

# Peru Economic Outlook

March 2025

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# Main messages



## RECENT DEVELOPMENTS

The global economy is facing major geopolitical and economic shifts with uncertain consequences, mostly due to the policies of the new Trump administration. US growth remains resilient despite recent negative signs, while the Eurozone stays weak, and China recovers. Inflation continues above target, mainly in the US. The Fed has kept rates steady and the ECB has continued its easing cycle in 1Q25.



## GROWTH OUTLOOK

Global growth is set to slow amid rising uncertainty and protectionism. While some recent growth momentum supports upward forecast revisions for the US and China, both are still expected to decelerate. In the Eurozone, growth prospects have worsened as trade and geopolitical uncertainty weigh negatively, but fiscal spending (particularly in defense) may provide support.



## INFLATION AND RATES OUTLOOK

US inflation is expected to rise, partly due to tariffs, while in the Eurozone it should converge to target. The Fed will likely hold rates steady in the near term, but monetary easing could resume from 2H25. The ECB is preparing to end its easing cycle as monetary conditions are now less restrictive; two rate cuts in 2Q25 are still likely. Controlled inflation should clear the path for lower interest rates in China.



## RISKS

The balance of risks for the global economy remains skewed to the downside. The main source of concerns are higher US tariffs and persistent uncertainty. Even though talks on ending the war in Ukraine are a positive development, geopolitical risks will remain in the radar.

# Key points



## DOMESTIC MACROECONOMIC OUTLOOK: ECONOMIC ACTIVITY

From an external perspective, an **upward revision of the growth prospects for the U.S. and China in 2025 and 2026** has been considered in our forecast, so that the expected slowdown for both economies will now be less pronounced despite the trade war and the negative signals (in the U.S.).

Domestically, the baseline scenario incorporates **relatively normal weather conditions**, while **on the political and social side it is assumed that the relative calm will continue** and that electoral uncertainty will become more visible toward the end of this year or the beginning of next year.

In this environment, private spending will be supported by **business confidence that remains positive** and by **financial conditions that will continue to ease**. In addition, **new mines will begin to be built** (Tía María, Zafranal, and the useful life of Antamina will be extended) and **investment flows in educational and transport infrastructure projects will increase**. It is important to mention that in the new baseline scenario, **investment flows in mining and infrastructure projects are greater than those considered for 2025 in the previous baseline scenario** (from three months ago).

Thus, **the growth projection for 2025 has been lifted from 2.7% to 3.1%**. This projection also has an **upward bias** due to the likelihood that the positive performance seen in early-year activity will extend a bit further. **For 2026, a GDP expansion of 2.7% is still projected.**

## Key points



### LOCAL MACRO PERSPECTIVES: FISCAL ACCOUNTS

The fiscal accounts will tend to improve in the next two years. The deficit began to decrease in the last quarter of 2024 and closed the year at 3.5% of GDP (2.8% in 2023), still exceeding the ceiling established in the fiscal rule (2.8%). In 2025, the deficit will fall to 2.4% due to the expected improvement in revenues in an environment where private spending accelerates, metal prices remain high and there will be extraordinary income sources. Medium-term: deficit closer to 2.0%, so that gross public debt will be around 36.0% of GDP in 2030, a level that will remain relatively low. Further reductions in the deficit to set it on the path of fiscal consolidation will require not only maintaining or increasing revenues, but also a greater effort to moderate spending, which will require political support. Risks: (i) PetroPerú's losses, (ii) fiscal cost of the pension reform approved in 2024, and (iii) regulations that Congress may potentially approve (increasing expense or reducing revenues).



### LOCAL MACRO PERSPECTIVES: EXTERNAL ACCOUNTS

In the next two years, the external accounts will remain solid. After printing at a level equivalent to 2.2% of GDP in 2024, the current account of the balance of payments will remain in surplus in 2025 (1.7% of GDP) and 2026 (0.9%), supported by favorable terms of trade and the normalization of inbound tourism. The increase in profit remittances from foreign companies operating in the country (primary income) and in imported volumes, however, will lead to a smaller surplus in the external balance than last year.

## Key points



### LOCAL MACRO PERSPECTIVES: EXCHANGE RATE

Thus far in 2025, the PEN appreciated, despite the uncertainty arising from the protectionist measures that the U.S. government has announced. Short-term factors that explain the strength of the PEN: liquidation of long dollar positions by non-resident investors, the regularization of income tax payments, and the weakness of employment and activity data in the U.S. (altering expectations for Fed rate cuts and lower long-term rates). More structural factors: High export prices and the large external surplus. However, toward the end of the year, closer to the start of the electoral process, defensive positions are expected to be taken, meaning the PEN will close 2025 at a level between 3.65 and 3.75 soles per dollar. In 2026, after the elections and with the Fed cutting its interest rate, the PEN will strengthen, closing the year between 3.60 and 3.70 soles per dollar.



### LOCAL MACRO PERSPECTIVES: INFLATION

Inflation is comfortably within the Central Bank's target range (2%, +/- one percentage point), even with short-term downward pressures that will keep it below 2% for a few more months. The expected baseline scenario (anchored inflation expectations, normal weather conditions, economic growth with limited demand pressures) is consistent with an absence of significant inflationary pressures going forward. In this environment, and considering the low year-on-year comparison base in the last months of 2025, we project that inflation will close the year at 2.5% (and at 2.6% in 2026, when the pace at which food prices advance normalizes).

## Key points



### DOMESTIC MACROECONOMIC OUTLOOK: MONETARY POLICY

With inflation within the target range, inflation expectations anchored, and activity growing only slightly above its potential pace, **we still expect that an additional 25 bp cut in the policy rate to 4.50% (a level we consider neutral) will take place soon.** The timing of the cut will depend, above all, on what happens in the financial markets, affected by the erratic and uncertain trade policy of the U.S.



### MAIN LOCAL RISKS

On the external side, (i) **higher tariffs in the U.S. and persistent uncertainty**, and (ii) negative supply shocks due to **geopolitical conflicts or weather events**. On the domestic side, (i) **heightened insecurity due to the rise in crime** and the expansion of illegal economies; (ii) an **election result in 2026 adverse** for the market economy; and (iii) **anticipation of construction of some large-scale projects**.

# 01

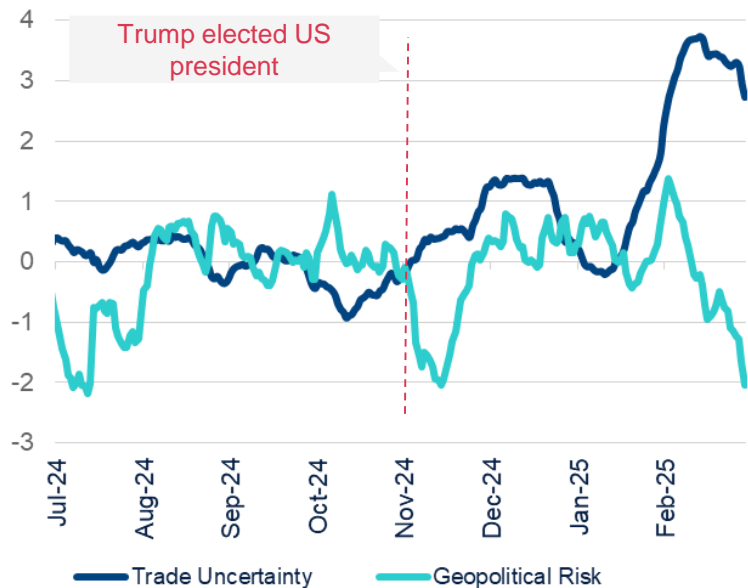
## Global scenario: context and forecasts



# The policies of the new U.S. administration create significant uncertainty

## US TRADE UNCERTAINTY AND GLOBAL GEOPOLITICAL RISK INDEXES (\*)

(MEAN SINCE JAN/23 EQUALS TO 0; 28-DAY MOVING AVERAGE)



(\*) Last available data: March 5th, 2025

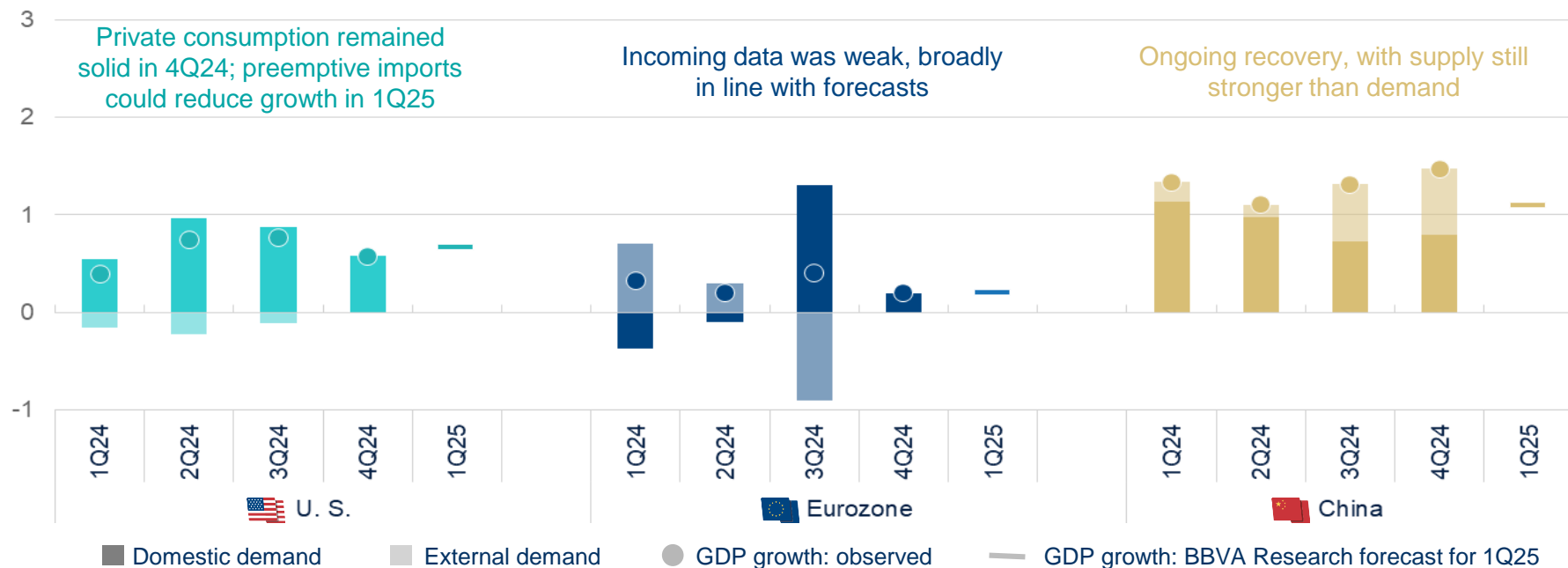
Source: BBVA Research Geopolitics Monitor.

- Higher uncertainty on Trump's policies:
  - **Trade:** 20% tariffs on China, 25% on some Western allies (later delayed), 25% tax on steel and aluminum, etc., along with various threats of further protectionism measures
  - **Other:** policies to tighten immigration controls, promote fossil fuel production, cut public spending while favoring lower taxes, reduce US support for multilateral institutions, etc.
- Short-term geopolitical risk has eased lately on talks to end the war in Ukraine and Israel-Hamas truce, taking some pressure off energy prices.
- Still, geopolitics will remain a concern given latent US rivalry with China and the rising US tensions with Western allies, which are triggering a determined increase in defense spending in Europe.

# Growth still has strong inertia: it remained robust in the US and China but was barely positive in the Eurozone by late 2024

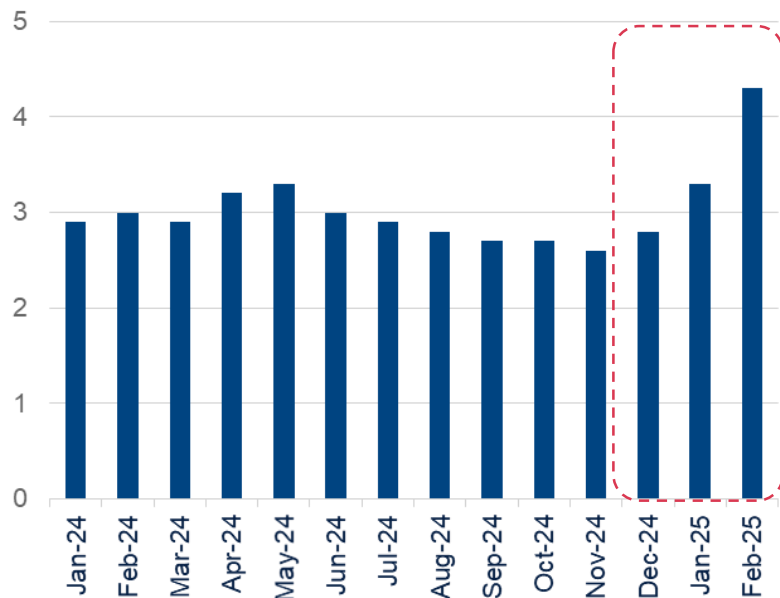
## GDP: CONTRIBUTION OF DOMESTIC AND EXTERNAL DEMANDS TO GDP GROWTH

(GDP GROWTH: Q/Q%; CONTRIBUTIONS TO GDP GROWTH: PERCENTAGE POINTS)



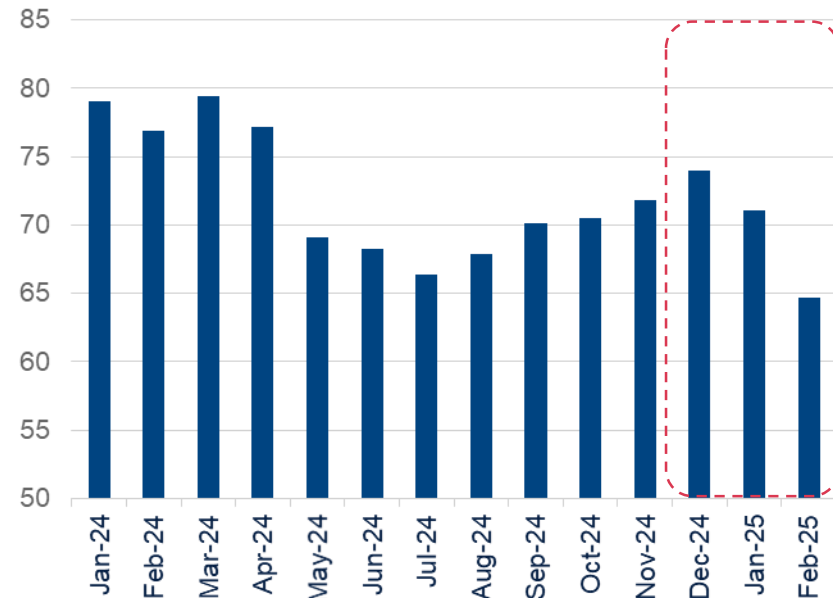
# Despite the recent resilience of US growth, uncertainty already appears to be weighing on consumer confidence and inflation expectations

## US CONSUMER INFLATION EXPECTATIONS: ONE YEAR AHEAD (Y/Y %)



Source: BBVA Research based on data from Survey of Consumers, University of Michigan.

## US CONSUMER SENTIMENT (INDEX)

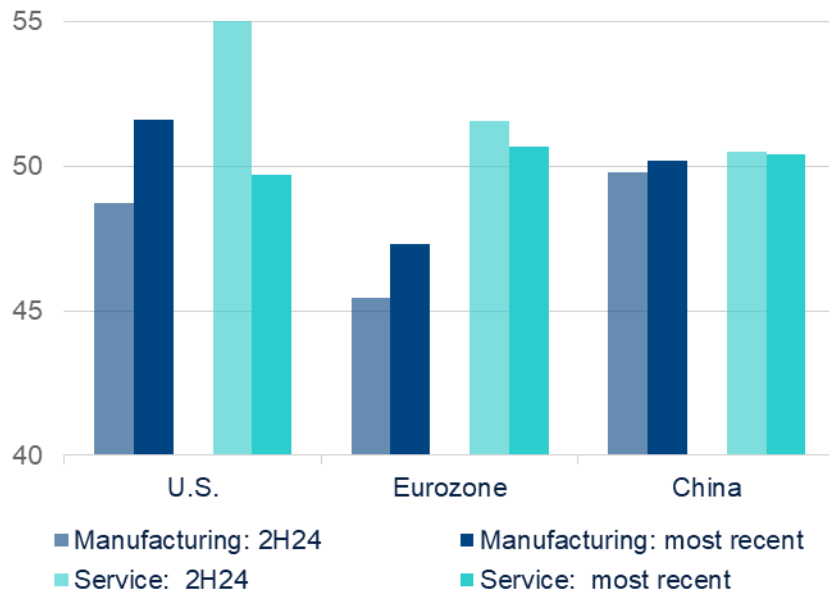


Source: BBVA Research based on data from Survey of Consumers, University of Michigan.

# The recent slowdown in services and signs that manufacturing has bottomed out raise questions about the persistence of the post-pandemic growth model

## PMI INDICATORS: 2H24 AVERAGE AND MOST RECENT DATA (\*)

(MORE THAN 50: EXPANSION; LESS THAN 50: CONTRACTION)

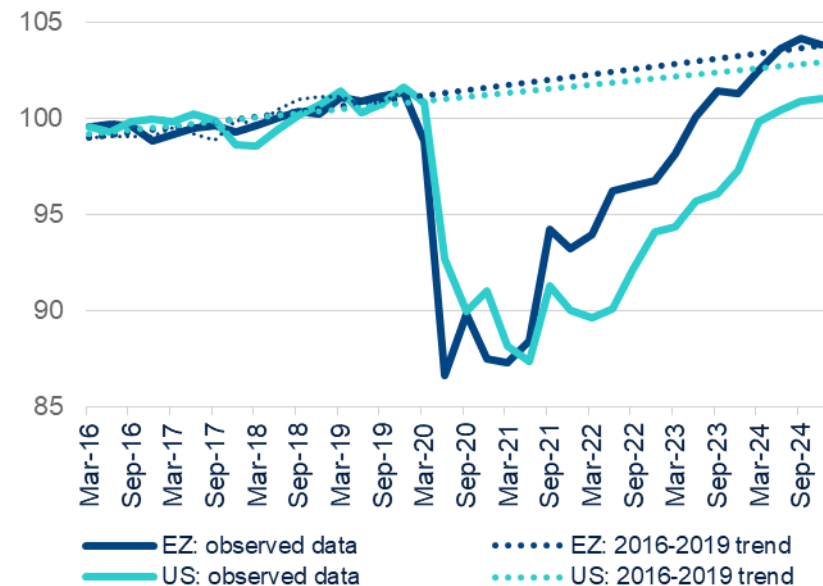


(\*) Most recent data: February 2025.

Source: BBVA Research based on data from Haver.

## SERVICES/GOODS PRIVATE CONSUMPTION RATIO (\*)

(INDEX: 2016-19 AVERAGE = 100; BASED ON NOMINAL VALUES)



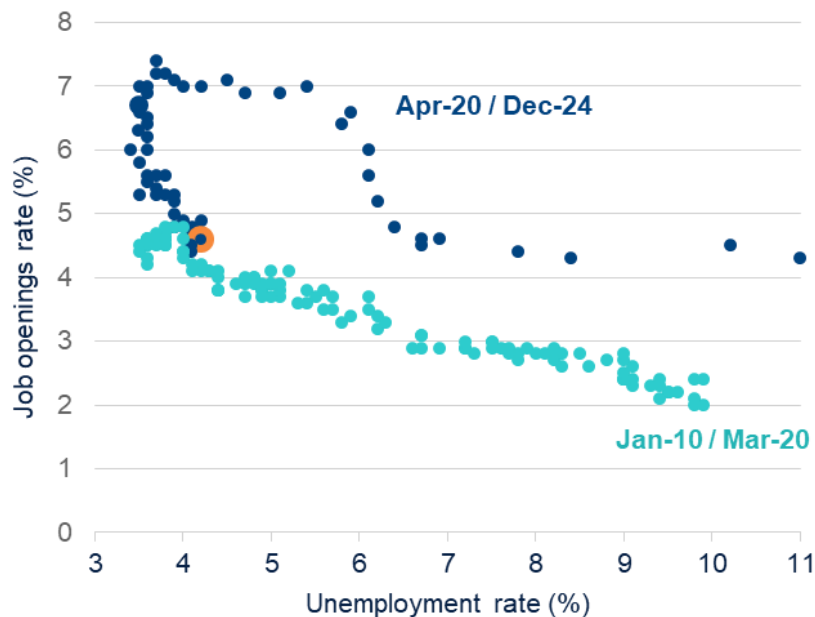
(\*) 4Q24 data for the Eurozone is based on preliminary figures for Denmark, Germany, Spain, France, Netherlands and Slovenia.

Source: BBVA Research based on BEA and Eurostat data.

# Labor markets remain resilient despite recent moderation: job openings have fallen sharply, but unemployment continues to print at low levels

## US: BEVERIDGE CURVE (\*)

(MOST RECENT MONTHLY DATA HIGHLIGHTED IN ORANGE)



(\*) Unemployment: share of labor force. Job openings: share of sum of employment and job openings.  
Source: BBVA Research based on data from FRED.

