plays an increasingly important role in FX operations amid strong remittance inflows, greater communication around the rule could help the market better understand its objectives and operation.

31. Improving the reserve requirement and collateral frameworks could facilitate liquidity management. High FX interventions to limit appreciation pressures from large remittances, combined with the budget's significant external borrowing in the context of a shallow domestic market have contributed to a structural liquidity



surplus in the banking system. Given Banguat's historical capitalization issues, its preference to manage excess liquidity mainly through high (and largely unremunerated) reserve requirements—with its own sterilization instruments operating on the margin—is reasonable. Recent reforms to the operational framework—including narrowing the policy corridor and streamlining term-deposit maturities—are welcome. Further simplifying reserve remuneration procedures and improving the collateral framework—particularly through the establishment of a central securities depository—could enhance Banguat's operational framework and its efficiency. Over the medium term, there is scope to lower reserve requirement ratios and/or increase remuneration of reserves to improve monetary policy transmission. Reinforcing Banguat's balance sheet—through timely recapitalization and a comprehensive review of its income model—is critical to ensure adequate policy space to manage liquidity and respond to future shocks. Improving coordination with MinFin would also support more effective cash and debt management, including better liquidity forecasting, enhanced information sharing, and lower sterilization costs.

32. Deepening financial markets—especially in local-currency bonds and derivatives—would further strengthen the effectiveness of the monetary policy framework. Deepening domestic markets—including by developing secondary markets for securities and derivatives, expanding local-currency debt markets, strengthening the interbank market, and promoting financial inclusion—would enhance monetary policy transmission and effectiveness. To achieve this, staff recommend fast-tracking the Secondary Market Law currently under preparation. Additional priorities include expanding the macroprudential toolkit and fostering the development of FX hedging instruments.

Authorities' Views

33. The authorities stressed that a cautious policy approach and clear communication are essential for anchoring expectations and preserving credibility. They noted that frequent policy adjustments are avoided to limit unnecessary market volatility, while well-anchored inflation expectations continue to support price stability. The central bank is closely monitoring effects of the oil price shock and assesses that second-round effects have remained contained thus far, aided by temporary fuel subsidies. The authorities highlighted ongoing efforts to strengthen communication in order to guide expectations, enhance policy credibility, and strengthen public understanding of monetary policy decisions and broader macroeconomic developments.

34. The authorities seek modernizing the monetary policy framework and developing a secondary market. They highlighted ongoing efforts to strengthen the policy framework through a continued focus on price stability and the use of transparent, rules-based FX interventions aimed at reducing excessive volatility rather than targeting a specific exchange rate. Regarding reserve management, the authorities reiterated that liquidity, safety, and capital preservation remain the guiding principles. They do not see a case for lowering the reserve requirement ratio, given the banking system's structural liquidity surplus. In their view, releasing additional liquidity would be unlikely to significantly stimulate credit or investment and would instead largely increase banks' holdings of central bank securities. They noted that the proposed Secondary Market Law would support the development of domestic capital markets, facilitate long-term financing, and help

prepare Guatemala for eventual investment-grade status. Given the limited political window before the electoral cycle intensifies, the authorities stressed the importance of securing timely congressional passage of the law.

D. Financial Sector Policies

35. The modernization of supervisory and regulatory frameworks remains a priority. Further reforms would strengthen monitoring of financial risks and safeguarding financial stability in Guatemala. A key objective is revising the 2002 Law on Banks and Financial Groups to align it with international standards of regulatory, supervisory, and crisis management practices. Full transition to IFRS accounting would increase transparency and communication with market participants, while the ongoing gradual shift to expected loss provisioning would further increase the system's resilience. The phased implementation of the Credit Risk Management Regulation should be accompanied by strengthened supervisory oversight. Continued investments in cybersecurity resilience—building on recent regulatory guidance and supervisory reviews—remain essential in light of rising cybersecurity risks (Annex II) and digitalization.

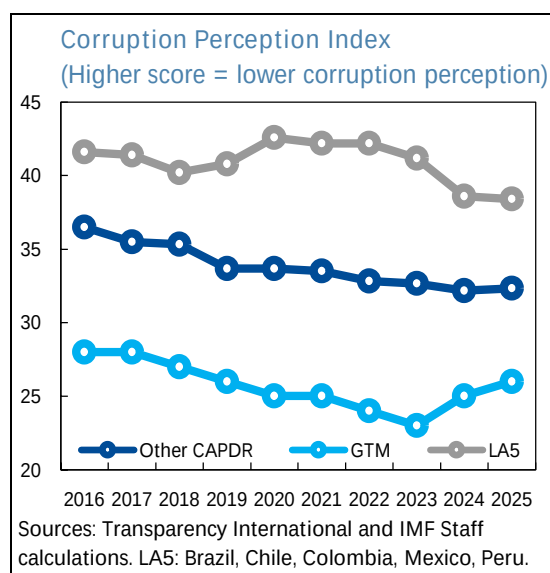
36. Advancing financial inclusion and market development would support broad-based growth. The authorities have made progress in implementing the 2024–27 National Financial Inclusion Strategy, including expanding access points, promoting digital payments, and strengthening financial literacy. The draft e-money law remains under consideration in Congress and, once approved, would provide an important regulatory foundation for fintech development and broaden access to formal financial services. Greater inclusion, in turn, would enhance competition in the banking sector, improve monetary policy transmission, and support the development of domestic financial markets. Developing the secondary market (§32) and better public debt management (§27) will also have positive implications for the financial sector.

Authorities' Views

37. The banking system remains sound, supported by strong capital and liquidity buffers and solid profitability. Banking sector stress tests confirm its resilience to adverse macroeconomic shocks. Credit growth has moderated, while nonperforming loans have edged down slightly. Progress has been made in adopting IFRS; however, full implementation—following a Monetary Board decision and a transition period—is expected only by 2030. The authorities have advanced technical discussions on revisions to the 2002 Law on Banks and Financial Groups, although a timeline for these reforms has yet to be established. The gradual transition to expected loss provisioning is ongoing, alongside continued investment in cybersecurity resilience. The authorities plan to publish Financial Stability Reports semi-annually. The authorities have been consulting with the IDB on the secondary market law and intend to submit a draft to Congress later this year.

E. Governance, Financial Integrity and the Structural Agenda

38. Addressing corruption and rule of law vulnerabilities is critical to improving the investment climate, including by reducing uncertainties in judicial proceedings. The authorities have taken initial steps to strengthen the anti-corruption framework, including establishing the National Anti-Corruption Commission, adopting a code of ethics, and launching the *Integrity and Corruption Prevention Strategy 2025-32*, which emphasizes integrity, transparency, and accountability across the Executive branch and empowers officials and citizens to report corruption. These efforts are driving improvements in Guatemala's ranking on the Transparency International's corruption perceptions index (text figure) for a second year in a row, although the country is still falling below regional averages. The appointment of a new Attorney General and the selection of new members to the Constitutional Court may support efforts for developing a government-wide anti-corruption strategy, including on judicial integrity and independence. Adopting and implementing several legislative initiatives in various stages of parliamentary consideration—covering beneficial ownership, whistleblower protection, and public procurement—would mark important steps in rebuilding public trust, fostering transparency and accountability.



39. The recent approval of the AML/CFT law underscores the authorities' commitment to financial integrity. The law aims to consolidate and modernize the legal framework, expand AML/CFT requirements to designated non-financial businesses and professions such as lawyers, notaries, accountants, and real estate brokers, strengthen risk-based AML/CFT supervision and customer due diligence requirements.⁵ The finalization and implementation of the associated regulations is critical ahead of the forthcoming GAFILAT mutual evaluation round expected in 2027.

40. Timely advancement in other legislation and its implementation would further strengthen governance institutions and improve business climate. In addition to advancing infrastructure-related legislation (§15), efforts should be focused on:

- *Competition Law.* The approval of the regulations for the Competition Law, in effect since late-2025, will help operationalize the Superintendency of Competition. Clear actions to strengthen its expertise and institutional capacity are also required.
- *Non-tariff barriers to trade and private investment.* The trade agreement with the U.S. fostered removal of some non-tariff barriers holding back trade. Additional measures aimed at streamlining administration procedures could further improve the business climate.

⁵ IDB, IMF, and World Bank experts have provided extensive technical assistance with aligning earlier iterations of the draft law with FATF standards. The IFIs have not been involved in the review of the final version of law.

- *Continuing the diversification of the tradable sector.* While Guatemala's exports have shrunk as share of GDP—being marginalized by remittances-driven consumption—exports grew significantly both in volume and sophistication, particularly within the CAPDR region (Box 5). Guatemala should advance existing initiatives aimed at geographical and product diversification of exports, including through new trade agreements.
41. Formalizing Guatemala's economy—where some three-quarters of workers remain informal—would ease reintegration of returning migrants and support private-sector growth. The government has taken steps to increase the formalization of small business: simplified tax regime for SMEs Monotributo, electronic invoicing, temporary forgiveness of penalties for late registration. The implementation of the Competition Law could also help address barriers to entry. The “Retorno al Hogar” program supports returning migrants through housing, training, and job certification. Staff recommend integrating these programs into the budget process and designing active labor market policies that recognize greater pressures on the labor market from reduction in emigration rather than from returning migrants. Efforts to boost women's participation—launched in late 2024—are ongoing with expanded training and entrepreneurship support.

Authorities' Views

42. The approval of the AML/CFT law marked an important achievement in advancing financial integrity. The authorities have been working on the associated regulations, aiming at finalizing them in the Autumn. They have made progress in implementing commitments under the bilateral trade agreement with the U.S., but digitalization and related legislative changes, including measures to reduce red tape, are expected to proceed gradually, reflecting their technical and institutional complexity. At the same time, the authorities have highlighted that exports to the CAPDR region have now eclipsed those to the U.S., and are negotiating new trade agreements to facilitate the growth of the tradable sector. They noted that implementation of the Competition Law is still at an early stage and are working to advance the process.

F. Policy Response under Adverse Scenario

43. Given high global uncertainty, authorities should consider the policy response under a downside scenario. Most pertinently in the current global environment, oil prices above the one factored under the baseline would have negative implications across the board. Headline inflation would rise directly (transportation, energy) and indirectly (food). As discussed in Box 1, such supply-driven oil price shocks are expected to have a strong and nonlinear pass-through to inflation and economic activity. Falling global output would depress external demand for Guatemala's goods and services (incl. tourism) and reduce remittances, putting pressure on the exchange rate. Some pressure on the external balance will be removed automatically through the risk-off effect on private investment (incl. imports of consumer durables).
44. Under such an adverse scenario, the authorities should implement a coordinated yet pragmatic stabilization package. The policy response should combine measures to cushion the impact on aggregate demand, while allowing price signals to guide reallocation of resources. On the

monetary side, Banguat's strong credibility provides scope to partially "see through" the inflationary impact of the shock, while the use of ample reserves can reduce the effect of exchange rate passthrough. The ensuing current account deterioration should be manageable given the robust starting external position. At the same time, some exchange rate flexibility should be maintained to prevent further loss of competitiveness. Should the external oil price shock persist for longer even as economic activity weakens, monetary policy will face an unenviable trade-off. Managing it will require a careful, data-dependent approach aimed at preventing second-round inflationary effects and preserving credibility. On the fiscal side, automatic stabilizers should be allowed to work, while universal fuel subsidies should be replaced with more targeted options. While the infrastructure needed for means-tested support is being developed, lump-sum transfers for fuel purchases and liquidity support for firms in oil-intensive sectors (e.g., loan guarantees for agriculture) could constitute cost-effective options should oil prices remain elevated into 2027 (¶21). A more adverse external environment would further raise the urgency of scaling up infrastructure investment, and structural and governance reforms.

Authorities' Views

45. The authorities are cognizant of the risks related to the oil price shock. They are monitoring developments closely and agree that ample reserve buffers buy them time to analyze the situation carefully before making adequate policy decisions. The broad-based subsidies—although not perfect—help mitigate the second-round effects of the heightened oil prices on inflation. The authorities recognize the value of moving toward a more targeted subsidy system as administrative tools, including the social registry, are strengthened.

STAFF APPRAISAL

46. Strong macroeconomic fundamentals position Guatemala well to navigate high uncertainty and external headwinds. Prudent macroeconomic policies have underpinned resilience, delivering low and stable inflation, solid fiscal and external buffers, and current account surpluses. However, growth potential remains constrained by poor public infrastructure, which dampens private investment. Social indicators are weak, with high informality and poverty levels. In addition, large remittance inflows support consumption but complicate monetary management and weigh on competitiveness.

47. Risks are broadly balanced. High energy prices and tighter migration and trade policies could further weaken growth and raise inflation. However, faster-than-expected decline in oil prices presents an upside risk, while progress under the bilateral trade agreement could help anchor relations with the U.S. Domestically, implementation constraints and pre-electoral pressures may delay reforms, but recent timely judicial appointments could support progress and strengthen investor confidence. A severe El Niño poses a significant near-term risk.

48. Increasing growth potential over the medium term will require decisive policy implementation. Main areas of focus are (i) scaling up public infrastructure investment, (ii)

improving public financial management and raising revenues, (iii) reinforcing monetary and financial frameworks and (iv) advancing financial integrity, governance and structural reforms.

49. Higher public investment would reduce the current account surplus and boost productivity and competitiveness, thus supporting external rebalancing and lowering reliance on remittances. The authorities' multi-prong infrastructure strategy is welcome, though swift progress is needed to: (i) reduce bottlenecks and improve project preparation and execution, including by implementing PIMA recommendations; (ii) streamline public procurement to reduce red tape while safeguarding transparency; (iii) resolve the impasse over the operationalization of the priority infrastructure law without exacerbating budget rigidities; and (iv) mobilize greater private sector participation in infrastructure investment.

50. Decentralized public investment through CODEDEs should become more effective and subject to adequate oversight and control. This should be achieved by containing and better targeting extraordinary allocations. Project continuity should be ensured through multi-year pipelines, and not through the automatic rollover of unexecuted funds into the following year. Project selection should be guided by stronger strategic coordination, including at the departmental level. It is essential to reinforce the oversight capacity of the Comptroller General and the Secretariat for Executive Coordination of the Presidency.

51. Better targeted social safety nets would improve shock responsiveness. Absent reliable means-testing capacity, temporary and contained universal fuel subsidy can help alleviate the social burden of the oil price shock. However, since universal subsidies are regressive and weaken price signals, expanding the coverage and quality of the social registry would be critical to enable more targeted responses going forward.

52. An investment-friendly consolidation should commence in the medium term, alongside improvements in spending quality. The MTFF should anchor fiscal consolidation needed to reduce fiscal deficits to 2 percent of GDP in tax policy reforms, while maintaining elevated capital spending, and preserving social spending. Better coordination among MinFin, line ministries, and SEGEPLAN on development plans, budget allocations and multiannual targets, would improve spending efficiency, targeting, and value-for-money in investment and social programs.

53. Fiscal revenues should further be increased, building on recent gains in tax administration. Increasing revenues above 12 percent of GDP requires avoiding measures further eroding the tax base, limiting domestic and cross-border tax arbitrage, and undertaking comprehensive tax reforms.

54. Credible medium-term fiscal planning can ensure predictability of public finances without resorting to costly revenue earmarking. The review and simplification of earmarking in tandem with strengthening the MTFF and multi-year budgeting would preserve predictability of priority spending, improve budget alignment with national priorities, and reduce costly cash balances. A new organic budget law could serve as a vehicle for these reforms.

55. Stronger treasury–debt management coordination is essential for improving financing efficiency and reduce costs. Greater reliance on domestic funding while developing the local bond market would reduce currency risks, deepen domestic financial markets, improve the macro-policy mix, and lower Banguat’s sterilization costs.

56. While the monetary policy stance is appropriate, monetary policy transmission and liquidity management could be strengthened. Well-anchored inflation expectations point to continued policy credibility, while ample reserve buffers provide Banguat with room for maneuver in conducting monetary policy less dependent of U.S. Fed policy movements. It will be important to improve communication of objectives underlying Banguat’s FX market participation and of the international reserves’ accumulation rule. Recent reforms to the operational framework—including narrowing the policy corridor and streamlining term-deposit maturities—should be complemented by strengthening collateral infrastructure, including through a central securities depository.

57. Strengthening regulations and supervision would further safeguard financial stability. To this aim, adopting IFRS accounting would improve transparency and comparability, while bolstering supervisory capacity, revamping the 2002 Law on Banks and Financial Groups, and continuing investments in cybersecurity resilience would help safeguard financial sector resilience.

58. Fast-tracking a new secondary markets law is critical. It would help mobilize domestic savings (thus reducing external imbalances), strengthen monetary policy transmission, enhance financial sector competition and deepen domestic financial markets, and also enable erecting the financial infrastructure needed to accommodate potential capital inflows should Guatemala attain investment grade. A new e-money law would provide the necessary regulatory foundation for fintech development and broaden access to formal financial services.

59. The approval of the new AML/CFT law marks an important step toward strengthening financial integrity. A law fully aligned with FATF standards—promptly followed by the approval and implementation of accompanying regulations—should position Guatemala well for 2027 mutual evaluation by GAFILAT.

60. The governance and structural reforms agenda should proceed apace. Recent initiatives, including the establishment of the National Anti-Corruption Commission, the adoption of a code of ethics, and the Integrity and Corruption Prevention Strategy 2025–32, should be complemented by advancing pending legislation on beneficial ownership transparency, whistleblower protection, and public procurement. In parallel, reducing non-tariff barriers in line with commitments under the trade agreement with the U.S. would support improvements in the business environment. Guatemala should advance existing initiatives aimed at geographical and product diversification of exports, including through new trade agreements. Efforts to reduce informality would further promote more inclusive and sustainable growth.

61. It is recommended that the next Article IV Consultation take place on the standard 12-month cycle.

Box 1. Guatemala: Oil Price Shocks and Inflation Pass-Through¹

Recent surges in global oil prices have heightened uncertainty around both domestic and global inflation. Guatemala, like most CAPDR countries, is a net energy importer with high exposure to oil prices. In response to oil price shocks, fiscal measures—such as temporary fuel tax reductions or fuel subsidies—have occasionally been implemented, potentially dampening the inflationary impact. As a result, the pass-through from oil prices to headline inflation is expected to vary across countries.

This box estimates the pass-through of global oil price changes to headline inflation and economic activity in Guatemala using local projections (Jordà, 2005). The analysis is conducted on both a panel of Western Hemisphere economies and on Guatemala, allowing Guatemala's response to be benchmarked against regional peers while capturing country-specific dynamics. The empirical framework also allows for nonlinear effects, which are particularly relevant when oil price changes are unusually large.

The baseline panel specification includes a linear benchmark and a nonlinear regime specification. In the benchmark model, the response of inflation or activity at horizon h depends on year-on-year oil price growth and an interaction term capturing Guatemala's differential response relative to the rest of the panel:

$$y_{i,t+h} - y_{i,t-1} = \alpha_i + \delta(h) \text{oilyoy}_t + \theta(h)(\text{oilyoy}_t \times \mathbb{1}[i = \text{GTM}]) + \Gamma(h)'X_{i,t} + u_{i,t}^{(h)}$$

To allow for asymmetries and size effects, the nonlinear specification augments the model with the absolute oil price change and separate interactions for large positive and large negative shocks:

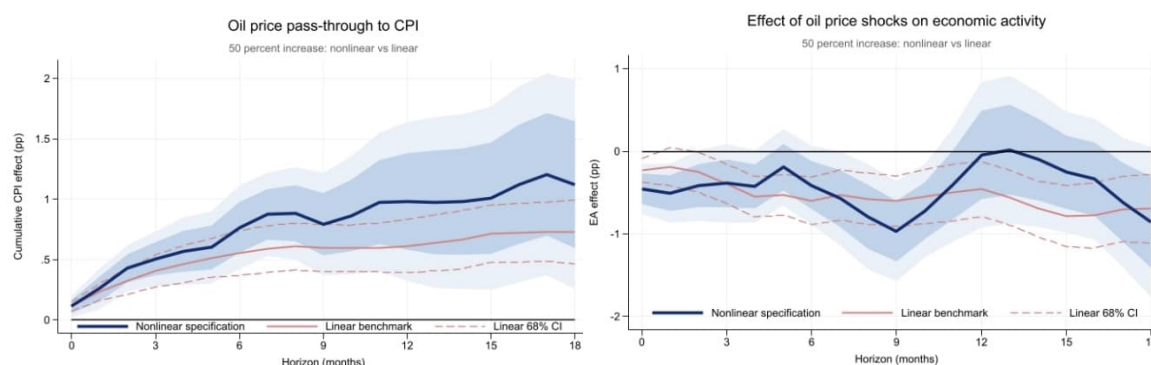
$$y_{i,t+h} - y_{i,t-1} = \alpha_i + \alpha(h) \text{oilyoy}_t + \beta(h) |\text{oilyoy}_t| + \gamma^+(h) D_t^+ \cdot \text{oilyoy}_t + \gamma^-(h) D_t^- \cdot \text{oilyoy}_t + \Lambda(h)'Z_{i,t} + \Gamma(h)'X_{i,t} + u_{i,t}^{(h)}$$

where $D_t^+ = \mathbb{1}(\Delta \text{oil}_{\text{yoy},t} > 25)$ and $D_t^- = \mathbb{1}(\Delta \text{oil}_{\text{yoy},t} < -25)$.

