



Macroeconomic Research

# **PERU: Top themes for 2025**

# Peru: Top themes for 2025

## 1. Does the recovery in economic activity have legs?

- The execution of mining and infrastructure projects, along with the improvement in private consumption should boost growth, allowing for the economy to grow around potential

## 2. Can the economy shake off the fiscal headwinds?

- The fiscal deficit is projected to narrow in 2025, but a faster consolidation is likely to be on hold until after the elections

## 3. Strong external fundamentals with rising headwinds

- External risks are likely to increase amid potential tariffs, however, solid macro fundamentals should mitigate volatility

## 4. Can the BCRP go against the grain and continue to lower rates?

- A balanced economy, low inflation, and solid external accounts should allow for the BCRP to move very cautiously towards neutral (4.5%)

## 5. Will political uncertainty continue this year?

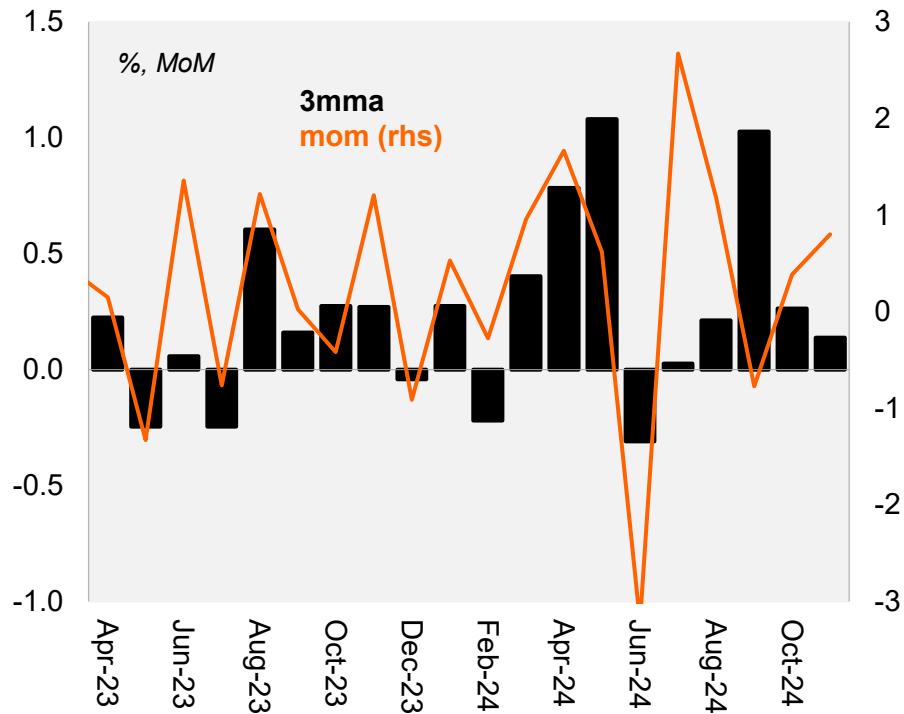
- Political uncertainty is likely to remain elevated, with presidential and legislative elections set for 2026

# 1. Does the recovery in economic activity have legs?

We expect GDP to rise by 2.8% in 2025, slightly below potential of 3.0%

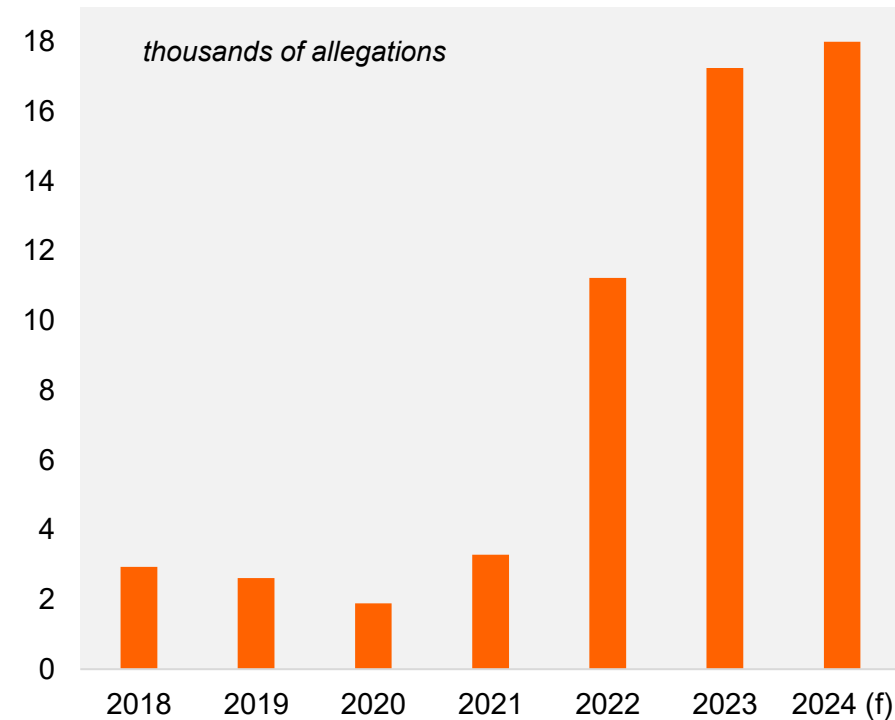
- The execution of mining and infrastructure projects, along with the increase in private consumption will boost growth
- New safety-related strikes pose near-term downside risks to activity

