

Macro scenario - Peru



December 17, 2025

Revising GDP growth higher

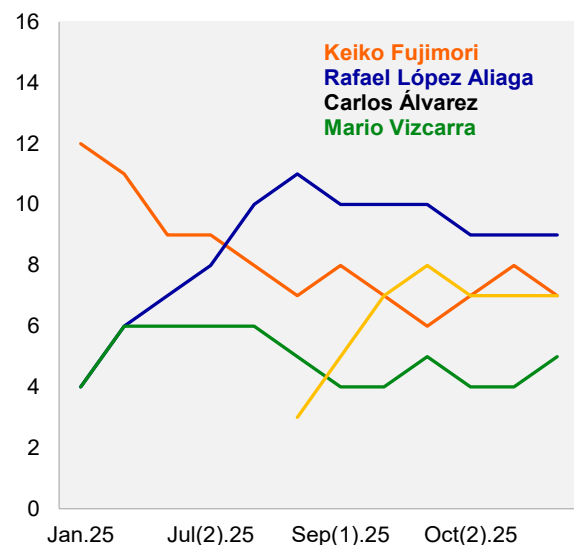
- ▶ We raised our GDP growth forecasts for 2025 and 2026 by 20 basis points to 3.2% and 2.9%, respectively, driven by recent activity dynamics and leading indicators, in the context of elevated terms of trade supporting the investment-led recovery.
- ▶ Following a string of downside inflation surprises this year, we foresee inflation edging up in 2026 and converging to 2%, the center of the BCRP's target range, while inflation expectations are steadily anchored.
- ▶ Our scenario considers the BCRP taking the policy rate to the 4% neutral. In the wake of swift PEN appreciation, the BCRP continues leaning-against-the-wind, purchasing dollars in the market, bolstering already strong levels of reserves. On all counts, the BCRP remains the best performing central bank in the region.

Elections countdown

With four months to the general elections (April 12, 2026), presidential primaries held in early December led to a total of 35 presidential candidates, including Keiko Fujimori, Rafael López Aliaga, and Martín Vizcarra. Polls suggest roughly 33% of respondents have yet to support a candidate, which, put together with the large number of candidates, adds a layer of uncertainty to those that would earn a spot in the potential June 7 runoff.

This time is different. As we've stated in previous reports, structural changes to Peru's political system are likely to reduce polarization and fragmentation in the coming years. Peru will reinstate a Senate in 2026, returning to a bicameral system for the first time since 1992, thereby reducing the tensions between the current unicameral congress and the executive branch. Separately, parties in the 2026 election must exceed 5% of votes and number of elected officials in each house to maintain presence in the new bi-cameral congress; political analyst simulations suggest this policy should lead to a substantial reduction in the number of parties in Congress.

If the presidential election were tomorrow, who would you vote for? (%)



Source: Ipsos, Itaú

A virtuous growth cycle

The Peruvian economy grew by 3.4% YoY in 3Q25, with robust growth across domestic demand components. Private consumption rose by 4.8% YoY, up from 3.6% in 2Q, while private investment jumped by 11.4% YoY, compared to 9.2% in 2Q. Exports grew slightly by 1.9% YoY compared to 3Q24, while imports surged by 11%, driven by the recovery in domestic demand. In seasonally adjusted terms, the economy expanded by 1.4% q/q in 3Q25, up from 0.4% q/q in the previous

quarter, marking the tenth consecutive sequential quarterly expansion. October's activity data continues to show an expansion, rising sequentially by 0.1% m/m and 3.6% y/y. The 2025 GDP carryover stands at 3.1%.

Separately, leading indicators such as rising business confidence, robust formal job creation, and double-digit annual capital goods imports growth, point to ongoing solid growth momentum. Historically high terms of trade, lower inflation, and declining interest rates should continue to support the investment outlook and growth close to the 3% trend. As a result, we raised our GDP growth forecasts for 2025 and 2026 by 20 basis points to 3.2% and 2.9%, respectively.