## EUROZONE: BEVERIDGE CURVE (\*)

(MOST RECENT QUARTERLY DATA HIGHLIGHTED IN ORANGE)

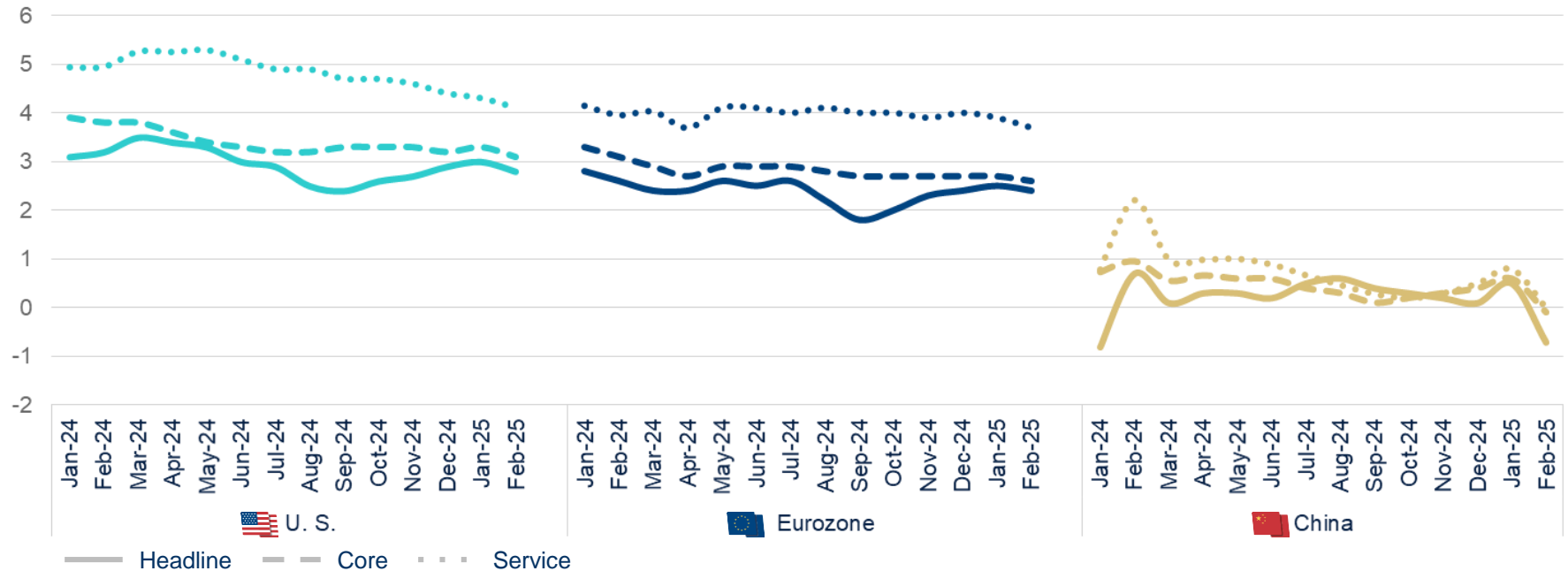


(\*) Unemployment: share of labor force. Job openings: share of sum of employment and job openings.  
Source: BBVA Research based on data from Eurostat.

# Inflation remains above target, particularly in the US but to a lesser extent also in the Eurozone, after rebounding more than expected in recent months

## CPI INFLATION: HEADLINE, CORE AND SERVICE

(Y/Y %)

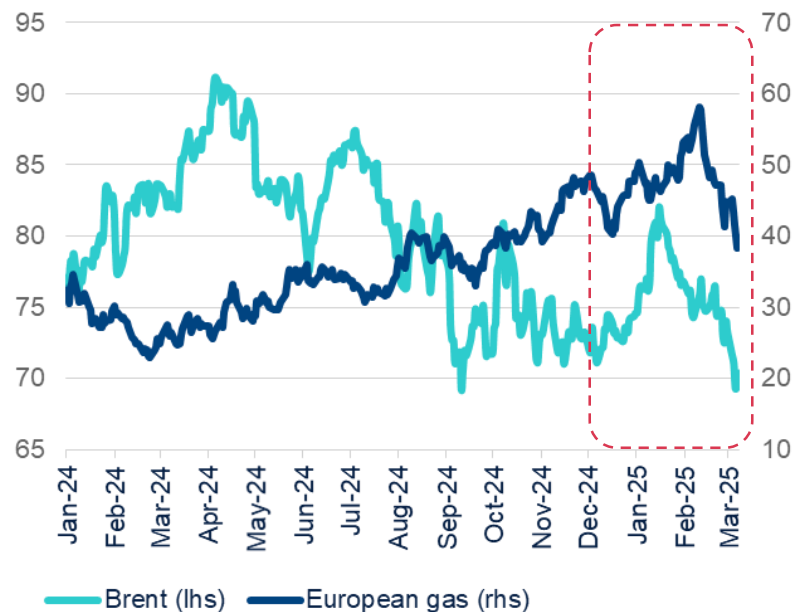


Source: BBVA Research based on data from Haver.

# Energy prices have eased on more positive supply prospects and recent geopolitical developments, but remain volatile; wages seem to have lost steam

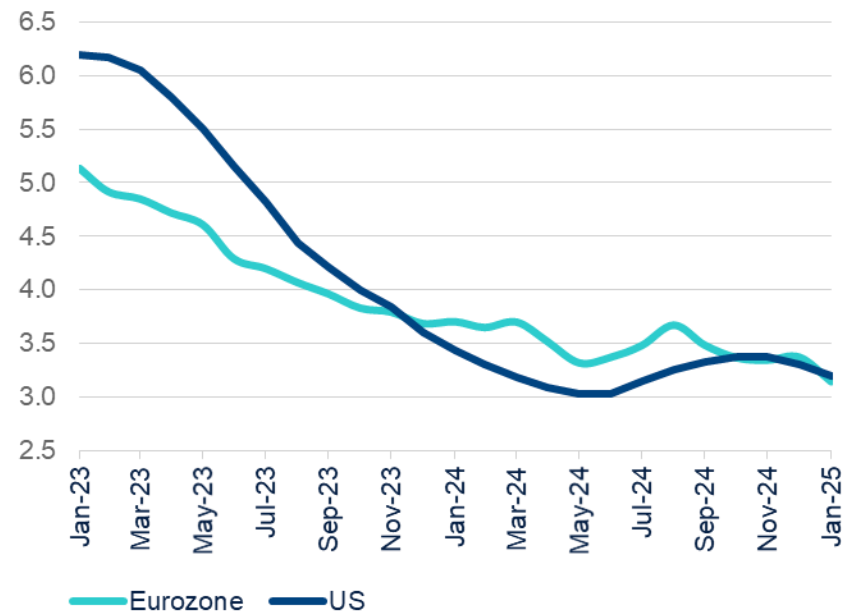
## OIL AND GAS PRICES (\*)

(OIL: USD PER BRENT BARREL; GAS: EURO /MWH)



## NOMINAL WAGES: INDEED WAGE TRACKER

(Y/Y %, 3-MONTH MOVING AVERAGE)



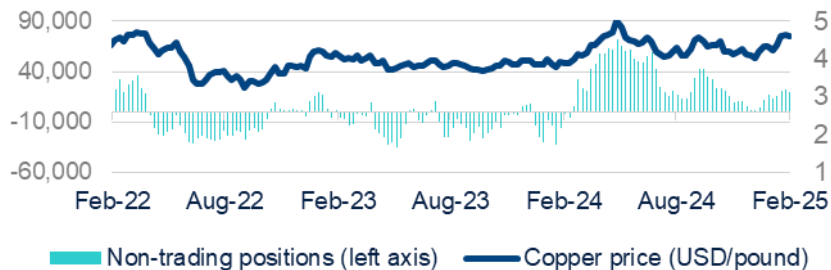
(\*) Last available data: March 7th, 2025.  
Source: BBVA Research based on data from Haver.

Source: BBVA Research based on data from Indeed.

## Metal prices: supported by the robust growth of the U.S. and China, expectations of greater stimulus and, more recently, the dollar's decline

### COPPER PRICE AND NON-COMMERCIAL POSITIONS

(USD PER POUND, COMEX)



### GOLD PRICE

(DOLLARS PER TROY OUNCE)



Source: COMEX and BCRP.

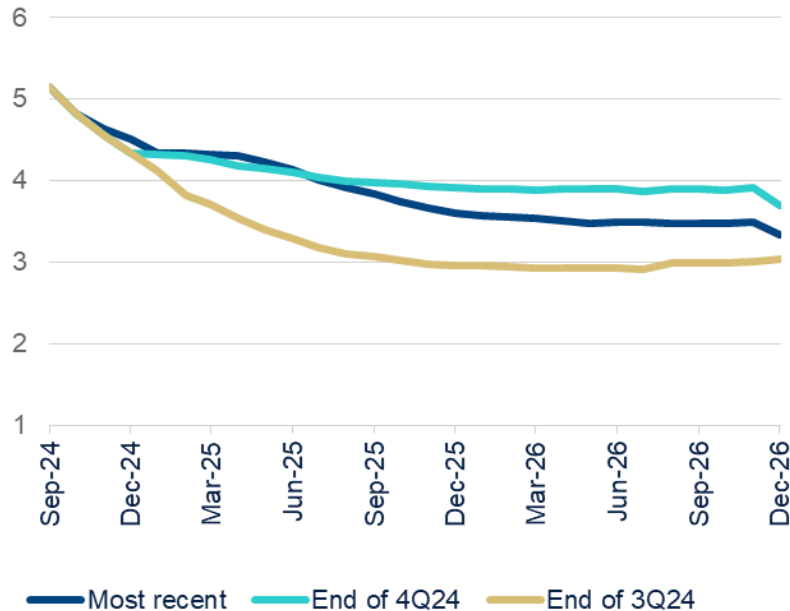
- Copper and gold prices have been higher so far this year than we anticipated three months ago.
- Better-than-expected activity data in the U.S. and China, expectations of economic stimulus in China, and a weak dollar have been factors that have supported the price of copper, as well as the possibility of a tariff being imposed directly on the price, in the case of the COMEX market.
- Uncertainty about the impact of the Trump administration's trade policies (on manufacturing and infrastructure), prevented the price from reaching higher levels.
- The dollar's recent weakness has also supported gold prices, which have benefited from higher demand as a safe-haven asset amid uncertainty.



# The Fed has held rates steady, signaling no rush for more cuts; the ECB has kept easing, but stressed that conditions are now meaningfully less restrictive

## US: IMPLICIT RATE IN FED FUND FUTURES (\*)

(%)

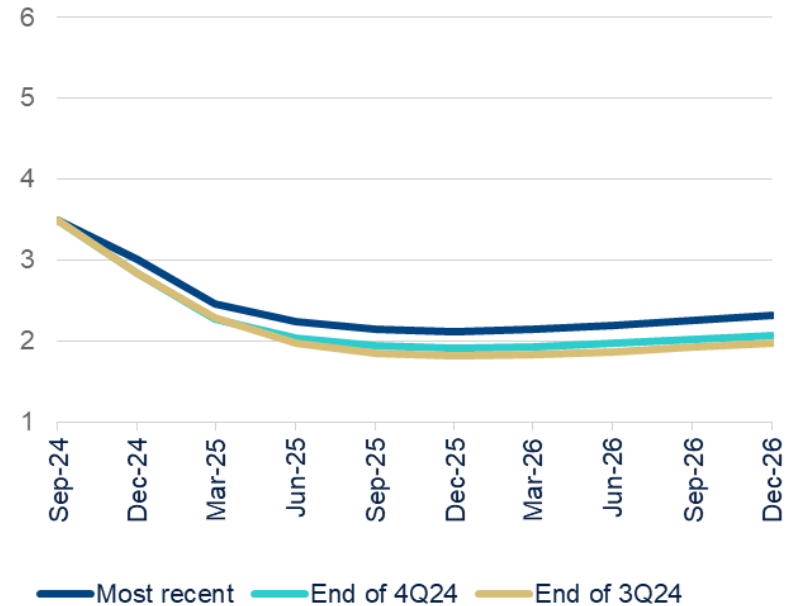


(\*) Last available data: March 7th, 2025.

Source: BBVA Research based on data from Haver.

## EZ: IMPLICIT RATE IN 3-MONTH EURIBOR FUTURES (\*)

(%)



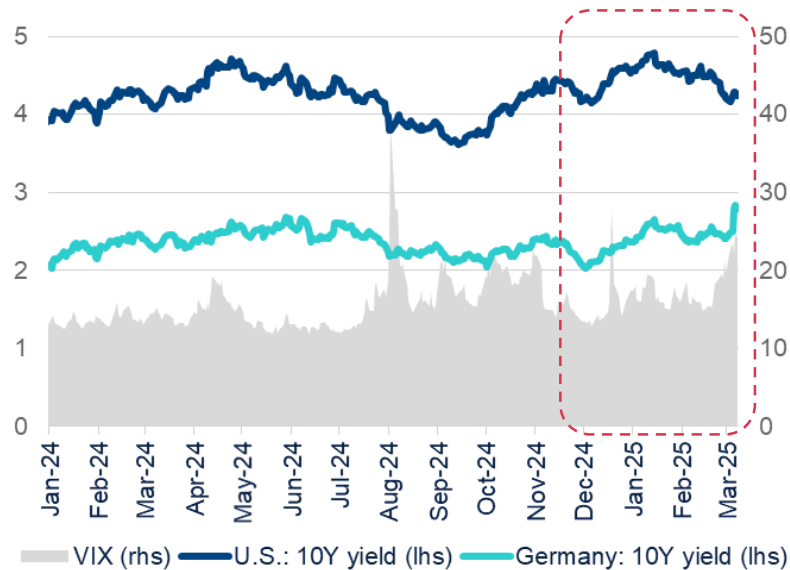
(\*) Last available data: March 7th, 2025.

Source: BBVA Research based on data from Haver.

# Financial volatility has risen as markets gauge the impact of evolving US policies; Europe's defense spending plans have driven German yields higher

## SOVEREIGN YIELDS AND VOLATILITY (VIX) (\*)

(%)



(\*) Last available data: March 7th, 2025.

Source: BBVA Research based on data from Haver.

## US DOLLAR: DXY (\*)

(INDEX)

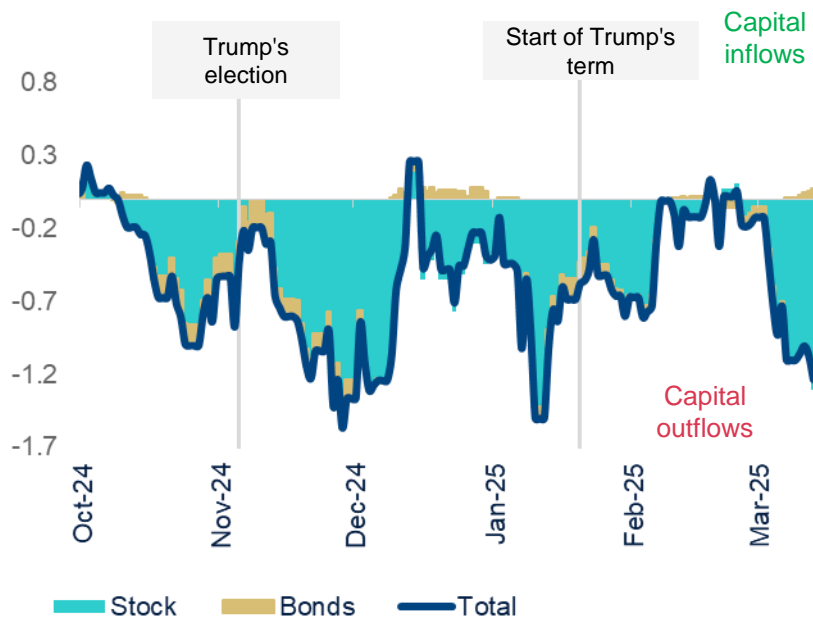


(\*) A lower DXY index represents a weaker US dollar. Last available data: March 7th, 2025.

Source: BBVA Research based on data from Haver

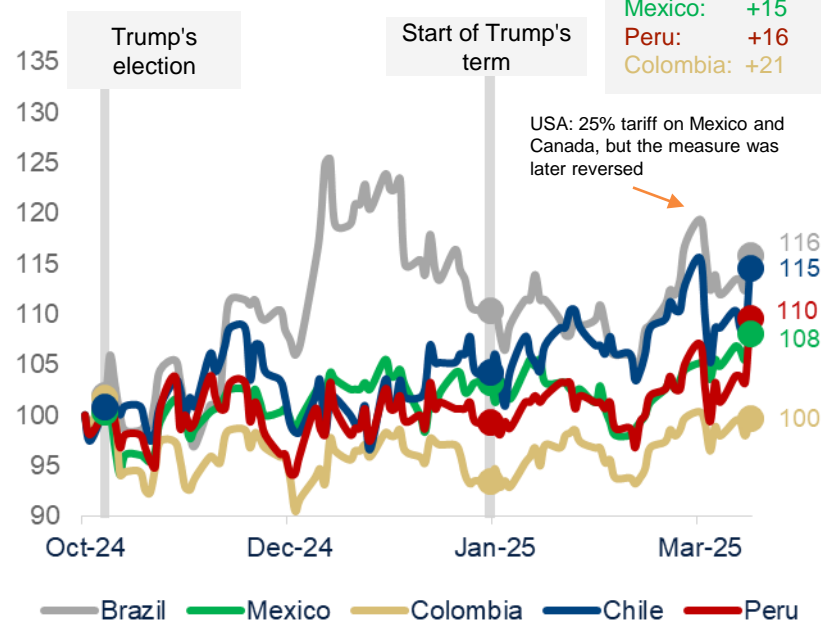
# In emerging markets, capital outflows since the change of administration in the U.S.; in Latin America, some increase in risk premiums...

## CAPITAL FLOWS TOWARD EMERGING MARKETS<sup>1</sup> (USD BILLIONS, 28-DAY ROLLING AVERAGE)



1: Includes China.  
Source: IIF (information as of March 13 ).

## LATAM: COUNTRY RISK (MEASURED WITH EMBI, Oct. 31, 2024 = 100)



Source: BBVA Research with data from BCRP (information as of March 10).

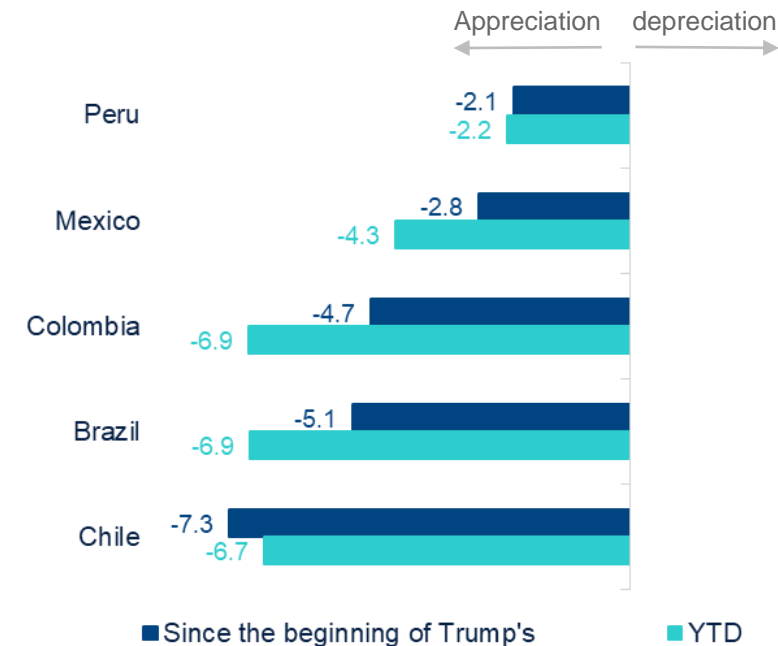
# ... but yields on sovereign debt have fallen and the region's currencies have strengthened against the dollar

## LATAM: SOVEREIGN BOND YIELDS 10 YEARS



Source: BBVA Research with data from Investing (information as of March 14).






## LATAM: EXCHANGE RATES (LOCAL CURRENCY VS. USD, CHG.) %








Source: BBVA Research with data from Investing (information as of March 14).

# The new US administration's erratic policies are set to bring major shifts, posing growing challenges to the global economy

## BBVA RESEARCH BASELINE SCENARIO ON MAIN TRUMP POLICIES

	<b>TRADE POLICY</b>	US tariffs are more than a negotiating tool. Working assumption: a 10% blanket tariff from 2Q25 and 60% tariffs on China from 2H25.
	<b>GEOPOLITICS</b>	No changes in the current status quo; risks are tilted to the downside, although the eventual end of the war in Ukraine will have positive effects.
	<b>MIGRATION</b>	No strong impact on labor markets; deportations will rise, but not sharply.
	<b>FISCAL POLICY</b>	Deficits will be large, pressured by low taxes, despite some spending cuts.
	<b>MONETARY POLICY</b>	The Fed will remain independent, but Trump's criticism may create noise.
	<b>DEREGULATION</b>	No significant positive effects are being assumed.