### GDP at the margin



Source: INEI

### Number of extortion allegations



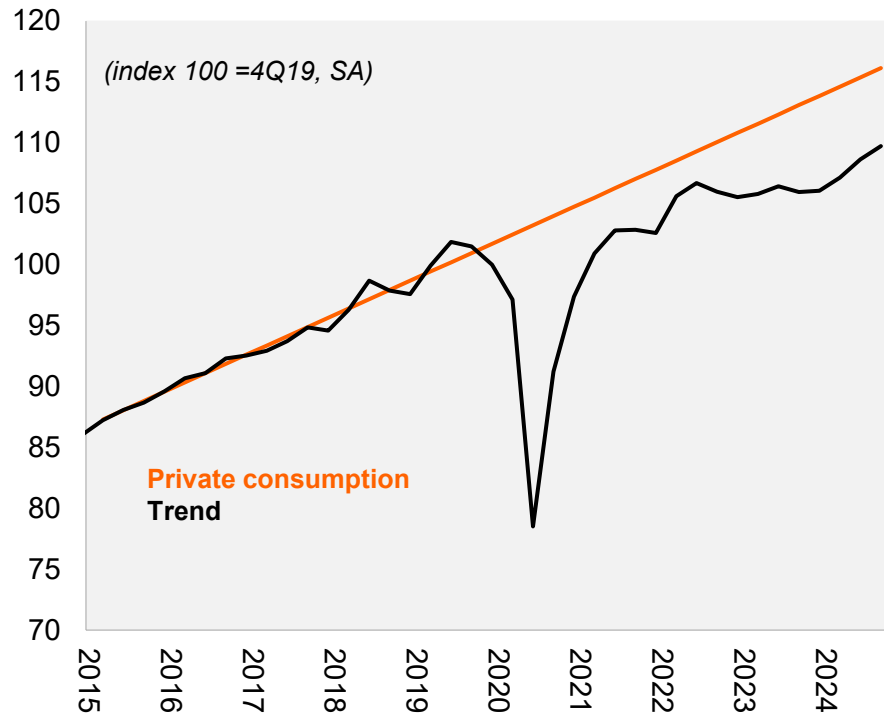
Source: National Police of Peru

# 1. Does the recovery in economic activity have legs?

## Consumption will be supported by the labor market

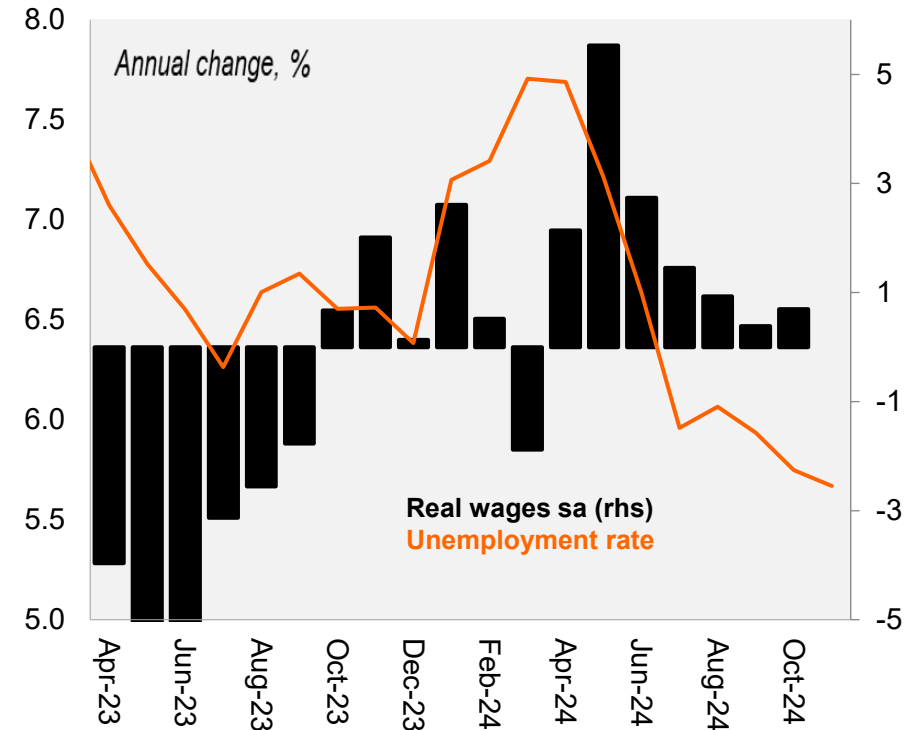
- While private consumption remains below pre-pandemic levels, it has trended up in recent quarters, supported by the recovery of real incomes and the improvement in household confidence

