

Peru



	2020	2021	2022	2023	2024	Forecasts		
						2025	2026	2027
GDP growth (%)	-10.9	13.4	2.8	-0.4	3.3	2.9	2.7	2.5
CPI inflation (%)*	1.8	4.0	7.9	6.3	2.4	1.7	1.9	2.0
Fiscal balance (% of GDP)	-8.2	-2.5	-1.4	-2.8	-3.5	-2.4	-2.2	-1.8
Public debt (% of GDP)	34.3	35.5	33.5	32.4	32.2	32.1	33.6	34.3
Reference rate (%)*	0.7	0.8	5.5	7.5	5.7	4.5	4.3	4.1
Exchange rate (PEN/USD)*	3.5	3.9	3.8	3.7	3.8	3.6	3.8	3.9
Current balance (% of GDP)	0.8	-2.2	-4.0	0.3	2.2	1.8	1.2	0.3
External debt (% of GDP)	34.1	38.8	35.6	33.0	31.6	28.6	31.2	31.6

Note: * Annual average.

Source: CaixaBank Research, using data from Thomson Reuters Datastream.

Outlook

Following a robust recovery in 2024, the Peruvian economy continues to expand at a favourable pace, though somewhat more moderately, primarily due to a slowdown in private consumption, which is being constrained by the mounting political and social instability affecting the country. This situation has deteriorated further following the recent dismissal of Prime Minister Dina Boluarte and the establishment of a provisional government pending the presidential elections scheduled for April 2026. The labour market is showing signs of growth, with unemployment falling and wages rising. Furthermore, in recent years, Peru has experienced a remarkable improvement in aspects such as inflation and credibility in fiscal and monetary policy, which represents a significant improvement relative to other countries in the region.

Economic policies

The Central Reserve Bank of Peru (BCRP) has pursued an **expansionary monetary policy** since 2023, reducing the reference rate by 350 bp to 4.25% (November 2025). The fact that it has the lowest inflation in the region leaves room for further rate cuts, although the favourable economic activity indicators do not render such cuts imperative. In fact, a law has recently been passed allowing pensioners to access their pension funds (*Ley de Liberación de Fondos Previsionales*), which means an increase in the money supply and consequently poses an inflationary risk that constrains the expansionary stance of the BCRP's policies. We believe that inflation will remain within the Central Bank's target of 1%-3%.

The **fiscal deficit** is 2 tenths above the target of 2.2% set for 2025. It is expected to decrease in the future due to increased tax revenues linked to economic recovery. However, this will not be enough to meet the target of limiting the fiscal deficit to 1% of GDP, so the Peruvian government will reduce public expenditure between 2026 and 2028 at a rate of 0.4% of GDP per year. With respect to **fiscal policy**, Peru is also expected to enhance tax collection and spending efficiency at regional level to promote greater investment in the mining sector and thereby stimulate economic growth. However, the expansion of the mining sector conflicts with environmental and social policies, as many mines threaten the constitutional right to live in a suitable environment, according to a legal appeal filed by the Superior Court of Justice of Cajamarca, one of the country's most important mining regions.

Public debt remains low, at 32.1% of GDP, although the target for 2035 is to reduce it to 30%. This reduction plan has been received positively by investors, which has helped the sovereign yield curve normalize at the longer end of the curve.

Exchange rate

The Peruvian sol has appreciated by 9% against the dollar over the past year, following the trend of other South American currencies. Despite partial dollarisation of the Peruvian economy (i.e. the dollar is used alongside the Peruvian sol to denote debt securities and savings deposits), 94% of loans are denominated in soles, showing the strength of the local currency. These indicators, along with growth and low inflation, suggest that the exchange rate will remain below 3.45 soles per dollar until the end of the year. However, a temporary depreciation of the sol cannot be ruled out as the elections approach.

Main risks

The balance of external risks to the Peruvian economy is tilted to the downside regarding future growth, primarily due to global political uncertainty and ongoing financial tensions. Nevertheless, Peru is well positioned to absorb these risks owing to its fiscal space, characterised by low public debt and substantial international reserves. Weather events also pose a downside risk to activity. Among internal risks, political and social instability, alongside volatility in exports, warrant particular attention.

Export risks: Peru is highly exposed to fluctuating commodity prices. Its economy depends on the export of these products, led by industrial metals, mainly copper, followed by gold. Furthermore, agro-industrial exports are growing, which contributes to some diversification of overseas sales. A rebound in investment in the country's mining sector could pose an upside risk to economic growth, particularly given the slowdown in copper production during the first half of 2025.