# US tariffs are set to create negative supply and uncertainty shocks

	<b>BASELINE SCENARIO</b>	<b>MAIN RISKS</b>
 <b>SHOCKS CREATED BY US POLICIES</b>	Negative supply and uncertainty (demand) shocks	Very negative supply and uncertainty (demand) shocks
 <b>US TARIFF LEVELS</b>	Tariffs as a negotiation and policy tool (working assumption: 60% on China, 10% on other countries)	Tariffs mostly as a policy tool (25% or higher permanent tariffs on most important trade partners)
 <b>TARIFF ESCALATION</b>	Moderate	Large and dynamically unstable
 <b>GROWTH IMPACT</b>	Significant	Very significant and potentially disruptive
 <b>INFLATION IMPACT</b>	Upwards in the US, downwards elsewhere	Upwards if supply shock prevails; downwards if uncertainty shock dominates

# Growth is expected to lose momentum amid rising uncertainty and protectionism, despite positive incoming data in the U.S. and China

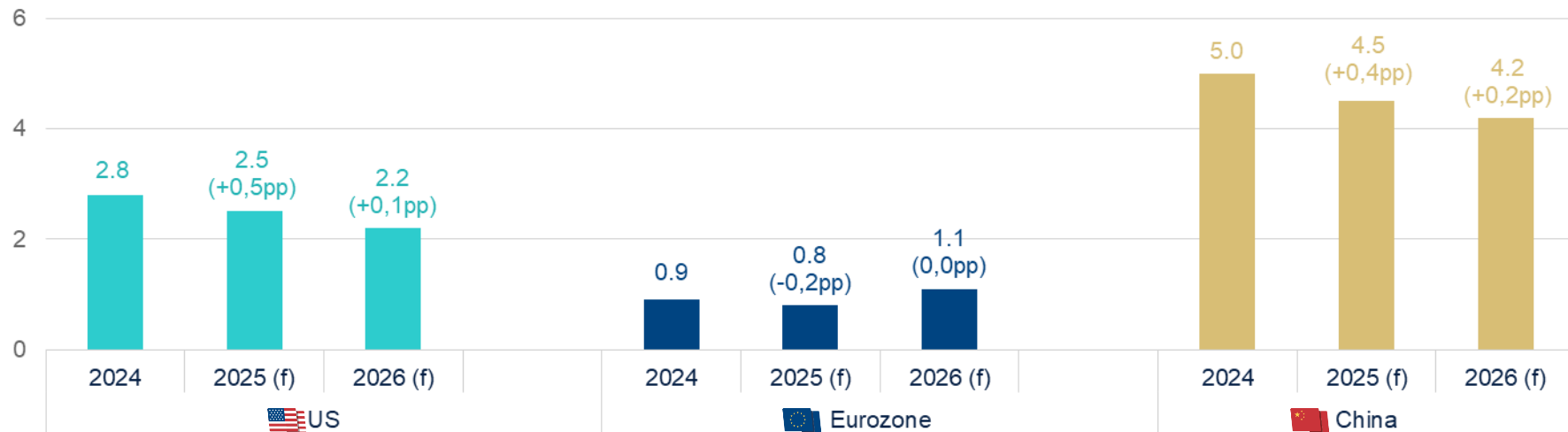
## GDP GROWTH

(%, CHANGE WITH RESPECT TO PREVIOUS FORECAST IN PARENTHESES)

Upward GDP revisions mostly due to incoming data; tariffs and uncertainty will contribute to growth slowdown

Tariffs and geopolitical uncertainty weigh negatively; fiscal policy (defense spending) may provide support

Recent data, policy stimuli, and high-tech sector performance favor a more gradual growth deceleration



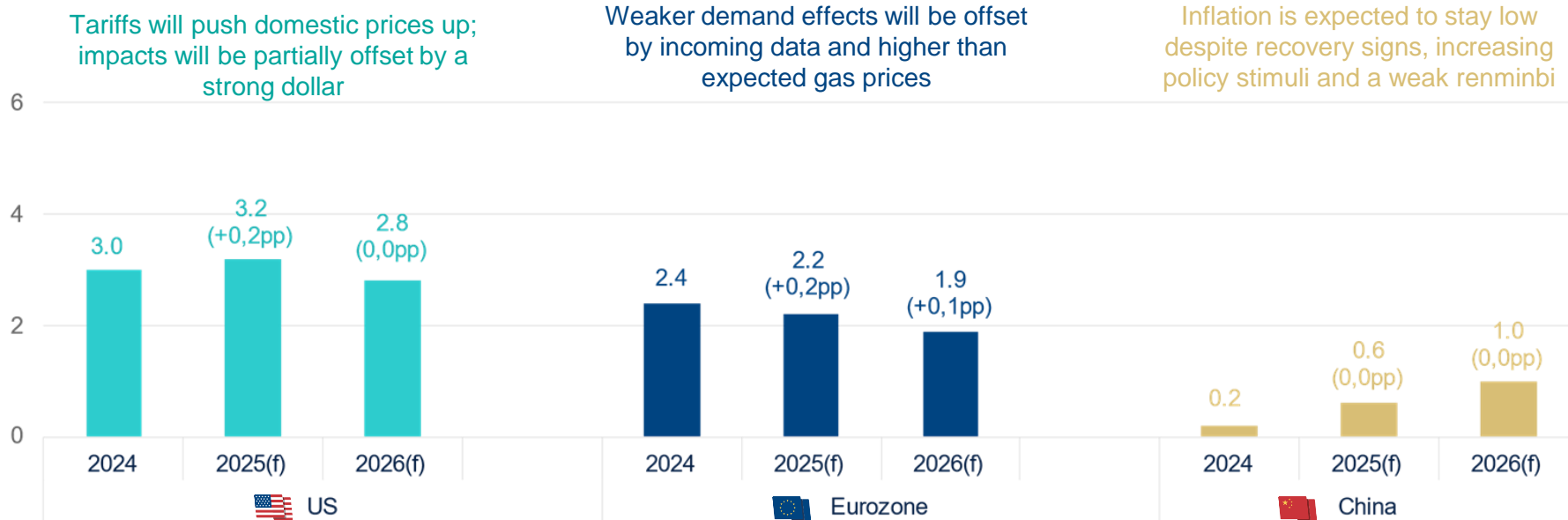
(f): forecast.

Source: BBVA Research.

# US inflation is set to rise further, partly due to tariffs, while in the Eurozone it will likely keep converging to target

## HEADLINE CPI INFLATION

(Y/Y %, AVERAGE OF THE PERIOD, CHANGE WITH RESPECT TO PREVIOUS FORECAST IN PARENTHESES)



(f): forecast.

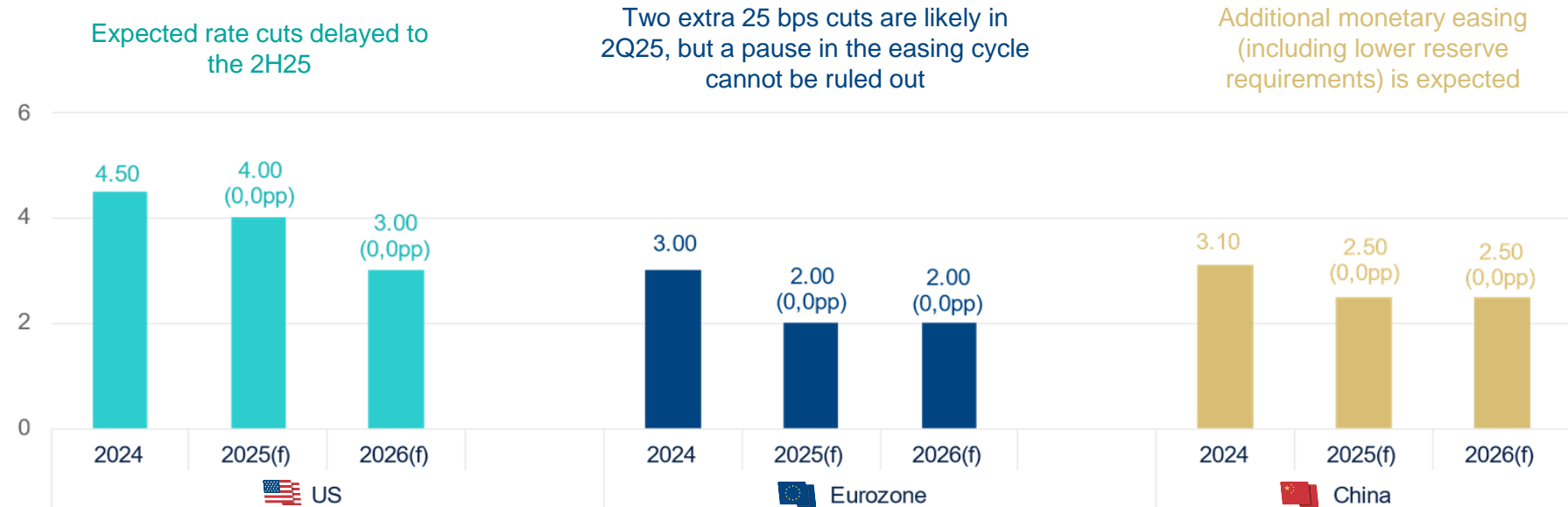
Source: BBVA Research.



# The Fed will hold rates steady before resuming cuts in 2H25; the ECB is preparing to end its easing cycle but extra reductions in 2Q25 are still likely

## POLICY INTEREST RATES (\*)

(%, END OF PERIOD, CHANGE WITH RESPECT TO PREVIOUS FORECAST IN PARENTHESES)



(f): forecast.

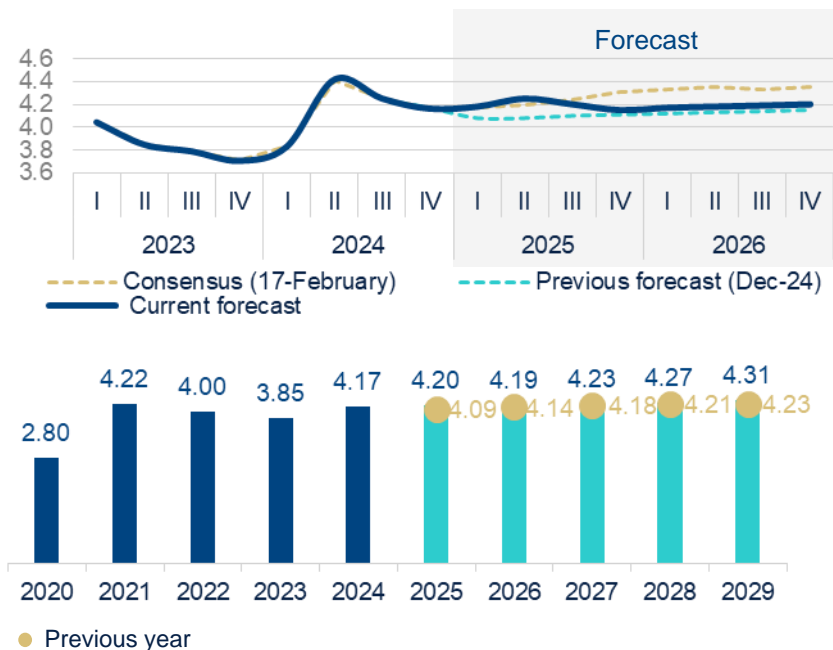
(\*) In the case of the Eurozone, interest rates of the deposit facility.

Source: BBVA Research.

# Copper price outlook has been raised in the short term in the face of higher growth in the U.S. and China, despite Trump's policies

## COPPER PRICE

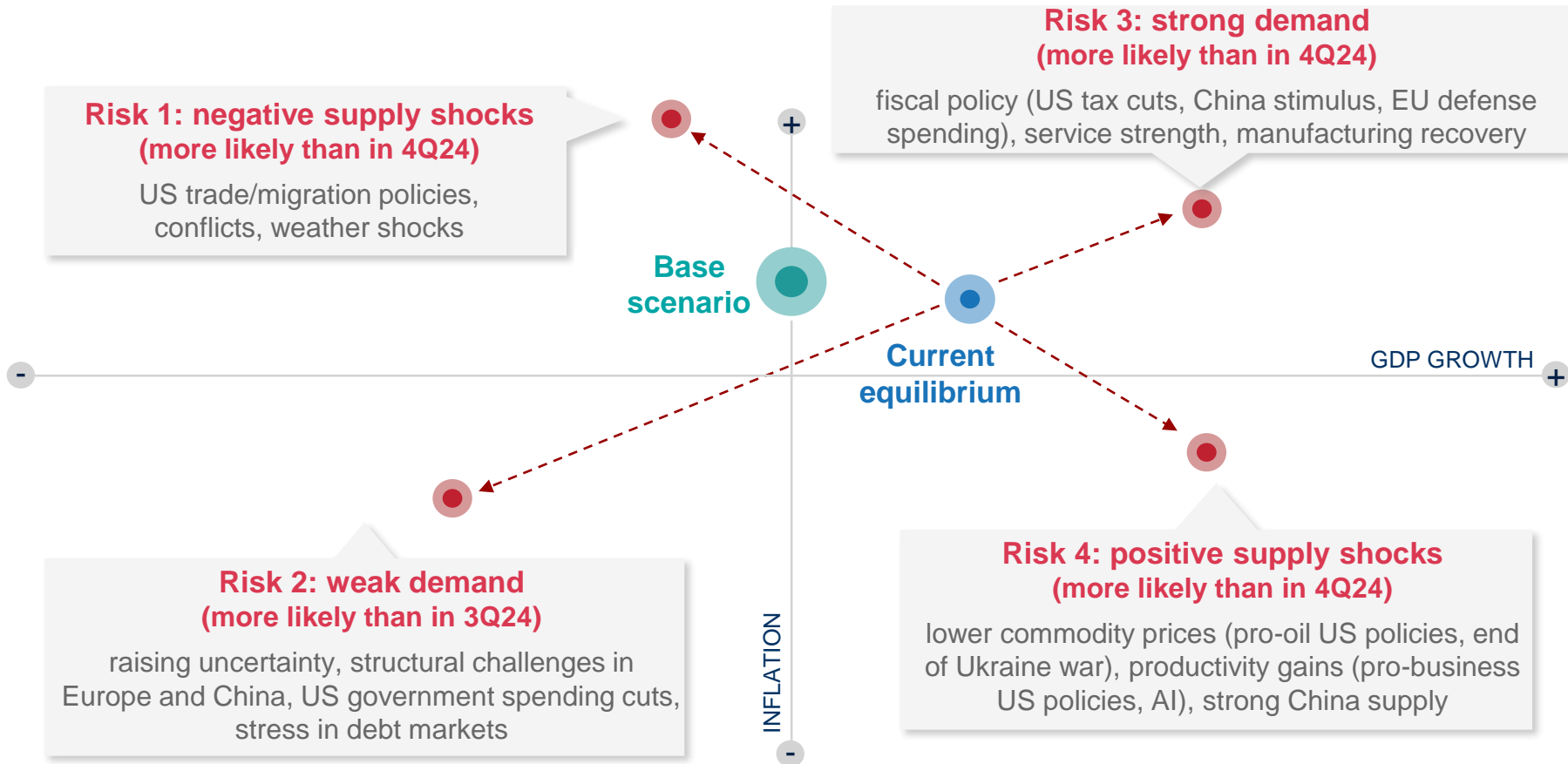
(QUARTER AVERAGE, USD/POUND)



Source: BCRP and BBVA Research.

- The price of copper would close this year with a higher annual average than expected in the previous baseline scenario: the robust growth of the main economies has been supporting copper prices.
- In the coming months, the price is not expected to stray far from its current level and should remain between 4.20 and 4.25 USD per pound on the LME.
- Then, toward the second half of the year, we anticipate some correction in the price given the impact of the trade policies that the Trump administration would adopt in the U.S.
- From 2026 onward, the positive impact of energy transition (green infrastructure and electric vehicles) will prevail. In addition, demand from AI centers and increased defense spending will provide support.

# Risks continue to build up: US trade policies and the negative impact of persistent uncertainty are among the main threats to the global economy



# 02

## Forecasts for the Peruvian economy

### 2.1. Base scenario assumptions

# The revised macro baseline scenario considers higher U.S. growth and increased investment flows in projects



## International environment

**Growth forecasts for the U.S. and China in 2025 and 2026 are revised upward. Higher metal prices.** The Fed will cut its policy rate twice this year (25 bp each time), but the cuts are delayed until 2H25. New administration in the U.S. will continue to impose tariffs; environment of high uncertainty.



## Meteorological conditions

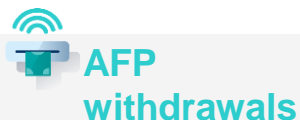
Relatively normal conditions over the forecast horizon. **Risks in the short** term due to the recent warming of the sea and above-normal rainfall in some areas of the country.



## Political and social context

A relative political and social calm is maintained. Regulatory risks from Congress persist. President Boluarte will complete her term (until mid-2026). A relative political and social calm is maintained. Electoral uncertainty will become more visible as the elections approach. Most likely scenario for the outcome of the next elections: a president with limited room to exercise leadership, a fragmented Congress, and little room for reforms.

# The revised macro baseline scenario considers higher U.S. growth. and increased investment flows in projects



The positive impact on growth will run out in 2025.



Remains in bullish territory, supporting private sector spending.



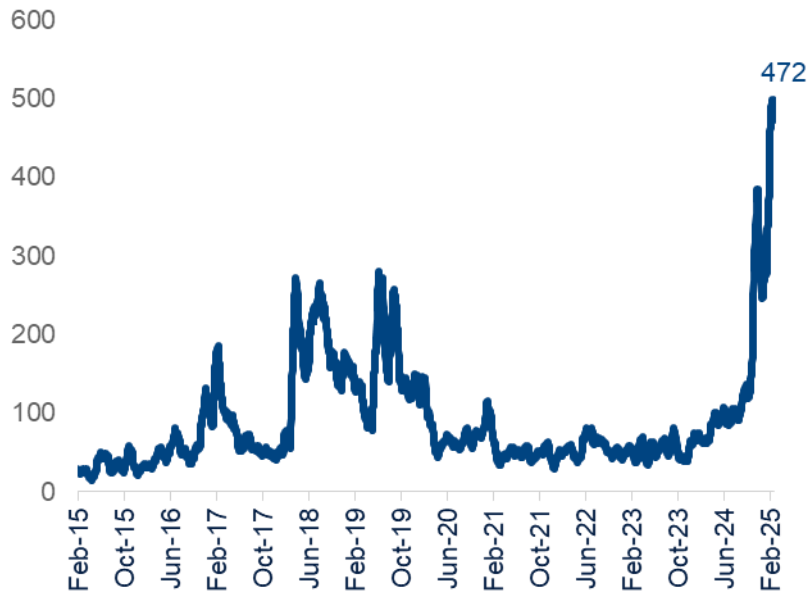
The process of normalizing the monetary position has practically concluded. It is assumed that credit conditions will continue to ease.



Mining projects (such as Antamina Repositioning, Tía María and Zafranal) will begin construction and investment flows in some transportation infrastructure works (second line of the Lima subway, Chinchero airport) will increase.

# U.S. trade policy with twists and turns: Uncertainty is high and its global impact will be negative

## U.S. TRADE POLICY UNCERTAINTY INDEX (POINTS)



Source: Caldara, Dario, Matteo Iacoviello, Patrick Molligo, Andrea Prestipino, and Andrea Raffo (2020), "The Economic Effects of Trade Policy Uncertainty", Journal of Monetary Economics, 109, pp. 38-59

Trump Imposes tariff hike on Mexico, Canada and China, sparks fears of trade war

**B B C NEWS MUNDO**

01/02

Trump confirms pause in tariffs on Mexico for one month after border agreement

**LATERCERA**

03/02

Trump starts trade war with Mexico and Canada by imposing 25% tariffs

**EL PAÍS**

04/03

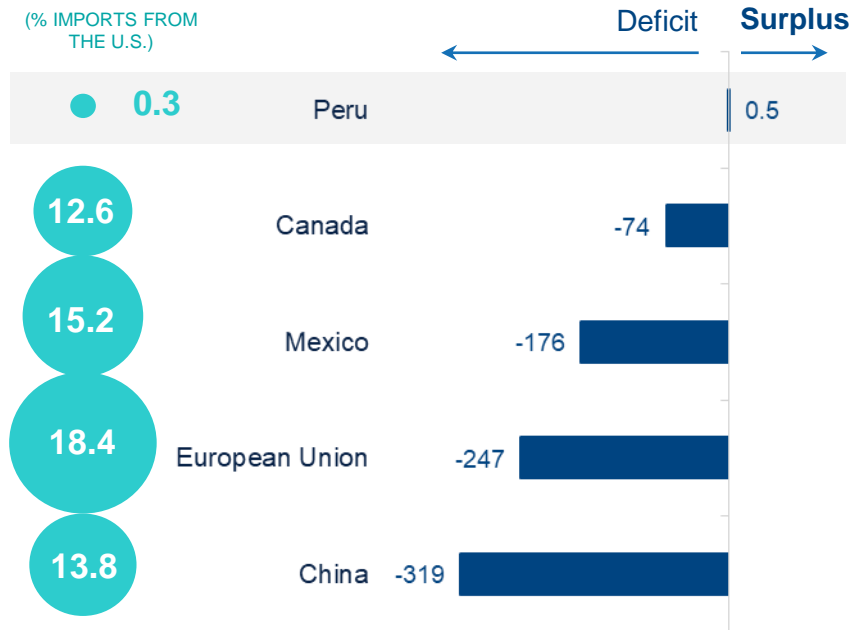
Trump backtracks and postpones tariffs on Canada and Mexico for one month

**euro news.**

06/03

# Risks for Peru? The U.S. has a trade surplus with Peru... although some issues could generate friction

## U.S. TRADE BALANCE BY COUNTRY/ZONE (USD BILLION)



**Geopolitical factors associated with the enforcement of the free trade agreement could potentially be sensitive in the bilateral relationship...**

➔ China, Peru's main trading partner, has built a major port in Chancay...