### Private Consumption



Source: INEI

### Labor Market



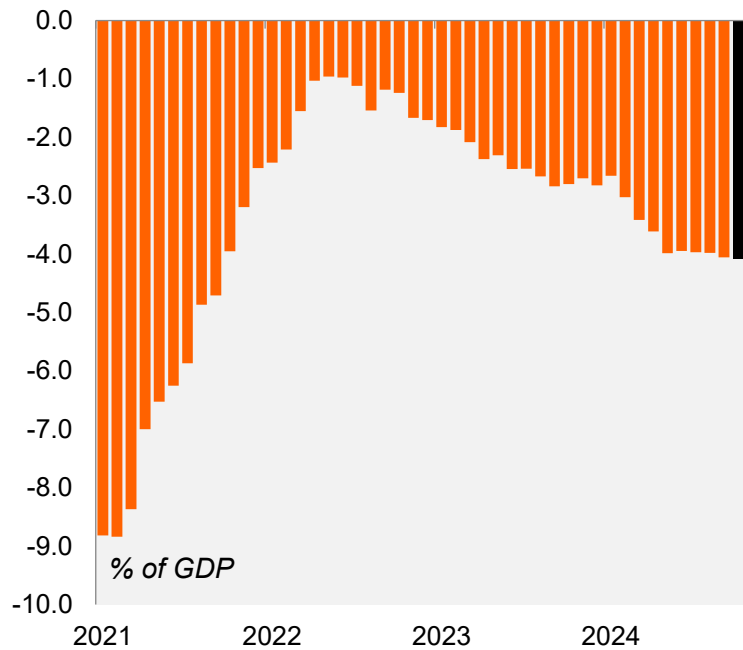
Source: BCRP

## 2. Can the economy shake off the fiscal headwinds?

### The nominal fiscal deficit is set to narrow significantly in 2025

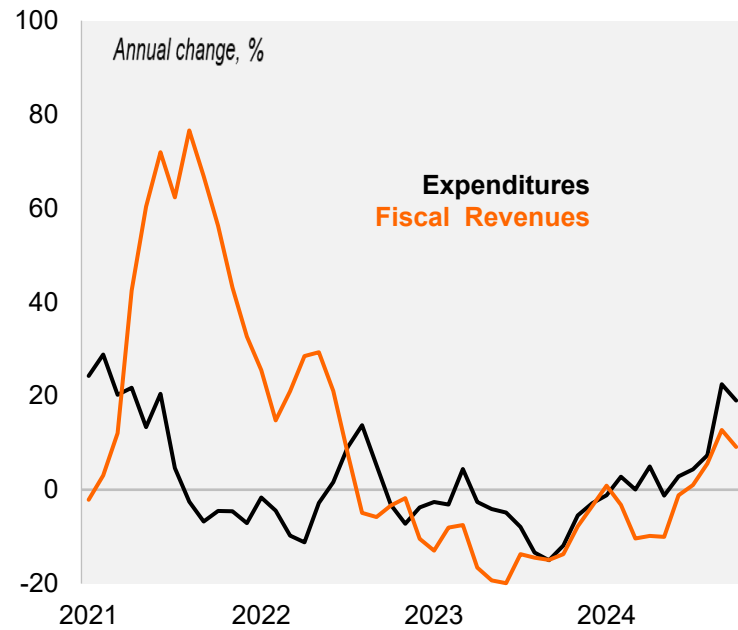
- Lower revenues, greater public investment, and issues at PetroPeru, have contributed to the widening of the fiscal deficit in 2024.
- Elevated copper prices and the recovery of economic activity should support the improvement in revenues in 2025.