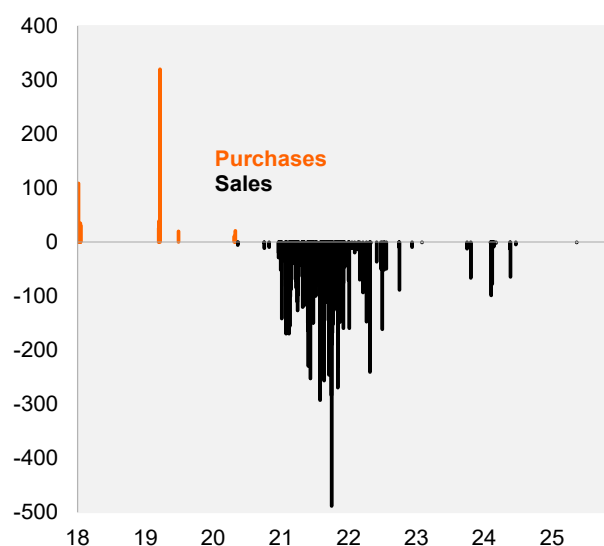
Fiscal consolidation kicking in

The nominal fiscal balance for the year through October reached -1.1% of GDP, narrowing significantly from -2.3% recorded during the same period last year, driven by a substantial improvement in revenues. Importantly, following two consecutive years of non-compliance with the fiscal rule (above target fiscal deficits) and prior to the large seasonal yearend deficit, the administration implemented spending cuts to comply with this year's official deficit target of 2.2% of GDP. We lowered our nominal deficit forecasts for 2025 and 2026 to 2.4% of GDP (from 2.5%) and 2.1% (from 2.4%), respectively.

USDPEN good performance continues

The PEN has appreciated by roughly 10% year-to-date, reaching its strongest level since April 2020, supported by elevated terms-of-trade and a positive backdrop for EM currencies. In this context, the BCRP resumed dollar purchases in the spot market in late November, purchasing reserves for the first time since April 2020. Cumulative dollar purchases in this cycle through December 16 reach USD 660 million, adding to already strong levels of reserves (roughly 27% of GDP). We revised our PEN forecast to 3.40 per USD from 3.50 for 2026.

BCRP spot interventions



Source: BCRP, Itaú

Persistent inflation surprises

Consumer prices rose by 0.1% from October to November, marking the fourth consecutive downside surprise. The reading was broadly benign, with core pressures well-contained, rising by only 0.06% MoM.

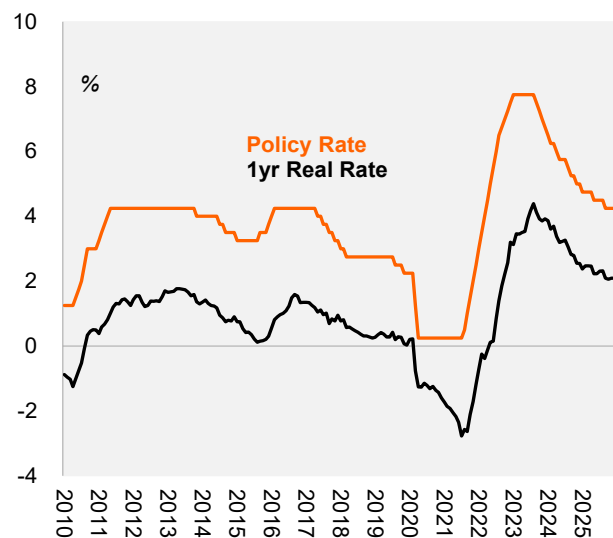
On an annual basis, headline inflation rose by 2 basis points to 1.37%, remaining in the bottom half of the central bank's 1-3% target range since November 2024, while core inflation fell to 1.7%, close to a four-year low. Sequentially, annualized inflation accumulated over the last quarter was 1.1%, while core was somewhat higher at 1.9%. We forecast annual inflation ending 2025 at 1.5% and foresee a gradual increase toward 2% in 2026. One year ahead survey-based inflation expectations have remained close to 2.2% since July, steady within the BCRP's target. Favorable exchange rate dynamics and low oil prices present a downside risk to our inflation forecasts.