The specification controls for lags of domestic inflation and economic activity, exchange rate changes, and U.S. industrial production and CPI inflation. Standard errors are clustered by country and date in the panel regressions. Only economic activity is seasonally adjusted.

The results suggest that oil price shocks transmit meaningfully to inflation in Guatemala, with a stronger pass-through for large positive shocks than for small or negative ones. Relative to the panel average, Guatemala differs from its regional peers, exhibiting a systematically stronger inflation response to oil price shocks. In the baseline estimates, a 50 percent increase in global oil prices raises prices by about 1 percentage point after 12 months and around 1.2 percentage points after 18 months. These responses are economically significant and feed into staff's inflation projections.

Box 1 Figure 1. Guatemala: Inflation and Economic Activity Responses to Oil Price Changes



Notes: Shaded: 68% (dark) and 90% (light) confidence intervals.

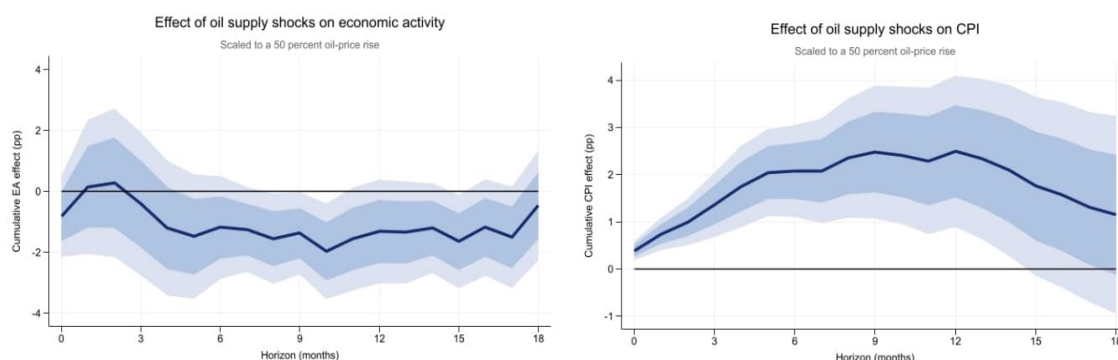
Box 1. Guatemala: Oil Price Shocks and Inflation Pass-Through (Concluded)

Nonlinearities also affect disinflation dynamics. Positive oil price shocks generate larger responses than comparable price declines, implying that subsequent oil price reversals do not fully offset the earlier inflationary impulse. This asymmetry is more pronounced for large shocks and when oil prices remain elevated for an extended period, leading to a larger cumulative impact on inflation than in a typical transitory episode.

For economic activity, the estimates also point to significant nonlinearities. A 50 percent year-on-year increase in oil prices is estimated to reduce economic activity by an average of 0.5–0.6 percentage points during the first 12 months, followed by a partial rebound, with activity remaining below baseline in the subsequent year. This suggests that large oil price increases can weaken activity while raising inflation.

One limitation of the specification is that year-on-year oil price growth is not a fully exogenous shock measure and may partly reflect broader global conditions. Two robustness checks address this concern. First, the specification is augmented with additional lags of oil price growth to account for persistence. Second, following the recent literature, the analysis is repeated using exogenous oil supply shocks based on OPEC announcements (Känzig, 2021). A linear specification is used in this case, as these measures already isolate supply-side disturbances. The main findings for economic activity remain close to those in the previous exercise. However, the effect on CPI doubles. While these external shock measures do not map one-for-one into year-on-year oil price changes, they provide additional evidence that supply-driven oil price increases lead to larger inflationary effects. Moreover, the results also remain qualitatively similar when the model is estimated using only Guatemala data and when the sample is restricted to the post-2010 period.

Box 1 Figure 2. Guatemala: Responses to Oil Supply Shocks



Notes: Shaded: 68% (dark) and 90% (light) confidence intervals.

Finally, the estimated coefficients reflect the average transmission of oil price shocks during a period that already includes episodes of fiscal mitigation. The historical pass-through therefore does not correspond to a no-policy benchmark; stronger fiscal measures than in past episodes would dampen the effects on inflation and output. Moreover, the effects are stronger when oil price changes are more persistent, as the variables used implicitly assume a mean reversion in oil prices.

References

- Jordà, Òscar. 2005. "Estimation and Inference of Impulse Responses by Local Projections." *American Economic Review* 95 (1): 161–182.
- Känzig, Diego R. 2021. "The Macroeconomic Effects of Oil Supply News: Evidence from OPEC Announcements." *American Economic Review* 111 (4): 1092–1125.

¹Prepared by Sotirios Georgousis

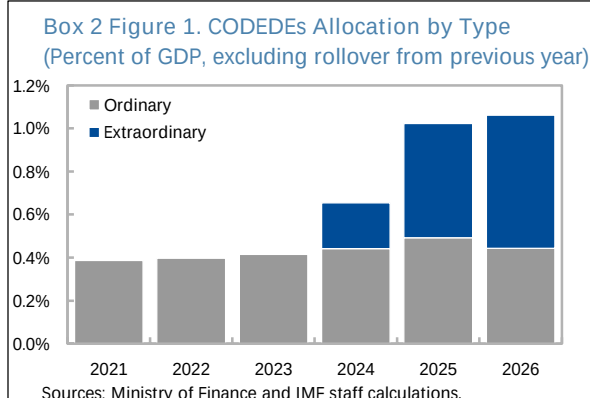
Box 2. Guatemala: Optimality of CODEDEs Allocations¹

Capital transfers to CODEDE have become an important vehicle for decentralized public investment. Departmental Development Councils (CODEDEs) channel central-government resources to small-to-medium scale local infrastructure projects, including rural roads, water and sanitation, schools, and health facilities. Their role is important for reducing territorial disparities, as Guatemala continues to face large infrastructure gaps and weak service access in rural areas. The CODEDE allocation more than tripled since 2023, reaching 1½ percent of GDP in 2026, or roughly one-tenth of all budget spending. The sharp expansion of the envelope heightens the importance of ensuring that allocations are well targeted and executed efficiently.

The CODEDE allocation combines a rules-based *ordinary* allocation, and a discretionary *extraordinary* one, with the latter accounting for the bulk of growth. Under the VAT law, 1 percentage point of the VAT rate is earmarked for the CODEDE ordinary allocation. The distribution formula for the ordinary allocation

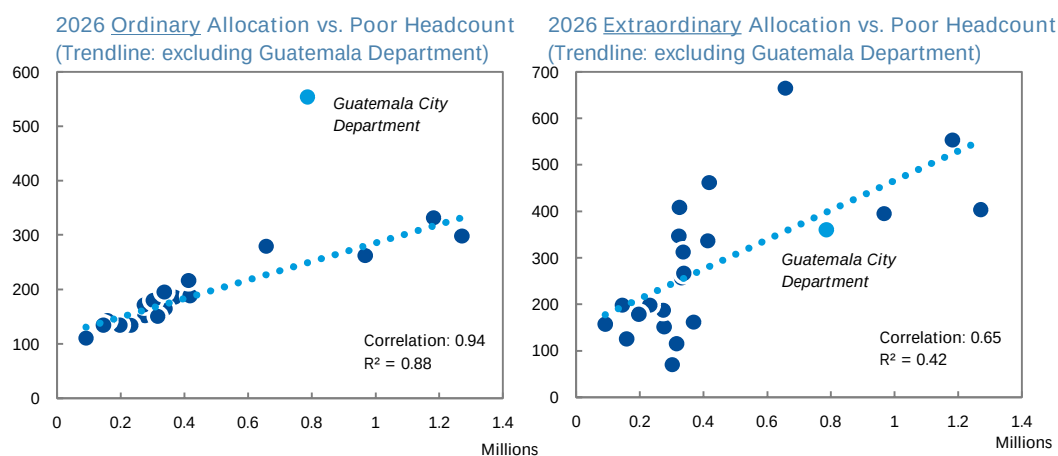
includes population, the poverty index, and development-related indicators (including the Human Development Index), although a quarter is split equally across departments. Projects financed through ordinary allocations are subject to an established planning and programming process. By contrast, extraordinary allocations are determined during the Congressional budget process and are not governed by the pre-determined benchmarks. The bulk of the recent increase in CODEDE transfers is on account of the extraordinary allocations. While ordinary allocations have remained broadly stable in recent years at around ½ percent of GDP,

extraordinary allocations increased from 0.2 percent of GDP in 2024 to 0.6 percent in 2026.



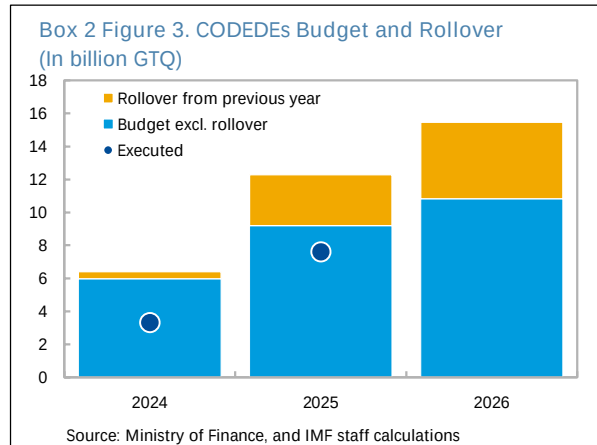
The geographical distribution of the extraordinary allocations leaves room for improving targeting toward departments with larger development gaps. Although the ordinary allocation's distribution formula could be improved (specifically, by eliminating the 25 percent equal-allocation component), it is nonetheless broadly aligned with development gaps, such as the poverty headcounts (text figure). In contrast, extraordinary allocations are less closely aligned with poverty and other social indicators (e.g., share of households with electricity or sanitation), suggesting weaker targeting. As a result, additional resources do not appear to be consistently directed to the departments with the greatest development needs.

Box 2 Figure 2. Department-level CODEDEs Allocations and Poor Headcount



Box 2. Guatemala: Optimality of CODEDEs allocations (Concluded)

Large allocations that are weakly targeted and exceed implementation capacity tend to generate sizable, unexecuted balances. The total execution rates for CODEDE transfers have been low: 52 and 62 percent respectively in 2024 and 2025. Execution of extraordinary allocations has been even weaker, at 45 percent compared with 67 percent for ordinary allocations, excluding rollover amounts in 2025, as associated projects funded through extraordinary allocations often experience execution delays, as those introduced during the Congressional process just a few months before the fiscal year begins are not immediately prepared for implementation.



The combination of large allocations and low execution create a “snowball” effect. Unexecuted allocations can be rolled over to the following year; this was done on an exceptional basis in 2025 but was enshrined in the organic budget law from 2026 onward. For the 2026 allocation, the carryover amount accounts for 30 percent of the total allocation, compared to 21 percent in 2025, reflecting the larger unexecuted funds in 2025. On current dynamics, the CODEDE transfers could account for over half of all capital spending already in 2027.

Budget reforms should address rising risks of inefficiency associated with weak targeting and snowballing rollovers. To contain rollovers, priorities include aligning budgeted allocations with demonstrated demand and execution capacity, while reducing implementation bottlenecks. To strengthen targeting, a more transparent approach that links both ordinary and extraordinary allocations to objective indicators of development gaps could help ensure that additional resources accelerate convergence across departments. Recent government efforts to strengthen transparency are welcome, including the rollout of MinFin’s public dashboard.

¹Prepared by Shun Wakimoto

Box 3. Guatemala: Labor Taxation and Informality¹

Low labor taxes have constrained revenue mobilization—necessary to sustain a much-needed infrastructure push—without raising formal employment. Guatemala can increase labor-related taxation without adversely affecting formal employment levels by streamlining deductions that disproportionately benefit higher-income earners, while introducing targeted tax credits to offset formalization costs for low-wage workers.

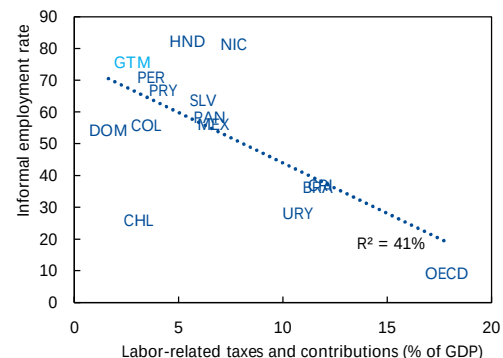
Guatemala combines record low labor-related government revenue with high informality. With labor-related government revenues at 2.9 percent of GDP (of which 2.2 percent is social security contributions), Guatemala is underperforming regional peers. At 7 percent, Guatemala's top statutory income tax rate is the lowest in LAC ([Centro Interamericano de Administraciones Tributarias](#), 2025). At the same time, Guatemala's pervasive labor informality (75.9 percent in 2024) ranks among the highest in Latin America, exceeded only by Honduras and Nicaragua. Critically, Guatemala's high informality persists despite its exceptionally low labor tax burden, while countries with substantially higher labor taxation have lower informality rates (Box Figures 1 and 2).

The formal-informal wage gap—the channel through which labor taxation most directly affects workers' employment decisions—has little association with formalization rates. To assess whether labor taxation materially affects formalization decisions, we estimate the relationship between formalization rates and the formal-informal wage gap at the group level by sex, education, and age cohort following the approach of [Blundell et al. \(1998\)](#), under three alternative formality definitions: enrollment in the Guatemalan Social Security Institute (IGSS), joint IGSS and private health insurance coverage, and possession of a formal contract using household surveys from 2010–23 (Box Table 1). A positive elasticity $\beta = \Delta \text{Formality} / \Delta \text{Wage Gap}$ would suggest workers responding to higher relative returns in the formal sector.

Across all specifications, estimated elasticities are close to zero and not statistically significant. These results imply that moderate increases in labor taxation are unlikely to induce substantial shifts away from formal employment through the worker earnings channel, although other channels (e.g., compliance costs, employer incentives), may still matter.

There is scope to enhance revenue mobilization through labor taxation while increasing incentives for formalization. Drawing on recent evidence for Latin America ([Annex 4 in the October 2021 REO](#)), Guatemala could eliminate regressive PIT deductions. For instance, the [2012 Planilla IVA-FEL mechanism](#)—allowing salaried workers to credit personal VAT payments (at a 12 percent rate) against their income tax liability—benefits only formal employees with positive PIT obligations. Instead, an earned income tax credit would compensate social security contributions and encourage formal employment, particularly among low-wage workers. Such reforms, alongside improvements in tax administration and enforcement capacity, could enhance both revenue mobilization and labor formalization outcomes.

Box 3. Figure 1. Informal Employment vs Labor Taxes



Sources: [OECD Global Revenue Statistics Database](#) 2024 and [ILOSTAT](#). Note: Latest available informality

Box 3. Table 1. Formal-Informal Wage Gaps and the Share of Formal Employment

	(1)	(2)	(3)
	IGSS	IGSS + Private Insurance	Job Contract
Formal-informal wage gap	-0.003 (0.004)	-0.001 (0.004)	0.007* (0.003)
Constant	0.437*** (0.006)	0.456*** (0.008)	0.478*** (0.007)
Observations	310	311	309
Adjusted R2	0.936	0.948	0.948
Mean of Formality Share	0.431	0.455	0.491
Mean of Wage Gap	1.717	2.031	1.946

Note: Standard errors in parentheses. * p<0.10 ** p<0.05 *** p<0.01

¹Prepared by Alfredo Alvarado and Hyunmin Park

Box 4. Guatemala: Monetary Policy, the Federal Reserve, and International Reserves¹

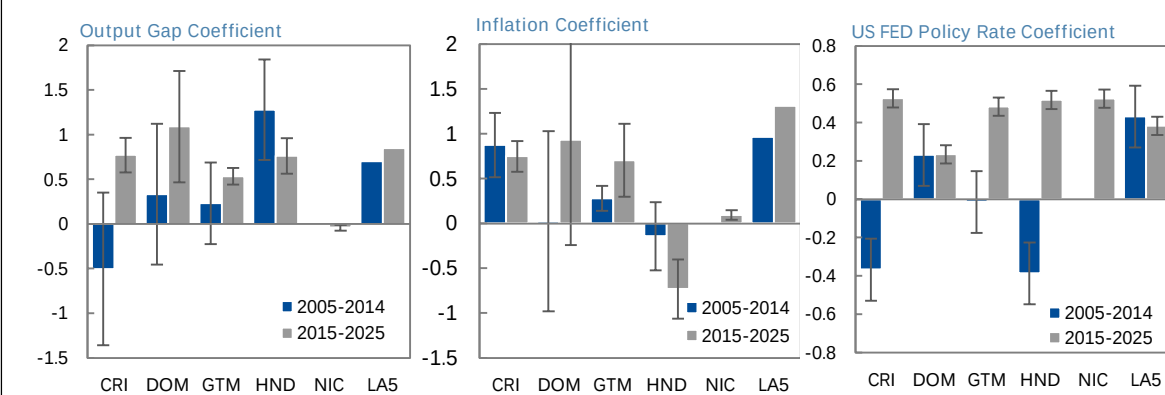
Monetary policy in Guatemala has actively responded to successive global and domestic shocks. As in other Western Hemisphere emerging market economies, domestic monetary conditions are influenced by changes in the U.S. Federal Reserve's policy rate, reflecting capital flow response to interest rate differentials. While this relationship has long been recognized, co-movement between U.S. and domestic policy rates appears to have strengthened over the past decade. In this context, Banco de Guatemala has recently eased monetary policy, with the policy rate currently just below that of the Federal Reserve.

This box assesses Guatemala's recent monetary policy behavior using two complementary empirical exercises, benchmarking the results against other countries in Central America, Panama, and the Dominican Republic (CAPDR), as well as selected Latin American economies, and relative to the previous decade. First, Taylor-rule regressions with interest rate smoothing are estimated for Guatemala and comparator countries under alternative specifications that include inflation, measures of economic slack, and the U.S. policy rate. Second, the analysis examines the transmission of U.S. monetary policy shocks—identified following the recent empirical literature—and evaluates domestic responses across countries.

The results point to heterogeneous cross-country responses that are not region-specific. However, the role of international reserves emerges as a key differentiating factor. Countries with lower reserve buffers exhibit a significantly stronger pass-through from U.S. policy rate changes, whereas those with higher reserve coverage display greater monetary policy autonomy.

For Guatemala, the estimates suggest that the coefficient of the U.S. policy rate in the Taylor rule has increased in the past decade, in line with trends observed across CAPDR economies, highlighting the growing importance of U.S. monetary conditions for the region. At the same time, impulse-response analysis indicates that Guatemala does not overreact to U.S. monetary policy shocks relative to peers. The domestic policy rate response is less than one-for-one with U.S. rate changes, while inflation remains broadly stable and international reserves decline moderately following contractionary U.S. shocks, consistent with an appropriate and measured policy response.

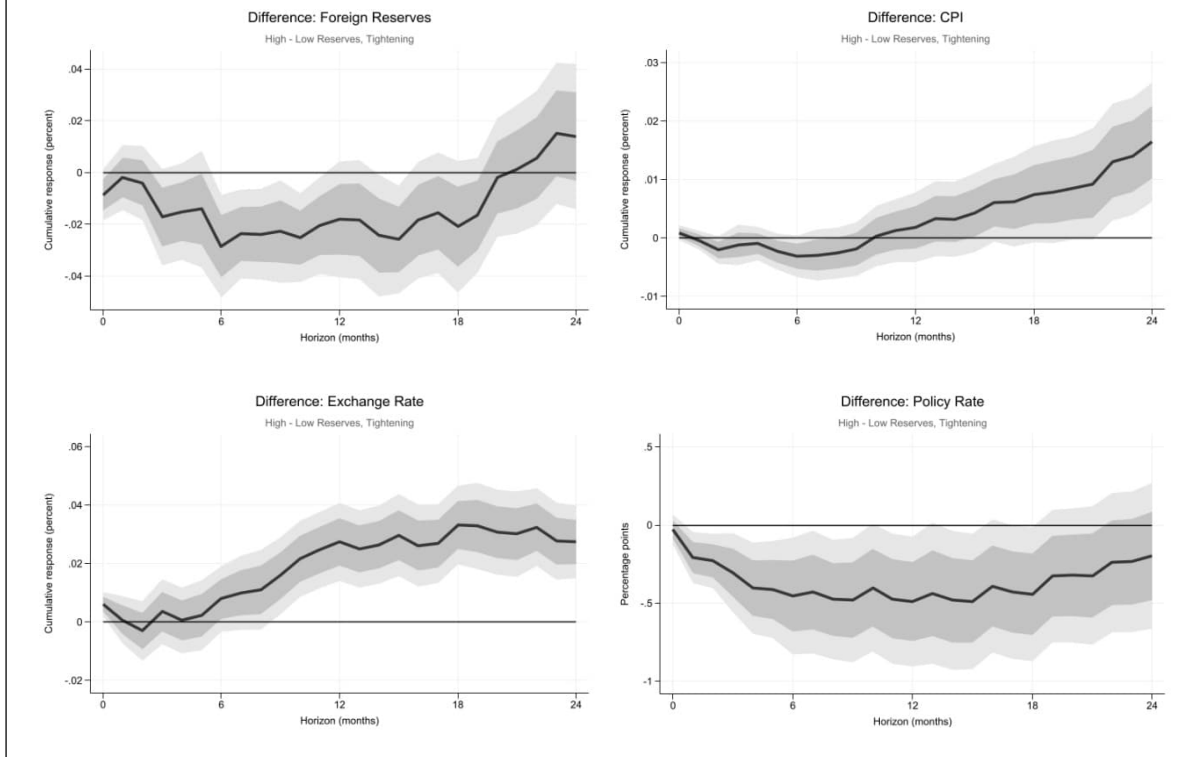
Box 4 Figure 1. Taylor Rule Specification: Headline inflation, Output gap, US rate



Further analysis confirms that reserve adequacy plays a central role in shaping policy responses. Countries with higher reserve buffers—measured in months of imports and relative to the IMF's ARA metric—tend to exhibit smaller interest rate responses to contractionary U.S. monetary policy shocks and greater scope to adjust policy in line with domestic conditions. Moreover, the response of reserves differs across groups, suggesting that countries with stronger buffers can absorb external shocks through reserve use, rather than closely tracking U.S. monetary tightening. However, the gradual development of hedging instruments should enable greater use of exchange rate flexibility as an automatic stabilizing mechanism.

