PRESS RELEASE

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IMF Staff Concludes Visit to San Marino

FOR IMMEDIATE RELEASE

End-of-Mission press releases include statements of IMF staff teams that convey preliminary findings after a visit to a country. The views expressed in this statement are those of the IMF staff and do not necessarily represent the views of the IMF's Executive Board. This mission will not result in a Board discussion.

- *Growth strengthened in 2025, but recent indicators point to a slowdown in 2026 with downside risks prevailing.*
- *While the fiscal outcome in 2025 surprised on the upside, continued prudent policy is needed to solidify gains in investor confidence and build buffers, important for a small open economy.*
- *Banks' liquidity and asset quality improved, however, further efforts are needed to boost profitability and capitalization.*

Washington, DC – June 6, 2026: An International Monetary Fund (IMF) mission visited San Marino during June 1-5, 2026, to discuss with the Sammarinese authorities' recent economic developments and the challenges that weakening regional activity and higher energy prices will pose for San Marino. At the conclusion of the visit, Anna Shabunina, IMF mission chief for San Marino, made the following statement:

Growth accelerated in 2025 as external conditions improved, but high-frequency indicators point to a slowdown in 2026. GDP growth rose to 1.5 percent in 2025 (from 1.0 percent in 2024), driven by a recovery in export-oriented sectors. Manufacturing revenues rebounded after two years of decline, and tourism remained strong, with record arrivals and stays. Inflation increased to 2.3 percent, reflecting strong services price pressures. While employment continued to expand in 2025, momentum has weakened since late 2025, with unemployment rising to 4.5 percent in April 2026. Higher energy prices, elevated global uncertainty, and softer external demand are weighing on the outlook. As a result, GDP growth is expected to slow down to 1.3 percent in 2026.

Building on the stronger-than-expected 2025 outturn and recent reforms, fiscal policy should continue to increase buffers and reduce debt. Preliminary data indicate the 2025 primary surplus rose to 2.4 percent of GDP (from 1.5 percent in 2024), supported by strong revenues—particularly income taxes—and underspending. In 2026, while the wage bill increased due to new hiring, energy-related support measures remain limited in cost. Strong investor confidence, reflected in the April 2026 Eurobond issuance, has supported the extension of maturity, lowered interest costs, and reduced financing risk. The recent income tax reform and continued expenditure discipline are expected to raise the structural primary surplus to about 2.5 percent of GDP, in line with staff recommendations. Fiscal policy should preserve recent consolidation gains, avoid new untargeted support measures, and contain wage and pension indexation. Further recalibration of pension spending will be needed to ensure the long-term sustainability of the system.

The banking system's liquidity and asset quality have improved, but further efforts are needed to improve banks' profitability and capital. The central banks' push to align regulation with European Union (EU) standards accelerated the transformation of the banking sector. Banks' asset quality has strengthened, with the net non-performing loans (NPL) ratio declining to 11.1 percent in 2025. And the asset management company's recovery process has exceeded expectations, with the remaining senior securities with government guarantee expected to be fully repaid by at the latest mid-2027. Nonetheless, significant legacy vulnerabilities persist, with tight capitalization and weak profitability in some banks. Potential capital shortfalls arising from securitization, provisioning, and regulatory alignment should be promptly addressed through credible capitalization plans and strengthened supervision. Continued scrutiny of new investors is essential. Upgrading the regulatory treatment of NPL-backed securities would also support faster NPL resolution. In addition, banks should continue to improve cost efficiency to strengthen viability.

Expediting the implementation of the EU Association Agreement would provide a welcome boost to San Marino economy. Following the European Commission's proposal on the agreement's mixed legal nature and the subsequent discussion within the Council of the European Union in October 2025, the Council is preparing a decision to authorize its signing, building on the European Parliament's strong political endorsement in February 2026. Consistent with past practice, San Marino is expected to apply the agreement on a provisional basis to help advance its economic benefits and support the associated reforms.

Discussions will continue in the context of the Article IV consultation scheduled to take place later this year.

We would like to thank our counterparts for warm hospitality and excellent discussions.