BCRP in the fine-tuning stage of its current cycle

At its December monetary policy meeting, the Central Bank of Peru (BCRP) maintained the policy rate at 4.25% for the third consecutive month. Forward guidance remained data-dependent, suggesting the BCRP is not in a rush to deliver the final 25bp cut to 4%, the BCRP's neutral nominal rate estimate. The BCRP reiterated its positive inflation outlook and maintained that economic activity remains close to potential, while

the external backdrop is described more favorably. With the output gap largely closed and inflation expectations anchored, there is limited need to extend monetary policy into expansionary territory.

Policy rate close to neutral



Source: BCRP, Itaú

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Peru | Forecasts and Data

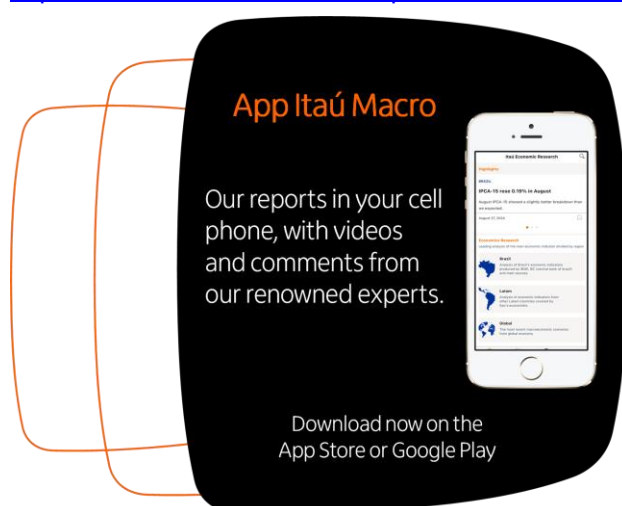
	2021	2022	2023	2024	2025F		2026F		2027F
					Current	Previous	Current	Previous	Current
Economic Activity									
Real GDP growth - %	13,4	2,8	-0,4	3,3	3,2	3,0	2,9	2,7	2,9
Nominal GDP - USD bn	230	248	272	295	334	325	351	341	368
Population (millions)	33,8	34,2	34,5	34,9	35,2	35,2	35,2	35,2	35,2
Per Capita GDP - USD	6.690	7.159	7.764	8.305	9.236	9.236	9.675	9.675	10.463
Unemployment Rate - year avg	11,3	7,7	6,9	6,6	6,2	6,5	6,2	6,5	6,2
Inflation									
CPI - %	6,4	8,5	3,2	2,0	1,5	1,6	2,0	2,0	2,0
Interest Rate									
Monetary Policy Rate - eop - %	2,50	7,50	6,75	5,00	4,25	4,00	4,00	4,00	4,00
Balance of Payments									
PEN / USD - eop	4,00	3,81	3,70	3,80	3,40	3,50	3,40	3,50	3,40
Trade Balance - USD bn	15,1	10,2	17,7	24,0	28,0	24,0	26,0	24,0	25,0
Current Account - % GDP	-2,1	-4,0	0,8	2,2	1,8	1,2	1,2	0,7	1,0
Foreign Direct Investment - % GDP	3,2	4,6	1,5	2,4	3,0	3,0	3,0	3,0	3,0
International Reserves - USD bn	78,5	72,2	71,3	79,0	90,0	80,0	85,0	80,0	85,0
Public Finances									
NFPS Nominal Balance - % GDP	-2,5	-1,7	-2,8	-3,6	-2,4	-2,5	-2,1	-2,4	-2,0
NFPS Primary Balance - % GDP	-1,0	-0,1	-1,1	-1,9	-0,6	-0,6	-0,2	-0,5	-0,2
NFPS Debt - % GDP	35,8	33,9	32,9	32,7	32,3	34,2	32,7	34,0	33,1

Source: IMF, INEI, BCRP, Itaú

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