Box 4. Guatemala: Monetary Policy, the Federal Reserve, and International Reserves (Concluded)

Box 4 Figure 2. U.S. Monetary Policy Shocks: Comparing High- and Low-Reserve Countries



¹Prepared by Sotirios Georgousis and Hyunmin Park

Guatemala's export performance over the past decade reflects a balanced diversification strategy, with cumulated real export growth of 10 percent. We decompose real export growth between 2013 and 2023 along extensive and intensive margins following Zahler (2006). Exports of surviving products to surviving destinations contributed 17 percentage points, but this mostly offset by the 16 percentage points drop on account of defunct product-destination pairs, meaning that the overall intensive margin was negligible. At the same time, Guatemala's exports have been successful at penetrating new markets, with new destinations accounting for 9 percentage points. New products have the lowest contribution relative to competitors (0.3 percentage points) and below regional benchmarks, which suggests room for enhancing export diversification strategies.

[illegible]

Box 5. Guatemala: Export Competitiveness and Opportunities for Guatemala (Concluded)

Intra-regional trade played an important role in CAPDR's export performance, accounting for 5 percentage points of the 13 percent cumulated export growth, primarily through surviving product-destination pairs. In contrast, intra-regional trade contracted in ASEAN5 and LA7, reducing their export growth by 2 and 1 percentage points, respectively. Across all three groups, growth was largely driven by existing product-destination combinations, while expansion into new destinations contributed to extra-regional export growth. New products had a negligible contribution.

Guatemala's export growth has also been supported by a favorable shift in the quality of its export basket. To assess this, staff uses the EXPY index, constructed following Hausmann, Hwang and Rodrik (2006) as the weighted average of the income levels associated with each product a country exports, where the weights correspond to each product's share in total exports—a higher EXPY thus indicates that a country is exporting goods typically produced by higher-income economies. Guatemala's EXPY grew by 9 percent, driven primarily by the deepening of existing products (12 percent) and the entry into new markets (10 percent). Notably, the destruction of certain product-destination linkages acted as a drag on this growth, suggesting that, had those export relationships been sustained, the improvement in export quality would have been even more pronounced.

References

Alvarado, A., & Culiuc, A. (forthcoming). *Assessing export performance in LAC*.

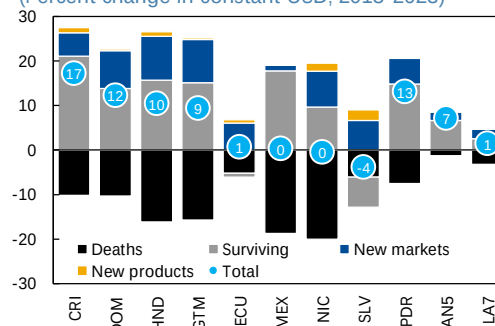
Subramanian (forthcoming). *Long-term Effects of US Tariff Increases on CAPDR*.

Hausmann, Hwang and Rodrik (2006). *What You Export Matters*. NBER Working Paper 11905.

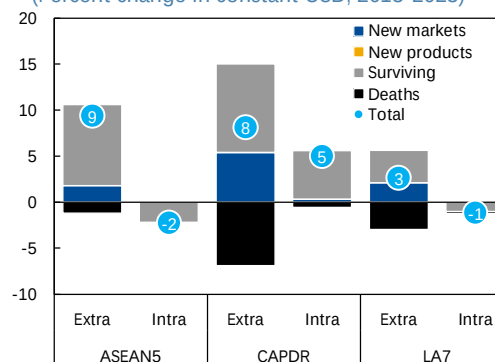
Zahler (2006). *Decomposing world export growth and the relevance of new destinations*. CID Graduate Student and Postdoctoral Fellow Working Papers, No. 20. Harvard University, Center for International Development.

¹Prepared by Alfredo Alvarado

Box 5. Figure 3. Export Growth Decomposition (Percent change in constant USD; 2013-2023)



Box 5. Figure 4. Export Growth Decomposition (Percent change in constant USD; 2013-2023)



Box 5. Figure 5. EXPY Growth Decomposition (Percent change in constant USD; 2013-2023)

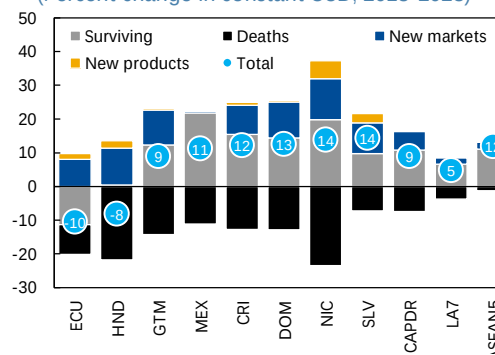
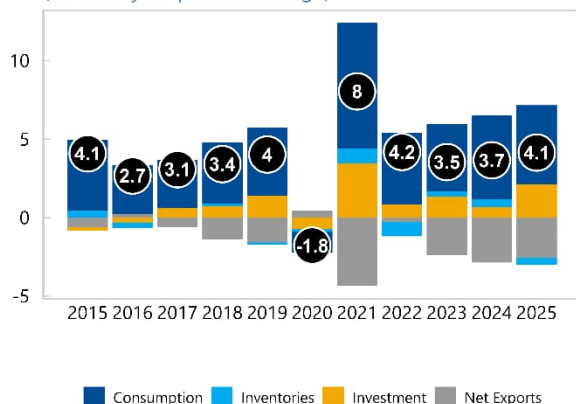
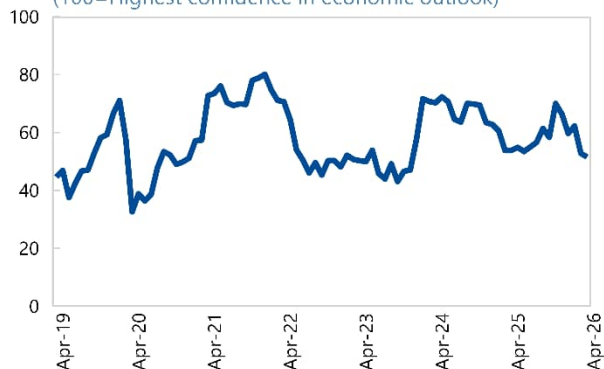


Figure 1. Guatemala: Recent Economic Developments

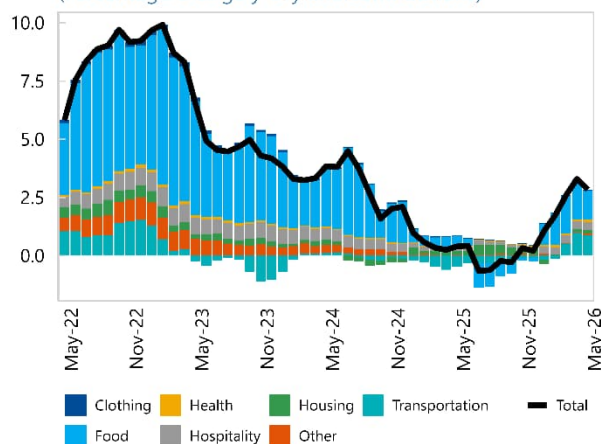
Contributions to Real GDP Growth (Year-on-year percent change)



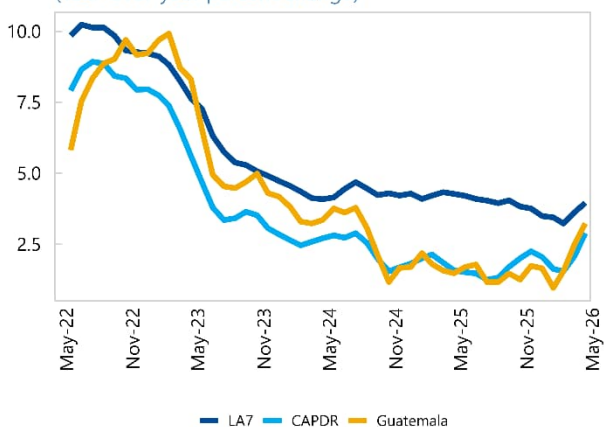
Economic Activity Confidence Index (100=Highest confidence in economic outlook)



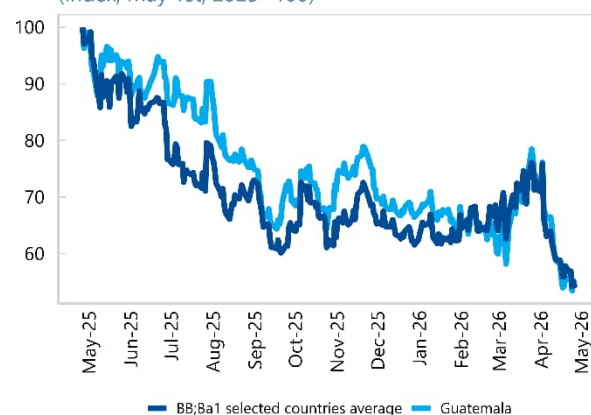
Inflation by Major Components (Percentage change y-o-y and contributions)



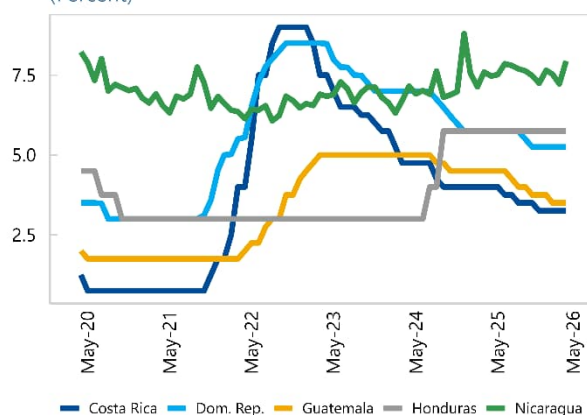
CAPDR Headline Inflation (Year-over-year percent change)



Sovereign Bond Markets Spread (Index; May 1st, 2025=100)



Monetary Policy Interest Rate (Percent)

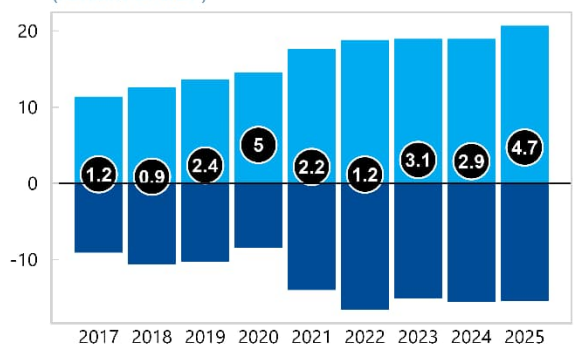


Sources: Haver Analytics, Banco de Guatemala and IMF staff calculations. Note: Selected BB;Ba1 countries are Paraguay, Brazil, DR, Oman, Azerbaijan, and Morocco.

Figure 2. Guatemala: External Developments

Current Account and Trade Balance

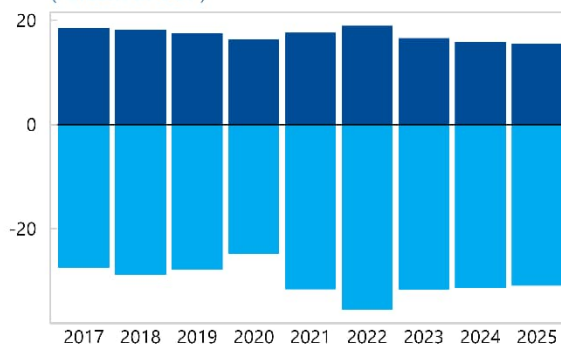
(Percent of GDP)



● Current Account ■ Remittances ■ Trade Balance (Goods & Services)

Exports and Imports

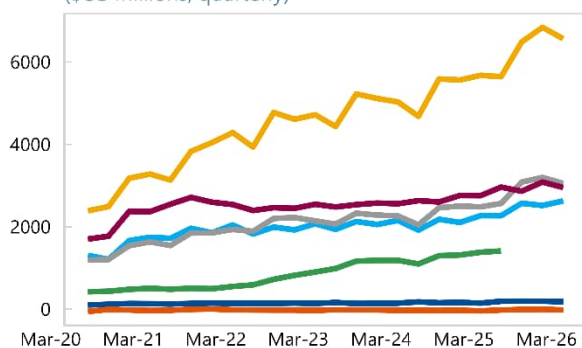
(Percent of GDP)



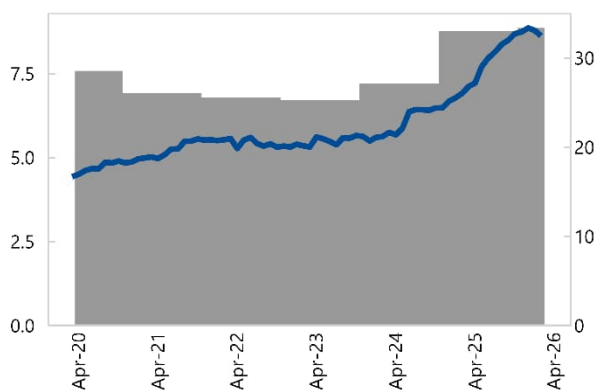
■ Exports of goods and services ■ Imports of goods and services

Remittances

(\$US millions, quarterly)



■ Costa Rica ■ Guatemala ■ Nicaragua ■ El Salvador
■ Dom. Rep. ■ Honduras ■ Panama

Central Bank Net International Reserves

■ NIR in billions of US \$ (RHS) ■ NIR in months of imports

Exchange Rate

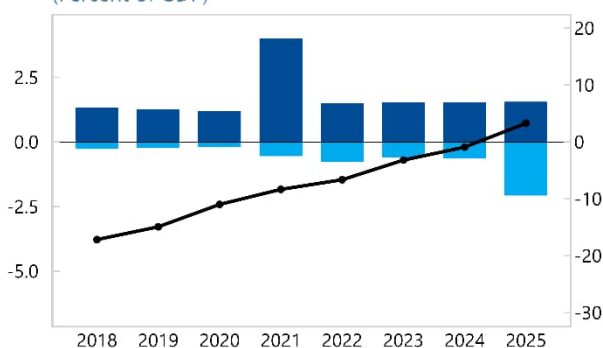
(Index Feb 2020=100)



■ REER ■ NEER ■ NER with US dollar

Net IIP and FDI

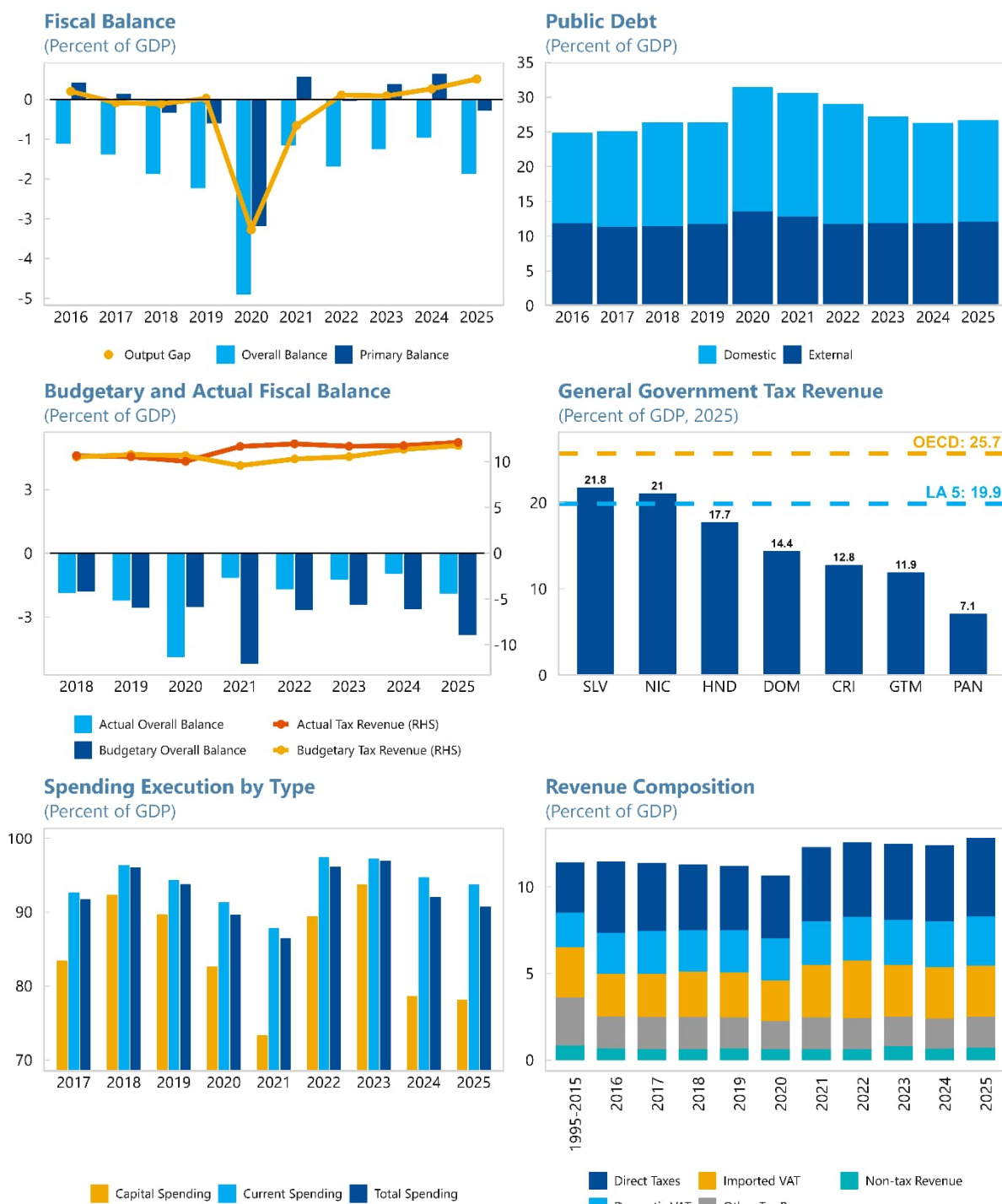
(Percent of GDP)



■ Net IIP (RHS) ■ FDI inflows ■ FDI outflows

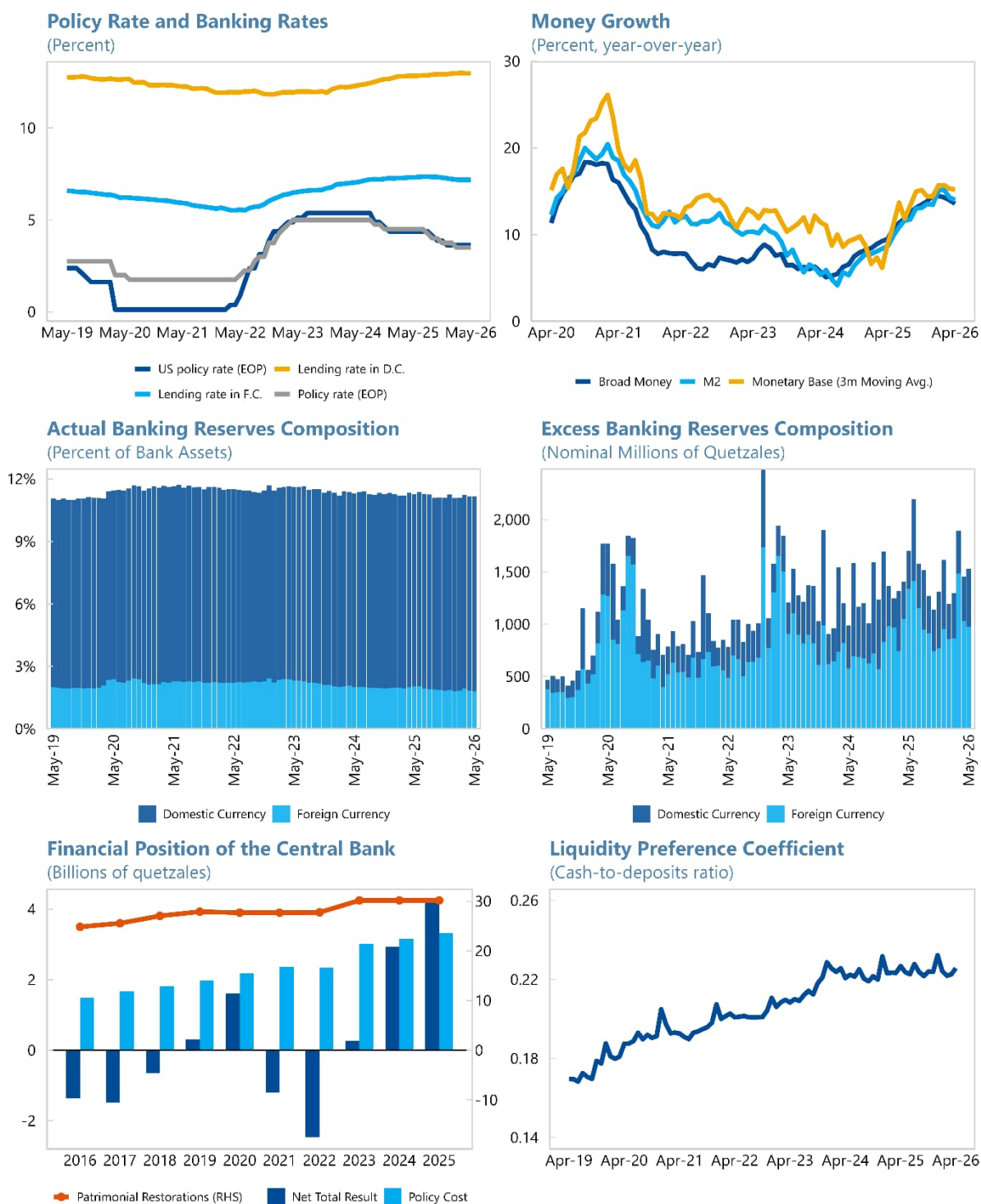
Sources: Haver Analytics, Banco de Guatemala and IMF staff calculations.

