

Macro scenario - Peru



June 1, 2026

Electoral uncertainty meets resurgent inflation and policy tightening

- ▶ Peru heads into a highly polarized June 7 runoff between Keiko Fujimori and Roberto Sánchez, with a large share of undecided voters keeping the race tight.
- ▶ Inflation pressures have reaccelerated, with persistent upside surprises pushing inflation well above target. We elevated our year-end inflation forecast to 4.4%.
- ▶ Growth remains solid, supported by domestic demand, while external accounts continue to benefit from favorable terms of trade. We raised our 2026 GDP growth forecast to 3.3%.
- ▶ In this context, we expect the BCRP to resume its tightening cycle, with a cumulative 50bp in rate hikes toward year-end, bringing the policy rate to 4.75%.

Fujimori and Sánchez advance to a polarized runoff

More than one month since the April 12 first-round election, electoral authorities officially confirmed Keiko Fujimori (17.2% of the vote) and Roberto Sánchez (12.0%) as the candidates for the June 7 presidential runoff. Former Lima mayor Rafael López Aliaga placed third with 11.9%, trailing Sánchez by a razor-thin margin of just over 21,000 votes.

Recent Ipsos polling points to a tight race, with Fujimori at 39% of voting intentions and Sánchez at 35%. However, a combined 26% of voters remain undecided or say they may cast blank or invalid ballots, leaving ample room for shifts in preferences and continued volatility as the outlook remains fluid. Fujimori enters the runoff with a relative edge, supported by voter demand for a tougher stance on security and crime—key issues in this election.

Overall, the race remains highly competitive. The campaign is in its final stretch, with the prime-time presidential debate held on May 31, coinciding with polling blackout period.

Rising Coastal El Niño risk adds near-term volatility to growth and inflation

As the probability of a Coastal El Niño event rises, the Peruvian economy typically faces warmer sea surface temperatures and heavier rainfall along the north and central coast, often triggering floods and landslides. These shocks tend to have a negative but transitory impact on activity, with the fishing sector particularly affected: historical evidence from the BCRP suggests fish production can contract sharply, accumulating losses of around 27% over six months as marine species migrate to deeper waters due to reduced food availability. Agriculture is also adversely affected by shifting rainfall patterns, albeit to a lesser extent, while primary manufacturing suffers spillovers through its linkages to fishing and agro output. On inflation, food prices usually rise early in the cycle, with effects materializing from the second month and peaking several months later, while headline inflation responds with a lag but remains elevated for over a year. Overall, while the macro impact tends to fade over time, Coastal El Niño episodes introduce significant short-term volatility to the outlook.

Inflation dynamics worsen

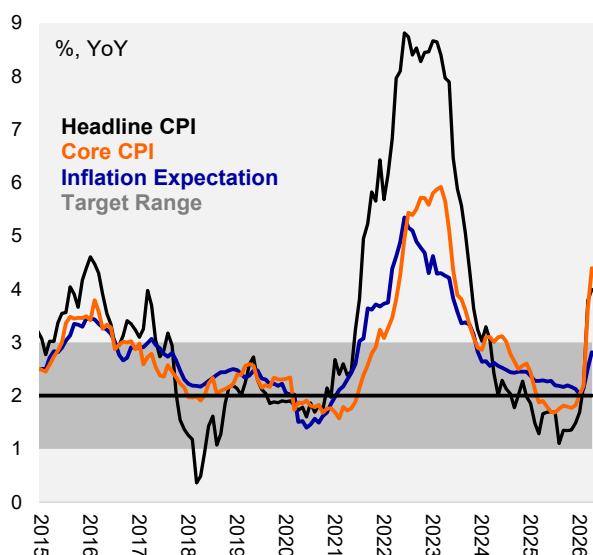
Inflation jumped higher in April, rising 0.52% m/m—an upside surprise driven mainly by transportation costs, as higher global oil prices are passed through to

consumers. In annual terms, headline inflation increased by 21 bps to 4.01% YoY, remaining above the 1-3% target range, while core inflation (excluding food and energy) stands at a still elevated 4.41%.