Public sector fiscal balance



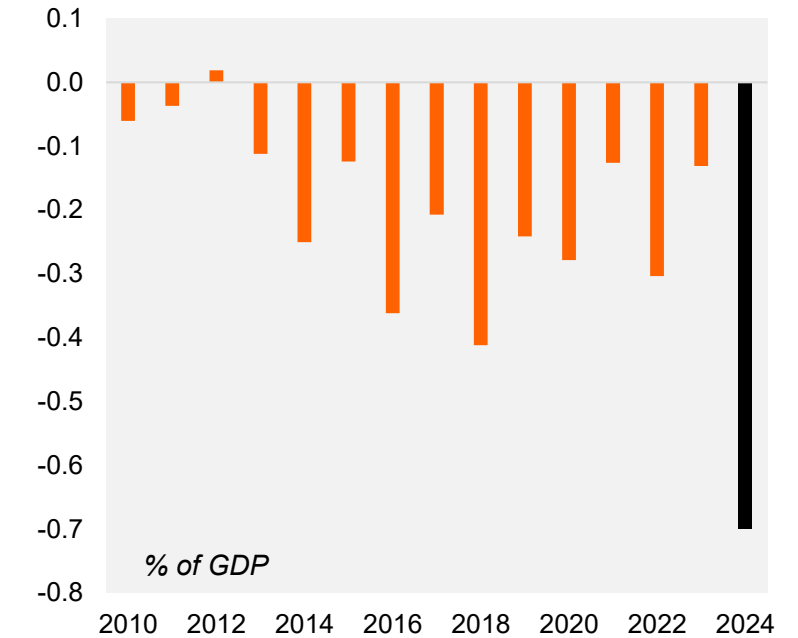
Source: BCRP

Fiscal Revenues and expenditures



Source: BCRP, Itaú

PetroPeru economic result



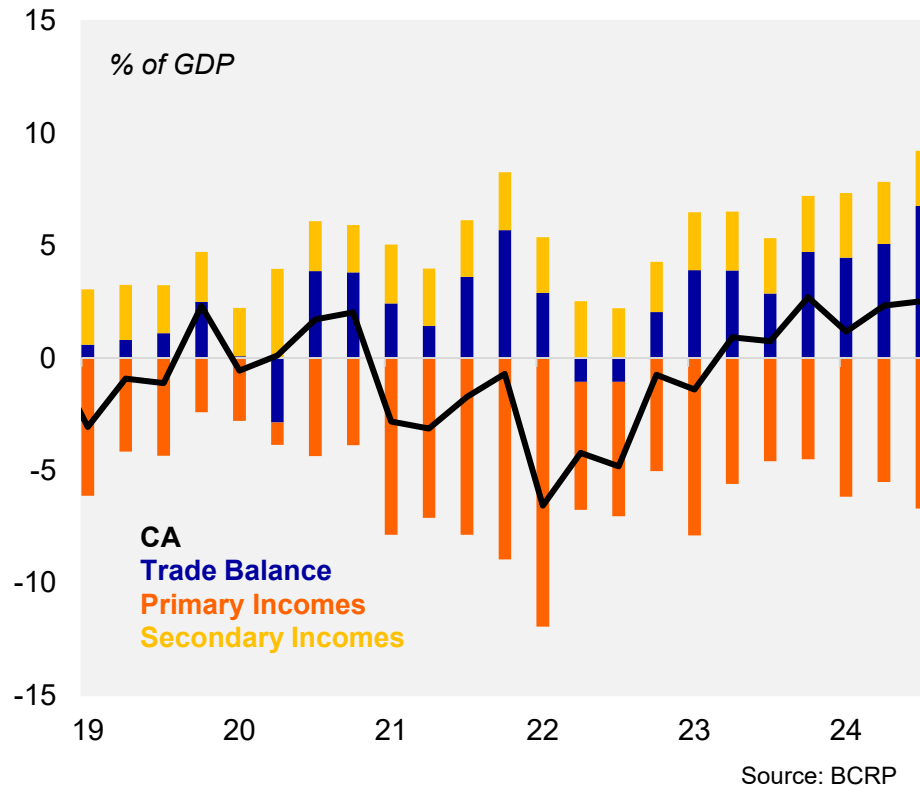
Source: BCRP, Itaú (f)