Figure 3. Guatemala: Fiscal Sector Developments



Sources: National Authorities, Banco de Guatemala and IMF staff calculations.

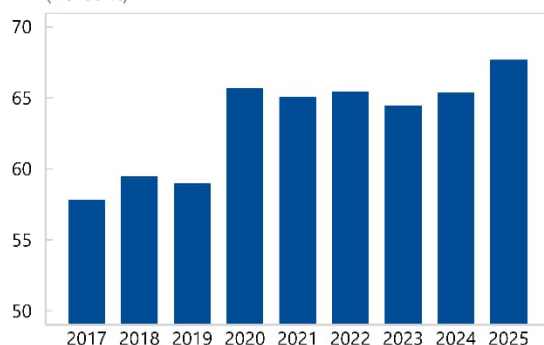
Figure 4. Guatemala: Monetary Policy and Financial Developments



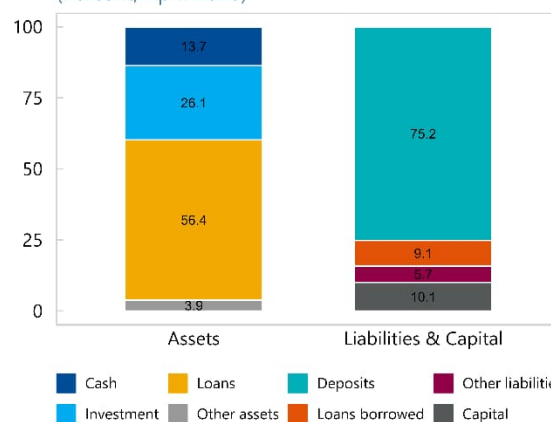
Sources: Haver Analytics, National Authorities, and IMF staff calculations.

Figure 5. Guatemala: Financial Sector Developments

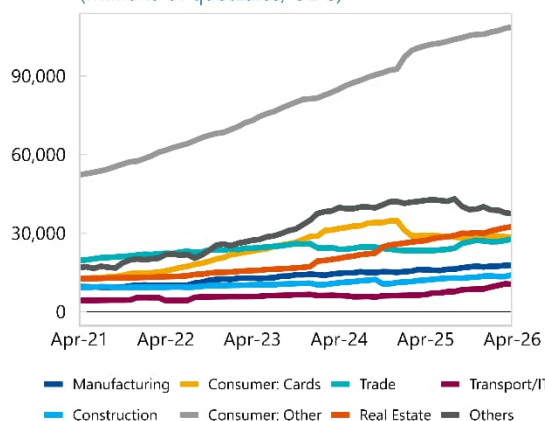
Bank Assets to GDP (Percent)



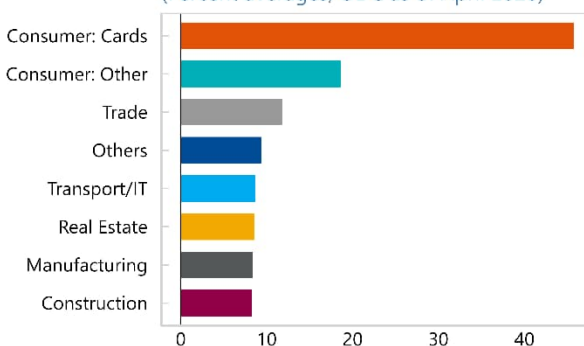
Bank's Balance Sheet (Percent, April 2026)



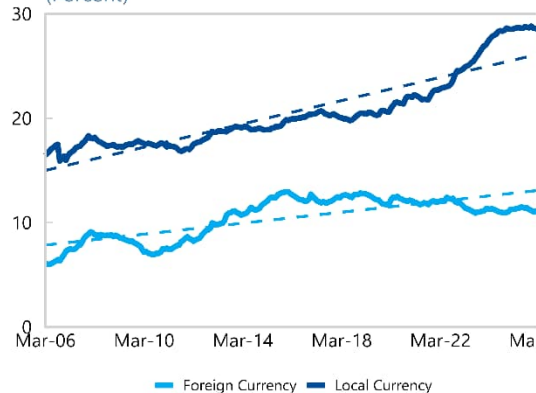
Loans by Sector in Local Currency (Millions of quetzales; ODC)



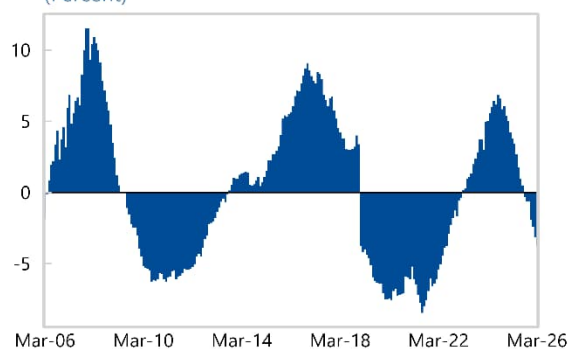
Interest Rate by Sector in Local Currency (Percent averages; ODC as of April 2026)



Credit to GDP Ratio (Percent)

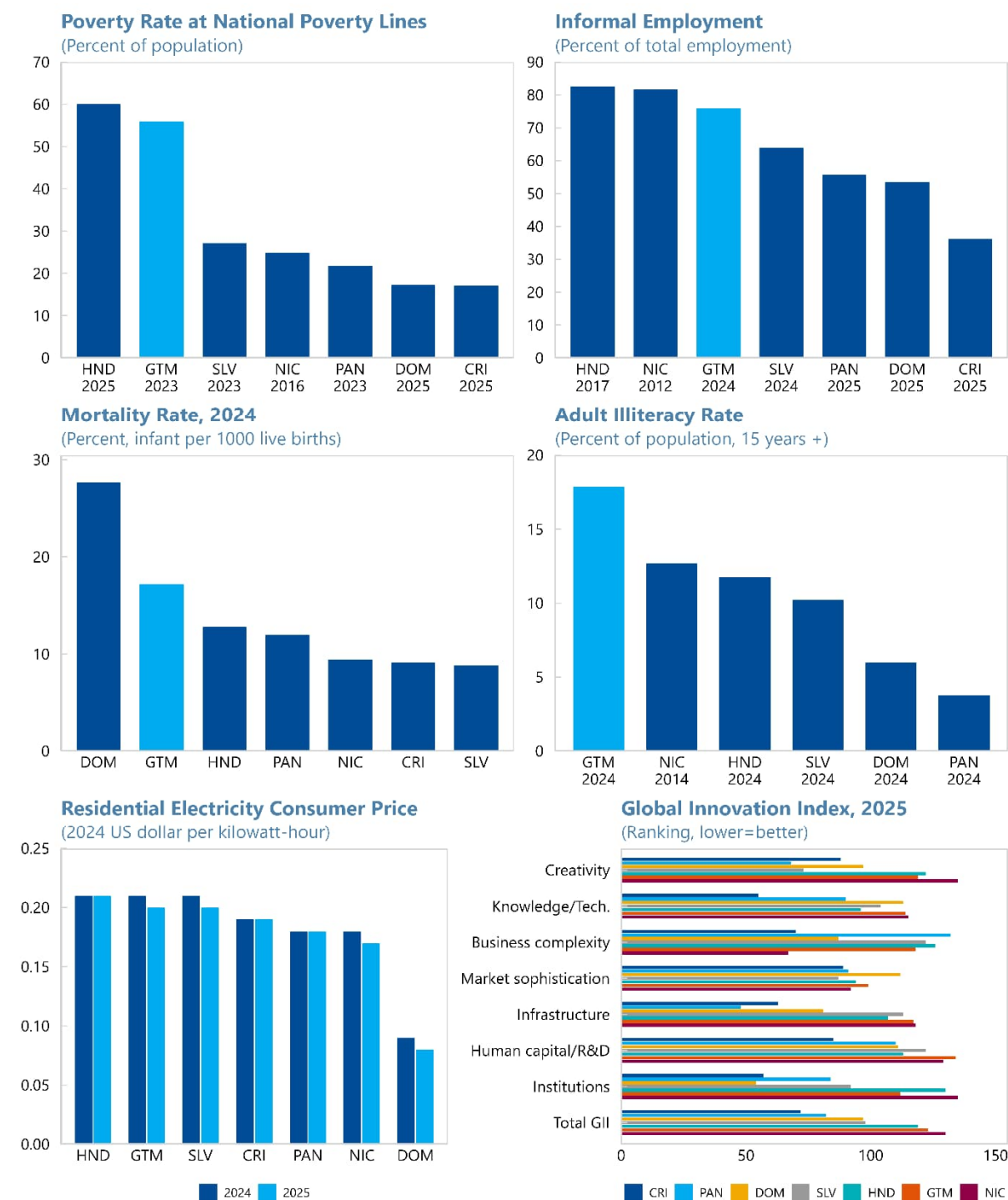


Credit Gap for Consumer Credit in Local Currency (Percent)



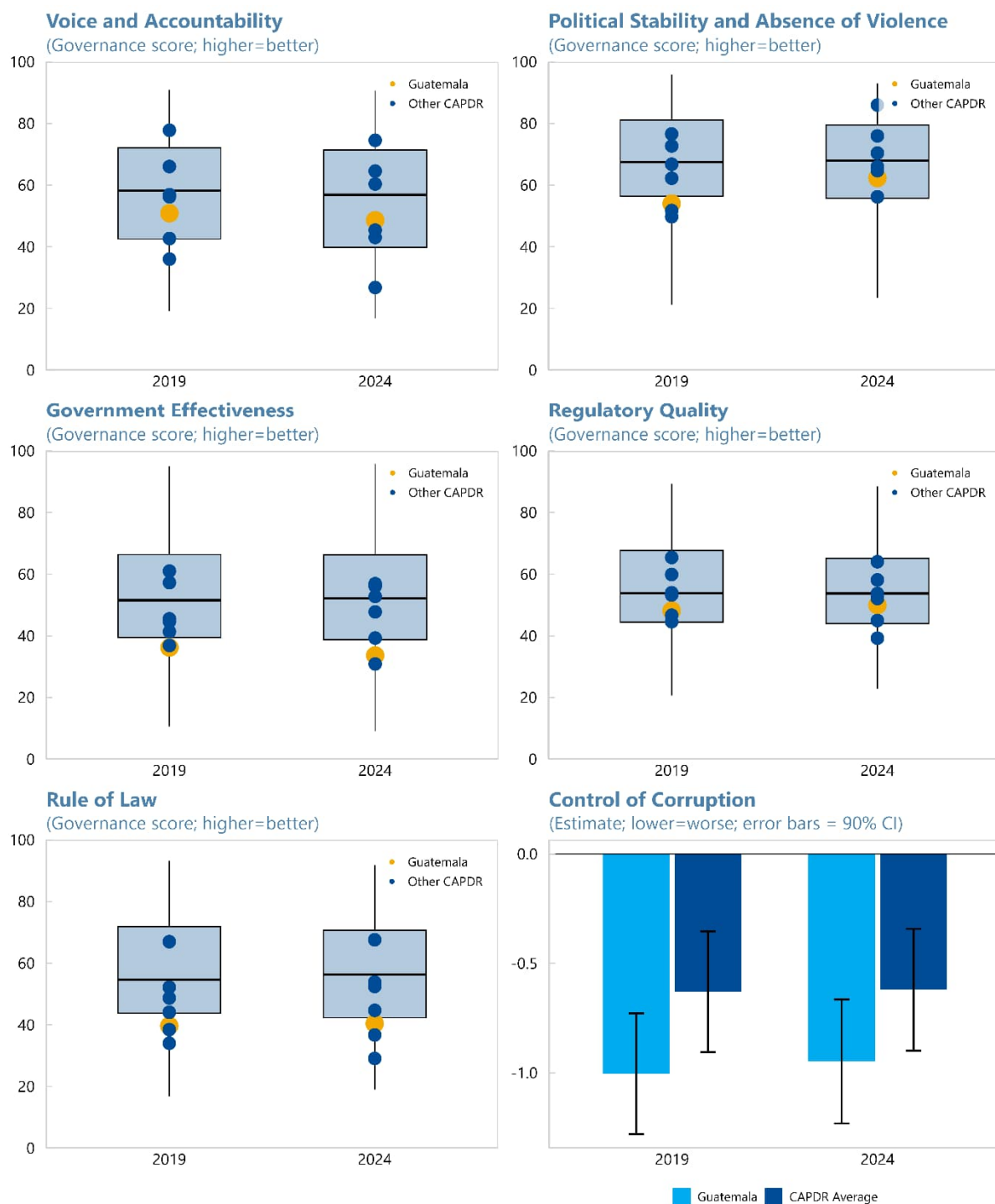
Sources: SIB Guatemala, Banguat, and IMF staff calculations. Note: ODC: Other Depository Corporations. GDP projections for 2026Q1.

Figure 6. Guatemala: Socioeconomic and Innovation Indicators



Sources: World Bank, International Labor Organization, WIPO, and IMF staff calculations.

Figure 7. Guatemala: Worldwide Governance Indicators



Sources: Kauffman, Kraay and Mastruzzi (2011). Box plot marks the interquartile range for all countries with the whiskers marking full range of non-outlier observations. Other CAPDR countries include Costa Rica, the Dominican Republic, Honduras, El Salvador, Nicaragua and Panama.

Table 1. Guatemala: Selected Economic and Social Indicators

I. Social and Demographic Indicators									
Population 2024 (millions)	18.4		Gini index (2014)						48.3
Percentage of indigenous population (2018)	43.7		Life expectancy at birth (2022)						71.2
Population below the poverty line (Percent, 2023)	55.1		Adult illiteracy rate (2022)						17.0
Rank in UNDP development index (2022; of 189)	136		GDP per capita (US\$, 2024)						6,150
II. Economic Indicators									
	Est.			Projections					
	2023	2024	2025	2026	2027	2028	2029	2030	2031
Income and Prices	(Annual percent change, unless otherwise indicated)								
Real GDP	3.5	3.7	4.3	3.8	3.8	3.9	3.9	3.9	3.9
Consumer prices (average)	6.2	2.9	1.6	3.7	3.7	3.7	3.8	4.0	4.0
Consumer prices (end of period)	4.2	1.7	1.7	4.6	3.7	3.7	4.0	4.0	4.0
GDP Deflator (yoy change)	6.5	3.7	3.4	3.6	3.7	3.7	3.8	4.0	4.0
Monetary Sector									
M2	6.8	7.8	13.4	10.7	8.6	8.8	7.7	7.0	7.0
Credit to the private sector	14.9	12.3	7.6	8.1	10.1	9.7	9.3	9.2	9.1
Saving and Investment	(In percent of GDP, unless otherwise indicated)								
Gross domestic investment	16.5	16.4	16.8	16.6	16.9	17.2	17.3	17.5	17.8
Private sector	14.9	15.5	15.3	15.1	15.3	15.5	15.7	16.0	16.2
Public sector	1.6	1.0	1.5	1.5	1.6	1.6	1.6	1.6	1.6
Gross national saving	19.6	19.3	21.5	20.1	19.7	19.4	18.9	18.5	18.2
Private sector	18.7	18.3	21.2	20.6	20.0	19.7	19.2	18.8	18.5
Public sector	0.9	1.0	0.3	-0.5	-0.3	-0.3	-0.3	-0.3	-0.3
External saving	-3.1	-2.9	-4.7	-3.5	-2.8	-2.2	-1.6	-1.0	-0.4
External Sector									
Current account balance	3.1	2.9	4.7	3.5	2.8	2.2	1.6	1.0	0.4
Trade balance (goods)	-13.8	-14.0	-13.6	-14.5	-14.3	-14.1	-13.9	-13.6	-13.4
Exports	12.5	11.8	11.6	11.4	11.3	11.2	11.3	11.2	11.2
Imports	26.3	25.7	25.2	25.9	25.6	25.3	25.1	24.9	24.6
Trade balance (services)	-1.3	-1.6	-1.8	-1.9	-1.9	-1.9	-1.8	-1.8	-1.8
Other (net)	18.1	18.4	20.1	19.9	19.0	18.1	17.3	16.4	15.6
of which: remittances	19.0	19.0	20.7	20.3	19.4	18.6	17.7	16.9	16.1
Financial and capital accounts balance (Net lending (+))	2.7	2.4	3.8	3.5	2.8	2.2	1.6	1.0	0.4
of which: FDI (net)	-1.0	-0.9	0.5	-0.7	-0.8	-0.8	-0.9	-1.0	-1.0
Errors and omissions	-0.4	-0.5	-1.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in reserve assets (Increase (+))	0.9	2.6	6.0	1.7	1.0	0.3	0.2	0.0	0.0
Net International Reserves									
Stock in months of next-year NFGS imports	6.7	7.2	8.8	8.9	8.7	8.2	7.7	7.2	...
Stock over short-term debt on residual maturity	4.8	5.0	4.7	4.8	4.6	4.6	4.6	4.4	...
NIR as % of ARA metric	162.9	174.8	203.2	199.7	193.5	183.1	172.8	162.5	153.1
Gross international reserves (US\$ billions)	21.3	24.4	32.7	35.0	36.5	37.0	37.3	37.3	37.3
Public Finances (Central Government)									
Revenues	12.5	12.4	12.6	12.8	12.7	12.7	12.7	12.7	12.7
Expenditures	13.7	13.4	14.5	15.5	15.3	15.3	15.3	15.3	15.3
Current	11.2	11.0	11.5	12.4	12.1	12.0	12.1	12.1	12.1
Capital	2.5	2.4	3.0	3.1	3.2	3.3	3.2	3.2	3.2
Primary balance	0.4	0.7	-0.3	-1.1	-0.9	-0.9	-0.8	-0.8	-0.7
Overall balance	-1.3	-1.0	-1.9	-2.7	-2.6	-2.6	-2.6	-2.6	-2.6
Financing of the central government balance	1.3	1.0	1.9	2.7	2.6	2.6	2.6	2.6	2.6
Net external financing	1.3	1.0	1.1	0.8	1.1	0.5	0.6	0.8	0.8
Net domestic financing	-0.1	0.0	0.8	1.9	1.5	2.1	2.0	1.8	1.8
Central Government Debt									
External	27.2	26.3	26.7	27.4	28.0	28.6	29.1	29.6	29.9
Domestic ¹	11.9	11.9	12.1	12.1	12.2	11.9	11.7	11.6	11.5
Memorandum Items:									
GDP (US\$ billions)	104.3	113.2	123.3	133.1	143.3	154.5	166.6	180.0	194.6
Volume of exports and services (annual percentage change)	-2.4	2.1	2.0	6.2	7.3	7.7	8.2	7.7	7.7
Volume of imports and services (annual percentage change)	5.3	8.9	7.6	5.0	7.5	7.0	7.1	6.6	6.6
Output gap (% of GDP)	0.1	0.3	0.5	0.3	0.2	0.1	0.1	0.1	0.0
Terms of trade (annual percentage change)	5.9	2.8	4.8	-5.1	0.6	0.1	-0.2	0.0	0.0

Source: Bank of Guatemala; Ministry of Finance; and Fund staff estimates and projections.