➔ Peru's failure to comply with the U.S. FTA

➔ Failure to comply with employment obligations

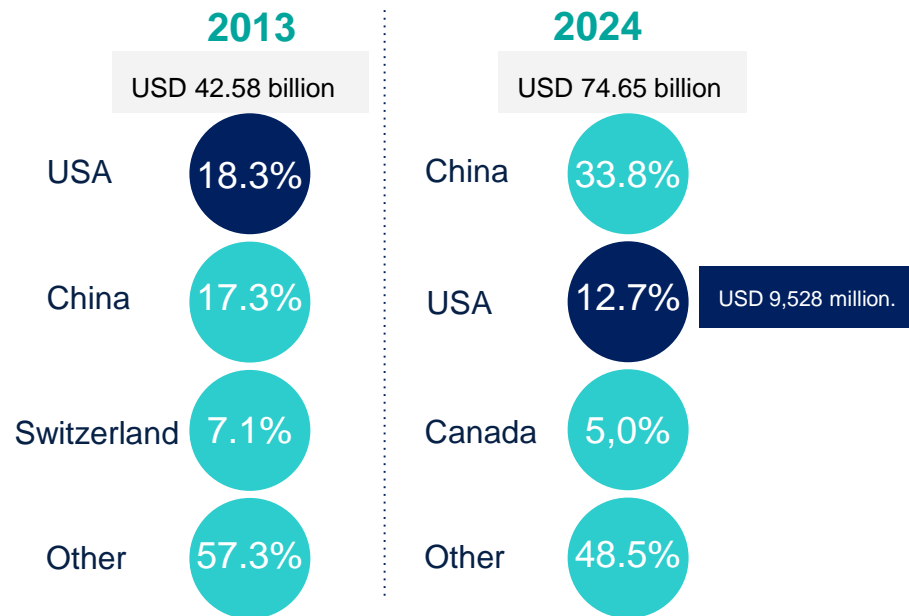
➔ Failure to comply with environmental protection agreements (deforestation and illegal mining)



# Peru's exposure if the U.S. decides to impose tariffs? Although the U.S. is the second export destination, there is some diversification of exports

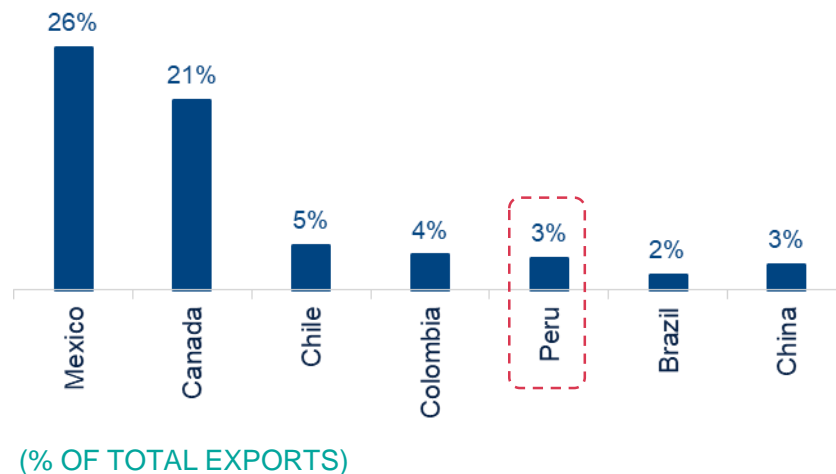
## PERUVIAN EXPORTS BY DESTINATION

(% OF PERU'S TOTAL EXPORTS)



## IMPORTANCE OF EXPORTS TO THE U.S. IN 2024

(% OF GDP OF EACH COUNTRY)



(% OF TOTAL EXPORTS)

Mexico <sup>1</sup>	Canada	Chile	Colombia	Peru	China	Brazil
80%	76%	17%	30%	13%	15%	12%

1: Information from 2023.  
Source: Trade Map and IMF.

Source: ADEX Data Trade and BCRP.

## In some productive sectors, however, the exposure of foreign sales is more concentrated in the United States market

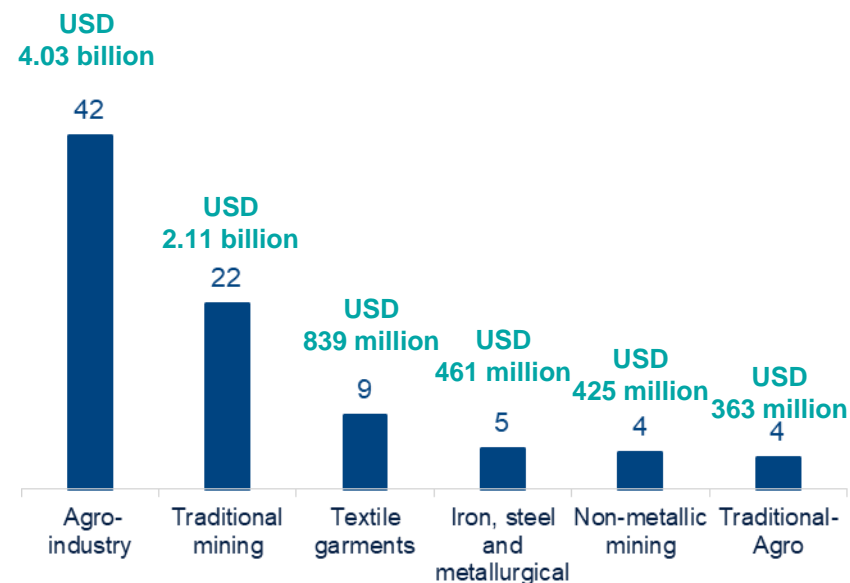
### PERU: U.S. EXPOSURE BY SECTORS 2024

(% SHARE OF EXPORTS TO THE UNITED STATES VS. TOTAL EXPORTS BY SECTOR)



### PERU: EXPORTS TO THE U.S. BY SECTOR 2024

(% SHARE OF SECTOR IN TOTAL EXPORTS TO THE UNITED STATES)

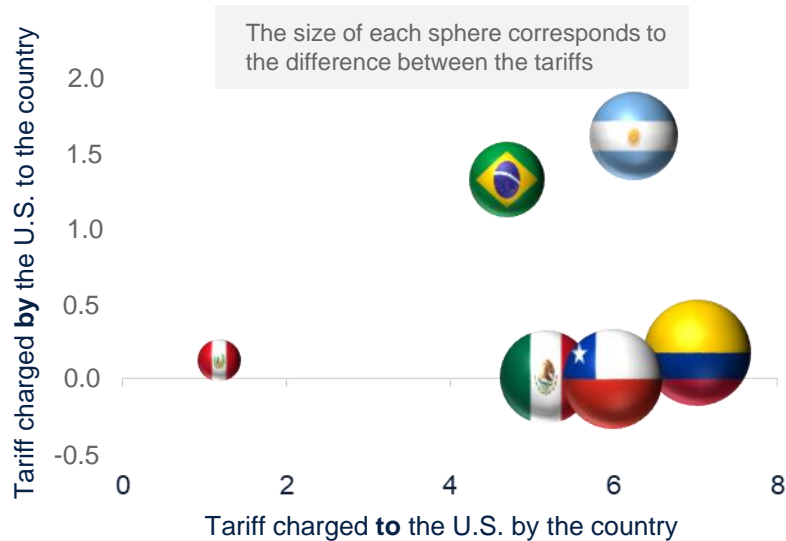


# Peru's exposure if the U.S. decides to impose reciprocal tariffs?

## An initial assessment suggests that this is relatively limited

### LATAM & U.S. | TARIFFS <sup>1</sup>

(%)



### PERU: EXPORTS TO THE U.S., SELECTED PRODUCTS<sup>2</sup>

Product	Amount exported in 2024 (IN USD mill.)	Peru's tariff on imports from the U.S. (%) <sup>3</sup>
Coffee	311	9.8
Jewelry	182	1.9
Knit shirts	162	11.0
Knitted and cotton sweaters	110	11.0
Artichokes, peppers, other	152	0.7
Citrus	189	0.3
Copper bars	86	4.2
Oil and derivatives	288	2.1
<b>Total</b>	<b>1,481</b>	<b>(15.6% of USD 9.5 billion exported to the U.S. and equivalent to 0.5% of GDP)</b>

Value exposed to reciprocal tariffs

1: Tariffs are a weighted average by trade value.

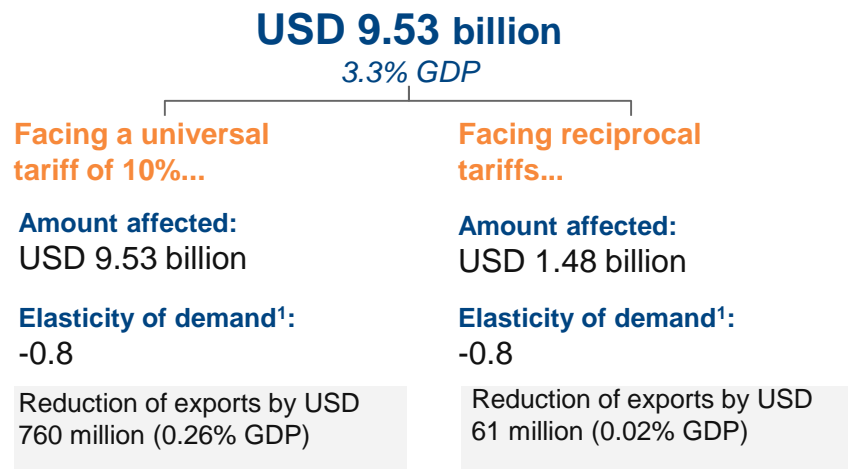
2: To select these eight products, Peru's exports to the U.S. were ordered according to Value. Then, the highest-value ones were selected, so that together they represented 80% of the total exports. Finally, those for which Peru charges a higher import tariff from the U.S. than what the U.S. charges for the same products from Peru were selected.

3: Average level (does not consider when the product pays 0%)

Source: BBVA Research with data from WITS (2022), ADEX Data Trade, Customs.

# Taking into account Peru's exposure, what impact would the possible imposition of tariffs by the U.S. have ?

## EXPORTS TO THE U.S. AND ESTIMATED REDUCTION OF THESE WHEN TARIFFS ARE IMPOSED



1: Price elasticity of demand for U.S. imports. The figure (-0.8) is taken from Boer, L., & Rieth, M. (2024) who find this elasticity after 6 years from the imposition of tariffs.

Source: Boer, L., & Rieth, M. (2024). The macroeconomic consequences of import tariffs and trade policy uncertainty. IMF and BBVA Research

Other factors that amplify or moderate the impact of tariffs on Peru, but that have not been considered in the calculation:

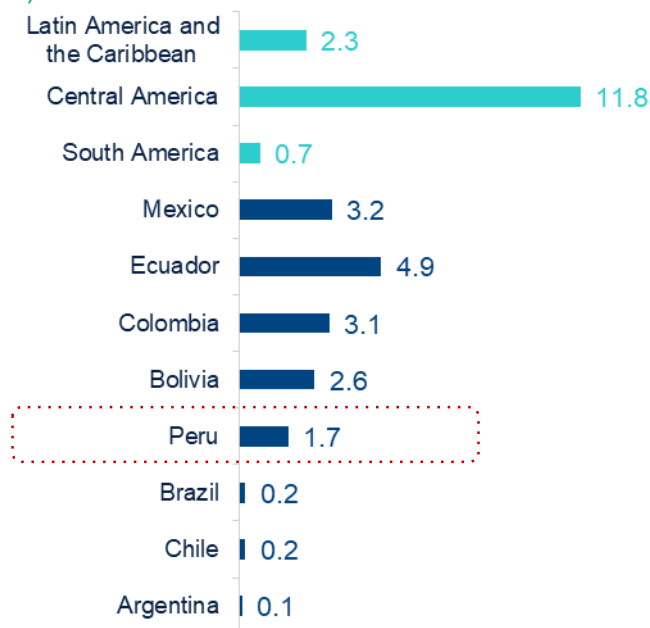
- **Tariffs on other countries that buy inputs from Peru to manufacture goods that they then export to the U.S.** Peruvian exports to these countries would be reduced.
- **Tariffs on other countries that compete with Peru or generalized tariffs by product.** They would moderate the negative impact on Peruvian exports.
- **Price elasticity of demand for imports from the U.S. differentiated by product or season.** In the second case, and taking an agricultural product as an example, the time of year in which the U.S. market is supplied could coincide with reduced competition (counter-season), so that the negative impact of the tariff on Peruvian exports would be smaller than expected.

The tariff measures in the U.S. have not been fully implemented, and significant uncertainty remains. Therefore, the impact on Peruvian exports remains uncertain. There could also be a negative impact on investment decisions.

# As for remittances, although half come from the U.S., these represent less than 1% of Peruvian GDP

## LATIN AMERICA AND THE CARIBBEAN: REMITTANCES<sup>1</sup>

(% OF GDP)



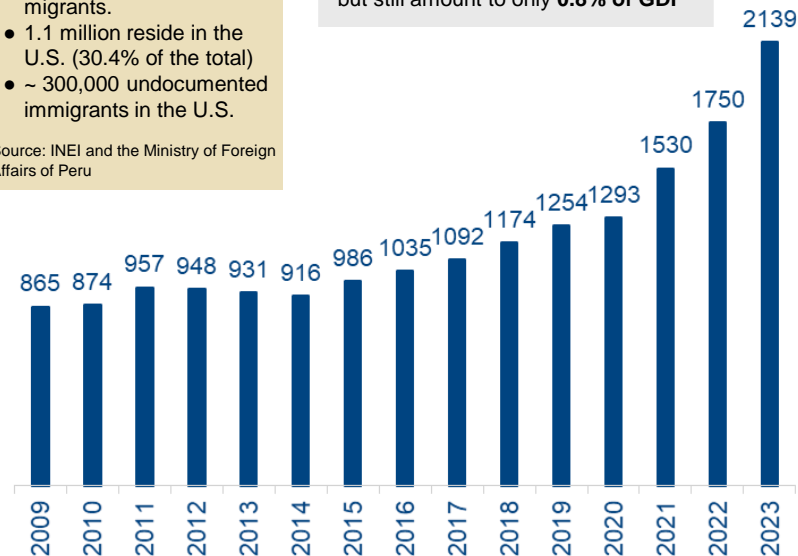
## PERU: REMITTANCES FROM THE U.S. (MILLIONS OF USD)

### Peru 2023

- 3.5 million international migrants.
- 1.1 million reside in the U.S. (30.4% of the total)
- ~ 300,000 undocumented immigrants in the U.S.

Source: INEI and the Ministry of Foreign Affairs of Peru

Remittances from the U.S. account for about **half of total remittances**, but still amount to only **0.8% of GDP**

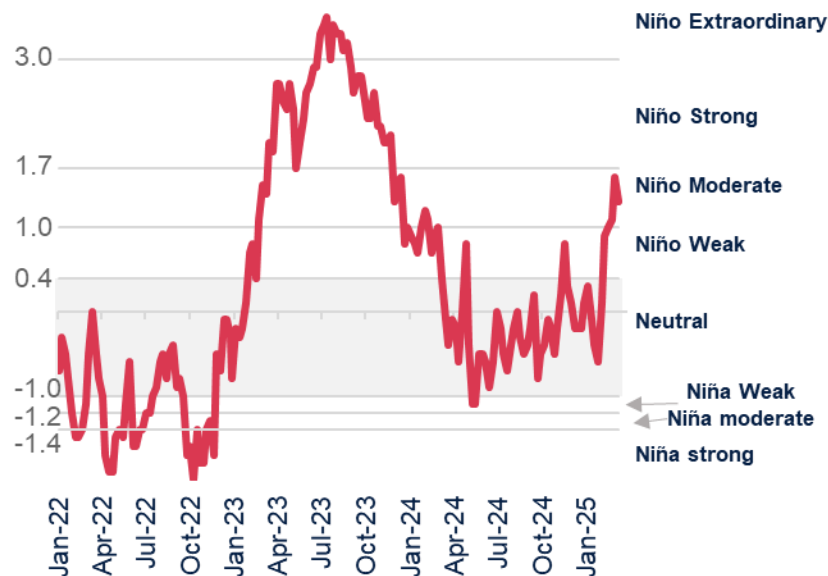


1: With information as of 3Q24. Information from Peru corresponds to the end of 2024.

Source: IDB, INEI and BCRP.

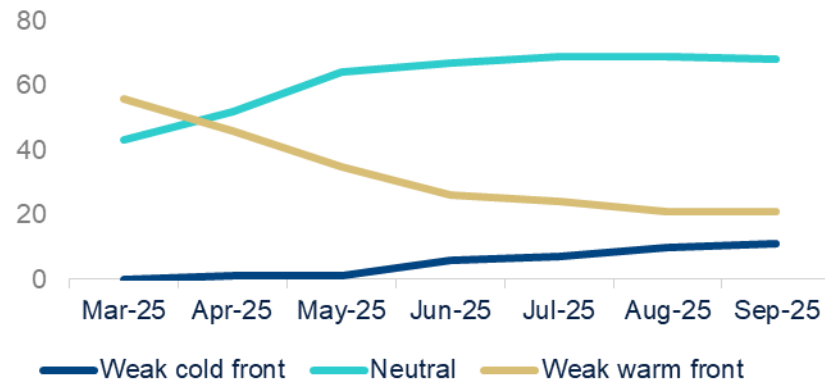
# Meteorological conditions: relatively stable in the forecast horizon, but short term risks have increased

## SURFACE TEMPERATURE ANOMALY FROM THE SEA ON THE NORTH PERUVIAN COAST (DEGREES CELSIUS, WEEKLY MOVING AVERAGE)



Source: ENFEN with NOAA data

## EASTERN PACIFIC OCEAN (EL NIÑO ZONE 1+2) | PROBABILITY OF OCCURRENCE OF SCENARIOS (%)

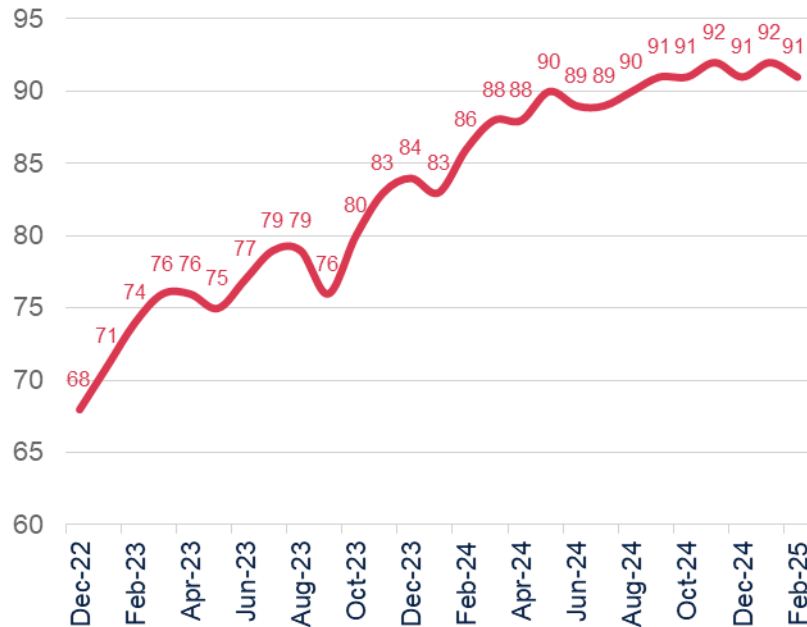


- In February, ENFEN activated the “Coastal El Niño Surveillance” due to the possibility of weak, but short-lived, warm climatic conditions.
- Weak warm conditions are expected to continue into March, favoring moderate to heavy rains in northern Peru, as well as above-normal rainfall in the Andean and Amazon regions of the country.

## Political and social context: despite the low popularity of President Boluarte, it is assumed that the current calm will remain moving forward

### DISAPPROVAL OF PRESIDENT DINA BOLUARTE

(%)

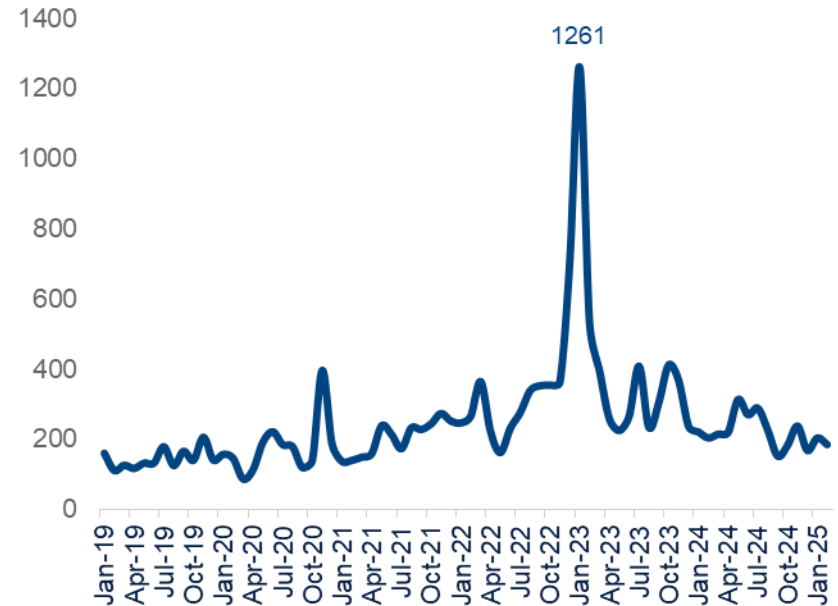


1: As of February 31.

Source: Ipsos and the Ombudsman's Office.

### COLLECTIVE PROTEST ACTIONS<sup>1</sup>

(NUMBER OF PROTESTS)



# Political and social context: in the baseline scenario, Boluarte will end her term in 2026, and electoral uncertainty will be increasingly visible

## How likely is it that social conflict will increase again?



- Unlikely... although not to be ruled out, of course.
- There is no leader who unites the discontent.
- Fragmented social organizations (different and even contradictory political agendas).
- High cost of sustaining the protests, even more so if they spread to several regions.

## Will Boluarte make it to 2026?



- Most of the main political players with little incentive to change the status quo.
- Protests have not reached a critical point.
- Most political analysts: Boluarte will not be removed from office by Congress, nor will she resign.
- Risk: new balance of power after elections are called (April) and when Congress can no longer be dissolved (July).

## Who could win the 2026 elections?

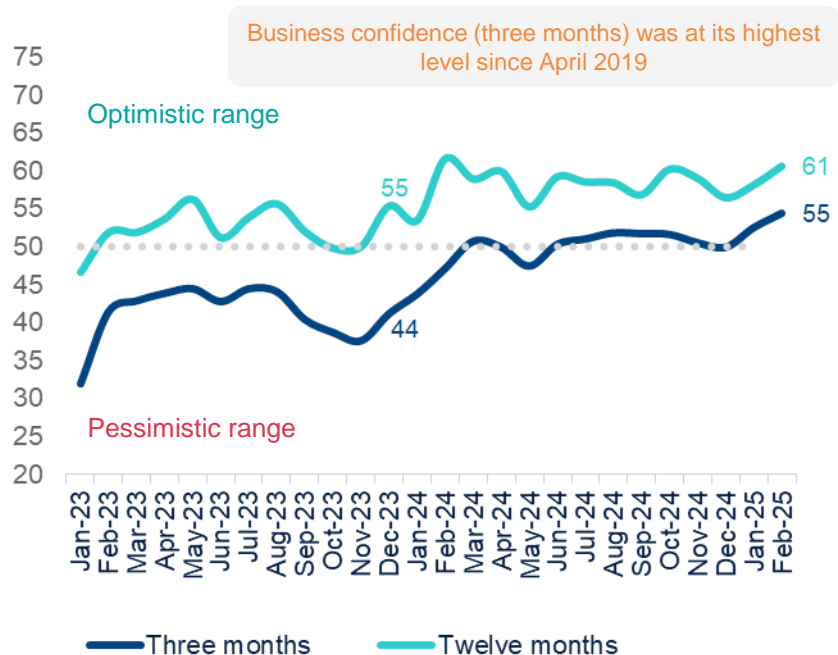


- First surveys: Keiko Fujimori is in the lead, with 12%. About 40% are still undecided. Too early to draw conclusions.
- Polls indicate that the electorate would lean toward a strong candidate who would be "tough on crime".
- High degree of fragmentation of supply and electoral preferences. In this context, it is likely that the Congress elected in 2026 will be very fragmented, so the Executive will have weak political support. Thus, little room for reforms and the continuation of regulatory risk is anticipated.

