

Macro scenario - Peru



August 15, 2025

Growth remains on track

- ▶ Despite elevated global policy uncertainty, Peru's economic activity has remained resilient, leading us to maintain our 2025 GDP growth forecast at 2.9%.
- ▶ Inflationary pressures are well contained, consistent with inflation remaining below the 2% target in the short term - it is projected to end the year at 2.2%, within the inflation target's tolerance range.
- ▶ We forecast the policy rate at 4.25% by the year end, inching towards neutral.

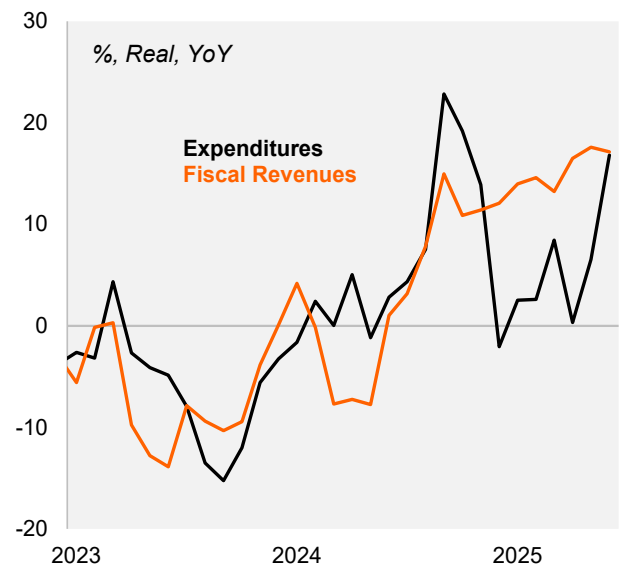
Activity remains resilient

After a somewhat weak start to the year in 1Q25, the monthly GDP proxy expanded sequentially during 2Q25, leading to an annual increase of 2.7% YoY in May, which points towards a closed output gap. The annual carryover through May places annual GDP at 2.2% (3.3% in 2024), as fundamentals remain positive for growth to continue roughly at potential in the remainder of the year. The real wage bill rose by 9% YoY in 1Q25 and 6.2% in the April-May period, with formal job creation increasing by 5.5% YoY in the last rolling quarter, developments that should underpin domestic demand. Imports of capital goods continue to rise at a double-digit annual pace, business confidence indicators are broadly positive, and terms-of-trade remain close to historically high levels.

Fiscal consolidation to take place on the back of revenues

After last year's fiscal miss, we expected a gradual consolidation this year mainly driven by a revenue recovery. Along these lines, revenue dynamics are encouraging with cyclical real revenues increasing by 17% YoY in 2Q25. However, expenditure growth jumped in 2Q25, as real non-financial spending rose by 16% YoY, after a slow start to the year. In this context, the government announced it would not follow through with their intention of raising the fiscal deficit ceiling this year, keeping it at 2.2% of GDP.

Fiscal revenues and expenditures



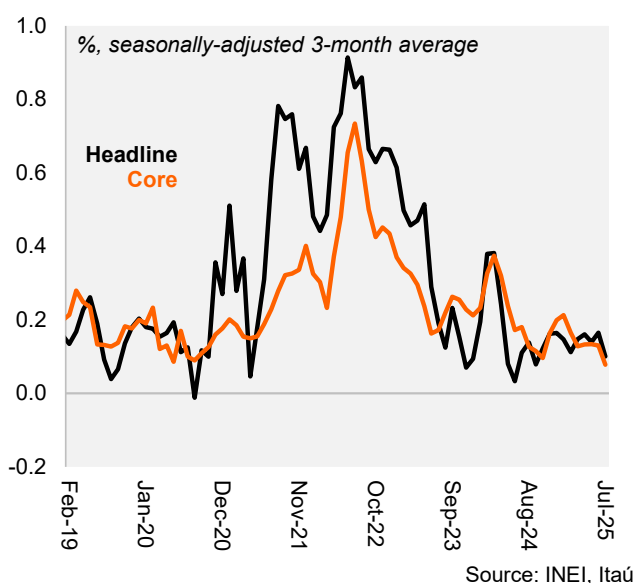
Source: BCRP, Itaú

Inflation remains well-behaved

Consumer prices rose by 0.23% from June to July, primarily driven by higher food prices. Excluding volatile food and energy items, core inflation increased by 0.2% m/m. On an annual basis, inflation was stable at 1.69% in July, comfortably within the $\pm 1\%$ tolerance range of the BCRP's 2% inflation target. Core inflation—excluding food and energy—rose by 1.68% y/y (in line with June), near the four-year low of 1.6%. At the margin, sequential price dynamics are consistent with annual inflation somewhat below the 2% target; the annualized headline inflation accumulated over the last quarter reached 1.6% (SA), while core was 1.4%. Importantly, survey-based one-

year inflation expectations have remained anchored within the target's tolerance range since December 2023, holding steady at 2.3% in June. The Peruvian peso has appreciated by around 5% against the US dollar this year benefited by dollar weakness; which might add downside pressure on tradable inflation going forward. The central bank has been so successful, in fact, that Peru is the only case in the region where one might, conceivably, be concerned about expectations de-anchoring to a level below the target – but credibility is too high for that to happen.