¹ Does not include recapitalization of obligations to the central bank.

Table 2a. Guatemala: Public Sector Balance

	Est.			Projections					
	2023	2024	2025	2026	2027	2028	2029	2030	2031
(In millions of quetzales)									
Central Government									
Total revenues	102,016	109,051	119,277	129,972	139,192	149,595	161,270	174,397	188,847
Tax revenues	95,548	103,315	112,530	122,716	131,379	141,115	152,061	164,378	177,942
Direct Taxes	35,699	38,582	42,144	44,944	48,417	52,207	56,333	60,890	65,857
Indirect Taxes	59,849	64,733	70,386	77,771	82,961	88,908	95,727	103,488	112,085
VAT	45,770	49,408	53,818	60,239	64,280	68,993	74,458	80,773	87,812
Nontax revenues	6,468	5,736	6,747	7,256	7,813	8,480	9,209	10,019	10,905
Total expenditures	112,246	117,486	137,067	157,745	167,323	180,778	194,473	210,321	227,424
Current	91,563	96,671	108,498	126,379	132,233	141,776	153,682	166,250	179,781
Wages	32,555	35,014	38,334	42,975	47,152	50,820	54,812	59,219	64,021
Goods & services	16,459	15,502	16,535	20,270	21,172	22,591	24,121	25,800	27,892
Social security benefits	6,821	7,476	9,669	9,878	10,966	11,819	12,747	13,772	14,889
Interest	13,347	14,147	15,033	16,862	18,430	20,407	22,655	25,009	27,521
Transfers	21,888	24,001	27,367	34,730	32,722	34,209	37,265	40,201	43,026
Other	494	531	1,561	1,663	1,791	1,930	2,082	2,249	2,432
Capital	20,683	20,815	28,569	31,366	35,090	39,002	40,790	44,070	47,643
Primary expenditures	98,900	103,339	122,035	140,883	148,893	160,371	171,818	185,312	199,903
Primary balance	3,116	5,713	-2,757	-10,911	-9,702	-10,776	-10,548	-10,915	-11,056
Overall balance	-10,231	-8,434	-17,790	-27,773	-28,131	-31,183	-33,203	-35,924	-38,577
Financing	10,231	8,434	17,790	27,773	28,131	31,183	33,203	35,924	38,577
Net external financing	10,701	8,604	10,535	8,220	11,592	6,340	7,936	10,759	12,019
Loans	-1,568	-2,239	-985	2,098	5,471	2,260	2,325	2,597	2,582
Bonds	12,269	10,844	11,519	6,122	6,121	4,081	5,611	8,162	9,437
Net domestic financing	-470	-170	7,256	19,553	16,540	24,843	25,266	25,165	26,558
Net issuance of bonds	-2,486	1,914	11,770	18,350	16,323	24,700	25,171	25,105	26,497
Other	-54	0	0	0	0	0	0	0	0
Use of government deposits	2,070	-2,095	-4,514	1,204	217	143	95	60	0
Rest of nonfinancial public sector balance	4,526	8,970	6,629	7,129	7,676	8,273	8,923	9,640	10,422
Consolidated nonfinancial public sector									
Primary balance	6,390	13,375	3,872	-3,783	-2,026	-2,503	-1,625	-1,275	-634
Interest	12,095	12,839	15,033	16,862	18,430	20,407	22,655	25,009	27,521
Overall balance	-5,705	536	-11,161	-20,645	-20,455	-22,910	-24,280	-26,283	-28,155
Memorandum items:									
Central Government debt	222,402	231,174	252,872	279,385	307,283	338,324	371,432	407,297	445,813
External	97,239	104,180	114,573	122,739	134,315	140,656	148,592	159,351	171,370
Domestic 1/	125,162	126,994	138,299	156,646	172,969	197,669	222,840	247,945	274,442
Consolidated NFPS debt	200,193	207,257	227,026	251,587	277,347	306,055	336,624	369,685	405,148
Central government gross borrowing requirement	16,394	18,027	27,131	42,556	41,292	41,911	48,910	49,948	53,578
GDP	816,860	878,387	947,006	1,018,375	1,096,570	1,181,868	1,274,700	1,377,190	1,488,857

Source: Ministry of Finance; Bank of Guatemala; and Fund staff estimates and projections.

1/ Does not include recapitalization obligations to the central bank.

Table 2b. Guatemala: Public Sector Balance

	Projections								
	2023	2024	2025	2026	2027	2028	2029	2030	2031
	(In percent of GDP)								
Central government									
Total revenues	12.5	12.4	12.6	12.8	12.7	12.7	12.7	12.7	12.7
Tax revenues	11.7	11.8	11.9	12.1	12.0	11.9	11.9	11.9	12.0
Direct taxes	4.4	4.4	4.5	4.4	4.4	4.4	4.4	4.4	4.4
Indirect Taxes	7.3	7.4	7.4	7.6	7.6	7.5	7.5	7.5	7.5
VAT	5.6	5.6	5.7	5.9	5.9	5.8	5.8	5.9	5.9
Nontax revenues	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Total expenditures	13.7	13.4	14.5	15.5	15.3	15.3	15.3	15.3	15.3
Current	11.2	11.0	11.5	12.4	12.1	12.0	12.1	12.1	12.1
Wages	4.0	4.0	4.0	4.2	4.3	4.3	4.3	4.3	4.3
Goods & services	2.0	1.8	1.7	2.0	1.9	1.9	1.9	1.9	1.9
Social security benefits	0.8	0.9	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Interest	1.6	1.6	1.6	1.7	1.7	1.7	1.8	1.8	1.8
Transfers	2.7	2.7	2.9	3.4	3.0	2.9	2.9	2.9	2.9
Other	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Capital	2.5	2.4	3.0	3.1	3.2	3.3	3.2	3.2	3.2
Primary expenditures	12.1	11.8	12.9	13.8	13.6	13.6	13.5	13.5	13.4
Primary balance	0.4	0.7	-0.3	-1.1	-0.9	-0.9	-0.8	-0.8	-0.7
Overall balance	-1.3	-1.0	-1.9	-2.7	-2.6	-2.6	-2.6	-2.6	-2.6
Financing	1.3	1.0	1.9	2.7	2.6	2.6	2.6	2.6	2.6
Net external financing	1.3	1.0	1.1	0.8	1.1	0.5	0.6	0.8	0.8
Loans	-0.2	-0.3	-0.1	0.2	0.5	0.2	0.2	0.2	0.2
Bonds	1.5	1.2	1.2	0.6	0.6	0.3	0.4	0.6	0.6
Net domestic financing	-0.1	0.0	0.8	1.9	1.5	2.1	2.0	1.8	1.8
Net issuance of bonds	-0.3	0.2	1.2	1.8	1.5	2.1	2.0	1.8	1.8
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Use of government deposits	0.3	-0.2	-0.5	0.1	0.0	0.0	0.0	0.0	0.0
Rest of nonfinancial public sector balance	0.6	1.0	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Consolidated nonfinancial public sector									
Primary balance	0.8	1.5	0.4	-0.4	-0.2	-0.2	-0.1	-0.1	0.0
Interest	1.5	1.5	1.6	1.7	1.7	1.7	1.8	1.8	1.8
Overall balance	-0.7	0.1	-1.2	-2.0	-1.9	-1.9	-1.9	-1.9	-1.9
Memorandum items:									
Central Government debt	27.2	26.3	26.7	27.4	28.0	28.6	29.1	29.6	29.9
External	11.9	11.9	12.1	12.1	12.2	11.9	11.7	11.6	11.5
Domestic 1/	15.3	14.5	14.6	15.4	15.8	16.7	17.5	18.0	18.4

Source: Ministry of Finance; Bank of Guatemala; and Fund staff estimates and projections.

1/ Does not include recapitalization obligations to the central bank.

Table 3. Guatemala: Summary Balance of Payments

	Projections								
	2023	2024	2025	2026	2027	2028	2029	2030	2031
(In millions of U.S. dollars)									
Current account balance	3,212	3,300	5,816	4,648	4,076	3,388	2,587	1,731	780
Trade balance (goods)	-14,368	-15,799	-16,788	-19,328	-20,501	-21,748	-23,107	-24,533	-26,055
Exports, f.o.b.	13,048	13,325	14,309	15,162	16,134	17,372	18,741	20,247	21,880
Imports, f.o.b.	27,415	29,124	31,097	34,490	36,634	39,120	41,849	44,780	47,936
Net services	-1,347	-1,776	-2,195	-2,573	-2,703	-2,876	-3,063	-3,257	-3,462
Net income	-1,931	-1,618	-1,473	-1,620	-1,798	-1,996	-2,215	-2,452	-2,713
Net transfers	20,858	22,493	26,272	28,168	29,078	30,008	30,972	31,973	33,010
Of which: remittances	19,780	21,481	25,507	27,037	27,860	28,695	29,556	30,443	31,356
Capital account balance	1	0	0	0	0	0	0	0	0
Financial account balance	2,830	2,764	4,635	4,648	4,076	3,388	2,587	1,731	780
Foreign direct investment	-996	-1,005	626	-972	-1,119	-1,283	-1,493	-1,740	-2,017
Net acquisition of financial assets	654	863	2,340	944	1,017	1,096	1,139	1,185	1,233
Net incurrence of liabilities	1,650	1,869	1,714	1,917	2,136	2,379	2,632	2,925	3,250
Portfolio investment	-1,398	-1,423	-1,158	-1,067	-1,075	-831	-1,058	-1,095	-1,110
Net acquisition of financial assets	139	18	124	101	121	129	136	135	161
Net incurrence of liabilities	1,536	1,441	1,282	1,168	1,196	960	1,194	1,231	1,271
Of which: government bonds	1,547	1,538	941	800	800	533	733	733	733
Financial derivatives	0	0	0	0	0	0	0	0	0
Other investment	4,316	2,263	-2,237	4,387	4,770	5,002	4,888	4,566	3,907
Change in reserve assets	908	2,930	7,404	2,300	1,500	500	250	0	0
Errors and omissions	-383	-537	-1,181	0	0	0	0	0	0
(In percent of GDP)									
Current account balance	3.1	2.9	4.7	3.5	2.8	2.2	1.6	1.0	0.4
Trade balance (goods)	-13.8	-14.0	-13.6	-14.5	-14.3	-14.1	-13.9	-13.6	-13.4
Exports, f.o.b.	12.5	11.8	11.6	11.4	11.3	11.2	11.3	11.2	11.2
Imports, f.o.b.	26.3	25.7	25.2	25.9	25.6	25.3	25.1	24.9	24.6
Net services	-1.3	-1.6	-1.8	-1.9	-1.9	-1.9	-1.8	-1.8	-1.8
Net income	-1.9	-1.4	-1.2	-1.2	-1.3	-1.3	-1.3	-1.4	-1.4
Net transfers	20.0	19.9	21.3	21.2	20.3	19.4	18.6	17.8	17.0
Of which: remittances	19.0	19.0	20.7	20.3	19.4	18.6	17.7	16.9	16.1
Capital account balance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account balance	2.7	2.4	3.8	3.5	2.8	2.2	1.6	1.0	0.4
Foreign direct investment	-1.0	-0.9	0.5	-0.7	-0.8	-0.8	-0.9	-1.0	-1.0
Net acquisition of financial assets	0.6	0.8	1.9	0.7	0.7	0.7	0.7	0.7	0.6
Net incurrence of liabilities	1.6	1.7	1.4	1.4	1.5	1.5	1.6	1.6	1.7
Portfolio investment	-1.3	-1.3	-0.9	-0.8	-0.7	-0.5	-0.6	-0.6	-0.6
Net acquisition of financial assets	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Net incurrence of liabilities	1.5	1.3	1.0	0.9	0.8	0.6	0.7	0.7	0.7
Of which: government bonds	1.5	1.4	0.8	0.6	0.6	0.3	0.4	0.4	0.4
Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investment	4.1	2.0	-1.8	3.3	3.3	3.2	2.9	2.5	2.0
Change in reserve assets	0.9	2.6	6.0	1.7	1.0	0.3	0.2	0.0	0.0
Errors and omissions	-0.4	-0.5	-1.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:									
Value of exports, f.o.b. (percentage change)	-8.5	2.1	7.4	6.0	6.4	7.7	7.9	8.0	8.1
Value of imports, f.o.b. (percentage change)	-4.0	6.2	6.8	10.9	6.2	6.8	7.0	7.0	7.0
Remittances (percentage change)	9.8	8.6	18.7	6.0	3.0	3.0	3.0	3.0	3.0
Stock of NIR (in millions of U.S. dollars) 1/	19,908	22,930	30,937	33,237	34,737	35,237	35,487	35,487	35,487
Stock of GIR (in millions of U.S. dollars)	21,311	24,413	32,732	35,032	36,532	37,032	37,282	37,282	37,282
NIR in months of next-year NFGS imports	6.7	7.2	8.8	8.9	8.7	8.2	7.7	7.2	7.2
NIR in ARA metric under stabilized regime (percent)	162.9	174.8	203.2	199.7	193.5	183.1	172.8	162.5	153.1
NIR over short-term debt on residual maturity	4.8	5.0	4.7	4.8	4.6	4.6	4.6	4.4	4.4
Nominal GDP (in billions of U.S. dollars)	104.3	113.2	123.3	133.1	143.3	154.5	166.6	180.0	194.6

Source: Bank of Guatemala; Ministry of Finance; and Fund staff estimates and projections.

1/ Includes 2009 SDR allocations of US\$271 million and 2021 SDR allocations of US\$586 million.

Table 4. Guatemala: Monetary Sector Survey

	2023	2024	2025	Projections	
				2026	2027
Bank of Guatemala (BOG)					
(In millions of quetzales)					
Net international reserves 1/	155,755	176,633	236,861	254,350	265,794
(In millions of U.S. dollars) 1/	19,908	22,930	30,937	33,237	34,737
Net domestic assets	-74,176	-87,771	-135,852	-140,127	-141,155
Net claims on nonfinancial public sector	-28,114	-33,287	-45,267	-46,877	-49,907
Central government (CG)	-6,917	-10,462	-15,738	-14,534	-14,318
Rest of nonfinancial public sector	-21,197	-22,826	-29,529	-32,343	-35,590
Bank of Guatemala losses	28,700	26,161	22,476	22,476	22,476
Net credit to banks	-62,643	-65,740	-80,231	-83,557	-85,681
Of which: legal reserves	-64,701	-67,798	-82,289	-85,615	-87,739
Open market operations 2/	-19,044	-26,706	-35,955	-38,835	-35,359
Other assets (net)	6,925	11,800	3,126	6,666	7,317
Currency in circulation	81,579	88,862	101,009	114,223	124,638
Banking sector					
Net foreign position	-36,480	-40,647	-52,044	-53,665	-56,828
(in millions of U.S. Dollars)	-4,663	-5,277	-6,797	-7,012	-7,427
Net claims on Bank of Guatemala	75,700	89,575	110,181	115,938	115,165
Legal reserves	64,701	67,798	82,289	85,615	87,739
BOG securities	13,050	23,829	29,943	32,375	29,477
Liabilities to BOG	-2,051	-2,051	-2,051	-2,051	-2,051
Net domestic assets	360,694	380,986	426,616	469,983	518,285
Net credit to the NFPS	32,102	23,231	34,243	41,543	47,539
Official capital and reserves	-12,936	-14,815	-17,106	-18,313	-19,709
Credit to the private sector	338,632	380,322	409,087	442,223	486,888
Other items net	2,896	-7,752	391	4,530	3,566
Medium and long-term foreign liabilities	2,171	2,061	2,014	2,166	2,333
Liabilities to private sector	397,743	427,854	482,738	530,090	574,290
Demand deposits	128,960	133,523	145,569	161,632	177,332
Time and savings deposits, and Securities	222,987	245,257	280,732	307,999	331,885
Capital and reserves (private banks)	41,022	44,331	47,879	51,257	55,163
Securities	4,774	4,743	8,558	9,203	9,910
Monetary survey					
Net foreign assets	119,275	135,986	184,817	200,685	208,966
(In millions of U.S. dollars)	15,246	17,654	24,139	26,224	27,310
Net domestic assets	408,819	429,568	454,805	503,512	553,340
Net claims on nonfinancial public sector	3,988	-10,056	-11,024	-5,334	-2,368
Bank of Guatemala losses	28,700	26,161	22,476	22,476	22,476
Credit to private sector	338,632	380,322	409,087	442,223	486,888
Other assets (net)	37,498	33,141	34,266	44,147	46,345
Medium and long-term foreign liabilities	2,171	2,061	2,014	2,166	2,333
Liabilities to the private sector	525,923	563,493	637,608	702,031	759,974
Of which: Money	210,539	222,385	246,579	275,855	301,971
Of which: Quasi-money	274,362	296,778	343,150	374,919	402,840
Memorandum items:					
(Percent change)					
Currency in circulation	14.3	8.9	13.7	13.1	9.1
M2	6.8	7.8	13.4	10.7	8.6
Net credit of the banking sector to the CG	-26.3	-27.6	47.4	21.3	14.4
Credit to private sector	14.9	12.3	7.6	8.1	10.1
(In percent of GDP)					
Currency in circulation	10.0	10.1	10.7	11.2	11.4
M2	53.7	53.8	56.6	58.2	58.7
Net credit of the banking sector to the CG	3.9	2.6	3.6	4.1	4.3
Credit to private sector	41.5	43.3	43.2	43.4	44.4
(In percent of bank liabilities to the private sector)					
Banks' liquid assets	41.7	41.6	43.5	42.4	40.4
Demand deposits	32.4	31.2	30.2	30.5	30.9
Time and savings deposits	56.1	57.3	58.2	58.1	57.8
Capital and reserves (private banks)	10.3	10.4	9.9	9.7	9.6

Source: Bank of Guatemala; and Fund staff estimates and projections.

1/ Excludes foreign currency liabilities of the central bank to financial institutions.

2/ Includes open market placements with the private sector (financial and nonfinancial).

Table 5. Guatemala: Financial Soundness Indicators

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
On-shore banks											
Reserves as a percentage of Deposits, in NC	14.5	14.8	15.0	14.9	14.9	14.9	14.7	14.8	14.9	14.8	14.8
Reserves as a percentage of Deposits, in FC	15.9	16.7	16.3	16.2	15.9	15.8	15.9	17.1	16.0	15.8	15.9
Short-term liquidity	18.9	20.5	21.2	20.6	19.0	21.2	20.8	19.8	19.0	18.4	19.0
Liquid asset to total asset ratio	26.9	27.7	28.4	29.6	29.3	32.7	31.4	29.3	27.3	26.5	26.3
Liquidity ratio	24.5	25.1	25.7	27.0	27.1	30.6	29.4	26.7	25.2	24.8	24.8
Regulatory capital to risk-weighted assets	14.1	13.8	14.7	14.8	15.5	16.1	17.3	16.5	16.8	15.7	15.5
Nonperforming loans to total gross loans	1.4	2.1	2.3	2.2	2.2	1.8	1.7	1.3	1.8	2.5	2.4
Provisions to non-performing loans	138.4	120.4	119.6	123.4	135.9	197.4	207.6	262.5	189.2	135.2	131.2
Cash to total deposits	18.9	20.5	21.2	20.6	19.0	21.2	20.8	19.8	19.0	18.4	19.0
Return on assets	1.5	1.6	1.7	1.6	1.7	1.5	1.9	2.3	2.2	1.9	1.8
Return on equity	16.3	16.9	17.8	16.7	17.9	16.1	19.9	24.3	21.9	19.2	17.8
Foreign currency-denominated loans to total loans	39.9	39.0	38.6	39.2	36.8	36.1	35.2	33.3	29.6	28.3	28.0
Foreign currency-denominated liabilities to total liabilities	30.8	29.8	29.1	29.5	27.7	26.4	26.4	26.7	25.2	24.7	24.9
Off-shore banks 1/											
Statutory capital to risk-weighted assets	14.5	14.8	15.3	15.2	17.4	20.0	34.5	56.7	295.2	-	-
Nonperforming loans to total gross loans	1.2	1.2	1.7	2.1	2.2	2.1	2.4	4.5	0.0	-	-
Provisions to non-performing loans	148.8	138.3	114.9	116.8	135.9	149.4	171.7	137.3	0.0	-	-
Return on assets	1.2	1.5	1.6	1.4	1.7	1.2	1.7	2.1	1.2	-	-
Return on equity	12.0	14.9	15.3	16.9	17.9	12.1	13.4	8.8	1.3	-	-
Total assets off-shore banks to total assets on-shore banks	9.6	9.1	8.0	7.8	7.0	6.4	3.7	0.4	0.0	-	-

1/ In October 2024 the last off-shore bank ceased its operations.

Source: Superintendency of Banks.