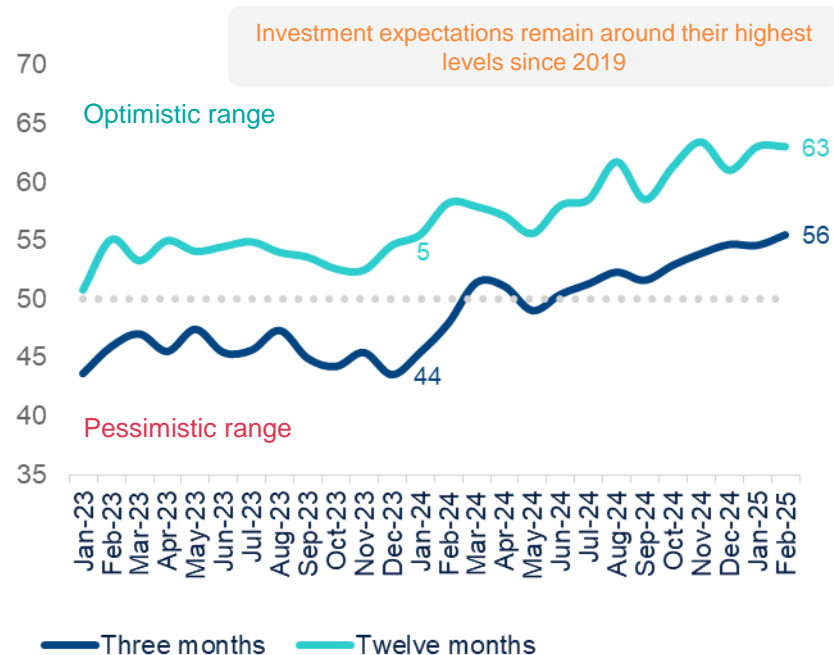


# Business confidence and investment expectations: continuing to bolster positive performance of activity in the coming quarters

## BUSINESS CONFIDENCE (POINTS)



## EXPECTATIONS FOR INVESTING (POINTS)

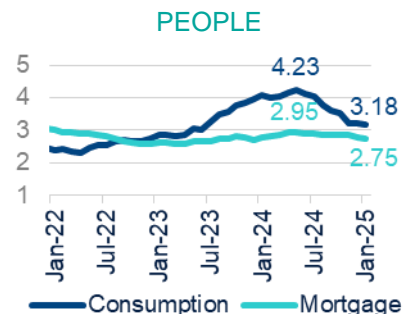
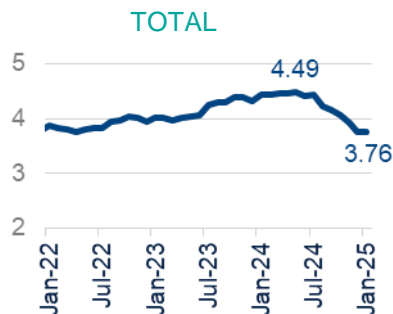


Source: BCRP.

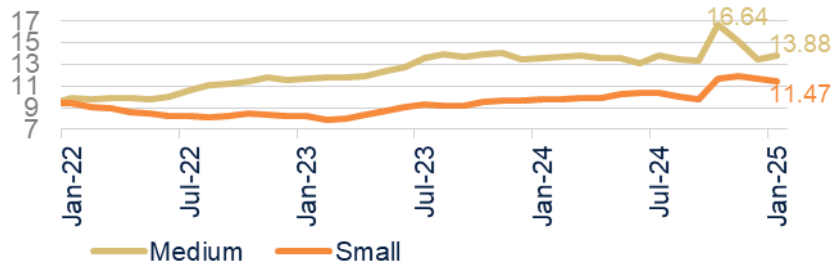
# Credit conditions: will continue to become more flexible going forward in a scenario where activity continues to perform well and NPLs subside

## NPL

(%)

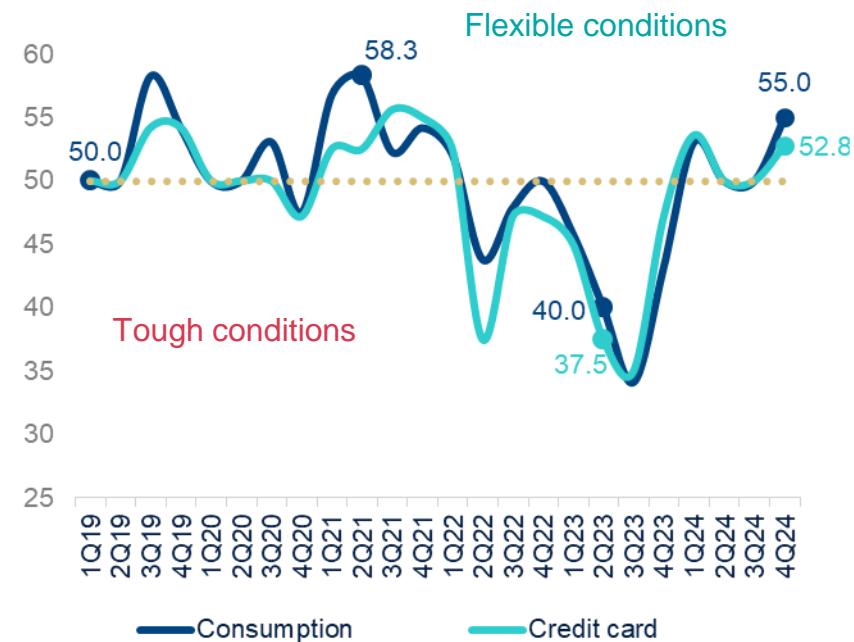


## COMPANIES



## CREDIT CONDITIONS

(EXPECTATION INDICATORS)



Source: SBS and BCRP.

# Investment projects: amounts are increased and flows are advanced (to 2025) in some mining and infrastructure projects (education and transportation)

## MAIN INVESTMENT PROJECTS THAT WILL ACCELERATE EXECUTION IN 2025

### Mining project

#### Tía María

- Copper project located in Arequipa.
- SCP CFO: in recent statements announced **an increase in the investment amount** (by USD 400 million, to USD 1.8 billion) **and an earlier execution**.
- The mine would start to produce in 2027.

### Educational Infrastructure Project

#### Bicentennial Schools

- So far, the construction of 31 schools has been completed.
- Recently, the planned investment **was increased by USD 500 million** (to USD 1.55 billion). Additional amount **will be implemented in 2025**.
- It will be aimed at the construction of 20 of these schools in Lima and Puno.

### Transportation Infrastructure Project

#### Lima Metro Line 2

- The Definitive Engineering Study for the Central Station was recently approved. This is a **significant breakthrough**.
- **In this context, an acceleration of investment flows is anticipated in 2025**.
- The project could begin operations in 2029.

## INVESTMENT FLOWS CONSIDERED IN THE BASELINE SCENARIO FOR SOME LARGE PROJECTS

(MILLIONS OF USD)

	2023	2024	2025	2026	2027
Mining projects <sup>1</sup>	414	765	1243	1450	1300
Bicentennial Schools	336	639	500	-	-
Lima metro Line 2	372	479	700	700	504
<b>Total</b>	<b>1122</b>	<b>1883</b>	<b>2443</b>	<b>2150</b>	<b>1804</b>

1: Includes Amp. Toromocho, Las Bambas — Chalcobamba Pit, San Gabriel, Zafranal, Antamina Restocking, Immaculate Restocking and Tía María.

Source: Apoyo Consultoría, Macroconsult, Gestión, Infobae and BBVA Research

# 02

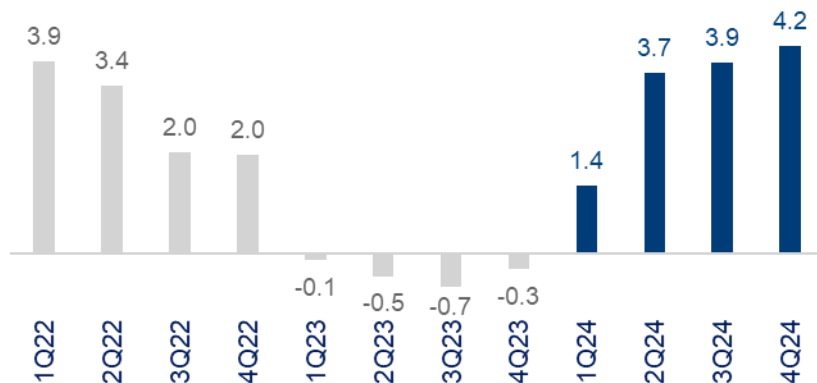
## Forecasts for the Peruvian economy

2.2. Economic activity: short and  
medium term

# GDP accelerated again in 4Q24: on the sectoral side, the primary component rebounded and the dynamism of the non-primary component remained

## GDP

(Y/Y % CHG.)



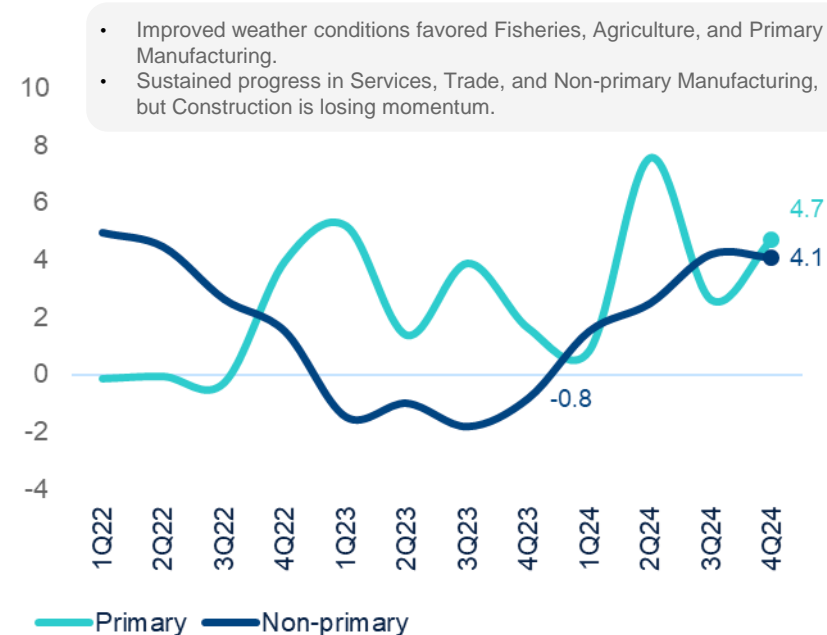
## GDP LEVEL AND DOMESTIC DEMAND

(SEASONALLY ADJUSTED LEVELS, 4Q19 INDEX = 100)

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24
<b>GDP</b>	103	103	104	<b>104</b>	102	102	103	<b>103</b>	104	106	107	<b>108</b>
<b>D.D.</b>	105	106	107	<b>106</b>	103	103	105	<b>105</b>	105	108	107	<b>111</b>

## GDP BY PRODUCTIVE SECTORS

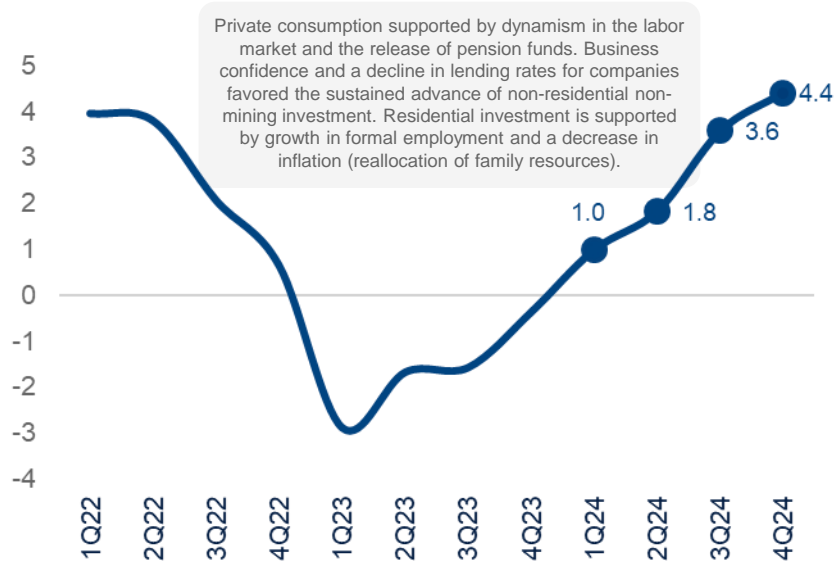
(Y/Y % CHG.)



# The dynamism of the non-primary component of GDP is consistent, on the expenditure side, with the good performance of private sector demand

## PRIVATE SPENDING\*

(YoY % YEAR-ON-YEAR)



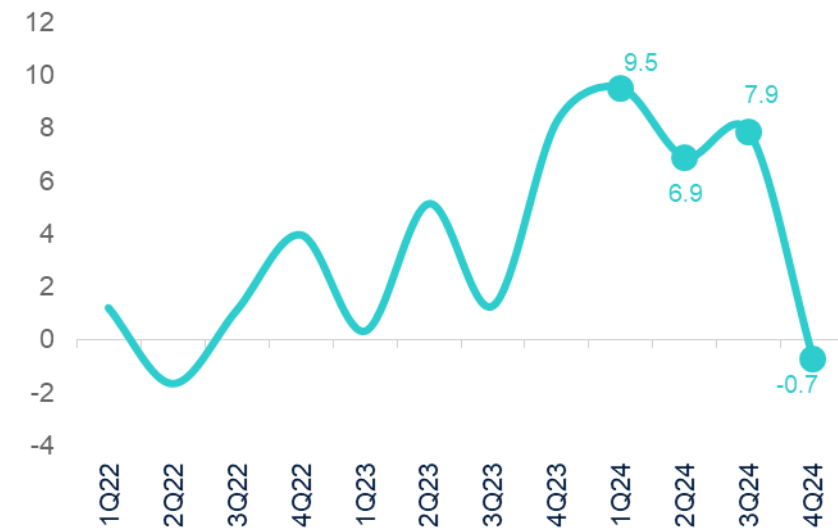
\*Does not consider the change in inventories.

	2023	1Q24	2Q24	3Q24	4Q24	2024
<b>Consumption</b>	0.1	1.2	2.3	3.5	4.0	2.8
<b>Investment</b>	-7.3	0.1	0.1	3.9	5.8	2.6

Source: BCRP.

## PUBLIC EXPENDITURE

(Y/Y % CHG.)

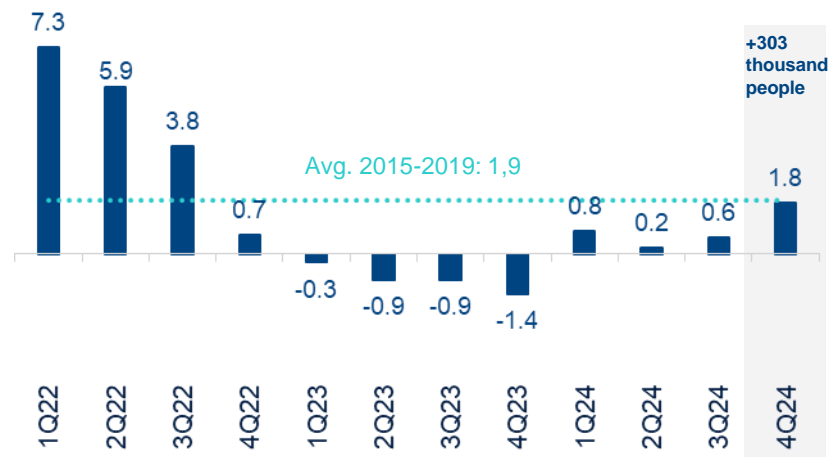


	2023	1Q24	2Q24	3Q24	4Q24	2024
<b>Consumption</b>	4.6	3.2	3.9	4.2	-1.4	2.3
<b>Investment</b>	2.8	39.9	16.2	18.9	0.8	14.1

# In this environment, employment at the national level accelerated its growth in 4Q24, closing the year with an improvement in quality and higher wages

## EMPLOYMENT AT NATIONAL LEVEL <sup>1</sup>

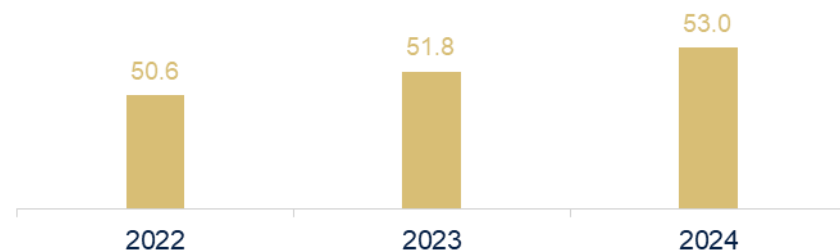
(Y/Y % CHG.)



	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24
Employed EAP (millions)	17.4	17.0	17.3	17.2	17.2	17.2	17.3	17.3	17.5
Unemployment rate (%)	3.9	5.9	5.3	5.1	5.2	6.4	5.9	5.3	4.7

## SUITABLE EMPLOYMENT

(% OF TOTAL EMPLOYED)



## LABOR INCOME

1,766 soles  
in 2024



## TOTAL WAGE BILL 2024

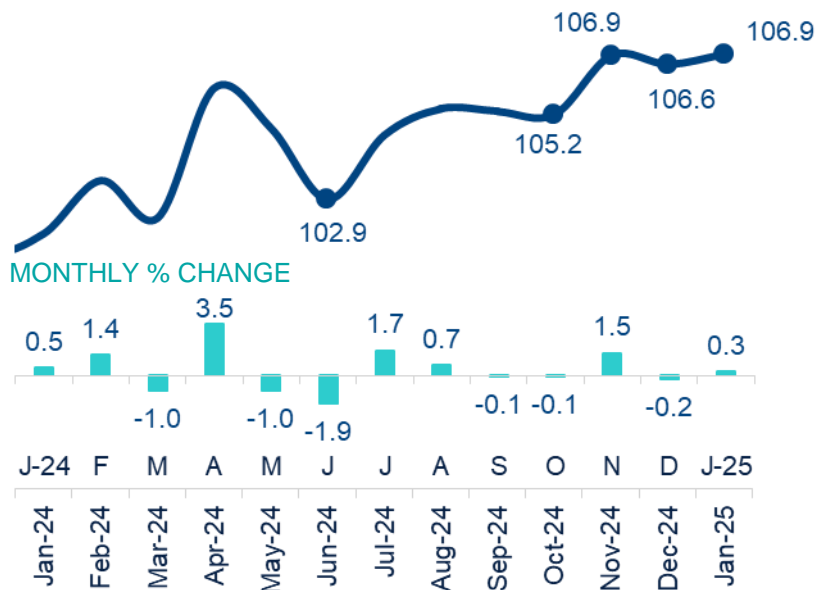
+ 3.9%  
vs. 2023  
(corrected for inflation)

1: Until December 2022, the information from the ENAHO is used, for 2023 and 2024 the EPEN is used.  
Source: INEI (ENAHO, EPEN). Prepared by: BBVA Research.

# How does the year 2025 begin? Economic activity starts the year well, ...

## SEASONALLY ADJUSTED GDP

(FEB.20 = 100)



1: Does not include import duties  
Source: BCRP and INEI.

## GDP BY PRODUCTIVE SECTORS

(Y/Y % CHG.)