Sequential pressures remain well-behaved



Monetary policy rate is already close to neutral

In its August monthly monetary policy meeting, the Central Bank of Peru (BCRP) expectedly maintained its policy rate at 4.5% along with a data-dependent guidance. The BCRP reiterated concerns about the external environment, characterized by a slower convergence of inflation toward target levels in several economies and a more subdued outlook for global economic activity amid persistent uncertainty and restrictive trade measures. In this context, the BCRP acknowledged ongoing volatility in global financial markets and a deterioration in global growth prospects.

No changes in our scenario

We maintained our growth forecast at 2.9% for this year and 2.7% for 2026. While heightened tariff uncertainty poses medium-term downside risks to activity, a slightly better 2025 GDP growth forecast for China and exemption to the 50% tariff on refined copper exports to the US limit downside short-term risks to activity.

The inflation outlook remains well anchored.

Headline inflation is expected to rise moderately in the coming months, partly due to base effects, and reach 2.2% by year-end. Still, the balance of risks going forward is tilted to the downside.

The benign inflation outlook, along with near potential economic growth supports our view that the Central Bank will continue its path toward a neutral policy rate of 4%. We forecast one additional 25 basis point rate cut this year, bringing the policy rate to 4.25%.

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Peru | Forecasts and Data

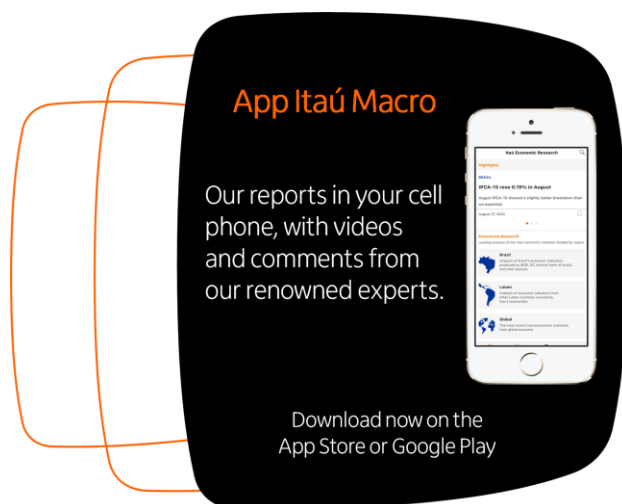
	2020	2021	2022	2023	2024	2025F		2026F	
						Current	Previous	Current	Previous
Economic Activity									
Real GDP growth - %	-10.9	13.4	2.8	-0.4	3.3	2.9	2.9	2.7	2.7
Nominal GDP - USD bn	210	230	248	272	295	328	328	346	346
Population (millions)	33.5	33.8	34.2	34.5	34.9	35.2	35.2	35.2	35.2
Per Capita GDP - USD	6,156	6,690	7,159	7,764	8,305	9,313	9,313	9,842	9,842
Unemployment Rate - year avg	12.8	11.3	7.7	6.9	6.6	6.5	6.5	6.5	6.5
Inflation									
CPI - %	2.0	6.4	8.5	3.2	2.0	2.2	2.2	2.0	2.0
Interest Rate									
Monetary Policy Rate - eop - %	0.25	2.50	7.50	6.75	5.00	4.25	4.25	4.00	4.00
Balance of Payments									
PEN / USD - eop	3.62	4.00	3.81	3.70	3.80	3.60	3.60	3.60	3.60
Trade Balance - USD bn	8.1	15.1	10.2	17.7	24.0	24.0	24.0	22.0	22.0
Current Account - % GDP	0.9	-2.1	-4.0	0.8	2.2	1.2	1.2	0.6	0.6
Foreign Direct Investment - % GDP	0.3	3.2	4.6	1.5	2.4	3.0	3.0	3.0	3.0
International Reserves - USD bn	74.9	78.5	72.2	71.3	79.0	80.0	80.0	80.0	80.0
Public Finances									
NFPS Nominal Balance - % GDP	-8.9	-2.5	-1.7	-2.8	-3.6	-2.7	-2.7	-2.4	-2.4
NFPS Primary Balance - % GDP	-7.3	-1.0	-0.1	-1.1	-1.9	-0.7	-0.7	-0.5	-0.5
NFPS Debt - % GDP	34.5	35.8	33.9	32.9	32.7	34.2	34.2	34.0	34.0

Source: IMF, INEI, BCRP, Itaú

Macro Research – Itaú

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