Macro scenario - Peru

October 10, 2025

Political uncertainty lingers in a goldilocks economy

- Activity data continues to show strength. We upgraded our 2025 GDP growth forecast to 3.0%, from 2.9%, and kept that for 2026 at 2.7%.
- We revised our year-end inflation forecast down to 1.8% from 2%, driven by significant downside inflation surprises and well-behaved PEN performance.
- Anchored inflation expectations and reduced inflationary pressure support the apparent flight plan to continue bringing the policy rate to its nominal neutral level of 4%. However, with the output gap largely closed and the policy stance only slightly restrictive, there is limited urgency to hasten the final rate cut. For now, we expect a final cut of 25 basis points in December.
- Congress impeached Dina Boluarte, adding another layer of political volatility in the lead up to the April election.

Activity on solid ground

On a sequential basis, economic activity in Peru rose by a solid 0.9% month-over-month (MoM) in July, breaking a two-month streak of declines. The main drivers were mining (+2.5% MoM), despite disruptions caused by informal miners blocking major copper transport routes; manufacturing (+2.7% MoM); and restaurants and hotels (+6.0% MoM), boosted by national holiday demand. On an annual basis, the economy grew by 3.4% year-over-year (YoY). Looking ahead, leading indicators suggest the recovery remains on track, with the output gap now closed. Business confidence indicators remain broadly positive, and investment is picking up—mining investment rose by 10.7% in the year through July. Formal job creation increased by 5.9% YoY in the quarter ending in July, and terms of trade remain close to historical highs.

Solid Trade Surplus Persists

Copper export dynamics are normalizing as demand adjusts in the U.S. In fact, copper exports (30% of Total exports; 8% of GDP) rose 6% in the rolling quarter ending in August, down from +7% YoY in the previous quarter. On the import side, capital goods imports remain strong, rising 17% YoY, while consumer goods also increased at similar annual pace. The 12-month cumulative trade balance reached USD 26.9 billion in August, up from USD 21.2 billion a year earlier.

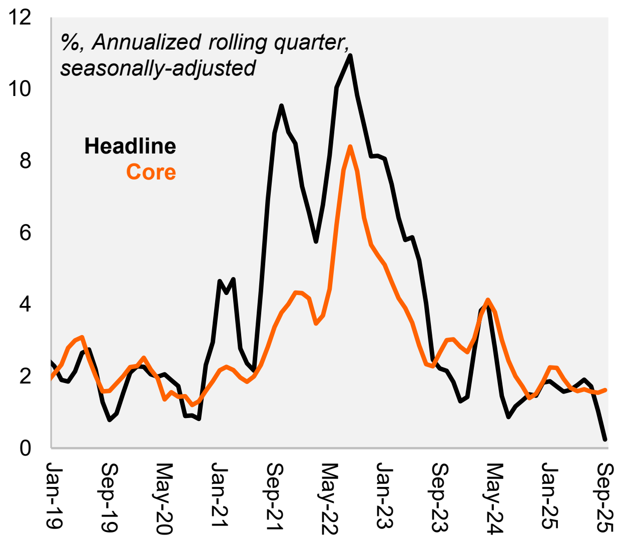
Fiscal consolidation on the back of revenue improvement

As we expected, this year's fiscal consolidation is driven by the revenue recovery. Year-to-date, the nominal fiscal deficit through August stood at 0.6% of GDP, narrowing significantly from the 1.6% deficit recorded during the same period last year. Overall, the 12-month rolling fiscal deficit fell to 2.4% of GDP in August, following three consecutive months at 2.6%. We forecast the nominal deficit at 2.7% of GDP by year end.

Another downside inflation surprise

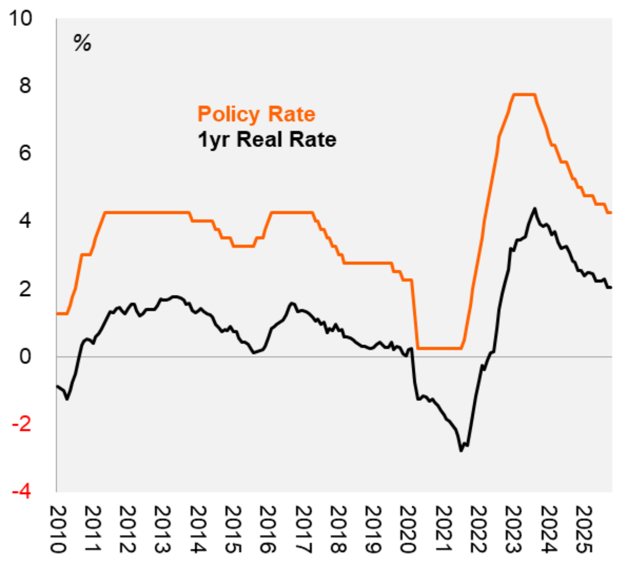
Consumer prices ticked up by 0.01% from August to September, marking the second consecutive downside surprise. Higher prices in restaurants & hotels and miscellaneous goods & services were offset by lower noncore prices, especially food and energy. Core inflation, which excludes volatile food and energy components, rose by 0.06% m/m. On an annual basis, headline inflation increased from 1.1% in August to 1.25% in September, marking ten consecutive months with inflation in the lower half of the target range (1%-3%). Sequentially, headline inflation reached only 0.2% QoQ/SAAR. Core inflation edged up slightly to 1.8% y/y (from 1.75% y/y in August) and sequentially sits at a similar rate of 1.6% QoQ/SAAR.