	Y/Y % chg.						
	2023	1Q24	2Q	3Q	4Q24	2024	Jan.25
<b>GDP</b>	-0.4	1.4	3.7	3.9	4.2	3.3	4.1
<b>Primary GDP</b>	2.9	0.8	7.6	2.6	4.7	3.7	4.4
Agriculture	-2.4	-0.6	8.6	-0.9	11.4	4.9	3.2
Fishing	-21.2	-29.8	184.2	-11.1	16	24.9	23.5
Metal Mining	9.3	9.4	-3.1	3.9	-1.0	2	3.2
Hydrocarbons	0.7	0.9	-2.9	8.3	2.7	2.1	-9.1
Primary manufacturing	-2.3	-17.6	37.3	2.9	13.2	8.6	17.1
<b>Non-primary GDP<sup>1</sup></b>	-1.3	1.5	2.5	4.2	4.1	3	3.2
Non-primary manufacturing	-8.0	-2.2	0.7	6.5	4.8	2.5	1.7
Electricity and Water	3.7	3.7	1.4	2.2	2.2	2.4	1.5
Construction	-7.8	5.2	3.9	4.9	1.2	3.6	4.1
Trade	2.4	2.4	2.5	3.2	3.6	3	3.2
Services	0.3	1.7	3.0	4.0	3.9	3.3	3.5
Financial services	-7.8	-4.5	-1.3	-0.2	-0.2	-1.6	-0.4
Telecommunications	-3.9	-0.6	2.1	1.8	3.4	2	0.2
Accommodation and Restaurants	2.7	3.6	0.4	5.8	4.5	3.7	3.3
Transport	1.6	4.3	6.7	7.0	7.0	6.1	7.9
Other Services	3.7	2.7	4.1	4.9	4.7	4.1	4.3

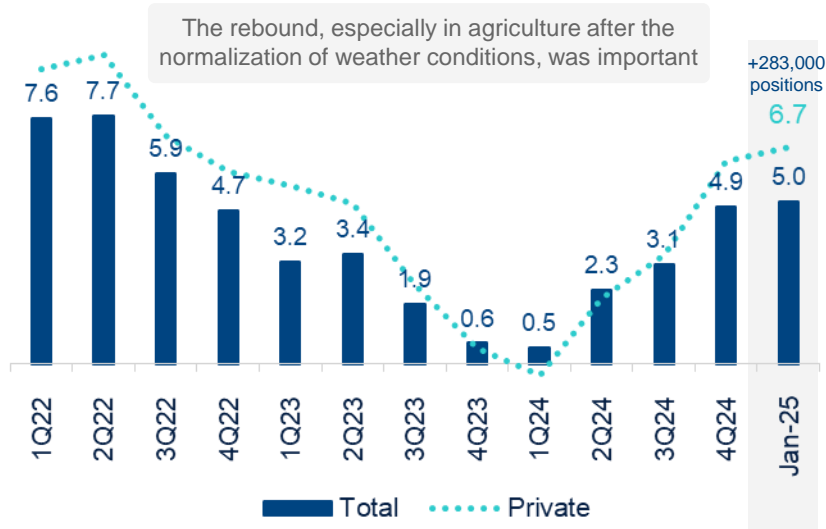


# ... with formal employment (according to electronic payroll records) providing support, and ...

## FORMAL EMPLOYMENT POSITIONS

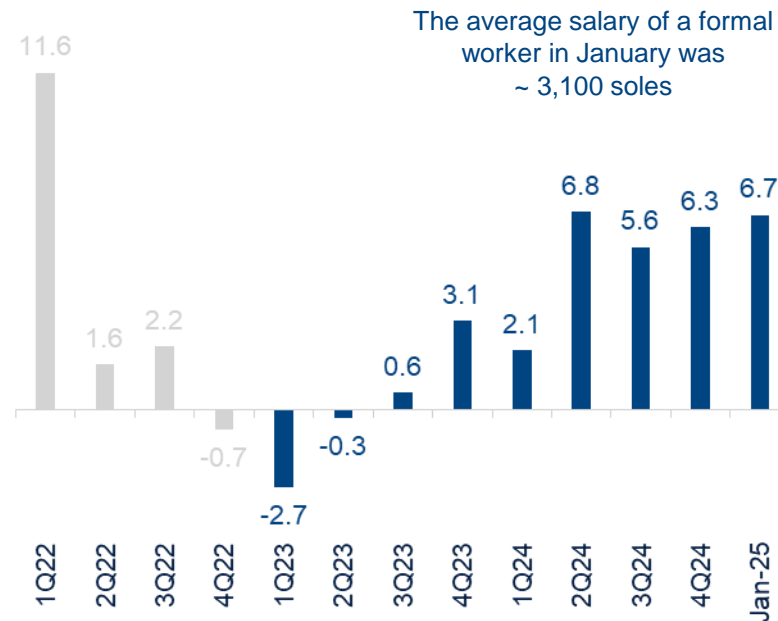
(YoY % YEAR-ON-YEAR)

	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	Jan.25
Agriculture, Fishing, Mining (18%)	2.2	-0.2	-7.4	-14.2	-13.8	-5.0	2.4	21.3	25.0
Manufacturing (11%)	3.2	2.9	2.2	1.4	-2.1	0.0	1.2	0.8	2.1
Construction (5%)	-11.0	-11.4	-5.2	-1.0	2.9	8.5	6.3	3.3	4.2
Trade and services (66%)	9.4	7.3	5.5	4.2	2.3	3.2	2.7	3.1	3.8



## FORMAL WAGE BILL

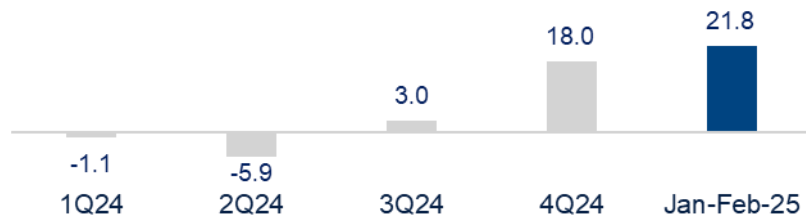
(YoY % YEAR-ON-YEAR)



... with signs that, in the balance, it will be sustained in the future...

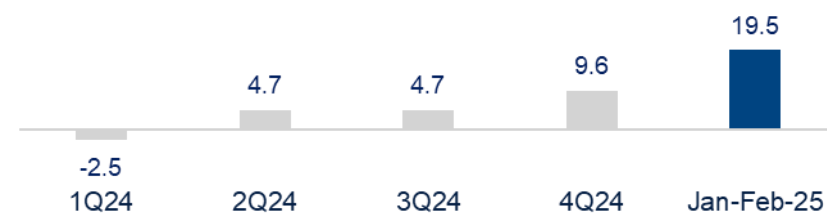
## IMPORTS OF CONSUMER GOODS

(Y/Y % CHG.)



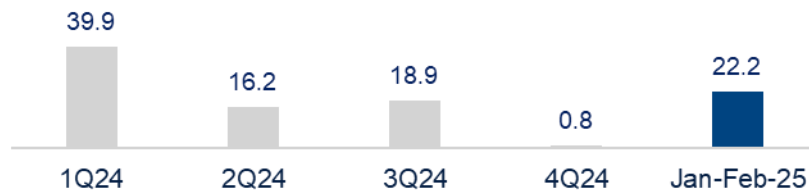
## IMPORTS OF CAPITAL GOODS

(Y/Y % CHG.)



## PUBLIC INVESTMENT <sup>1</sup>

(IN REAL TERMS, Y/Y % CHG.)



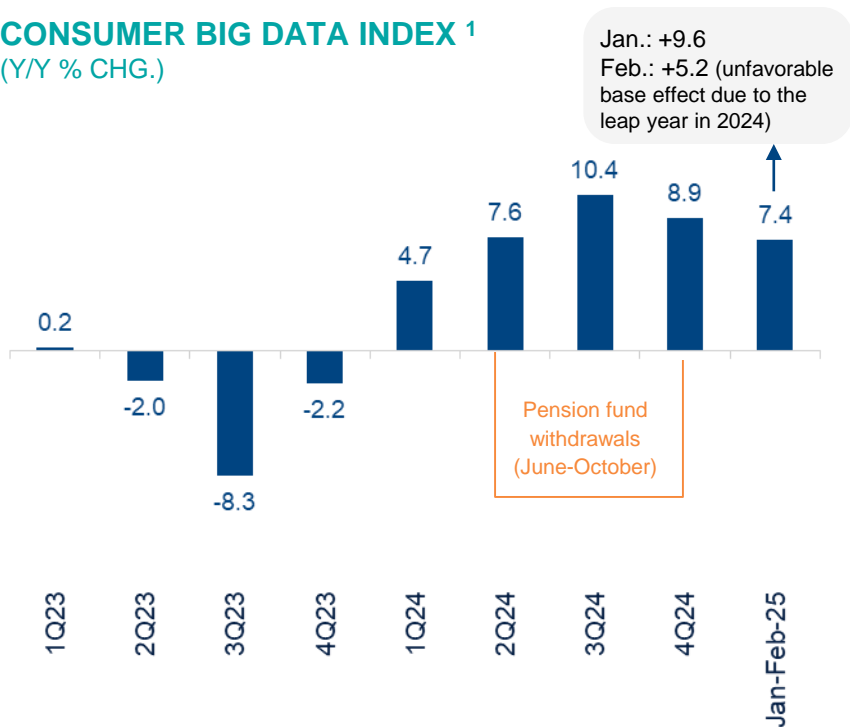
1: The data for January and February correspond to the General Government.  
Source: BCRP and MEF.

- **Other indicators for January showed some moderation**, such as domestic cement consumption (-2.9% in January compared to +0.3% in 4Q24).
- Compared to 4Q24, **in 1Q25 the momentum of the release of pension funds dissipates and there will be one less day** because 2024 was a leap year (partly compensated because last year Easter was celebrated in March).
- **Risk: Recent warming of the sea** and above-normal rainfall in some areas of the country.
- **On balance**, and also taking into account the trends observed in the last months of 2024, **the year 2025 is off to a good start. Growth in the first quarter of 2025 will be higher than expected.**

# ... although some indicators suggest that the dynamism in 1Q25 will be somewhat lower than that observed in the previous quarter

## CONSUMER BIG DATA INDEX <sup>1</sup>

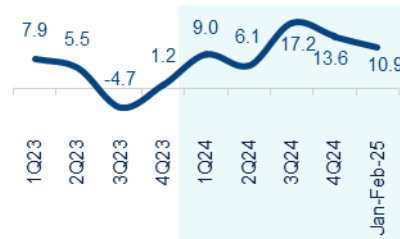
(Y/Y % CHG.)



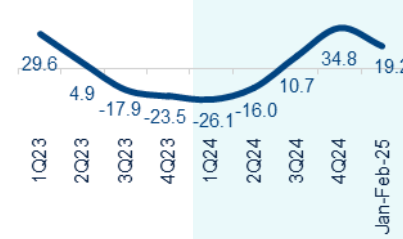
## CARD PURCHASES<sup>1</sup>

(Y/Y % CHG., IN REAL TERMS, SELECTED CATEGORIES)

### FOOD



### ENTERTAINMENT



### HEALTH



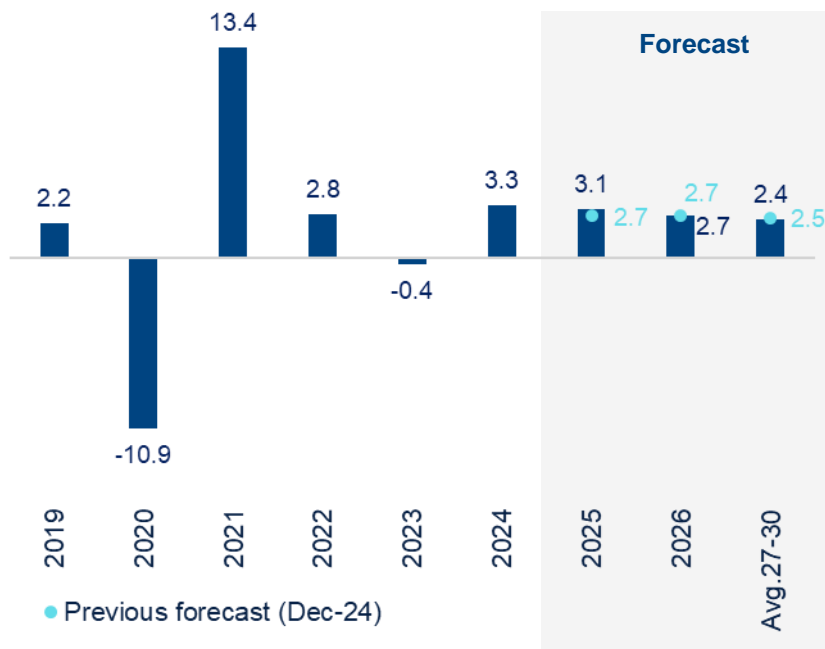
### TOURISM



1: Relies on information on the amount of credit and debit card purchases made by households and cash withdrawals through ATMs and teller windows.  
Source: BBVA Research.

## In this context, we revise our growth projection for 2025 upward (from 2.7% to 3.1%) and maintain that of 2026 (at 2.7%)

### GDP (YoY % YEAR-ON-YEAR)

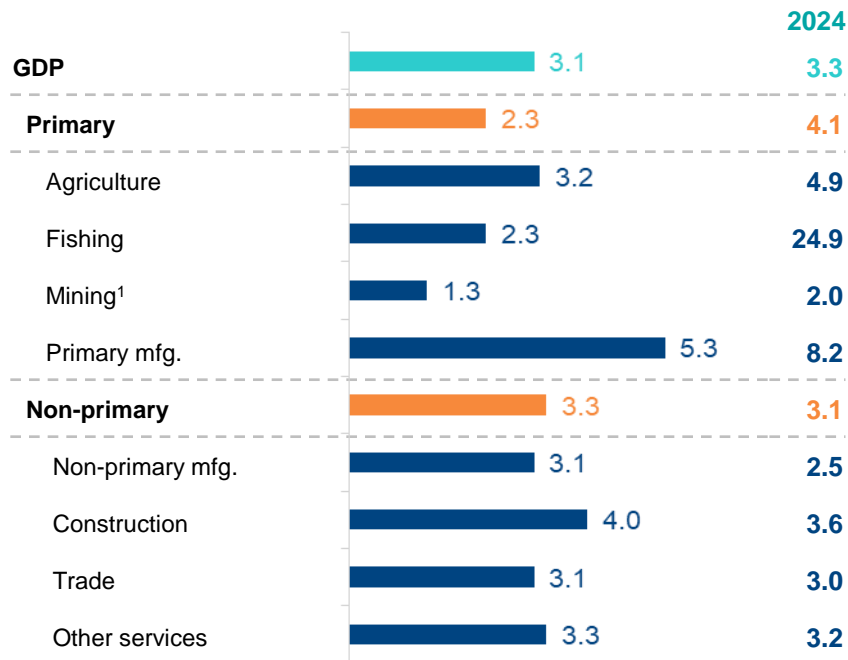


- **The 2025 growth projection is revised upward due to** (i) a higher growth forecast for the U.S. and China; and (ii) an increase and acceleration of investment amounts (by 2025) in some mining projects (Tía María) and infrastructure (education and transportation).
- **Growth projection for 2025 also has an upward bias due to the good performance shown by activity at the beginning of the year.**
- **This year the recovery of private spending will continue,** despite the fact that the impact of the withdrawal of pension funds is dissipating. This progress will be favored by the start of construction of large-scale works, the improvement of business confidence, and a gradual easing of financial conditions. In the last months of the year, the uncertainty linked to the beginning of the electoral process will be more visible.
- **Growth forecast for 2026 remains at 2.7%.** The increased dynamism projected for China and the U.S. will be offset by lower investment flows expected in large projects and the downward revision in ore grades in some mining units.
- **Growth in 2026 will thus be somewhat lower than the previous year due to the uncertainty linked to the electoral process** (first half of the year) and a moderation in investment flows in large projects.

## On the sectoral side, in 2025 the expected overperformance of non-primary sectors will stand out

### 2025 SECTORAL GDP PROJECTION

(Y/Y % CHG.)



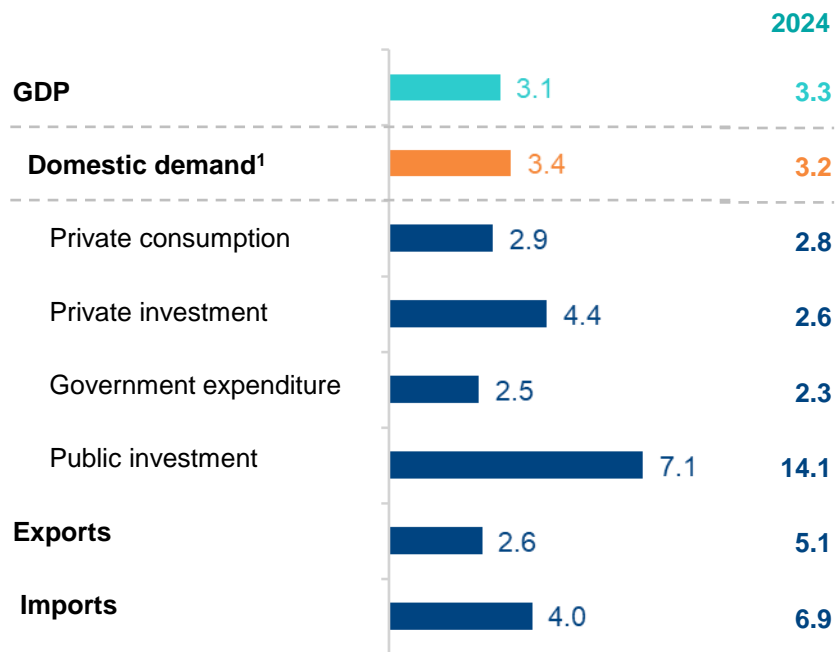
1: Includes metal mining and hydrocarbons  
Source: BBVA Research.

- Primary manufacturing.** It is assumed that the Talara refinery will reach its maximum production capacity. Also, the anchoveta landings for the end of 2024 will be processed in early 2025.
- Construction.** Mining construction will begin (Tía María, Zafranal, and Antamina's life extension) and investment flows will increase in some transportation infrastructure projects (Lima's second subway line, Chinchero airport).
- Trade and services.** maintain growth rates above 3%, in line with the performance of household spending.
- Fisheries and agriculture.** The rebound of 2024 dissipates after the climate has normalized.
- Mining.** Moderation due to lower grades in some important mines, such as Cerro Verde.

## On the expenditure side, investment growth stands out in 2025: rebound in private investment, while public investment continues to grow at high rates

### PROJECTED GDP BY EXPENDITURE SIDE 2025

(Y/Y % CHG.)



■ **Public investment.** continues to grow at high rates, with notable progress in transportation and education infrastructure projects.

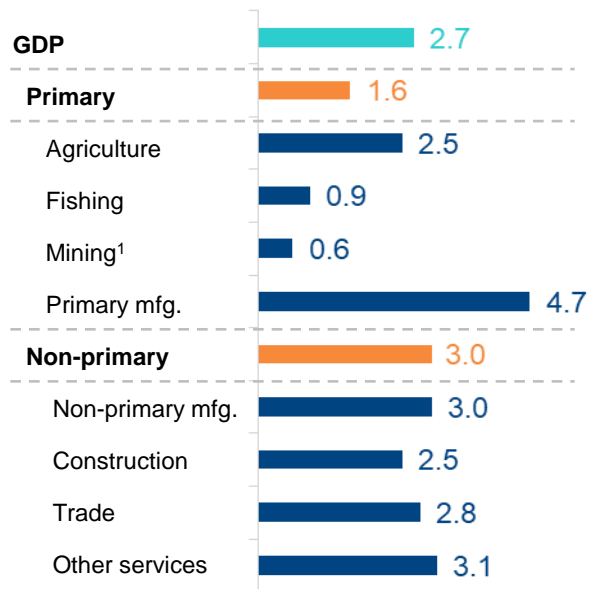
■ **Private investment.** Rebound driven by the construction of new mining projects. In addition, private investment in the residential sector would grow again after the adjustment process of recent years. All of this despite an increasingly visible electoral uncertainty.

■ **Private consumption.** Although the positive impact of the withdrawal of pension funds is exhausted, private consumption will find support in the renewed dynamism of the labor market and the relaxation of financial conditions.

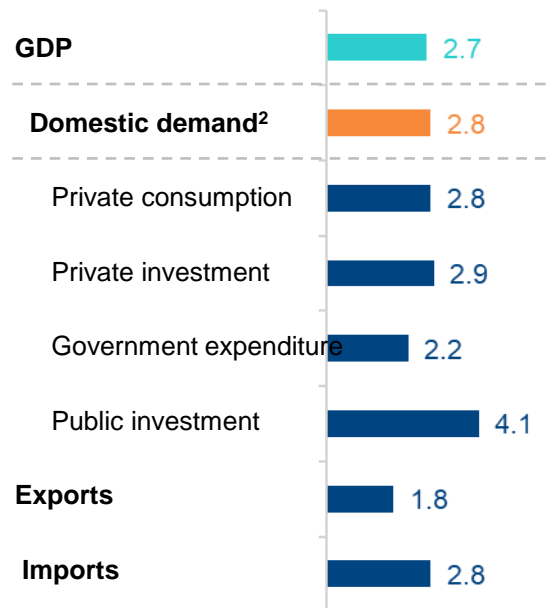
<sup>1</sup>: Does not include inventory change.  
Source: BBVA Research.

# In 2026, we will see heightened uncertainty due to the looming elections, although flows in investment projects should also increase

## 2026 SECTORAL GDP PROJECTION (Y/Y % CHG.)



## PROJECTED GDP BY EXPENDITURE SIDE 2026 (Y/Y % CHG.)



- **Heightened uncertainty** over the looming elections.
- **The investment flow linked to mining projects will remain dynamic**, although with less momentum from projects related to transportation and education.
- **Slower boost in mining production** due to operations running at full capacity
- **Residential** investment continues to expand due to a more favorable labor market environment and lower interest rates

1: Includes metal mining and hydrocarbons 2: Does not include inventory change.

Source: BBVA Research.

# 02

## Forecasts for the Peruvian economy

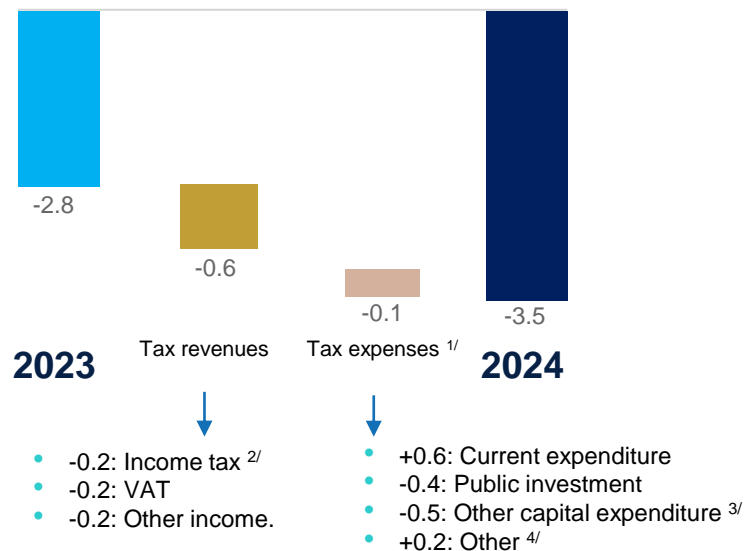
### 2.3. Fiscal balance and public debt



# The fiscal deficit widened in 2024 (due to lower revenues) and the gross public debt balance remains relatively low

## FISCAL RESULT

(NON-FINANCIAL PUBLIC SECTOR, % OF GDP)



1/ Takes into account the expenses of the general government, interest and results of public enterprises

2/ Lower collection due to the regularization of fiscal year 2023 and payments on account.