### 3. Strong external fundamentals with rising headwinds

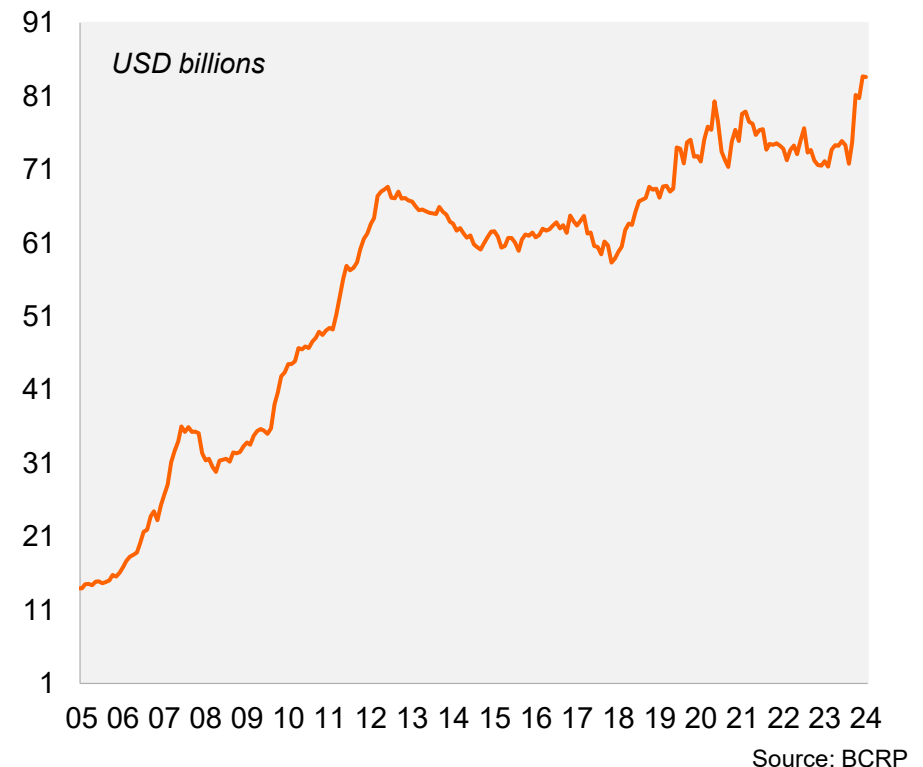
External risks are likely to increase amid potential tariffs, however, solid macro fundamentals should mitigate volatility

- Strong terms of trade should lead to another solid surplus in the trade balance.
- China is Peru's main trading partner (30% of exports). A deterioration of the global outlook and ToT pose risks.