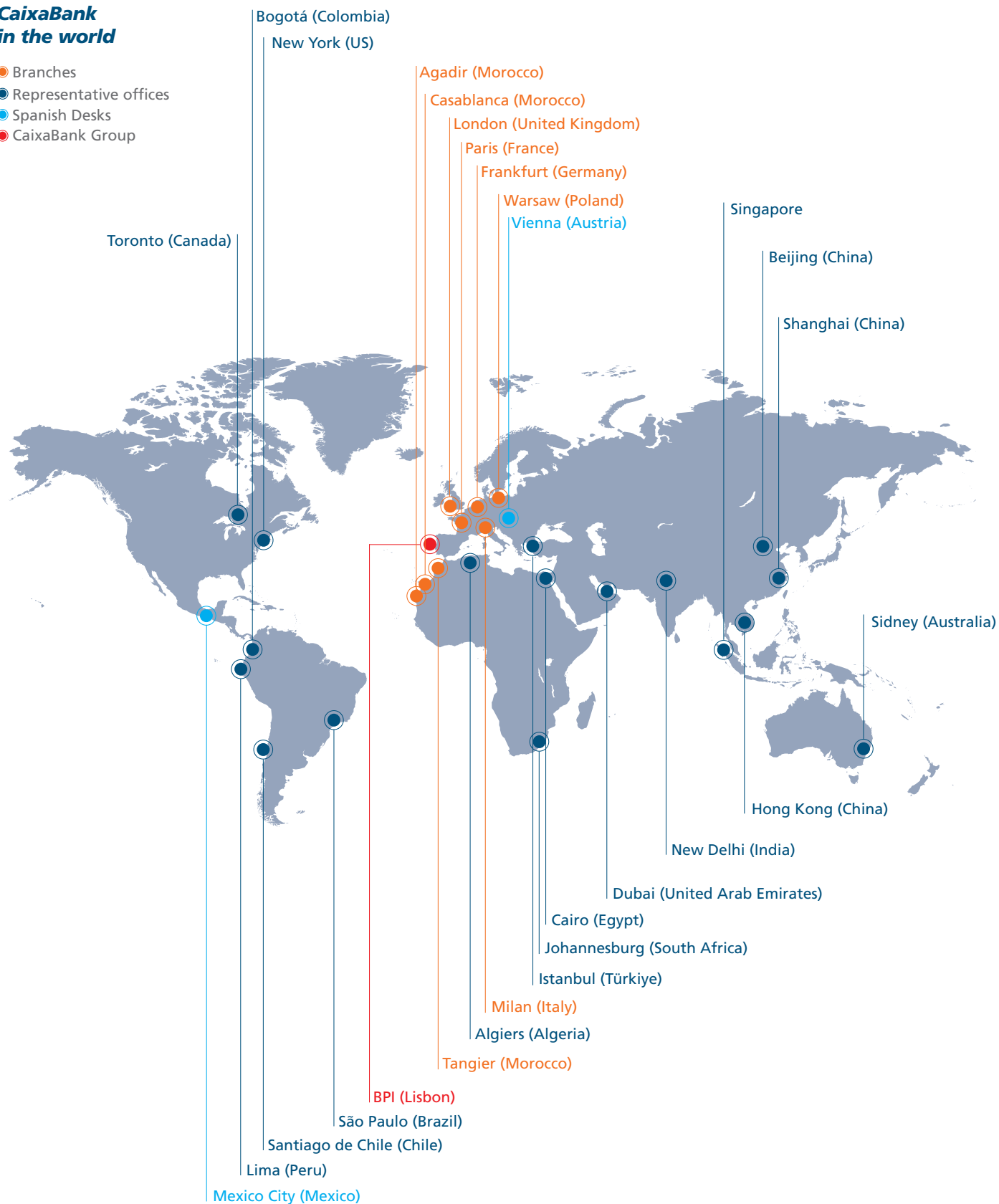
Political and social risks: this is the main risk at domestic level. Former president Dina Boluarte was recently removed from office and her successor, José Jerí, is the seventh president in 10 years. The next elections will be held in April 2026, and the growing political uncertainty in the country is limiting growth expectations for the rest of this year and next. At a social level, growing insecurity and the rise of organised crime are the main reasons for this instability.

Sovereign credit rating				
Rating agency	Rating*	Last changed	Outlook	Last changed
STANDARD & POOR'S	BBB-	25/04/24	Stable	25/04/24
MOODY'S	Baa1	01/09/21	Stable	20/09/24
FitchRatings	BBB	15/10/21	Stable	11/05/24

Note: *A shaded cell indicates "investment grade" and an unshaded cell indicates "speculative grade".

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Lima/Peru Representation Office

Av. Javier Prado Este 560, Of. 1302
San Isidro. CP 27. Lima, Peru