3/ Considers the capitalization transfers to Petroperú.

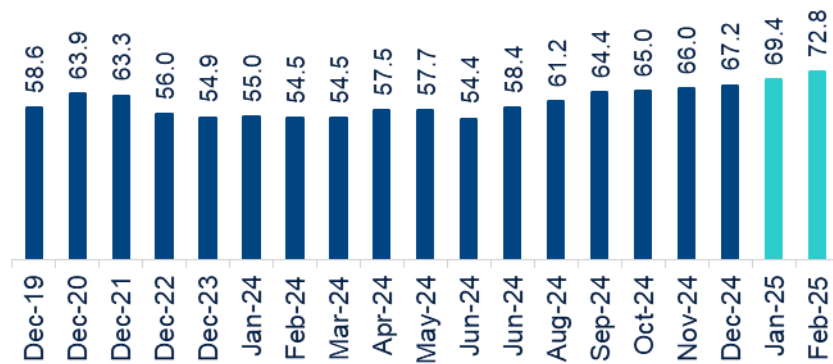
4/ Considers the primary result of companies and interests.

Source: BCRP.

- In 2024, the fiscal deficit reached 3.5%, surpassing the 2.8% recorded the previous year, marking two consecutive years of non-compliance with the deficit rule. This increase was mainly due to the decrease in revenue.
- The reduction in current revenues as a percentage of GDP (from 19.8% to 19.1%), was attributed to the lagged impact of the decline in metal prices and the contraction of GDP in 2023.
- As of January 2025, the fiscal deficit accumulated in the last twelve months widened to 3.7% of GDP due to the advance of the annual housing subsidy (last year it was granted in February and not in January).
- Gross debt reached a level equivalent to 32.7% of GDP in 2024, slightly lower than the 32.9% in 2023, remaining at low levels compared to the region and countries with similar credit ratings.
- Despite the recent fiscal deterioration, Fitch and Moody's maintained the country's credit rating and upgraded its outlook to "stable", highlighting low debt, sufficient reserves to withstand economic shocks and its ability to formulate policies that guarantee macro stability, something that the sustained political instability put at risk.

# Foreigners' appetite for Peruvian sovereign bonds continued to increase at the beginning of 2025

## HOLDING OF SOVEREIGN BONDS IN THE HANDS OF NON-RESIDENTS (BILLIONS OF SOLES)

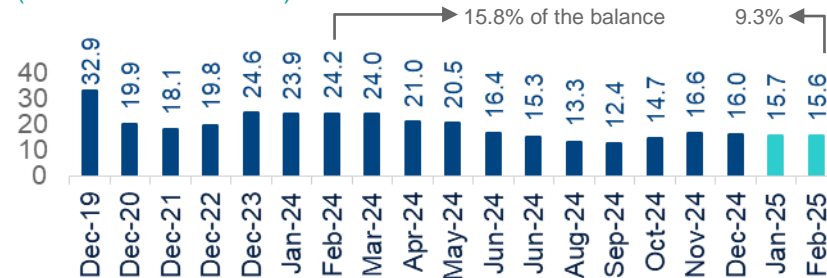


## HOLDING OF SOVEREIGN BONDS IN THE HANDS OF NON-RESIDENTS (% OF TOTAL BALANCE)

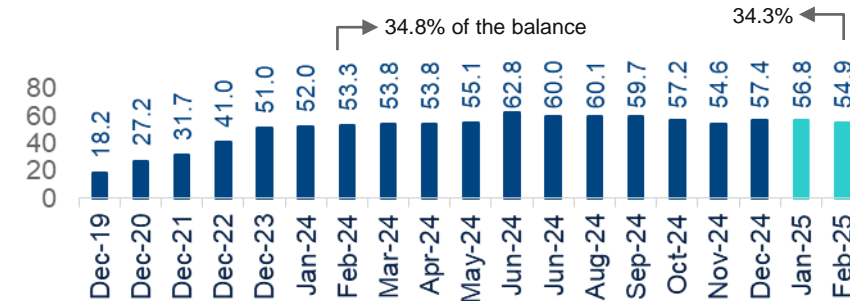
Month	Value (%)
Feb-19	49.0
Feb-20	51.6
Feb-21	50.4
Feb-22	49.6
Feb-23	40.2
Feb-24	35.6
Mar-24	35.5
Jun-24	34.9
Sept-24	40.4
Dec-24	40.9
Feb-25	43.5

Source: MEF.

## SOVEREIGN BOND HOLDINGS IN THE HANDS OF PRIVATE PENSION FUND MANAGERS (BILLIONS OF SOLES)



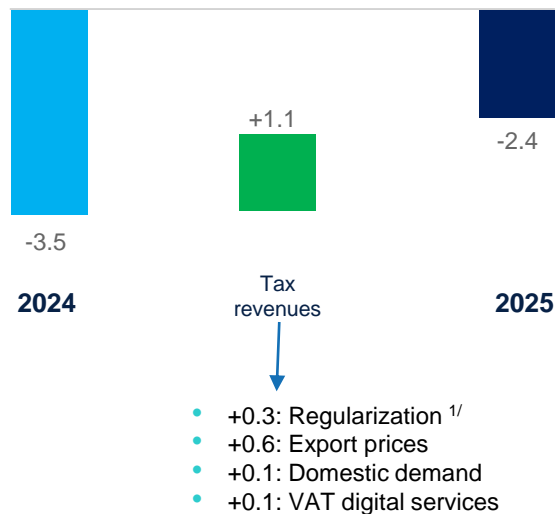
## HOLDING OF SOVEREIGN BONDS IN THE HANDS OF BANKS (BILLIONS OF SOLES)



# A lower deficit is estimated this year, mainly due to the increase in revenues

## FISCAL RESULT

(NON-FINANCIAL PUBLIC SECTOR, % OF GDP)



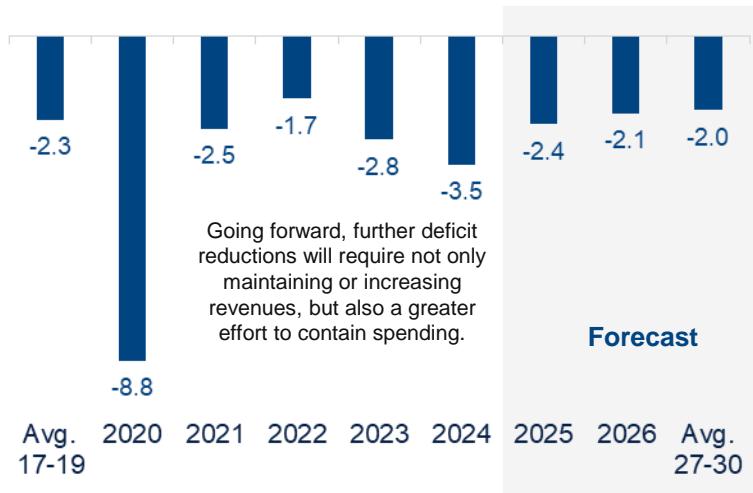
<sup>1/</sup> Regularization of fiscal year 24 and an extraordinary payment for the sale of a company in the electricity sector

- **In 2025, the deficit will continue to decline to 2.4% of GDP**, mainly due to the increase in revenues, in a context of accelerating private spending, high metal prices and extraordinary income.
  - Income tax collection will increase due to the rise in metal prices and the regularization corresponding to the 2024 fiscal year. Likewise, there will be extraordinary income from the sale of a company in the electricity sector and recovery of VAT on digital services.
  - As for spending, it will remain stable (as a percentage of GDP), despite the fact that an increase in public investment is projected, driven by the progress of some transport and education projects. Capital expenditures could be reduced if there are no new capitalizations to Petroperú (according to the recent statements of the Minister of Economy). However, this remains a risk factor.
- **Due to higher metal prices and higher growth in private spending**, the expected decline in the deficit will be steeper than in the previous baseline scenario (2.7%).
- **Despite this decline, we expect that it will not be enough to meet the ceiling of the fiscal limit in 2025 (2.2%).**

# In the medium term, the fiscal deficit will be around 2.0% of GDP...

## FISCAL BALANCE

(NON-FINANCIAL PUBLIC SECTOR, % OF GDP)

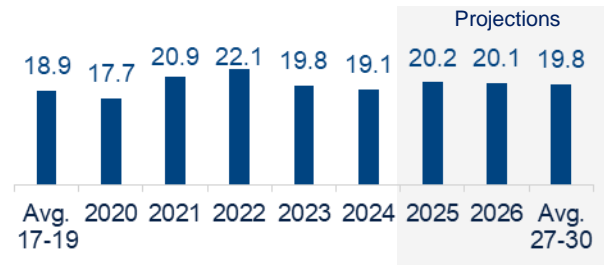


## TAX RULE (% OF GDP)

2024	2025	2026	2027	2028
-2.8	-2.2	-1.8	-1.4	-1.0

## REVENUE

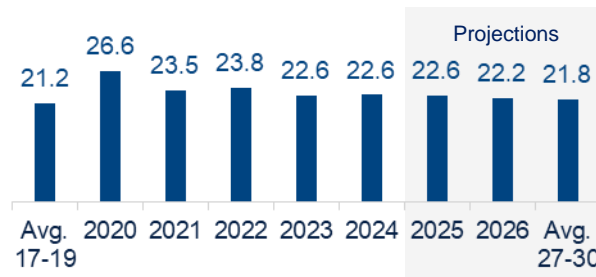
(NON-FINANCIAL PUBLIC SECTOR, % OF GDP)



- From 2026 onward, they will stabilize at around 20% of GDP, above pre-pandemic levels.
- This considers a certain decrease in tax non-compliance in a context in which the economy is recovering.

## EXPENDITURE<sup>1</sup>

(NON-FINANCIAL PUBLIC SECTOR, % GDP)

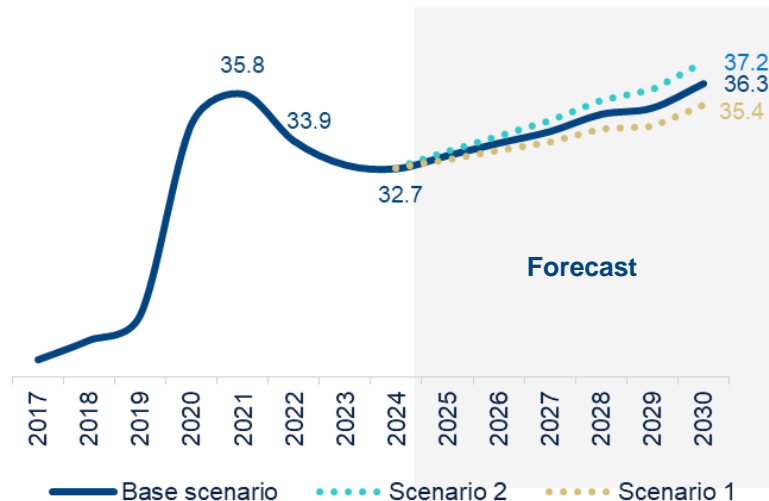


- Pressure from spending on wages does not allow for a more pronounced decline in the fiscal deficit. Spending on infrastructure also conditions a sharper decline.

1/ Considers the primary result of companies and interests.

## ... and gross public debt will reach a level slightly above 36.0% of GDP by 2030, still relatively low

### GROSS PUBLIC DEBT (NON-FINANCIAL PUBLIC SECTOR, % OF GDP)



Scenario 1: the projection considers a 1 pp increase in GDP growth (in each year of the forecast) with respect to the baseline scenario. The elasticity of fiscal revenues with respect to GDP estimated by the MEF is considered (a 1 pp increase in GDP leads fiscal revenues to increase between 0.1 pp and 0.2 pp of GDP). Scenario 2: the projection considers a 1 pp reduction in GDP growth (in each year of the forecast) with respect to the baseline scenario.

Source: BCRP and BBVA Research (forecasts).

### PRIMARY BALANCE REQUIRED TO STABILIZE GROSS PUBLIC DEBT

Public debt to stabilize	d	36.3%
Real GDP growth rate <sup>1/</sup>	g	2.7
Real interest rate <sup>2/</sup>	r	2.9
<b>Required primary balance</b>		<b>0.1</b>
<b>Required economic balance</b>		<b>-1.7</b>

$$f^* = \frac{(r - g)}{1 + g} d$$

<sup>1/</sup> Consider the average GDP 2024-2030. <sup>2/</sup> Considers the average of the implicit interest rate discounted by inflation, average 2024-2030.

Given our growth and real interest rate forecasts, the fiscal deficit required to stabilize gross public debt at a level equivalent to 36% of GDP (projection for 2030) is around 1.7% of GDP.

## Risks to the projections of the fiscal accounts

### Risks

PetroPerú's negative primary results

The recently approved pension system reform (in the baseline projection scenario we have not considered the fiscal cost of the reform because there is still a lot of uncertainty about the estimates and how it will be financed)

The approval of various regulations by Congress that generate public expenditure or reduce fiscal revenue.

Infrastructure portfolio for concession and the update of prioritized addenda in PPP projects

# Projection of the main fiscal indicators

## NON-FINANCIAL PUBLIC SECTOR INDICATORS

	2019	2021	2022	2023	2024	2025 (f)	2026 (f)
<b>Economic result (% of GDP)</b>	-1.6	-2.5	-1.7	-2.8	-3.5	-2.4	-2.1
<b>Assets (% of GDP)</b>	13.6	14.1	12.8	10.4	8.6	8.0	7.6
<b>Gross public debt (% of GDP)</b>	26.5	35.8	33.9	32.9	32.7	33.3	33.8
<b>Net public debt (% of GDP)</b>	12.9	21.7	21	22.5	24.1	25.2	26.2
<b>Gross public debt (% of fiscal revenues)</b>	136	171	153	166	171	165	168
<b>Dollarization of public debt (%)</b>	32	54	52	48	47	45	41
<b>Debt interest (% of GDP)</b>	1.4	1.5	1.6	1.7	1.7	1.8	1.8
<b>Interest (% of fiscal revenues)</b>	7.0	7.2	7.1	8.4	8.9	8.6	9.1

(f) forecasts.

Source: BCRP and BBVA Research (forecasts).

# 02

## Forecasts for the Peruvian economy

### 2.4. External sector



## On the external side, the terms of trade remained at all-time highs due to metal prices

### TERMS OF TRADE

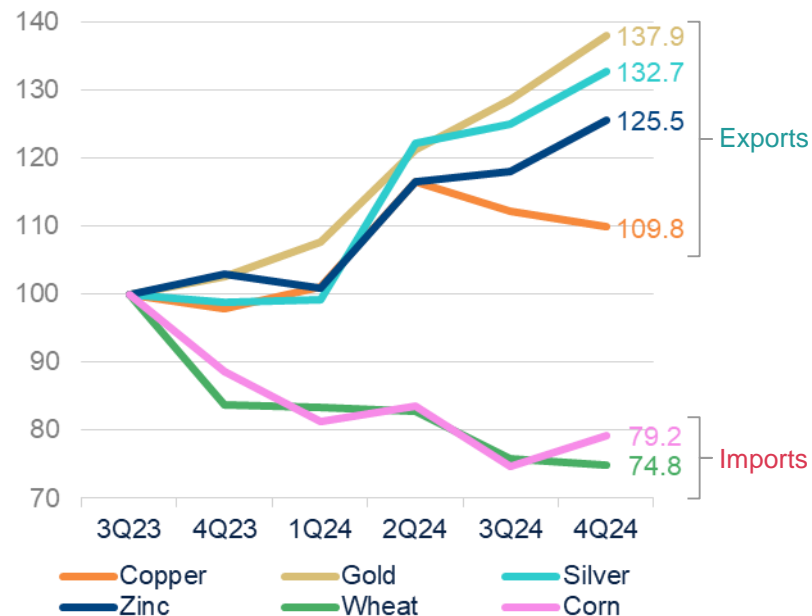
(INDEX, 2007 = 100)



Source: BCRP.

### SELECTED EXPORT AND IMPORT PRICES

(INDEX, 3Q23 = 100)

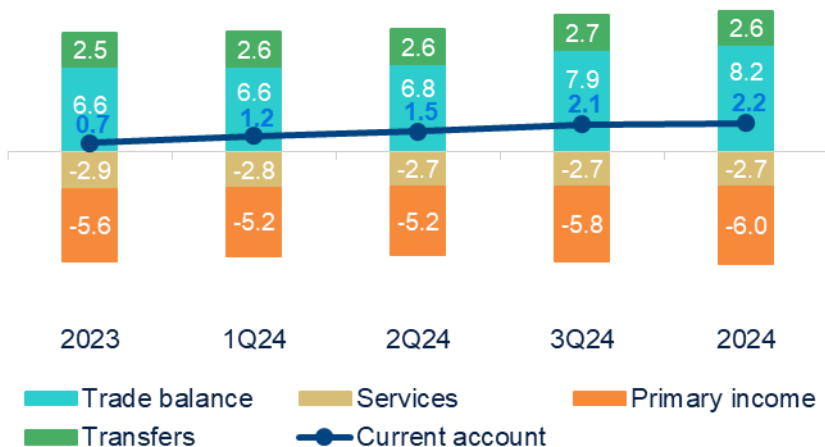


Source: BCRP.

# As a result, the current account surplus of the balance of payments continued to increase

## BALANCE OF PAYMENTS CURRENT ACCOUNT

(ROLLING, LAST 4 QUARTERS, % OF GDP)



- The trade balance surplus remains high, at around USD 24.0 billion in 4Q24.
- Main support factors: higher prices of exported metals and higher volume of exports of both traditional (fishmeal, gold, silver, molybdenum) and non-traditional goods.
- The profits of foreign companies have also benefited from these factors, leading to an expansion in primary income, thus curbing the positive impact of the trade balance on the current account surplus of the balance of payments, which nevertheless continued to increase.
- The increase in private savings is the main factor explaining the lower external savings needs (savings-investment gap) so far this year, more than offsetting the decline in public savings.

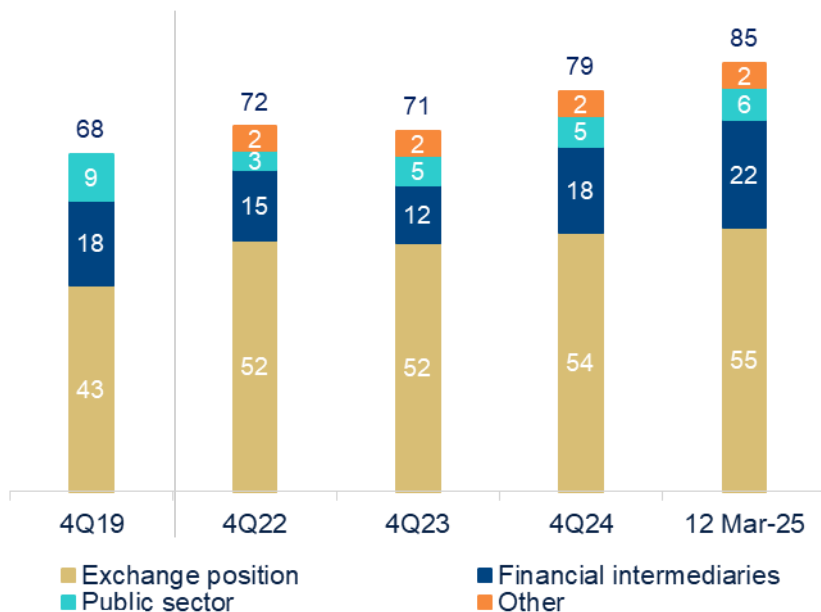
% of GDP (cum. 4Q)	4Q22	4Q23	4Q24
National savings	16.9	18.4	20.3
Public sector	4.3	3.0	2.4
Private sector	12.6	15.4	17.9
External savings	4.1	-0.7	-2.2
Investment <sup>1</sup>	21.0	17.7	18.1

1: Includes inventory accumulation.

Source: BCRP.

## Therefore, the Peruvian economy has relatively low external vulnerability, helping cushion possible episodes of international volatility

### NIR (BILLIONS OF USD)



Source: BCRP.

### INTERNATIONAL LIQUIDITY INDICATORS<sup>1</sup>

	4Q19	4Q23	4Q24	12 Mar-25
Net International Reserves (NIR) (% GDP <sup>1</sup> )	29.3	26.5	27.3	29.3
NIR / Monthly imports <sup>1</sup> (times)	16	14	14	15
NIR / Short-term external debt <sup>1</sup> (times)	8.6	6.0	8.2	8.8
Medium and long-term liabilities (% of GDP)	31.3	34.9	34.3	N/A
Private (% GDP)	14.5	12.3	11.7	N/A
Public (% GDP)	16.8	22.6	22.6	N/A
Short-term liabilities (% of GDP)	3.4	4.4	3.3	N/A

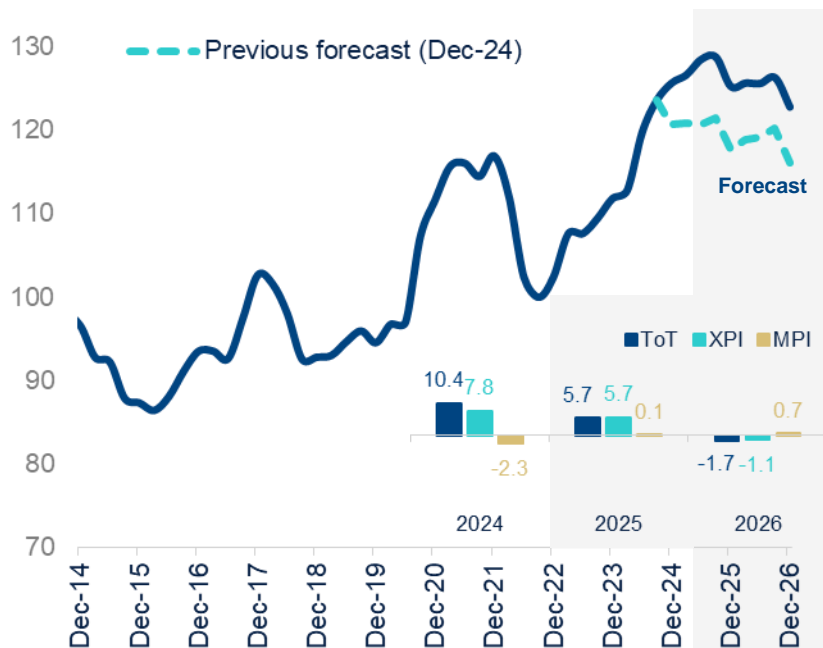
1: Information as of the fourth quarter of 2024.