**Current Account Decomposition**



**International Reserves**

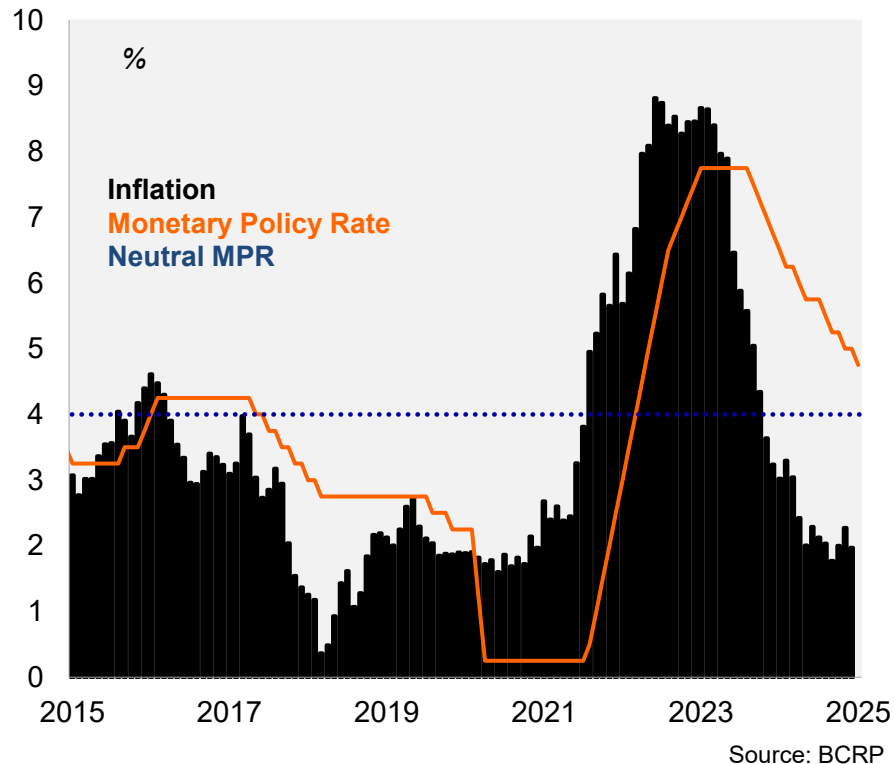


## 4. Can the BCRP go against the grain and continue to lower rates?

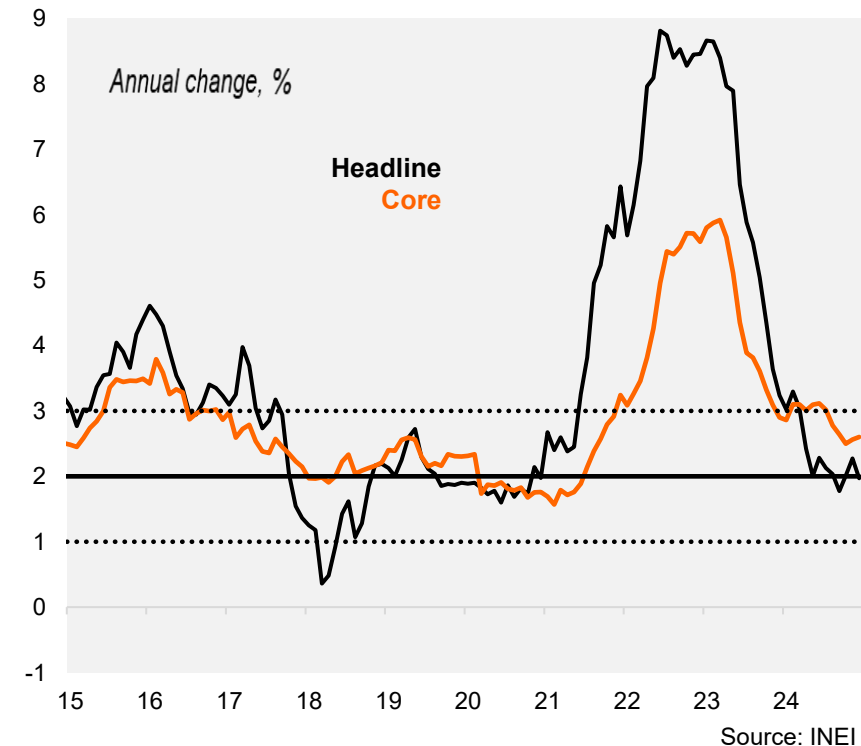
A balanced economy, low inflation, and solid external accounts should allow for the BCRP to move very cautiously towards neutral (4.5%)

- Inflation at the midpoint of the 2% target range (+/- 1%) and expectations within the target will support the rate cut.
- We expect that the BCRP will maintain data dependent guidance, keeping the door open for further rate adjustments depending on inflation (emphasizing the core index) and its determinants, inflation expectations, and activity.