Annex I. External Sector Assessment

Overall Assessment. The external position of Guatemala in 2025 was stronger than the level implied by fundamentals and desirable policies. The Current Account (CA) surplus increased to 4.7 percent of GDP (2.9 percent in 2024). Remittance inflows were historically high, reflecting precautionary savings (20.7 percent of GDP), while the trade balance was broadly unchanged relative to 2024. The CA surplus masks an underlying trade balance deficit that is offset by very large remittance inflows, underscoring the need for internal rebalancing over time away from heavy reliance on remittances. The Net International Investment Position (NIIP) turned positive despite significant domestic investment needs. The real effective exchange rate moderately appreciated, while net reserves continued to increase (US\$30.9 billion at end-2025).

Potential Policy Responses. Guatemala's CA gap stems from low investment. Eliminating long-standing structural gaps, raising public infrastructure spending, the quality of education and health, amidst a sustainable fiscal framework, would spur private investment—including FDI—and associated imports, thus reducing the CA gap. This would shift the economy from one highly dependent remittances-led growth model (amid decelerating remittance inflows) towards a domestic-driven, sustainable, and inclusive growth model, with higher capital formation, imports, and foreign investment inflows.

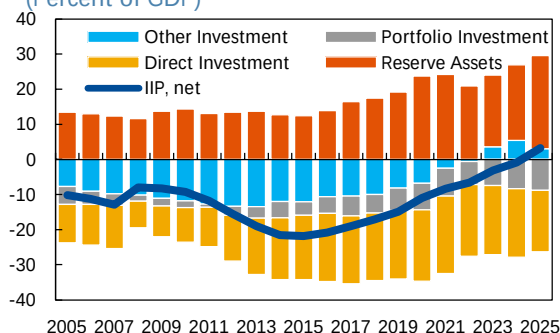
Foreign Assets and Liabilities: Position and Trajectory

Background. The Net International Investment Position (NIIP) turned positive in 2025, with assets and liabilities increasing by US\$11.4 billion and US\$6.3 billion, respectively. The increase in assets (which reached 49.5 percent of GDP in 2025) was higher than in the recent years, reflecting reserve accumulation and a large one-off outward FDI into the U.S. Liabilities, increased only slightly, to 46.2 percent of GDP.

FDI remained the largest component of external liabilities in 2025, accounting for over 51 percent of the total. Other investments accounted for 28.4 percent, with portfolio investment liabilities constituted the rest. External debt comprised more than half of external liabilities in 2025 or about a quarter of GDP.

Assessment. The current NIIP projected path does not imply risks to external sustainability. Absent sustained trend changes in FDI or public sector external borrowing, the NIIP is projected to remain positive in the medium term.

International Investment Position
(Percent of GDP)



2025 (percent GDP)	NIIP: 3.3	Gross Assets: 49.5	Debt Assets: n.a.	Gross Liab.: 46.2	Debt Liab.: n.a.
--------------------	-----------	--------------------	-------------------	-------------------	------------------

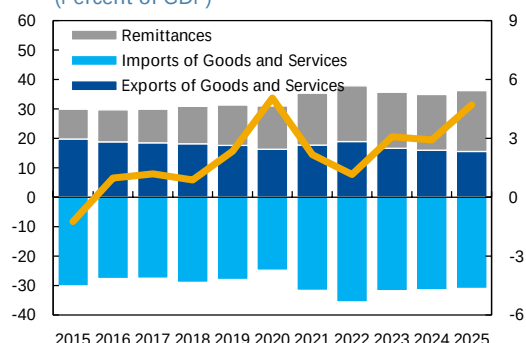
Current Account

Background. The CA surplus increased from 2.9 percent of GDP in 2024 to 4.7 percent in 2025. Historically high remittance inflows (20.7 percent of GDP) more than offset the trade deficit (15.4 percent), which remained broadly unchanged relative to 2024, despite improving terms of trade. Exports of goods and services decreased from 15.9 to 15.6 percent of GDP. Imports of goods and services declined to 31 percent of GDP, amid strong growth in volumes but lower international commodity prices.

The current account balance is projected to converge to zero in the medium term as remittances decelerate and stabilize in real terms in outer years, including on account of more restrictive U.S. migration policies. The trade balance in goods is expected to deteriorate in the near term on account of higher fuel prices, although Guatemala may benefit from the bilateral trade agreement with the U.S.

Assessment. The External Balance Assessment (EBA) methodology suggests that the external position in 2025 was stronger than the level consistent with fundamentals and desirable medium-term policies. Model estimates of the cyclically adjusted CA, the CA norm, and the CA gap and identified policy gaps, as well as results of the REER-Index and REER-Level Models are presented in Table I.1.¹

Selected Components of CA Balance
(Percent of GDP)



Annex I. Table 1. Guatemala: EBA estimates for 2025 ¹

		EBA CA Model	REER-Index Model	REER-Level Model
		Percent of GDP (except REER Gap)		
CA-Actual	(A)	4.7		
Cyclical contributions /2	(B)	0.0		
Adjusted CA	(C = A - B)	4.7		
CA Norm /3	(D)	-1.3		
Adjustments to the norm /3	(E)	-2.0		
Adjusted CA norm	(F = D - E)	0.7		
CA gap	(G = C - F)	4.0		
Contribution of identified policy gaps /2		1.0		
of which:				
Fiscal Balance		1.0		
Elasticity /2	(H)	0.27		
REER Gap (percent) /4	(I = G / H)	-14.8	13.4	33.6

Source: IMF staff estimates.

1/ EBA analysis updated as of April 2026.

2/ Estimates from the EBA CA model. The standard error of the CA norm is 0.6 percent of GDP.

3/ Adjustment to the norm upward reflects the negative impact of Guatemala's security conditions on investment and capital outflows, which is not captured by the EBA CA model.

4/ "-" indicates undervaluation.

Real Exchange Rate

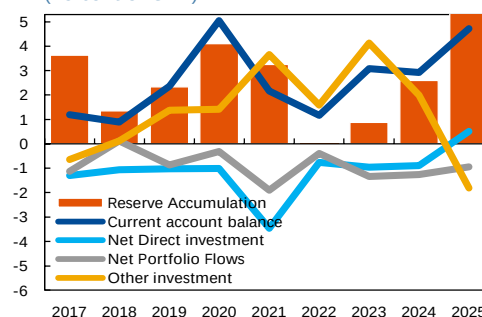
Background. The Real Effective Exchange Rate (REER) appreciated by 3.3 percent at end-2025 y/y (50 percent since 2010 and 5.9 percent since 2020). The value of the quetzal relative to the U.S. dollar has been relatively stable in recent years, with the quetzal appreciating by 0.6 percent at end-2025.

Assessment. The External Balance Assessment (EBA) CA methodology suggests that the REER remains below the level implied by fundamentals. Under the assumption that the estimated CA gap will be closed by an adjustment in the trade balance, the EBA model implies a REER undervaluation of 14.8 percent (vs. 11.5 percent on 2024). On the other hand, the EBA REER Level and Index models indicate sizable REER overvaluation (33.6 and 13.4 percent, respectively), providing supporting evidence that, from a trade balance perspective, Guatemala already appears to face competitiveness challenges. Large remittances create a wedge between quantity- and price-based assessments of external balance, as they raise the external balance, but these surpluses do not reflect improved price competitiveness.

Capital and Financial Accounts: Flows and Policy Measures

Background. 2025 inward FDI (1.4 percent of GDP) were slightly below the 1.6 percent average of the last 10 years (excluding the sale of Tigo Guatemala's operation in 2021, with the exceptional surge to about 4.2 percent of GDP). Portfolio investment inflows surpassed outflows in 2025, reflecting inflows generated from the issuance of Eurobonds by the central government in July (US\$1.5 billion), while outflows have been limited. In 2025 Guatemala recorded other net investment inflows (US\$2.2 billion vs. outflows of US\$2.3 billion in 2024), including reflecting the use of external financing for the acquisition of the U.S.-based Harvest Hill.¹

Selected Items of the Balance of Payments
(Percent of GDP)

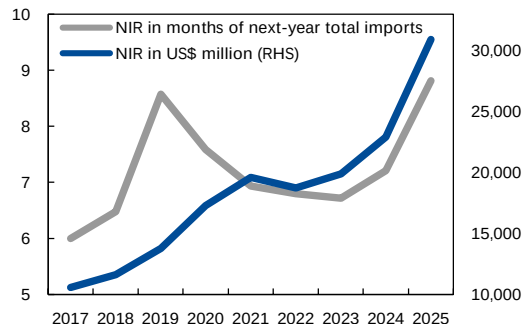


Assessment. There are no major macroeconomic risks from capital flows, given their relatively low level. The appropriate monetary and fiscal stance, low public debt and sizable reserves should be sufficient to address risks associated with large flows to Eurobonds.

FX Intervention and Reserves Level

Background. Net International Reserves (NIR, IMF definition) increased from US\$22.9 billion (175 percent of ARA metric) end-2024 to US\$30.9 billion (203 percent) end-2025 on the back of historically strong remittances and US\$1.5 billion Eurobond. The capital inflows from the private sector mostly reflected higher net incurrence of liabilities, while outflows, including associated with private sectors' deposits abroad were at about a quarter of the 2024 level (Other Investment Net). The de facto exchange rate arrangement of Guatemala is classified as crawl-like.²

Net International Reserves



Assessment. End-2025 reserves are 203 percent of the IMF's metric for Assessing Reserve Adequacy (ARA metric) for countries with crawl-like/stabilized exchange rates like Guatemala. Reserves continue being above other traditional metrics and cover almost 9 months of next year's goods and services imports and about 44 percent of broad money. FX interventions in 2025 were tilted towards buying of foreign currency (net FX purchases in 2025 reached US\$5.3 billion).

¹ In 2025, Guatemalan firm Castillo Hermanos acquired the U.S.-based Harvest Hill Beverage Company. The transaction was financed through an external bank loan and a drawdown of the firm's deposits.

² In 2025 Guatemala's de facto exchange rate arrangement was reclassified from stabilized to crawl-like.

Annex II. Risk Assessment Matrix¹

Source of Risks	Likelihood / Impact	Policy Advice
Global		
Geopolitical Tensions and Intensification of Conflicts. Rising geopolitical tensions, and a weakening of multilateralism, raise the risk of an escalation in military conflicts, accompanied by damage to key physical and financial infrastructure, disruptions in major transit routes and supply chains, higher migration pressures, additional financial frictions and market volatility.	High Likelihood Medium impact	Accelerate public investment and expand social programs to promote inclusive growth. Advance key reforms aimed at raising productivity. Implement robust anti-corruption measures to improve the business climate.
Trade-related Risks Protectionism and Trade Disruptions. Tariff and nontariff measures disrupt global supply chains, weighing on activity while increasing inflation. Trade diversion triggers broader protectionism. New Trade Agreements. Tangible progress in trade talks reduces uncertainty and trade barriers. Wider cooperation on services, FDI, and taxation boosts investment and bolsters public finances.	High Likelihood Low Likelihood Medium impact	Trade agreement with the U.S. positions Guatemala well against peers, specifically in the textile industry. Further remove non-tariff barriers to trade, leverage existing trade agreements, and explore new markets and opportunities arising from trade diversion and the reallocation of global supply chains.
Commodity Price Volatility. Supply and demand imbalances—triggered by geopolitical tensions, coordinated production decisions, shifts in investor preferences, or structural changes in demand—fuel commodity price swings, amplifying external and fiscal pressures, social unrest, and macro instability.	High Likelihood Medium impact	Deploy targeted social transfers to vulnerable segments of the population while accelerating the structural reform agenda.
Fiscal Vulnerabilities and Higher Interest Rates. Higher public debt and deficit levels put further upward pressure on long-term interest rates, sharply tightening global financial conditions, amplifying currency volatility, and reducing consumption and investment that exacerbate adverse debt dynamics. Disruptions are amplified by increased role of price-sensitive investors and leveraged NBFIs in sovereign debt markets, limited market absorption capacity when NBFIs offload debt securities, higher roll-over needs on shorter sovereign debt maturities, and strong sovereign-financial nexus. Concurrently, capital outflows from emerging and developing economies elicit a sharp increase in short-term rates.	High Likelihood Medium impact	Adjust fiscal policy in line with the economic cycle, increase revenue to sustainably finance structural expenditures, carefully calibrate borrowing plans, and strengthen policy coordination. Gradually adjust the policy rate, allow the exchange rate to serve as a shock absorber, and strengthen policy coordination.
Policy Uncertainty. Elevated and wide-ranging policy uncertainty weighs on sentiment and holds back consumption and investment. Political interference in independent economic institutions erodes public confidence and trust and raises the risk of policy mistakes.	High Likelihood Medium impact	Gradually allow the exchange rate to serve as a shock absorber. Deploy targeted social transfers on vulnerable segments of the population.

¹ As of February 2026. The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly.

Source of Risks	Likelihood / Impact	Policy Advice
Disorderly AI Correction. An abrupt revision in expectations of strong AI-led productivity gains causes a sharp market correction, investment decline, and wealth loss, which suppress demand and tighten financial conditions globally	High Likelihood Medium impact	Gradually adjust the policy rate, allow the exchange rate to serve as a shock absorber, and strengthen policy coordination. Deploy targeted social transfers on vulnerable segments of the population. Advance key reforms aimed at raising productivity.
Cyberthreats. Cyberattacks on physical or digital infrastructure, technical failures, or misuse of AI technologies could trigger financial and economic instability.	High Likelihood Medium impact	Provide liquidity to support the banking sector and adopt already developed contingency plans to manage the risks.
Labor Shortages and Remittances. Tighter immigration policies exacerbate labor shortages in aging destination economies, reducing potential output, fueling inflation, and straining fiscal balances through lower revenues. Origin countries see depressed remittances and incomes, and worsening external balances, though a larger labor force could partly offset the remittance decline over the medium term.	High Likelihood High impact	Accelerate the implementation of structural reforms. Deploy targeted fiscal support to vulnerable groups. Gradually allow the exchange rate to serve as a shock absorber on remittances. Strengthen policy coordination and accelerate structural investments. Take advantage of trade agreements. Deploy targeted social transfers to vulnerable segments of the population. Designing active labor market policies that recognize greater pressures on the labor market from reduction in emigration than from returning migrants.
Climate change. Extreme climate events and rising temperatures could cause loss of life, damage to infrastructure, food insecurity, supply disruptions, and heighten economic and financial instability.	Medium Likelihood Medium impact	Enhance monitoring of exposures and mitigation measures. Deploy targeted support to the areas affected.
Domestic		
Social discontent. Inability, including due to the complex political reality, of the administration to implement the reform agenda and address the long-standing social and infrastructure gap and worsening inequality cause social unrest and detrimental populist policies. This exacerbates imbalances, slows growth, and leads to policy uncertainty and market repricing.	Medium Likelihood Low impact	Build effective working coalitions to accelerate structural investments and expand social programs. Improve spending efficiency and transparency. Advance the implementation of anti-corruption measures to ensure the integrity and effectiveness of public spending.

Annex III. Public Debt Sustainability Analysis

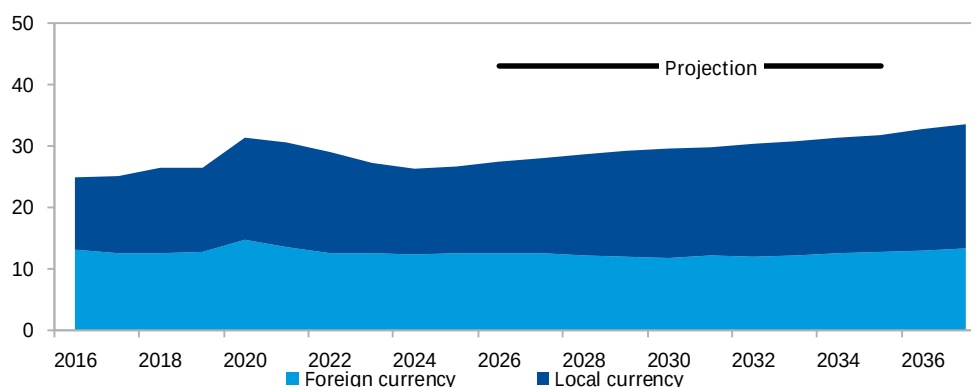
Table 1. Guatemala: Sovereign Risk and Debt Sustainability Analysis

Risk of Sovereign Stress			
Horizon	Mechanical signal	Final assessment	Comments
Overall	...	Moderate	The overall risk of sovereign stress is moderate, reflecting a relatively moderate level of vulnerability in the medium horizon.
Near term 1/			
Medium term	Low	Moderate	Medium-term risks are assessed as moderate on the basis of a mechanical signal close to the threshold between low-moderate, moderate risks according to the fanchart analysis, and resiliency of the debt dynamics in the stress test scenarios.
Fanchart	Moderate	...	
GFN	Moderate	...	
Stress test	Cont. Liabty. Nat. Diast.	...	
Long term	...	Moderate	Long-term risks are moderate. Persistent infrastructure and social spending needs, together with climate exposure, could add to longer-term debt pressures, mitigated by low initial debt, strong buffers, and a prudent fiscal track record.
Sustainability assessment 2/	Not required for surveillance countries	Not required for surveillance countries	Not applicable
Debt stabilization in the baseline			No
DSA Summary Assessment			
Guatemala's risk of sovereign stress is assessed as moderate, with central government debt projected to gradually rise to above 30 percent of GDP. Debt dynamics are primarily driven by a projected primary deficit of around ¾ percent of GDP, reflecting continued efforts to support infrastructure investment. Gross financing needs are estimated at 4.2 percent of GDP in 2026 and are projected to remain broadly stable at around 3.5–4.0 percent of GDP over the medium term. Financing is expected to rely on a mix of external borrowing, domestic debt issuance, Eurobond placements, and the use of accumulated cash buffers. Broader coverage beyond the central government would allow for a more comprehensive assessment.			
Source: Fund staff.			
Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.			
1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.			
2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.			

Table 2. Guatemala: Debt Coverage and Disclosures

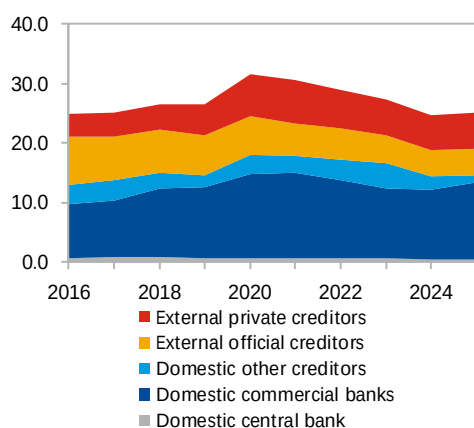
Table 2. Guatemala: Debt Coverage and Disclosures														
Debt Coverage and Disclosures										Comments				
1. Debt coverage in the DSA: 1/				CG	GG	NFPS	CPS	Other	EBFs don't have bond instruments, only domestic banks credit					
1a. If central government, are non-central government entities insignificant?								Yes						
2. Subsectors included in the chosen coverage in (1) above:														
Subsectors captured in the baseline								Inclusion						
CPS	NFPS	GG: expected	CG	1	Budgetary central government			Yes						
				2	Extra budgetary funds (EBFs)			No						
				3	Social security funds (SSFs)			No						
				4	State governments			No						
				5	Local governments			No						
				6	Public nonfinancial corporations			No						
				7	Central bank			No						
				8	Other public financial corporations			No						
3. Instrument coverage:				Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/						
4. Accounting principles:				Basis of recording		Valuation of debt stock								
				Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/						
5. Debt consolidation across sectors:				Consolidated		Non-consolidated								
Color code: chosen coverage Missing from recommended coverage Not applicable														
Reporting on Intra-Government Debt Holdings														
Issuer				Holder	Budget. central govt	Extra-budget. funds	Social security funds	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total	
CPS	NFPS	GG: expected	CG	1	Budget. central govt		0	2.3	0	1.8	0	1.7	0	5.8
				2	Extra-budget. funds	0		0	0	0	0	0	0	0
				3	Social security funds	0	0		0	0	0	0	0	0
				4	State govt.	0	0	0		0	0	0	0	0
				5	Local govt.	0	0	0	0		0	0	0	0
				6	Nonfin pub. corp.	0	0	0	0	0		0	0	0
				7	Central bank	0	0	0	0	0		0	0	0
				8	Oth. pub. fin. corp	0	0	0	0	0	0		0	0
Total				0	0	2.3	0	1.8	0	1.7	0	5.8		
1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.														
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.														
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.														
4/ Includes accrual recording, commitment basis, due for payment, etc.														
5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).														
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.														
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.														
Commentary: The coverage in this SRDSA focuses on the central government due to data availability concerns for the broader public sector (historical availability and composition). Data reported by the MoF exclude unpaid social contributions and Banguat's claims on the government arising from monetary policy operations (together about 10 percent of GDP).														

Figure 1. Guatemala: Public Debt Structure Indicators
Debt by Currency (Percent of GDP)



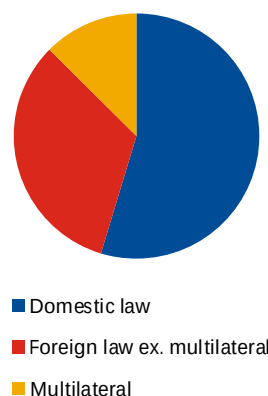
Note: The perimeter shown is central government.