Sequential dynamics point to a clear reacceleration in price pressures. Headline inflation reached 8.4% QoQ (SAAR) in the April rolling quarter, up sharply from 2.0% in 4Q25, while core inflation climbed to 7.4% QoQ (SAAR), well above the 2.1% registered in the previous quarter.

Following two consecutive upside surprises, one-year ahead survey-based inflation expectations drifted higher, reaching 2.8% in April—its highest level since December 2023.

Inflation is above the BCRP's target range



Source: BCRP

Activity well on track

Peru's economy delivered solid growth in 1Q26, expanding 3.5% YoY, primarily driven by strong domestic demand, supported by improving labor market conditions, favorable credit dynamics, and still elevated terms of trade. Investment dynamics were particularly strong, with private investment rising 13.2%, underpinned by higher capital goods imports, elevated copper prices, positive business sentiment, and the rebound in mining investment. At the same time, private consumption remained resilient, growing 3.5%.

On a seasonally adjusted basis, activity continued to show solid momentum, with GDP expanding 2.4% q/q

annualized, marking the twelfth consecutive quarter of growth.

Peru's external position remains exceptionally strong, with a current account surplus of 4.3% of GDP over the four quarters ending in 1Q26, the highest level since 2006.

Fiscal consolidation has been gradual

The fiscal balance continued to point to a gradual improvement in underlying dynamics, with the 12-month rolling deficit narrowing to 1.9% of GDP in April, from 2.1% in March. On a year-to-date basis, the nominal balance posted a surplus of 0.6% of GDP, in line with seasonal patterns. Real revenues continued to expand strongly, rising by 18.6% YoY in April, supported by solid domestic activity, elevated metal prices, and robust income tax collections, while real non-financial expenditure increased by 17.8% YoY.

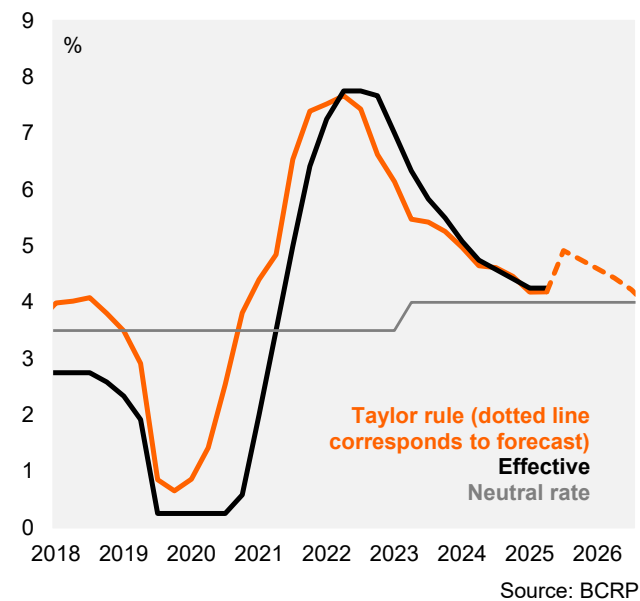
Looking ahead, still-supportive commodity prices and resilient growth should continue to underpin a gradual fiscal consolidation. We expect the nominal fiscal deficit to narrow to 2.0% of GDP in 2026, slightly above the official 1.8% target.

BCRP has adopted a cautious stance

At its May Monetary Policy Meeting, the BCRP kept its benchmark rate unchanged at 4.25% for the eighth consecutive meeting, maintaining explicitly data-dependent forward guidance and a clear wait-and-see approach. The communiqué continues to attribute recent inflation spikes to temporary factors, including energy price shocks, fuel supply disruptions, and adverse weather conditions, which the Central Bank expects to fade over time. However, in a notable shift, the BCRP now anticipates that both headline and core inflation will return to the target range over the two-year forecast horizon, delaying its previous expectation of convergence by this year-end.