Monetary Policy Rate, Expectations and Inflation



Headline and Core Inflation

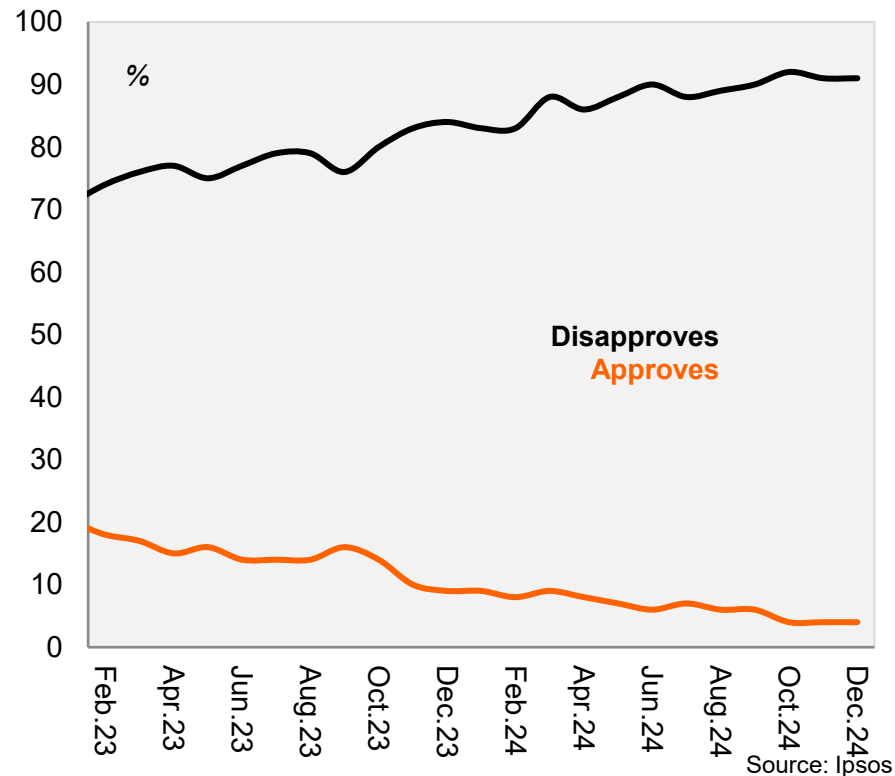


## 5. Will political uncertainty continue this year?

### Political uncertainty is likely to remain elevated

- Low presidential approval amid high fragmentation in Congress continue to strain the relationship between the Executive and Legislative branches. Separately, renewed social unrest due to security concerns hinders the ability to govern

Approval and disapproval of Dilma Boluarte



Fragmented Congress



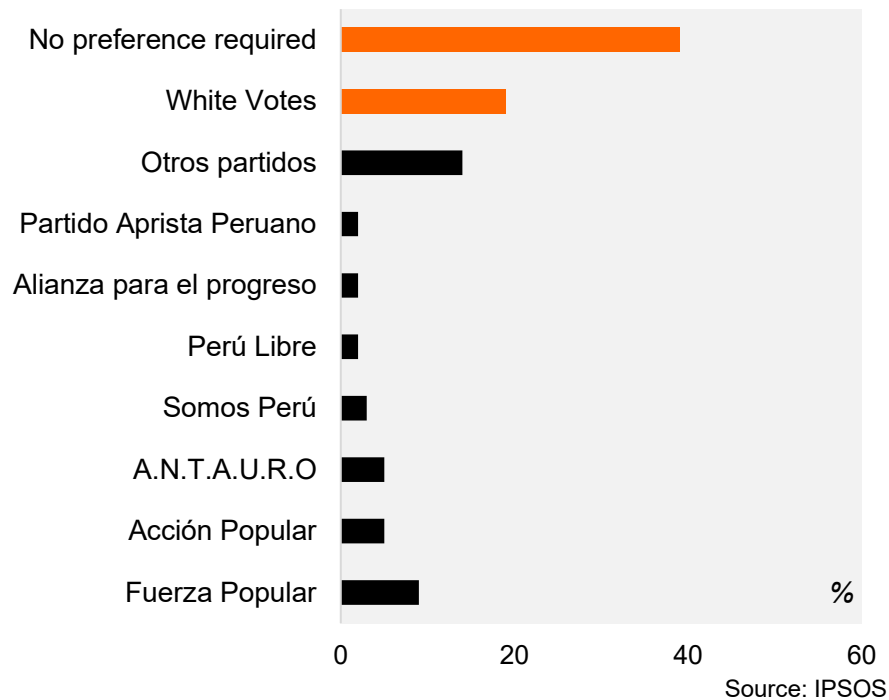


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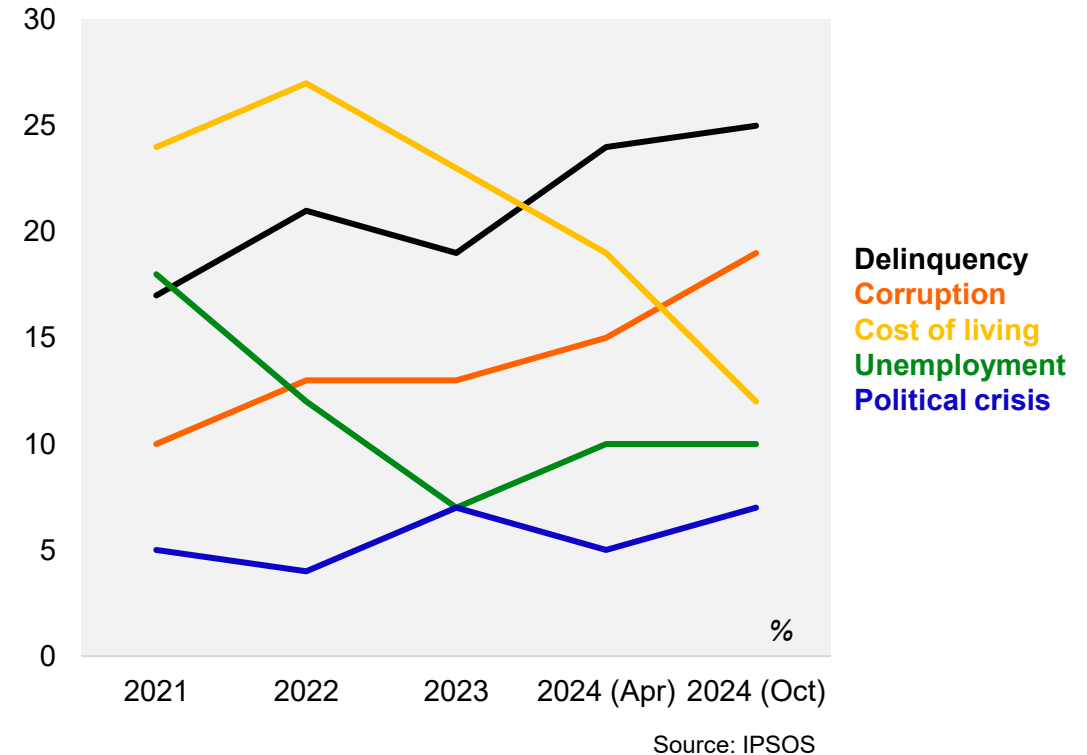
## Presidential and legislative elections in 2026 loom