Public Debt by Holder (Percent of GDP)



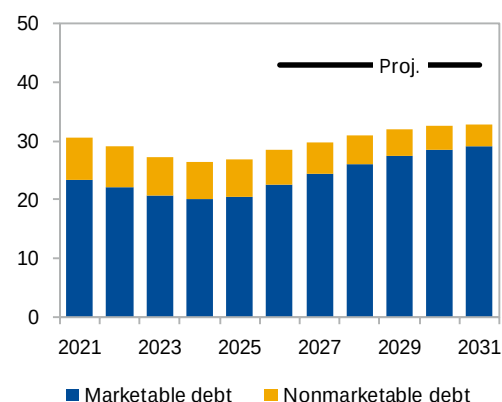
Note: The perimeter shown is general government.

Public Debt by Governing Law, 2025 (percent)



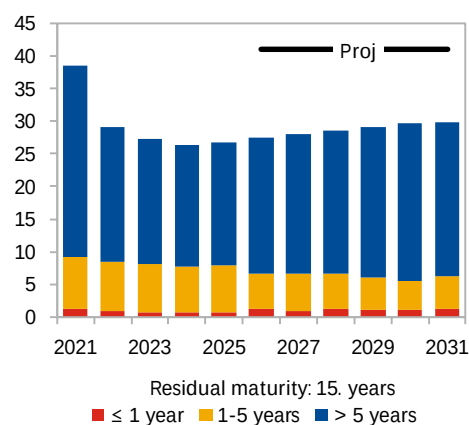
Note: The perimeter shown is central government.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is central government.

Public Debt by Maturity (Percent of GDP)



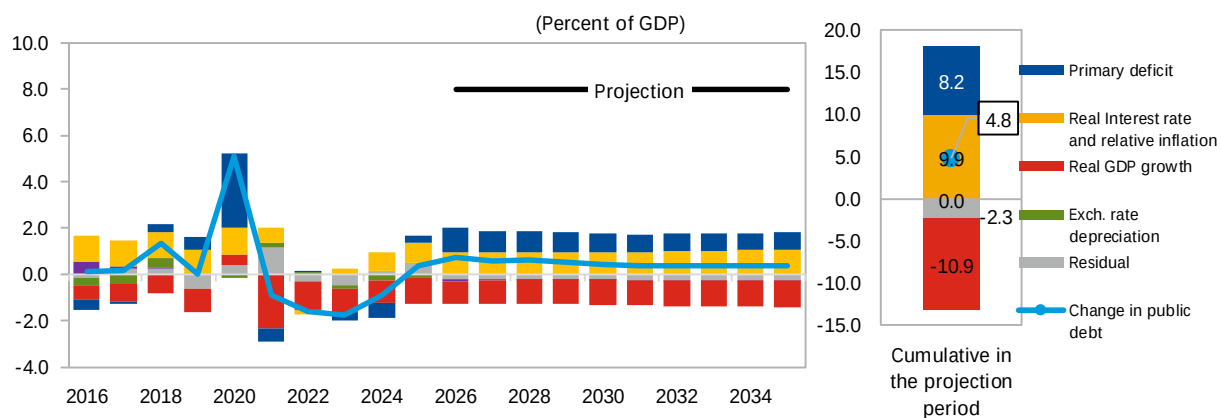
Note: The perimeter shown is central government.

Commentary: The authorities are expected to continue to benefit from multilateral funding, eurobonds, and domestic banks. In the medium-term, the authorities are expected to shift from eurobonds to local bonds gradually.

Table 3. Guatemala: Baseline Scenario
(Percent of GDP unless indicated otherwise)

	Actual	Medium-term projection							Extended projection			
	2025	2026	2027	2028	2029	2030	2031		2032	2033	2034	2035
Public debt	26.7	27.4	28.0	28.6	29.1	29.6	29.9		30.3	30.7	31.1	31.5
Change in public debt	0.4	0.7	0.6	0.6	0.5	0.4	0.4		0.4	0.4	0.4	0.4
Contribution of identified flows	-0.1	0.9	0.8	0.8	0.7	0.7	0.6		0.6	0.6	0.6	0.6
Primary deficit	0.3	1.1	0.9	0.9	0.8	0.8	0.7		0.7	0.7	0.7	0.7
Noninterest revenues	12.6	12.8	12.7	12.7	12.7	12.7	12.7		12.7	12.7	12.7	12.7
Noninterest expenditures	12.9	13.8	13.6	13.6	13.5	13.5	13.4		13.4	13.4	13.4	13.4
Automatic debt dynamics	-0.4	0.0	0.0	-0.1	-0.1	-0.1	-0.1		-0.1	-0.1	-0.1	-0.1
Real interest rate and relative inflation	0.8	1.0	1.0	1.0	1.0	1.0	1.0		1.0	1.0	1.0	1.1
Real interest rate	0.8	0.7	0.7	0.8	0.8	0.7	0.7		0.8	0.8	0.8	0.8
Relative inflation	0.1	0.2	0.2	0.2	0.2	0.2	0.2		0.2	0.2	0.2	0.2
Real growth rate	-1.1	-1.0	-1.0	-1.1	-1.1	-1.1	-1.1		-1.1	-1.1	-1.1	-1.2
Real exchange rate	-0.2	...	...	...	...	...	...		...	...	...	...
Other identified flows	0.0	-0.1	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0
(minus) Interest Revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0
Other transactions	0.0	-0.1	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0
Contribution of residual	0.5	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2		-0.2	-0.2	-0.2	-0.2
Gross financing needs	2.9	4.2	3.8	3.5	3.8	3.6	3.6		3.9	3.6	3.4	3.5
of which: debt service	2.6	3.1	2.9	2.6	3.0	2.8	2.9		3.1	2.9	2.7	2.7
Local currency	1.6	1.5	1.5	1.1	1.7	1.8	2.0		1.7	1.9	1.8	2.0
Foreign currency	1.0	1.6	1.4	1.5	1.3	1.0	0.9		1.4	1.0	0.8	0.8
Memo:												
Real GDP growth (percent)	4.3	3.8	3.8	3.9	3.9	3.9	3.9		3.9	3.9	3.9	3.9
Inflation (GDP deflator; percent)	3.4	3.6	3.7	3.7	3.8	4.0	4.0		4.0	4.0	4.0	4.0
Nominal GDP growth (percent)	7.8	7.5	7.7	7.8	7.9	8.0	8.1		8.1	8.1	8.1	8.1
Effective interest rate (percent)	6.5	6.7	6.6	6.6	6.7	6.7	6.7		6.8	6.9	6.9	6.9

Contribution to Change in Public Debt



Commentary: In the medium-term, public debt is projected to rise continuously with primary deficits.

Figure 2. Guatemala: Realism of Baseline Assumptions

Guatemala: Realism of Baseline Assumptions

Forecast Track Record 1/

Public debt to GDP
Primary deficit
 $r - g$
Exchange rate depreciation
SFA

t+1

t+3

t+5

Comparator Group:

Emerging Markets, Non-Commodity
Exporter, Surveillance

Color Code:

Optimistic ■ > 75th percentile
■ 50-75th percentile
■ 25-50th percentile
Pessimistic ■ < 25th percentile

real-time

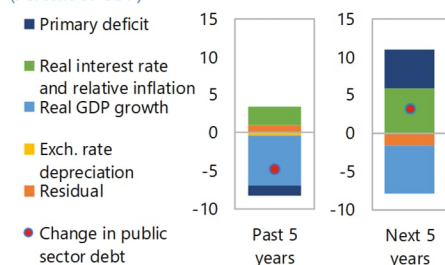
t+3

t+5

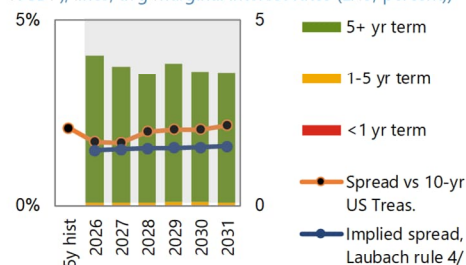
Historical Output Gap Revisions 2/

Public Debt Creating Flows

(Percent of GDP)

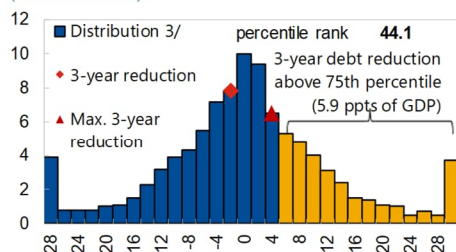


Bond Issuances (Bars, debt issuances (RHS, %GDP); lines, avg marginal interest rates (LHS, percent))



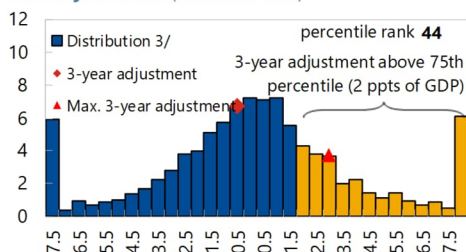
3-Year Debt Reduction

(Percent of GDP)



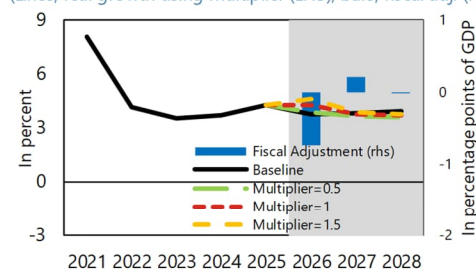
3-Year Adjustment in Cyclically-Adjusted

Primary Balance (Percent of GDP)



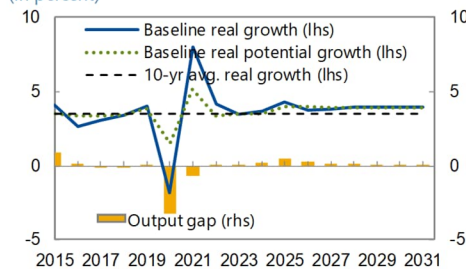
Fiscal Adjustment and Possible Growth Paths

(Lines, real growth using multiplier (LHS); bars, fiscal adj. (RHS))



Real GDP Growth

(In percent)



Realism analysis does not point to major concerns. The forecast track record is generally within bounds for optimism. Debt creating flows show primary deficit and real interest rate nad relative inflation contribute to debt. The risk premium is expected to remain relatively constant.

Source : IMF Staff.

1/ Projections made in the October and April WEO vintage.

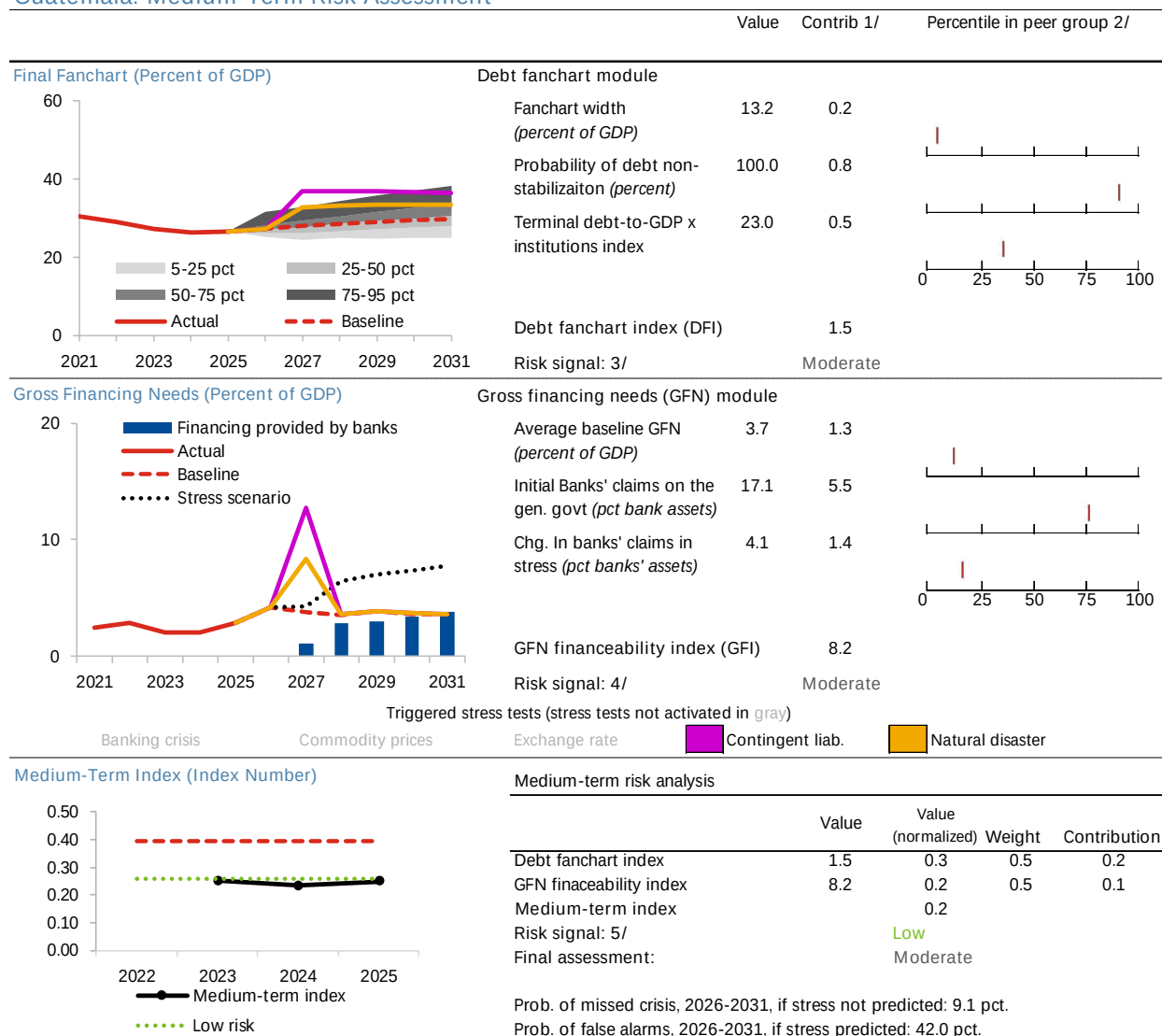
2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates

3/ Data cover annual observations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

Figure 3. Guatemala: Medium-term Risk Analysis

Guatemala: Medium-Term Risk Assessment



Commentary: The medium-term risks are estimated to be moderate by the probabilistic analysis and the GFN financeability module, with a medium-term index below the low risk threshold. The Debt Fanchart Module is moderate partly due to relatively low uncertainty in debt projections. The GFN module indicates moderate risks due to low GFN in the baseline and relatively stable bank claims on government. The stress tests show that GFN and debt remain on relatively low levels. The contingent stress scenario shows a one-time increase in the stock of debt from 27 to 37 percent of GDP.

However, debt levels in the stress scenarios remain below the median country.

Source: IMF staff estimates and projections.

1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.

2/ The comparison group is emerging markets, non-commodity exporter, surveillance.

3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.

4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.

5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

2025 Article IV Recommendations	Authorities' Actions	Staff's Appraisal of Authorities' Progress
Fiscal Policy		
Strengthen revenue mobilization through improved tax administration and anti-evasion measures, including (i) implementation of SAT's strategic plan aligned with the 2024 TADAT, (ii) adopt legal protection for SAT auditors (and public officials) in the exercise of their mandate, and, (iii) over the medium term, advance tax policy reforms, including rationalization of tax expenditures.	The authorities enhanced revenue projections, auditing, and compliance checks. A mandatory electronic invoice system for businesses is in place to improve transparency. Digitalization and new analytical tools helped uncover cases of tax evasion and underreporting. The authorities are implementing SAT's new strategic plan, aligned with the recommendations of the 2024 TADAT to strengthen enforcement against tax evasion. Auditors remain under SAT protection and as of now, there are no new lawsuits against them. In addition, SAT is currently analyzing reforms to its regulatory framework (<i>Ley de Modernización al Sistema Tributario</i>).	The revenue projections in the 2025 budget became more accurate and continued digitalization efforts have been beneficial for strengthening tax compliance. The authorities have made progress in enhancing enforcement against tax evasion and avoidance while aligning its strategic plan with the 2024 TADAT recommendations. No progress was made with legal protection of SAT auditors for actions related to their functions, although SAT current and former employees can benefit from SAT legal advisors when facing court charges.

2025 Article IV Recommendations	Authorities' Actions	Staff's Appraisal of Authorities' Progress
Improved targeting and transparency could enhance the efficiency and impact of social programs. Prioritize scaling up investments in infrastructure. Integrate and map the National Development Plan into the budgetary process. Strengthen the MTFF and the multiannual budget with technical analysis underpinning expenditure projections.	The 2025 and 2026 budgets prioritize scaling up investment and social spending, including on education and health. The integration of the National Development Plan within the budgetary process has improved by integrating strategic goals within the proposed budgets, including the Puerto Quetzal project. Transparency was enhanced by open data and dashboards. An internal committee facilitates broadening and better coordination of the MTFF, including linking it with a MT Budgetary Framework and a MT Expense Framework.	While the 2025 and 2026 budgets allocate increased funding to infrastructure and social spending, execution has been slow, including delays in project approvals. Decentralized public investment through CODEDEs should be made more effective, while ensuring that proper governance measures are in place.
Continue implementation of the recommendations of the PIMA/C-PIMA (2023) and Fiscal Transparency (2022) Evaluations. Implement International Public Sector Accounting Standards (IPSAS) and measures to enhance the digital public financial management ecosystem, facilitating better data quality, automation, and informed decision-making.	The authorities continue to strengthen the fiscal transparency, including publication of citizen-friendly explanations of budgets and the budgetary process, and further development of digital tools. Public reporting on budget execution has also expanded, including CODEDEs allocations and disbursements. Fund TA support for IPSAS convergence and digital treasury/PFM modernization. The ongoing IPSAS implementation is expected to be finalized by 2030.	The authorities are progressing with implementing PIMA/C-PIMA recommendations, with priority given to reforms that strengthen public investment efficiency and fiscal transparency, but further timely progress is needed.

2025 Article IV Recommendations	Authorities' Actions	Staff's Appraisal of Authorities' Progress
Strengthen public procurement and oversight of public investment, including through a new Public Procurement Law, greater transparency and accountability in capital spending, and stronger oversight for CODEDEs.	The authorities continue strengthening procurement transparency through Guatecompras. MINFIN also launched and expanded transparency tools for CODEDE disbursements to improve public oversight of local investment execution. The authorities have requested WB support to conduct a comprehensive analysis of CODEDES management. The new Public Procurement Law has been presented to Congress.	The prompt approval and implementation of the new Public Procurement Law is pending. Project oversight would need to be improved by strengthening the capacity of the Comptroller General's office and the Secretariat for Executive Coordination of the Presidency, and by incentivizing civil society participation in flagging issues.
Fast-track the infrastructure agenda by implementing the priority road framework, enacting legislation on infrastructure and port laws to facilitate physical infrastructure investment, and amending existing laws such as the Public-Private Partnerships (PPP) law.	Congress has enacted Priority Infrastructure Law and Competition Law. The PPP law has been amended, including avoiding the Congress approval for PPP projects and creating a new PPP agency (ANI), which replaced a former ANADIE.	The authorities adopted the priority infrastructure law which currently focuses on roads and the competition laws, but swift resolution of legal obstacles to the operationalization of the DIPP is needed. Timely implementation of the ports law and adoption of an airport law would help reduce legal and procedural uncertainty and crowd in private participation.
Adopt a well-calibrated Medium-Term Debt Management Strategy and Annual Borrowing Plans.	A Fund TA on the medium-term debt management strategy and local bond market supports authorities' efforts in sound debt management and developing LCBM. MINFIN, using the MTDS toolkit, has created a Debt Portfolio Management Medium Term Strategy 2026-30. An administrative process has been initiated for the joint publication of the Debt Strategy, and the Annual Borrowing Plan 2026.	Fund TA on medium-term debt management strategy provided recommendations on actions needed to strengthen debt management and develop annual borrowing plan. The authorities acknowledge the importance of developing and approving the law on the Secondary Financial Market for improving access to financing and competition.

2025 Article IV Recommendations	Authorities' Actions	Staff's Appraisal of Authorities' Progress
Monetary Policy		
Key recommendations included maintaining an appropriate monetary policy stance, with scope to wait on further policy decisions until greater clarity emerges on inflation and external developments; strengthening fiscal-monetary coordination, including through well-communicated government borrowing plans; further enhancing the operational framework through back-testing of collateral valuation models, clearer collateral liquidation procedures, and a move toward constant-maturity term-deposit issuance; gradually reducing reliance on reserve requirements over time; and deepening domestic financial markets, particularly local-currency debt markets, to strengthen monetary policy transmission and liquidity management.	Headline inflation remained below Banguat's target band (4% $\pm$ 1%). Following four consecutive 25-basis-point rate cuts between mid-2025 and February 2026, which brought the policy rate to 3.5 percent, the central bank has placed its easing cycle on hold.. Banguat has initiated several reforms to modernize its operational framework and strengthen monetary policy implementation. These include narrowing the policy corridor from $\pm$ 25 basis points to $\pm$ 10 basis points, streamlining the term-deposit calendar from seven to five maturities, introducing organized auctions to improve price discovery, transitioning from multiple-price to single-price auctions to strengthen market benchmarks, and gradually phasing out non-bank participants from term-deposit auctions. In addition, Banguat is developing a parametric collateral valuation model to replace linear interpolation, thereby improving the efficiency and accuracy of collateral valuation and market pricing.	The ongoing reforms to modernize the central bank's operational framework are welcome. They should strengthen liquidity management, improve market pricing of central bank securities, and enhance the effectiveness of monetary policy transmission. Together with Banguat's appropriate monetary policy stance, these reforms represent important steps toward strengthening the credibility and effectiveness of the monetary policy framework.