On activity, the statement was more constructive, describing domestic demand as strengthening and the economy potentially operating above potential, as the Bank removed its previous reference to activity being around potential. At the same time, the evaluation of the external backdrop remains cautious. In this context, the rise in inflation expectations has lowered the real ex-ante policy rate to roughly 1.75%, below the BCRP's neutral level of approximately 2.0%.

We expect BCRP to hike rates



Hikes Ahead

We raised our year-end inflation forecast from 2.8% to 4.4%, reflecting persistent upside surprises, higher oil prices, and the effects of a mild El Niño event, which could push food prices higher in the second half of the year.

Looking ahead to 2027, we continue to expect inflation to gradually converge toward the midpoint of the target range as supply-side pressures ease. However, the disinflation pace is likely to be slow, with our end-2027 forecast now at 2.6%.

In parallel, economic activity remains on a solid footing, with leading indicators pointing to sustained momentum. We raised our 2026 GDP growth forecast to 3.3%. Strong macro fundamentals – particularly favorable terms of trade and resilient domestic demand – should offset risks from higher oil prices and a potential mild El Niño event. For 2027, we project GDP growth of 3.0%.

On the external sector, we raised our current account surplus forecast to 2.8% of GDP for this year given our constructive copper outlook.

In this context, we expect the BCRP to resume its tightening cycle, delivering a cumulative 50bp in rate hikes toward year-end, bringing the policy rate to 4.75%. This marks a significant shift from our previous baseline, which assumed the policy rate would remain on hold at 4.25% throughout the horizon.

We expect the PEN to trade around 3.40 per USD by year-end, supported by still-favorable terms of trade, although currency swings are likely to persist driven by domestic and global policy uncertainty. The BCRP has remained absent from the FX spot market since late February, with exchange rate volatility managed through interventions in the NDF market. International reserves rose to USD 100.8 billion as of May—equivalent to around 30% of GDP—leaving Peru with the largest reserve buffer as a share of output in the region.

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Peru | Forecasts and Data

	2022	2023	2024	2025	2026F		2027F	
					Current	Previous	Current	Previous
Economic Activity								
Real GDP growth - %	2.8	-0.4	3.5	3.4	3.3	3.1	3.0	3.0
Nominal GDP - USD bn	248	272	296	341	367	361	388	380
Population (millions)	34.2	34.5	34.9	35.2	35.2	35.2	35.2	35.2
Per Capita GDP - USD	7,159	7,764	8,305	9,685	10,432	10,257	11,016	10,790
Unemployment Rate - year avg	7.7	6.9	6.6	6.0	6.1	6.1	6.2	6.2
Inflation								
CPI - %	8.5	3.2	2.0	1.5	4.4	2.8	2.6	2.2
Interest Rate								
Monetary Policy Rate - eop - %	7.50	6.75	5.00	4.25	4.75	4.25	4.75	4.25
Balance of Payments								
PEN / USD - eop	3.81	3.70	3.80	3.36	3.40	3.40	3.40	3.40
Trade Balance - USD bn	10.3	17.1	24.3	34.6	40.0	32.0	42.0	32.0
Current Account - % GDP	-4.0	0.3	2.2	3.1	2.8	2.4	2.6	2.0
Foreign Direct Investment - % GDP	4.9	1.4	2.0	3.1	3.8	3.0	3.5	3.0
International Reserves - USD bn	72.2	71.3	79.0	90.0	95.0	95.0	93.0	93.0
Public Finance								
NFPS Nominal Balance - % GDP	-1.7	-2.7	-3.5	-2.2	-2.0	-2.0	-2.0	-2.0
NFPS Primary Balance - % GDP	-0.1	-1.1	-1.8	-0.6	-0.2	-0.2	-0.2	-0.2
NFPS Debt - % GDP	33.9	32.3	32.0	30.2	32.7	32.7	33.1	33.1

Source: IMF, INEI, BCRP, Itaú

Macro Research – Itaú

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