- Polls confirm a fragmented political landscape in the presidential and congressional elections: April 12, 2026
- The greatest concerns are related to crime and corruption, which has led to major strikes

If the presidential election were tomorrow, which party would you vote for?



What is the problem that affects you the most?



# Peru | Forecast

	2019	2020	2021	2022	2023	2024F		2025F		2026F	
						Current	Previous	Current	Previous	Current	Previous
<b>Economic Activity</b>											
Real GDP growth - %	2.2	-10.9	13.4	2.7	-0.6	<b>2.9</b>	2.9	<b>2.8</b>	2.8	<b>3.0</b>	3.0
Nominal GDP - USD bn	233	206	226	244	267	<b>284</b>	284	<b>296</b>	296	<b>311</b>	311
Population (millions)	33.2	33.5	33.8	34.2	34.5	<b>34.9</b>	35.0	<b>35.2</b>	35.2	<b>35.2</b>	35.0
Per Capita GDP - USD	7,030	6,156	6,690	7,155	7,747	<b>8,140</b>	8,140	<b>8,413</b>	8,413	<b>8,834</b>	8,834
Unemployment Rate - year avg	6.6	13.6	10.9	7.7	6.8	6.6	-	<b>7.0</b>	7.0	<b>7.0</b>	7.0
<b>Inflation</b>											
CPI - %	1.9	2.0	6.4	8.5	3.2	2.0	-	<b>2.0</b>	2.5	<b>2.0</b>	2.5
<b>Interest Rate</b>											
Monetary Policy Rate - eop - %	2.25	0.25	2.50	7.50	6.75	5.00	-	<b>4.50</b>	4.50	<b>4.50</b>	4.50
<b>Balance of Payments</b>											
PEN / USD - eop	3.31	3.62	4.00	3.81	3.70	3.80	-	<b>3.80</b>	3.80	<b>3.80</b>	3.80
Trade Balance - USD bn	6.9	8.1	15.1	10.2	17.7	23.0	-	<b>19.0</b>	19.0	<b>18.0</b>	18.0
Current Account - % GDP	-0.6	0.9	-2.1	-4.0	0.8	<b>0.9</b>	0.9	<b>0.3</b>	0.3	<b>0.2</b>	0.2
Foreign Direct Investment - % GDP	2.0	0.3	3.2	4.6	1.5	<b>2.5</b>	2.5	<b>3.0</b>	3.0	<b>3.0</b>	3.0
International Reserves - USD bn	68.4	74.9	78.5	72.2	71.3	<b>78.0</b>	78.0	<b>78.0</b>	78.0	<b>78.0</b>	78.0
<b>Public Finances</b>											
NFPS Nominal Balance - % GDP	-1.6	-8.9	-2.5	-1.7	-2.8	-3.6	-	<b>-2.5</b>	-2.5	<b>-2.2</b>	-2.2
NFPS Primary Balance - % GDP	-0.2	-7.3	-1.0	-0.1	-1.1	-1.9	-	<b>-0.6</b>	-0.6	<b>-0.4</b>	-0.4
NFPS Debt - % GDP	26.5	34.5	35.8	33.9	32.9	<b>34.0</b>	34.0	<b>34.2</b>	34.2	<b>34.0</b>	34.0

Source: IMF, INEI, BCRP, Itaú

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