Core sequential pressures remain well-behaved



Source: INEI, Itaú

Real interest rate close to neutral



Source: BCRP, Itaú

Monetary policy at the fine-tuning stage

At its October monetary policy meeting, the Central Reserve Bank of Peru (BCRP) decided to maintain its benchmark interest rate at 4.25%, following a 25 basis point cut in September. The decision was fully in line with market expectations. Forward guidance remains data-dependent. Notably, the statement omitted the previous reference indicating that the policy rate was very close to its estimated real neutral level. However, the ex-ante real interest rate remains stable at 2.1%, only marginally above the estimated neutral rate of 2.0%. The BCRP reiterated its well-behaved inflation outlook and maintained that economic activity remains close to potential. The assessment of domestic conditions improved slightly, supported by a gradual recovery in business sentiment. Also, the Board reiterated its view of downside risks to global growth but softened its tone by omitting the reference to elevated external uncertainty weighing on external demand.

Congress impeached Dina Boluarte

Congress swiftly advanced with motions to impeach President Dina Boluarte on grounds of “permanent moral incapacity”, triggered by a recent escalation in crime and violence. The motion for impeachment was passed with 122 votes in favor, zero against, and zero abstentions. The Boluarte presidency began with her inauguration on 7 December 2022, immediately following the removal of Pedro Castillo from office in the aftermath of his attempted self-coup. Approval ratings had fallen to low single-digits. Given the vacancy in the vice-president post, the head of Congress, José Jerí, was next in line to the presidency. The impeachment comes on the back of Congress’ eighth pension fund withdrawal, further eroding the pension system, eroding the domestic capital market, and pressuring the fiscal accounts in the medium term. Looking ahead to the April 2026 election, Peruvians remain largely undecided with 47% of respondents not expressing support for any candidate. The election will also see the return of a bicameral system that is hoped to bring more stability to the political course in Peru.

Limited forecast changes

As mentioned earlier, economic activity is consolidating around its potential, prompting us to revise our annual growth forecast for 2025 upward slightly to 3.0%, from 2.9%. Private sector sentiment continues to be positive, supported by lower average inflation, declining borrowing costs, and expectations of a mining-led investment rebound. The recently approved pension fund withdrawal for roughly 2.5% of GDP may provide marginal support to private consumption by year end and into 2026, although we anticipate that most withdrawals should be saved. See our note on the issue here.

For next year, we maintained our GDP growth forecast at 2.7%. Political uncertainty as the 2026 elections approach, along with the lingering security crisis, are headwinds for economic activity.

In the external sector, we expect the current account surplus to narrow to approximately 1.2% of GDP this year (2024: 2.2% of GDP) as domestic demand continues to recover and global export momentum moderates. We raise our forecast for the current account surplus for next year to 0.7% of GDP from 0.6% of GDP because we have increased our copper price forecast in response to the supply shock.

We expect headline inflation to rise moderately in the coming months, partly due to base effects. We have revised our 2025 year-end inflation forecast down to 1.8% from 2%, due to persistent downside inflation surprises, stable PEN performance, and lower oil prices. For 2026, we expect CPI to rise towards the BCRP's 2% inflation target.

In this context, we believe that the Central Bank will continue progressing toward a nominal neutral policy rate of 4%. However, with the output gap largely closed and the policy stance only slightly restrictive, there is limited urgency to rush the final rate cut.

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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	**3.0**	2.9	**2.7**	2.7
Nominal GDP - USD bn	210	230	248	272	295	**325**	327	**341**	343
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	**9,236**	9,300	**9,675**	9,732
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	**1.8**	2.0	**2.0**	2.0
Interest Rate									
Monetary Policy Rate - eop - %	0.25	2.50	7.50	6.75	5.00	**4.00**	4.00	**4.00**	4.00
Balance of Payments									
PEN / USD - eop	3.62	4.00	3.81	3.70	3.80	**3.50**	3.50	**3.50**	3.50
Trade Balance - USD bn	8.1	15.1	10.2	17.7	24.0	**24.0**	24.0	**24.0**	22.0
Current Account - % GDP	0.9	-2.1	-4.0	0.8	2.2	**1.2**	1.2	**0.7**	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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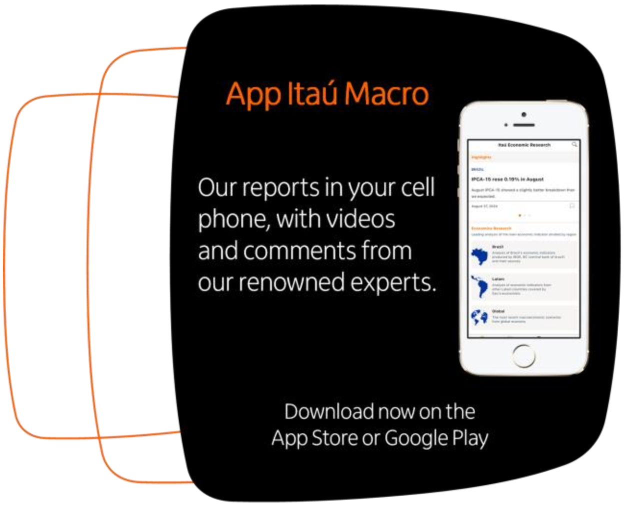

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