

THE WAVERLEY SERIES

EL SALVADOR

An Insight of Investment, Trade and Economy

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For Advisory & Partnership

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EL SALVADOR — AT A GLANCE

Capital	San Salvador
Real GDP growth	Approximately 4% in 2025 per IMF estimates (3.9% per the German-Salvadoran Chamber of Commerce), accelerating to 4.8% in the first quarter of 2026; the World Bank has separately revised its own 2026 projection upward, though only to 2.5% from 2.2%, a notably more conservative figure than the IMF's implied trajectory
Security transformation	An official homicide rate of 1.3 per 100,000 inhabitants in 2025, among the lowest recorded globally, achieved under a State of Exception in place since March 2022 that independent governance analysis says has led to widespread human rights violations, arbitrary arrests, and the world's highest incarceration rate
Tourism	Visitor spending topped USD 871 million in the first quarter of 2026 alone; El Salvador now leads the Americas for growth in international arrivals, with the Surf City coastal-tourism initiative specifically cited as a driver
Foreign direct investment	Net FDI rose from approximately USD 171 million in 2022 to roughly USD 639 million in 2024, but fell sharply to USD 198.3 million by the third quarter of 2025, far below the USD 399.5 million recorded at the same point in 2024
Fiscal position	Precarious, with high deficits and rising debt; a USD 1.4 billion IMF loan secured in early 2025 eased short-term pressure, with programme reviews continuing into 2026; independent analysts have separately raised concern that Bukele's second-term paternalistic spending, including transfers and payments for public- and private-sector workers, may be propping up reported growth in ways that raise sustainability questions
Bitcoin policy	Legal-tender status was quietly abolished in early 2025 under IMF pressure after failing to gain public traction, even as the government has continued accumulating Bitcoin as a treasury asset, reaching nearly 7,500 BTC (worth about USD 660 million); negotiations to sell the government's Chivo crypto wallet are described by the IMF as well advanced
Governance	The State of Exception remains in place; the judiciary and legislature are described by independent governance analysis as dominated by Bukele loyalists, and the electoral tribunal approved his 2024 re-election despite constitutional prohibitions on immediate re-election
Governing framework	President Nayib Bukele, in his second term since June 2024, having first taken office in 2019

El Salvador presents a genuinely striking dual narrative: a security transformation that has produced one of the world's lowest homicide rates and now leads the Americas in tourism-arrival growth, achieved through a State of Exception that independent governance analysts say has produced widespread human rights violations and the world's highest incarceration rate. Growth has genuinely accelerated, reaching 4.8% in the first quarter of 2026, yet foreign direct investment fell sharply in 2025 even as the government leans into paternalistic spending that raises real questions about the sustainability of reported growth. Investors should read El

Salvador as a country where genuine, verifiable security and tourism gains coexist directly with serious, independently documented governance concerns and a specific, recent reversal in foreign investment momentum.

1. INVESTMENT & FDI

A new, tailored investment-promotion agency has not yet translated into sustained FDI improvement, with 2025 flows falling sharply below the prior year's pace despite the government's broader 'turning the corner' narrative.

The Bukele government has created an investment agency offering tailored support based on sector and capital size, with the state guiding projects from entry to execution, part of a broader effort to attract capital beyond the security gains alone; officials recognise that public safety by itself does not bring investment, and that investors want clear rules, guarantees and stronger purchasing power. Central bank figures show net FDI rising from about \$171 million in 2022 to roughly \$639 million in 2024, reinforcing a narrative of a country turning the corner; however, by the third quarter of 2025, net FDI stood at just \$198.3 million, far below the \$399.5 million recorded at the same point in 2024. In August 2023, El Salvador and Google formalised a partnership.

- **A specific, sourced reversal in FDI momentum despite the broader positive growth narrative:** the sharp year-on-year decline in net FDI through Q3 2025 represents a concrete, quantified divergence between headline GDP growth and actual foreign capital inflows that investors should weigh directly.
- **A government-acknowledged recognition that security alone is insufficient to attract capital:** the explicit statement that investors want clear rules and guarantees, not safety alone, reflects genuine institutional awareness of the gap between security gains and investment climate fundamentals.
- **A structured, state-guided investment facilitation model:** the agency's specific role guiding projects 'from entry to execution' represents a concrete institutional mechanism, though its practical effectiveness remains to be demonstrated given the FDI decline described above.

2. TRADE & BUSINESS

A genuinely remarkable tourism boom, now leading the Americas in visitor-arrival growth, anchors El Salvador's trade performance, even as a widening trade deficit and heavy remittance dependence represent real structural vulnerabilities.

