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June 9, 2020

**Statement by Mr. Mojarrad and Mr. Badsı on Guatemala  
(Preliminary)  
Executive Board Meeting 20/69  
June 10, 2020**

We thank staff for a well-written report and Mr. Villar and Mr. Tabora Munoz for their informative Buff statement. We support the Guatemala' request for SDR 428.6 million under the rapid financing instrument (RFI) to help meet its urgent balance of payments needs resulting from the severe impact of the Covid-19 pandemic. We welcome the authorities' commitment to sound macroeconomic policies and are reassured by their awareness to safeguard international reserves buffers. We are also encouraged by their commitment to the transparency and accountability of emergency-related spending. We agree with staff that the Guatemala's capacity to repay the Fund is adequate and note positively the authorities' excellent track record in servicing its debt obligations.

Over the past few years, Guatemala's economy has been on a firm track: growth has been steady; inflation has been contained well below the target range; and external balances have been improving. Harshly affected by the Covid-19 pandemic outbreak, economic growth rapidly plummeted in early 2020, and massive fiscal and external financing needs have emerged for the current year. Activity is expected to recover in 2021, but risks to the outlook are heavily skewed to the downside.

The National Emergency and Economic Recovery Plan places appropriate emphasis on the country's fragile healthcare system and on the needs of the vulnerable population. While under these exceptional circumstances maintaining an easy monetary policy is appropriate, we call upon the authorities to guard against the sizable adverse spillovers of central bank monetization of the fiscal deficit. We welcome their commitment to maintaining the balance between preserving financial stability and supporting economic activity during the current conditions. We further encourage them to prepare a swift exit strategy once the crisis abates and continue strengthening the monetary policy transmission mechanism.

We wish the authorities every success.