2025 Article IV Recommendations	Authorities' Actions	Staff's Appraisal of Authorities' Progress
Foreign Exchange Policy		
Prepare for larger investment flows and reduce monetary policy costs, transfer market risks to the private sector, and develop a framework to guide the gradual development of FX and hedging markets in the near term.	The authorities have been consulting with the IDB on the secondary market law and intend to submit a draft to Congress later this year.	Fast-tracking the Secondary Market Law currently under preparation is important to help mobilize domestic savings, strengthen monetary policy transmission, enhance financial sector competition and deepen domestic financial markets, and also enable erecting the financial infrastructure needed to accommodate potential capital inflows should Guatemala attain investment grade.
Financial Sector		
Strengthen banks' oversight, especially for banks with large exposures. Amend the 2002 Law on Banks and Financial Groups. Timely implementation of accounting frameworks based on International Financial Reporting Standards (IFRS). Foster financial inclusion.	The authorities are continuing gradual implementation of the provisions of the 2023 Credit Risk Management Regulation to mitigate credit risk. They intend to update the 2002 Law on Banks and Financial Groups and implement IFRS, the latter likely by 2030.	The authorities continued to strengthen bank supervision and risk management. They have initiated technical discussions on revisions to the 2002 Law on Banks and Financial Groups.
Structural Reforms		
Adopt a competition law, an infrastructure law, a revision of the PPP law, a ports law, the securities market law, an expropriation law, and the insolvency law to improve business climate and attract foreign investment. Strengthening the labor market with better educated workforce and reducing gender gaps.	The Congress adopted the competition and the priority infrastructure laws, and the authorities continued working on other major legislations. Guatemala launched its Equal Opportunity Initiative in December 2024.	There is an impasse over the operationalization of the priority infrastructure, while the ports and airports laws need to be further advanced and the PPP law fully operationalized.

2025 Article IV Recommendations	Authorities' Actions	Staff's Appraisal of Authorities' Progress
Governance and Structural Reforms		
Develop and publish a medium-term anti-corruption strategy, with a roadmap of deliverables and the timeline.	The anti-corruption strategy was adopted in 2025 and the authorities have been implementing corruption prevention initiatives. The National Commission against Corruption (CNC) has initiated cooperation with the central government entities to establish anticorruption and transparency bureaus.	The authorities have taken initial steps to strengthen the anti-corruption framework, including establishing the National Anti-Corruption Commission, adopting a code of ethics, and launching the <i>Integrity and Corruption Prevention Strategy 2025-32</i> , which emphasizes integrity, transparency, and accountability across the Executive branch and empowers officials and citizens to report corruption.
Adopt and implement the draft AML/CFT law, The Beneficial Ownership Law and Law of Protection of Whistleblowers.	The AML/CFT law was approved, and the authorities are working on related regulations and implementation.	The AML/CFT Law was approved, but its timely implementation, together with related regulations, is needed.

Annex V. Data Issues

Figure 1. Guatemala: Data Adequacy Assessment for Surveillance

Data Adequacy Assessment Rating 1/							
B							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	B	B	B	B	B	B	B
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	B	B	B	A	A		
Granularity 3/	B		B	B	B		
			B		B		
Consistency			B	B		B	
Frequency and Timeliness	B	A	A	B	A		
Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank. 1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics. 2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF, 2024, <i>Review of the Framework for Data Adequacy Assessment for Surveillance</i>, Appendix I). 3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.							
A	The data provided to the Fund is adequate for surveillance.						
B	The data provided to the Fund has some shortcomings but is broadly adequate for surveillance.						
C	The data provided to the Fund has some shortcomings that somewhat hamper surveillance.						
D	The data provided to the Fund has serious shortcomings that significantly hamper surveillance.						
Rationale for staff assessment. The data provided to the Fund has some shortcomings but is broadly adequate for surveillance. Data quality and timeliness are broadly adequate for surveillance purposes. However, data availability remains limited in certain areas, such as the labor market, the Producer Price Index (PPI), and the Balance of Payments (BoP), where some shortcomings persist. Additionally, coverage of government finance statistics is currently confined to the central government, though efforts are underway to expand the perimeter to the nonfinancial public sector.							
Changes since the last Article IV consultation. In January 2026 Banguat published regional GDP marking the success of a project initiated in 2023. It has also made progress with updating the GDP to the 2025 SNA and BoP to BPM7, both expected to be finalized by 2029. In addition, work is progressing on environmental macroeconomic accounting which would aid assessment of climate risks in the financial sector (expected to be finalized later in 2026). The authorities have made progress with the GFSM data compilation to expand the coverage beyond the central government; they have so far published the historical flow reports (2013-2024) and continue working on the balance sheets. Banguat and the National Institute of Statistics (INE) signed the MoU in late 2023 with the timeline for the publication of timely labor market data. Data for 2024Q4-2025Q4 is publicly available. Banguat has also created an export competitiveness index for comprehensive assessment of the environment in which Guatemala's exporters operate. The new mandatory data series, particularly related to macro-financial indicators are available.							
Corrective actions and capacity development priorities. During the 2026 Article IV consultation, staff discussed data adequacy with the authorities. They have made some advances in labor market data and continued working on other important data initiatives. The capacity of INE (the central statistical office) remains limited.							
Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. Staff do not use data different from official statistics.							
Other data gaps. Further progress in enhancing data coverage and dissemination will be beneficial for staff analysis.							

Figure 2. Guatemala: Data Standards Initiatives

Guatemala participates in the Enhanced General Data Dissemination System (e-GDDS) and publishes the data on its [National Summary Data Page](#) since November 2020.

Figure 3. Guatemala: Table of Common Indicators Required for Surveillance

As of June 22, 2026

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data ⁶	Frequency of Reporting ⁶	Expected Frequency ^{6,7}	Guatemala ⁸	Expected Timeliness ^{6,7}	Guatemala ⁸
Exchange Rates	11-June-26	18-June-26	D	D	D	M	...	30D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	11-June-26	18-June-26	D	D	M	M	1M	30D
Reserve/Base Money	11-June-26	18-June-26	W	W	M	M	2M	30D
Broad Money	11-June-26	18-June-26	W	W	M	M	1Q	30D
Central Bank Balance Sheet	April-26	27-May-26	M	M	M	M	2M	30D
Consolidated Balance Sheet of the Banking System	April-26	27-May-26	M	M	M	M	1Q	30D
Interest Rates ²	11-June-26	18-June-26	W	W	M	M	...	10D
Consumer Price Index	May-26	8-June-26	M	M	M	M	2M	2W
Revenue, Expenditure, Balance and Composition of Financing ³ -General Government ⁴	...	...	...	...	A	...	3Q	...
Revenue, Expenditure, Balance and Composition of Financing ³ -Central Government	May-26	June-26	M	M	Q	M	1Q	1M
Stocks of Central Government and Central Government-Guaranteed Debt ⁵	May-26	June-26	M	M	Q	...	2Q	...
External Current Account Balance	2025Q4	April-26	Q	Q	Q	Q	1Q	100D
Exports and Imports of Goods and Services	May-26	June-26	M	M	M	M	12W	45D
GDP/GNP	2025Q4	April-26	Q	Q	Q	Q	1Q	100D
Gross External Debt	2025Q4	April-26	Q	Q	Q	...	2Q	...
International Investment Position	2025Q3	April-26	Q	Q	A	Q	3Q	100D

¹ Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.

² Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

³ Foreign, domestic bank, and domestic nonbank financing.

⁴ The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

⁵ Including currency and maturity composition.

⁶ Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.

Figure 3. Guatemala: Table of Common Indicators Required for Surveillance (concluded)

⁷ Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.

⁸ Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (<https://dsbb.imf.org/>). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "..."

Annex VI. Capacity Development

This annex presents the Capacity Development (CD) priorities of Guatemala under the technical assistance program provided by the IMF. Key priorities include tackling tax fraud, enhancing public financial management, strengthening the macroprudential framework and central bank communication, enhancing macroeconomic projection system, and the compilation and dissemination of government financial statistics.

1. The main CD objectives focus on consolidating past achievements and making further progress on macro-critical reform areas. Key CD workstreams are:

- Revenue and custom administration. This workstream centers on supporting the Superintendence of Tax Administration (SAT) in implementing Compliance Risk Management and in preparing a Compliance Improvement Plan to address the risk arising from the issuance and use of invoices that conceal non-genuine transactions or transactions lacking economic substance. On customs, improving the administration functions including new customs clearance model for sea cargo operations, and strengthening the organizational structure.
- Public Financial Management. This workstream centers on strengthening the medium-term fiscal framework with a focus on improving cash flow forecasting and public debt management. These efforts will be accompanied by follow-up assistance in the development of the local currency bond market (LCBM) and liability management operations. It will also include the developing of analytical capacity to evaluate public expenditure, starting with a pilot of strategic analysis of education spending, as well as cross-sectoral expenditure policy topics such as public sector wage bill and distributional analysis of social spending.
- Central Bank Operations and Monetary and Macroprudential Policies. This workstream centers on improving macroprudential framework diagnostic and supporting Central Bank communications.
- Financial Supervision and Regulation. This workstream focuses on IFRS 9 – Expected Credit Loss (ECL) Models Implementation Roadmap, cybersecurity and outsourcing and operational Risk.
- Macroeconomic Forecasting. This workstream centers on improving the macroeconomic projection system of the Ministry of Finance (MINFIN) through the design of a Comprehensive Adaptive Expectations Model (CAEM).
- Governance Finance and Real Sector Statistics. This workstream centers on compilation and dissemination of Government Finance Statistics (GFS/PSDS).

Table 1. Guatemala: IMF Capacity Development Missions (January 2023–May 2026) (As of May 2026)		
Workstream	Provider	Date
Revenue Administration and Customs		
Revenue Administration – Compliance Improvement Plan (CIP)	CAPTAC-DR	February 2026
Customs Administration – Assess the current organizational structure	CAPTAC-DR	September 2025
Revenue Administration – Governance	CAPTAC-DR	March 2025
Customs Administration – Risk management	CAPTAC-DR	November 2024
Risk Management - Compliance Improvement Plan (Strategy to fight against fraud)	CAPTAC-DR	October 2024
New Customs Clearance Model for Sea Cargo operations	CAPTAC-DR	August 2024 and March 2025
Strengthening tax revenue management	CAPTAC-DR	July 2024
Tax Administration Diagnostic Assessment Tool (TADAT)	CAPTAC-DR	May-Jun 2024
Adapting the new customs clearance model to sea cargo operations	CAPTAC-DR	April-May 2024
Strengthen Compliance Risk Management	FAD	March 2024
Enhance Tax Revenue Management	FAD	November 2023
Dashboard on segmentation of operators based on risk analysis	CAPTAC-DR	September 2023
Expanding the current account of cargo for special regimes	CAPTAC-DR	August-September 2023
Strengthening Tax Revenue Management	FAD	Jun 2023; July-August 2023
Risk Analysis Data Assessment	CAPTAC-DR	Jun 2023
Strengthening Sectorial Post Clearance Audit	CAPTAC-DR	Jun 2023
Improving risk analysis IT system	FAD	April 2023
Customs single account of cargo for special procedures	FAD	April 2023
Customs Anti-fraud strategy – Post Clearance Audit	FAD	March 2023
Air cargo process improvement	FAD	March-April 2023
Public Financial Management		
Coverage and Quality of Fiscal Reporting – Development of a new Organic Budget Law	CAPTAC-DR	April 2026
Expenditure Policy Formulation and Design – Workshop	FAD	March 2026
Redesign of the National Treasury process and coordination with public debt management	FAD	August 2025
International Public Sector Accounting Standards (IPSAS) – Convergence Plan	CAPTAC-DR	June 2025
Expenditure Policy – Initial Diagnostic of the Adequacy and Efficiency of Public Spending	FAD	April 2025
Diagnostic Asset and liability management	FAD	March 2025
International Public Sector Accounting Standards (IPSAS) - Implementation diagnosis and digitization strategy	FAD	December 2024
Digital PFM modernization	FAD, CAPTAC-DR	July 2024, October 2024
Budget-Improvement in sensitivity analysis for macro fiscal projections medium term	FAD	March 2024

Table 1. Guatemala: IMF Capacity Development Missions (January 2023–May 2026) (As of May 2026) (concluded)		
Public Investment Management Assessment (PIMA) with Climate module (C-PIMA)	FAD	May-June 2023
Fiscal Impact of the risks of the financial sector and risks of natural disasters	FAD	March 2023
Budget - Macroeconomic forecasting	FAD	March 2023
Budget - Financial programming model	FAD	February-March 2023
Macroeconomic Frameworks		
Macroeconomic projection system of Guatemala's Ministry of Public Finance (MINFIN) and identify priority areas for capacity development.	ICD	March 2026
Debt Management		
Local Currency Bond Market (LCBM) Development	MCM	November 2025
Medium-Term Debt Management Strategy (MTDS)	MCM	October 2024
Monetary Policy and Central Bank Operations		
Modernizing Central Bank Communications	MCM	March 2026
Central Bank Digital Currency (CBDC)	MCM	October 2025
Strengthening Forecasting and Policy Analysis System (FPAS)	CAPTAC-DR	March 2025
Liquidity Providing Operations and Collateral Framework	MCM	February 2025
Exploring Central Bank Digital Currency (CBDC)—Legal Prerequisites, Macro-Financial Implications, and Design Options	MCM	January 2025
Monetary and Macroprudential Policies - Inflation Targeting	CAPTAC-DR	October 2024
Macroeconomic Model Development	CAPTAC-DR	August-September 2023; November-December 2023; January, September, and October 2024
Financial Supervision and Regulation		
Cyber Risk Regulation and Supervision Practices Assessment and Cyber Crisis Exercise Development Plan	MCM	July 2025
Climate Risk Analysis	MCM	February 2026
Design and Implementation of Basel Capital Buffers	CAPTAC-DR	March and April 2024, May 2025
Credit Risk Supervision – Internal Methodologies for the Calculation of Expected Credit Risk Losses	CAPTAC-DR	January, March 2025
Basel Standards – Capital Buffers	CAPTAC-DR	February 2024
Basel Standards – Liquidity	CAPTAC-DR	November 2023
Supervisory and regulatory framework on use of Cloud services	CAPTAC-DR	April 2023
Real and Government Statistics		
GFS – Public Sector Debt Statistics	CAPTAC-DR	November 2025
CPI – Update CPI basket and weights	STA	September 2024
PSFC Compilation and Consolidation	STA	November 2023
CPI – Update CPI basket and weights	STA	July 2023
GFS/PSDS: Compilation Public Sector Balance and Financial Liabilities	STA	Jun 2023

Table 2. Guatemala: IMF Capacity Development Planned Missions in FY 2027
(As of May 2026)

Workstream	Objective
Revenue Administration, Customs and Tax Policy	
Customs and Revenue	Strengthening revenue administration using electronic invoicing and third-part data to prefill a monthly VAT return. Enhancing the <i>Compliance Improvement Plan</i> to mitigate "fake Invoices". On customs, improving customs administration functions including new customs clearance model for sea cargo operations, and data management. Overall strengthening of the tax authority's organizational structure.
Tax expenditures	Explore ways to increase revenue, including through tax policy measures over the medium term.
Public Financial Management and Budget Planning	
Financial Management	Reviewing PFM framework and improving cash flow forecasting.
Coverage and Quality of Fiscal Reporting	Identifying and prioritizing a limited number of cross-cutting "binding constraints" to be addressed in a new Organic Budget Law.
Expenditure Policy	Developing MINFIN's analytical capacity to evaluate public expenditure.
Public Debt Management	Development of the LCBM.
Monetary and Macroprudential Policies and Central Bank Operations	
Monetary and Macroprudential Policies and Inflation Targeting	Improving macroprudential framework diagnostic.
Central Bank Monetary Policy Operations and Balance Sheet	Supporting Central Bank communications.
Financial Supervision and Regulation	
IFRS 9 – Expected Credit Loss (ECL) Models Implementation Roadmap	Enhancing supervisory capacity on IFRS 9 through training on expected credit loss (ECL) models and their link with credit risk and provisioning frameworks; supporting the development of a preliminary implementation roadmap.
Cybersecurity	Strengthening the regulatory and supervisory framework for cybersecurity risk, including governance and internal control, in line with international standards.
Outsourcing and Operational Risk	Developing regulatory requirements and supervisory practices for outsourcing and operational risk, including their integration into the risk-based supervision framework and the strengthening of supervisory tools and capacity.
Macroeconomic Forecasting	
Development of a macroeconomic projections tool	Improving the macroeconomic projection system of the MINFIN through the design of a <i>Comprehensive Adaptive Expectations Model</i> (CAEM).
Real and Government Statistics	
Strengthening compilation and dissemination of Government Finance Statistics (GFS/PSDS).	Improving the consolidation of public sector debt statistics.



GUATEMALA

July 10, 2026

STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By

Western Hemisphere Department

CONTENTS

FUND RELATIONS _____ 2

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS _____ 4

FUND RELATIONS

(As of May 31, 2026)

Membership Status: Joined: December 28, 1945; Article VIII.

General Resources Account:	SDR Million	Percentage of Quota
Quota	428.60	100.00
Fund holding of currency	373.97	87.25
Reserve Tranche Position	54.69	12.76
SDR Department:	SDR Million	Percentage of Allocation
Net cumulative allocation	611.70	100.00
Holdings	526.81	86.12

Outstanding Purchases and Loans: None

Latest Financial Commitments:

Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
Stand-by	04/22/2009	10/21/2010	630.60	0.00
Stand-by	06/18/2003	03/15/2004	84.00	0.00
Stand-by	04/01/2002	03/31/2003	84.00	0.00

Outright Loans:^{1/}

Type	Date of Commitment	Date Drawn/Expired	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
RFI	06/10/2020	05/21/2021	428.60	0.00

^{1/} Undrawn outright disbursements (RFI and RCF) expire automatically 60 days following the date of commitment, i.e. Board approval date.

Projected Payments to Fund¹

(SDR Million; based on existing use of resources and present holdings of SDRs, as of May 31, 2026):

	Forthcoming				
	2026	2027	2028	2029	2030
Principal					
Charges/Interest	1.17	2.33	2.33	2.33	2.33
Total	1.17	2.33	2.33	2.33	2.33

Safeguards Assessment: Under the Fund's safeguards assessment policy, the Bank of Guatemala was subject to an assessment with respect to the Stand-By Arrangement approved on April 22, 2009 (IMF Country Report No: 09/143). The assessment, which was completed in September 2009, found that the Bank of Guatemala has strengthened safeguards in the areas of transparency of financial reporting and the management of foreign exchange reserves. Recommendations were made to further strengthen the bank's governance and independence.

Exchange Rate Arrangements

- Guatemala has a de jure floating exchange rate arrangement, and its de facto exchange rate arrangement is classified as "crawl-like".
- The Bank of Guatemala (Banguat) may intervene to limit volatility in the nominal exchange rate without affecting its trend. Banguat intervenes through foreign exchange auctions based on a symmetric and public rule that limits daily volatility (the participation rule) as well as a rule to accumulate reserves (the reserves accumulation rule). The fluctuation margin (added to or subtracted from the five-day moving average of the exchange rate) that determines whether Banguat may intervene has been gradually increased in recent years, reaching 1.05 percent in 2026 (up from 0.80 percent in 2020, 0.95 percent in 2024 and 1.0 percent in 2025). Banguat may also intervene outside the scope of this rule whenever the nominal exchange rate shows unusual volatility.
- Guatemala has accepted the obligations under Article VIII, Sections 2, 3 and 4 of the IMF's Articles of Agreement, and maintains an exchange system free of multiple currency practices and restrictions on payments and transfers for international current transactions.

FSAP Participation. An FSAP Update was carried out during March 18-April 1, 2014, and the Financial System Stability Assessment was discussed by the Executive Board on September 12, 2014, at the time of the 2014 Article IV consultation.

Article IV Consultation. The last Article IV consultation was concluded by the Executive Board on September 5, 2025.

Resident Representative. Mr. Gerardo Peraza is the Regional Resident Representative for Central America, Panama, and the Dominican Republic, and is based in Guatemala.

¹ When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

World Bank Group:

- Country page: <https://www.worldbank.org/en/country/guatemala>
- Overview of Word Bank Group lending to Guatemala: <https://financesone.worldbank.org/countries/guatemala>
- IBRD-IDA project operations: https://projects.worldbank.org/en/projects-operations/projects-summary?countrycode_exact=GT&title=Guatemala

Inter-American Development Bank:

- Country page: <https://www.iadb.org/en/who-we-are/country-offices/guatemala>