Visitor spending topped \$871 million in the first quarter of 2026 alone, with El Salvador now leading the Americas for growth in international arrivals, a security-driven tourism boom anchored partly by the Surf City coastal-tourism initiative. Remittances reached an all-time high, and international reserves also hit a new record, providing genuine support to the broader economy. However, the trade deficit continues to widen, and the economy's heavy dependence on remittances exposes it directly to external labour-market shocks, particularly conditions in the United States, to which El Salvador remains closely tied through both trade and remittance flows.

- **A genuinely remarkable, quantified tourism-sector achievement:** leading the entire Americas region in visitor-arrival growth represents a specific, verifiable superlative rather than general positive tourism commentary.
- **Record remittances and reserves providing genuine, if externally exposed, economic support:** these dual records represent real, quantified strength, even as their heavy reliance on external, US-linked economic conditions represents a specific structural vulnerability.

- **A widening trade deficit representing a genuine, ongoing structural concern:** this trend, occurring even amid strong tourism and remittance performance, indicates underlying trade-balance pressures that headline growth and tourism figures alone do not resolve.

3. MAJOR ECONOMIC DEVELOPMENTS

A record-low homicide rate has opened a historic economic window, even as the State of Exception producing this security gain has been directly linked by independent governance analysts to widespread human rights violations and the world's highest incarceration rate.

Official figures report a record-low homicide rate of 1.3 per 100,000 inhabitants in 2025, and President Bukele has promoted El Salvador as an investment and tourism hub on this basis. However, the State of Exception introduced in March 2022 remains in place, and independent governance analysis states directly that it has led to widespread human rights violations and arbitrary arrests, resulting in the world's highest incarceration rate; the same analysis describes the political climate as increasingly hostile to dissent, with the judiciary and legislature dominated by Bukele loyalists, and notes that the electoral tribunal approved Bukele's 2024 re-election despite constitutional prohibitions on immediate re-election. Economic growth reached approximately 4% in 2025 according to the IMF, which described the economy as expanding at a faster than anticipated pace on the back of improved confidence, record remittances and buoyant investment; growth accelerated further to 4.8% in the first quarter of 2026. Independent analysis has separately raised concern that in his second term, beginning June 2024, Bukele has leaned into paternalistic measures, including transfers and additional payments for both public- and private-sector workers, policies that 'buy applause' but raise direct questions about how much reported growth has been propped up by state injections and whether this is sustainable. The IMF secured a \$1.4 billion loan agreement with El Salvador in early 2025, and IMF representative Dan Katz met directly with Bukele in July 2026, expressing optimism about progress toward completing the next programme reviews. Notably, the IMF's own updates have not required El Salvador to halt its Bitcoin accumulation strategy; the government added more than 1,000 BTC to its treasury in November amid a market selloff and has now accumulated nearly 7,500 BTC, worth approximately \$660 million, even as Bitcoin's legal-tender status was quietly abolished in early 2025 under IMF pressure after failing to gain traction among the population; negotiations for the sale of the government's Chivo crypto wallet are described by the IMF as well advanced.

- **A genuinely historic security achievement by internationally comparable metrics:** the 1.3-per-100,000 homicide rate represents one of the lowest such rates recorded globally, a specific, verifiable transformation from El Salvador's historically extreme violence levels.
- **A direct, serious human rights cost independently documented alongside this security gain:** the explicit findings of widespread violations, arbitrary arrests and the world's highest incarceration rate represent a serious, sourced governance concern that investors should weigh directly against the security narrative, not treat as a separate or secondary consideration.
- **Specific, named institutional capture concerns:** the direct characterisation of the judiciary and legislature as dominated by loyalists, and the electoral tribunal's approval of a constitutionally prohibited re-election, represent concrete governance findings with direct implications for institutional checks on executive power.
- **A genuine, IMF-validated growth acceleration alongside a direct sustainability question from independent analysts:** while the IMF's own assessment credits improved confidence and investment, separate analysis directly questions whether paternalistic state spending is artificially supporting reported growth figures, a distinction investors should track over subsequent quarters.

- **A notable, continued policy divergence from IMF preferences on Bitcoin specifically:** the government's continued Bitcoin accumulation, even after abolishing its legal-tender status under IMF pressure, represents a specific, ongoing area where Salvadoran policy has not fully aligned with Fund preferences, worth monitoring as programme reviews continue.

4. MAJOR PROJECTS & INFRASTRUCTURE

Surf City and continued public infrastructure investment anchor El Salvador's tourism-linked development pipeline, even as independent analysis cautions this lacks a coherent long-term strategic framework.

The government's heavy focus on large-scale infrastructure projects has boosted tourism specifically, with Surf City representing a flagship coastal-tourism development delivering tangible benefits in employment and local economic activity. However, independent governance analysis directly states that El Salvador's economic and political strategies lack a clear long-term perspective and often appear driven by short-term political considerations, with infrastructure development efforts described as exceptions rather than part of a coherent long-term strategy; the same analysis notes economic growth relies primarily on real estate expansion rather than productive investment or human capital development, the latter partly a result of a chronically underfunded education system.

- **A genuine, tangible tourism-infrastructure success story:** Surf City's specific, delivered benefits in coastal tourism development and local employment represent concrete, verifiable outcomes rather than an aspirational project alone.
- **A direct, sourced critique of strategic coherence and human-capital investment:** independent analysis's explicit statement that infrastructure efforts remain exceptions rather than part of a coherent strategy, combined with the specific citation of chronic education underfunding, represents a serious, structural concern about the durability of current growth beyond its real-estate and tourism drivers.

5. CONFERENCES, FORUMS & EXHIBITIONS

No significant standalone investment conferences or forums specific to this period were identified; El Salvador's investment-climate developments are tracked primarily through IMF programme communications and independent governance and economic analysis described elsewhere in this briefing.

6. BUSINESS & INVESTMENT EVENTS

Direct engagement between IMF leadership and President Bukele in July 2026 represented the year's most significant formal international financial dialogue.

- **IMF-Bukele meeting, July 2026:** IMF representative Dan Katz met directly with President Bukele to discuss economic performance and preparations for upcoming programme reviews, publicly stating optimism about progress and plans to visit San Salvador.

7. GOVERNMENT & INTERNATIONAL PARTNERSHIPS

A continued, actively managed IMF programme and the Google partnership define El Salvador's most consequential current international relationships, even as Bitcoin policy remains a specific point of ongoing divergence.

- **IMF:** the \$1.4 billion loan agreement and continued programme reviews, described extensively in Section 3, represent El Salvador's central multilateral financial relationship, notable both for its stabilising role and for the specific areas, such as Bitcoin accumulation, where government policy has not fully aligned with Fund preferences.
- **Google:** the August 2023 formalised partnership represents a significant, named technology-sector relationship, though further recent developments were not identified for this specific period.
- **United States:** as El Salvador's principal trade partner and the dominant source of remittances, US economic and labour-market conditions remain structurally central to Salvadoran economic performance.
- **Human rights and governance monitoring bodies:** continued independent documentation of State of Exception-related human rights violations represents an active, ongoing area of international scrutiny distinct from El Salvador's economic relationships specifically.

8. SME & PRIVATE-SECTOR DEVELOPMENTS

Subpar employment figures and a professional civil-service gap, both directly identified by independent analysis, constrain the depth of El Salvador's private-sector development despite genuine headline growth.

Independent economic analysis directly notes that employment figures remain subpar even as GDP growth has been strong, while separate governance analysis states that the administration rejects outside scrutiny and lacks seasoned advisers as well as a professional civil service to implement ambitious plans. The Salvadoran economy operates under a private enterprise system with the state's direct economic role limited to seaports, the country's only international airport, and national hydroelectric power and water authorities.

- **A specific, direct disconnect between headline growth and employment outcomes:** the explicit characterisation of employment figures as subpar despite strong GDP growth represents a concrete, sourced concern about how broadly current economic gains are being shared.
- **A direct, sourced governance capacity limitation:** the specific citation of a lack of seasoned advisers and professional civil service represents a genuine institutional-capacity concern relevant to the government's ability to execute ambitious private-sector development plans consistently.

9. NEW INVESTMENT OPPORTUNITIES / PROJECTS ANNOUNCED

Coastal tourism development, real estate expansion, and continued technology-sector partnerships define El Salvador's most concretely promoted new investment channels.

- **Surf City and coastal tourism development:** building on its demonstrated success described in Section 4, continued investment in this specific tourism corridor remains open for further hospitality and related service-sector engagement.
- **Real estate development:** identified directly as the primary current driver of economic growth, this sector represents El Salvador's most active current investment channel, though independent analysis cautions this reliance over productive investment represents a structural limitation.
- **Technology-sector partnerships:** building on the Google relationship described in Section 7, continued technology-sector investment represents a further diversification-linked opportunity.

SUMMARY ASSESSMENT

El Salvador presents a genuinely striking dual narrative: a security transformation that has produced one of the world's lowest homicide rates and now leads the Americas in tourism-arrival growth, achieved through a State of Exception that independent governance analysts say has produced widespread human rights violations and the world's highest incarceration rate. Growth has genuinely accelerated, reaching 4.8% in the first quarter of 2026, yet foreign direct investment fell sharply in 2025 even as the government leans into paternalistic spending that raises real questions about the sustainability of reported growth.

Investors should read El Salvador as a country where genuine, verifiable security and tourism gains coexist directly with serious, independently documented governance concerns, institutions described as dominated by loyalists, a constitutionally questioned re-election, and a specific, recent reversal in foreign investment momentum that the government's own new investment-promotion institutions have not yet reversed.