Source: BCRP.

# Terms of trade will grow a bit more in 2025, despite the impact of Trump 2.0, and will register some downward adjustment in 2026

## TERMS OF TRADE

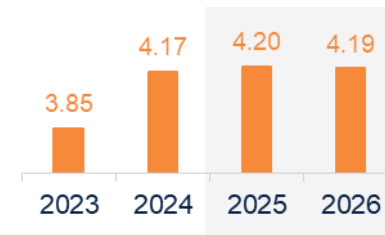
(INDEX, 2007 = 100 AND Y/Y % CHG.)



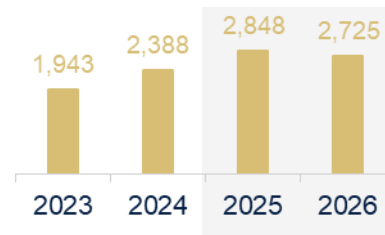
## SELECTED EXPORT AND IMPORT PRICES

(ANNUAL AVERAGE)

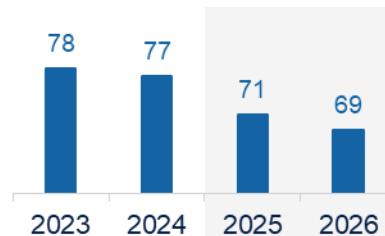
### COPPER (USD PER POUND)



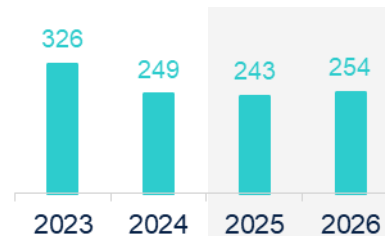
### GOLD (USD PER TROY OUNCE)



### WTI OIL (USD PER BARREL)



### WHEAT (USD PER TON)

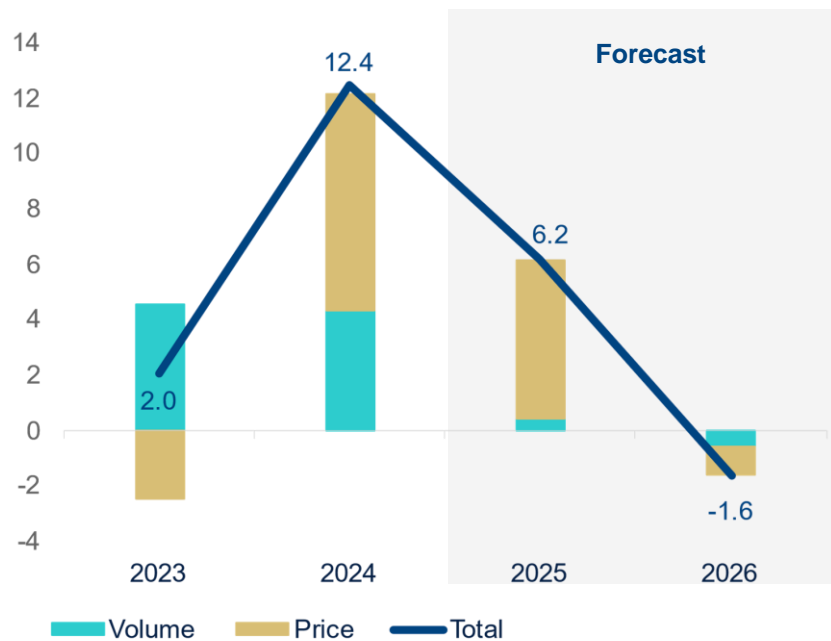


Source: BCRP and BBVA Research (forecasts).

# Metal price momentum dissipates in projection and we expect export volumes to slow their growth

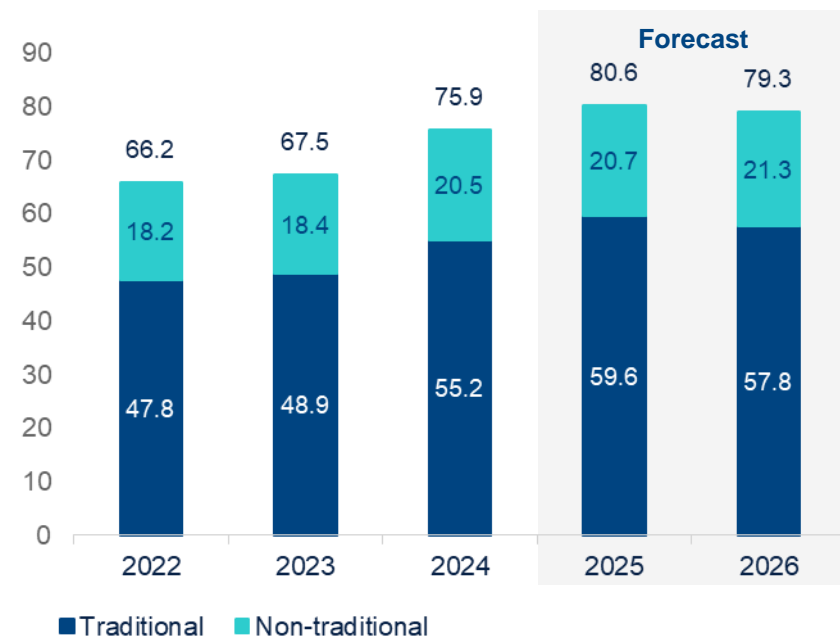
## EXPORTS OF GOODS

(Y/Y % CHG.)



## EXPORTS OF GOODS

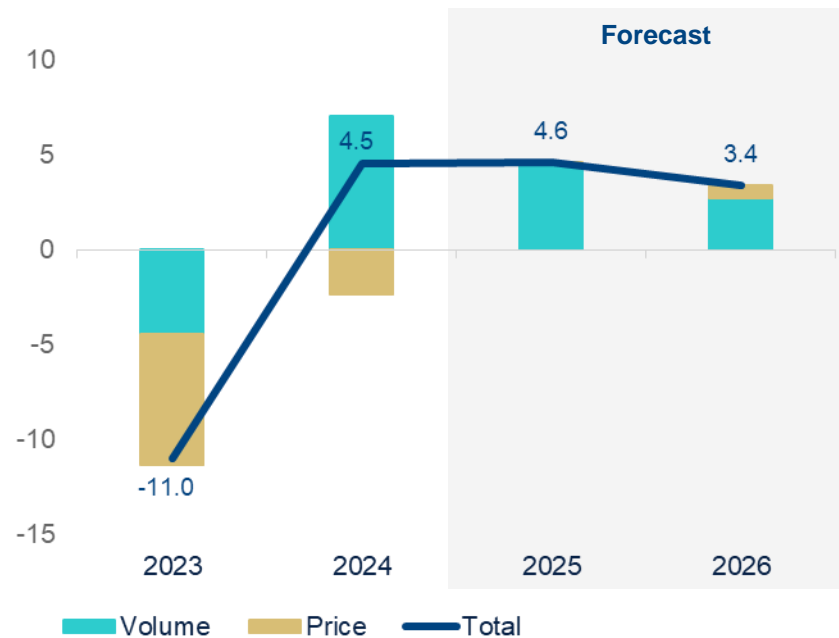
(USD BILLIONS)



## On the side of imports of goods, we anticipate volume growth in 2025 and 2026, alongside the improvement in private spending

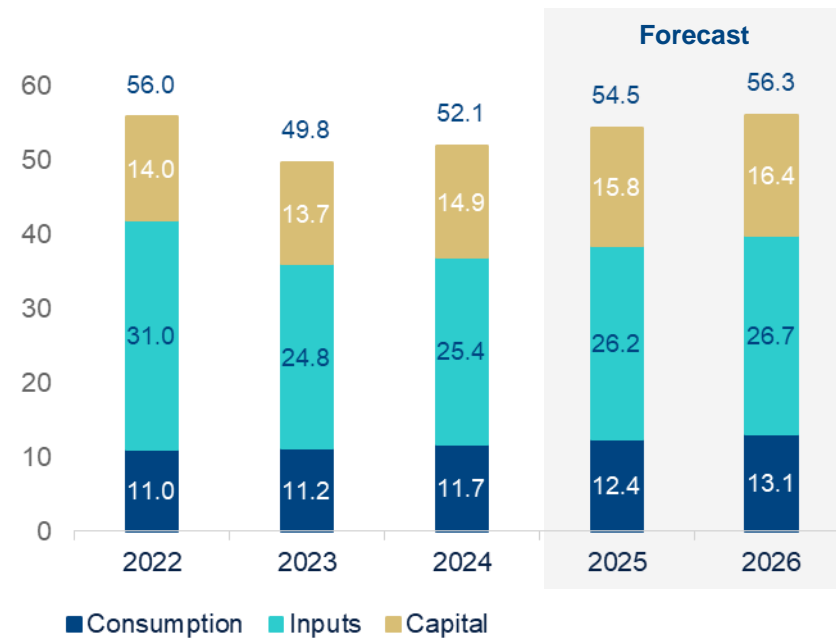
### IMPORTS OF GOODS

(Y/Y % CHG.)



### IMPORTS OF GOODS

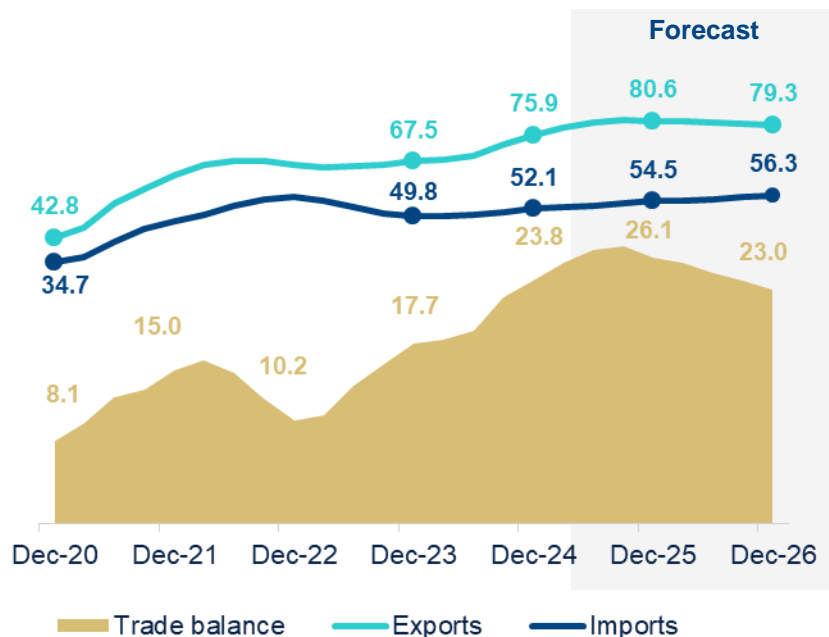
(USD BILLIONS)



## In this context, the trade surplus will increase again this year, but will tend to decrease in 2026, although it will remain at high levels

### TRADE BALANCE

(USD BILLIONS, ROLLING LAST 12 MONTHS)



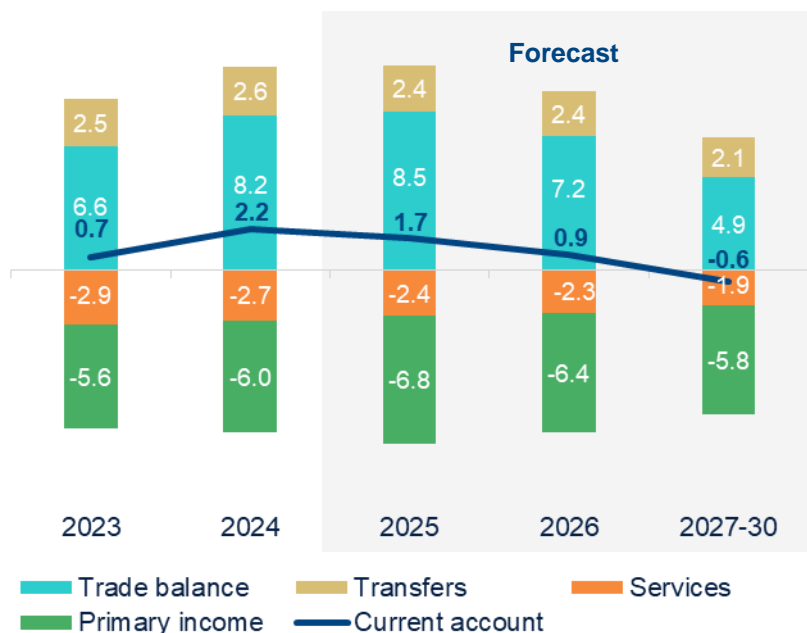
Source: BCRP and BBVA Research (forecasts).

- In 2025, the trade surplus will rise due to metal prices and volumes similar to those of the previous year, despite the trade policies that the Trump administration will implement.
- Looking ahead to 2026, we expect to see a decline in export prices (especially metals), while import prices will increase only slightly after the contractions seen in the previous years. The increase in the volume of imports (associated with a sustained recovery in domestic demand) will also contribute to the reduction of the trade surplus, which will still remain high.
- Compared to the previous financial year, we now anticipate a higher trade balance due to better terms of trade.

## The current account of the balance of payments will remain in surplus for the next two years, mainly due to the favorable performance of the trade balance

### BALANCE OF PAYMENTS CURRENT ACCOUNT

(% OF GDP)



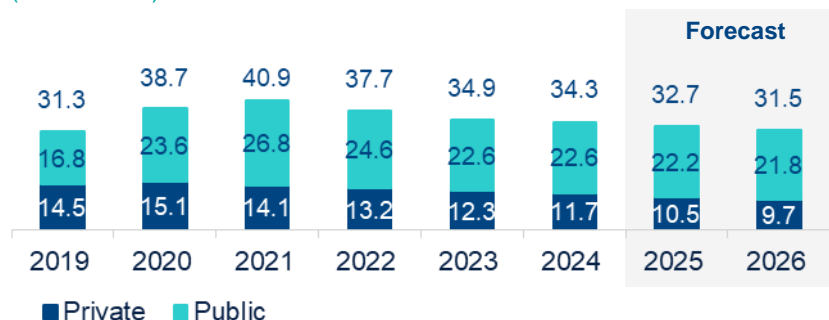
- The surplus in the current account of the balance of payments will tend to moderate in 2025 and 2026, following the behavior of the trade balance and also the higher profits of foreign companies operating in the country (primary income) consistent with high metal prices and recovery of domestic demand, but they decline from 2026 onward.
- The improved performance of the balance of services in the coming years, which mainly reflects the recovery of inbound tourism, will somewhat temper the moderation of the external surplus.



# The strength of the external accounts and the limited need for international financing will remain one of the strengths of the Peruvian economy

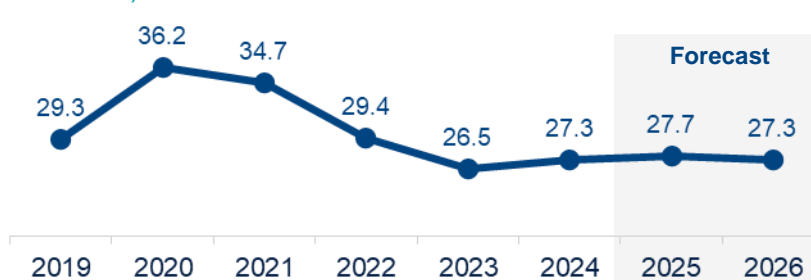
## MEDIUM-AND LONG-TERM EXTERNAL LIABILITIES

(% OF GDP)



## NET INTERNATIONAL RESERVES

(% OF GDP)



Source: BCRP and BBVA Research (forecasts).

■ Current account surplus and lower interest rates imply that the economy will remain strong on the external side moving forward under the baseline scenario.

■ In this line of solidity of the external accounts, medium- and long-term external liabilities will be gradually reduced as obligations are amortized in the absence of significant financing needs for 2025-2026.

## NET INTERNATIONAL RESERVES

	2020	2021	2022	2023	2024	2025	2026
RIN/GDP (%)	36.2	34.7	29.4	26.5	27.3	27.7	27.3
Net International Reserves / short-term external debt	7.5	8.1	7.4	6	8.2	8.9	9.1

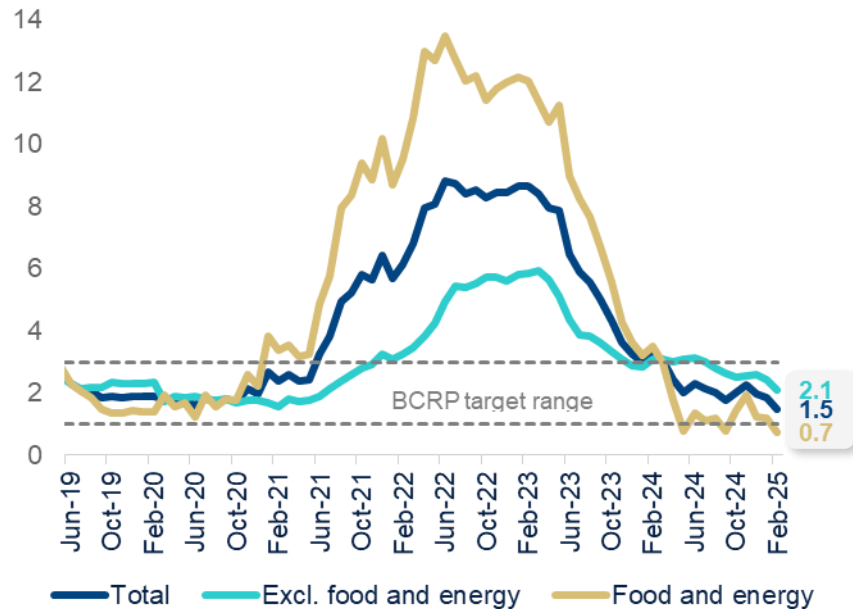
# 02

## Forecasts for the Peruvian economy

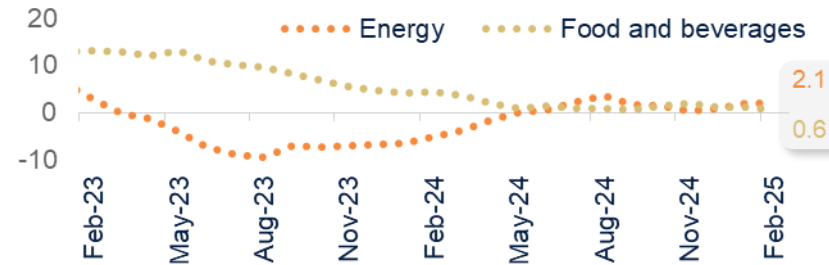
2.5. Inflation, monetary policy  
and exchange rate

# The various inflation indicators remain comfortably within the central bank's target range...

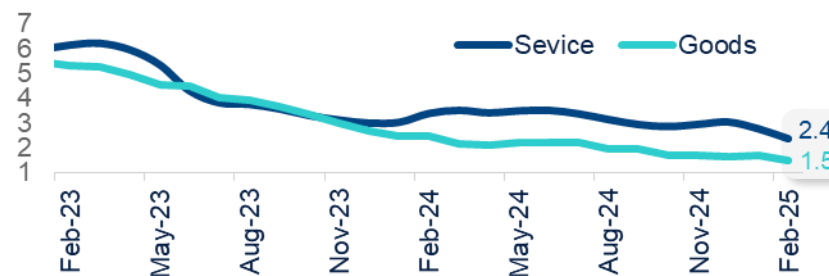
## INFLATION: TOTAL & UNDERLYING (YoY % CHANGE IN THE CPI)



## INFLATION: FOOD & ENERGY (Y/Y % CHG.)



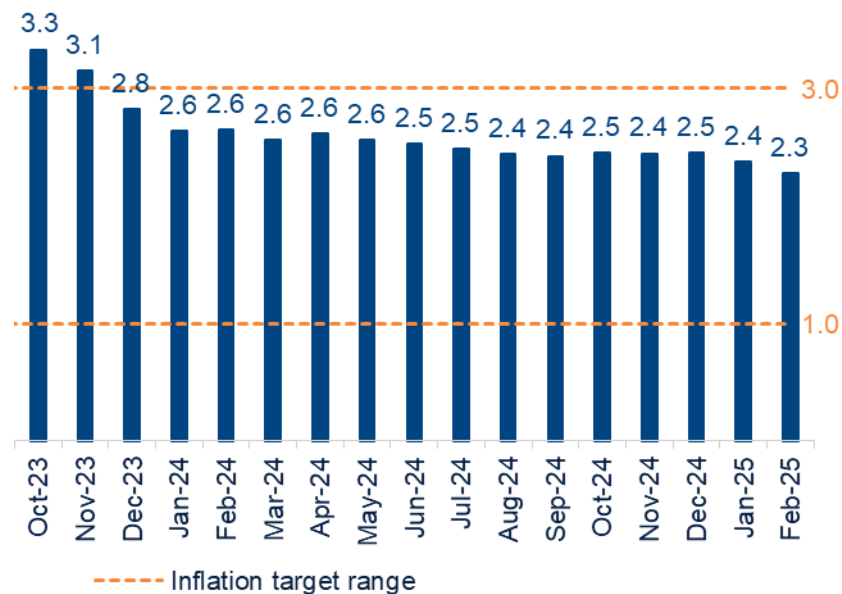
## CORE INFLATION: SERVICES AND GOODS (Y/Y % CHG.)



## ... as well as inflationary expectations

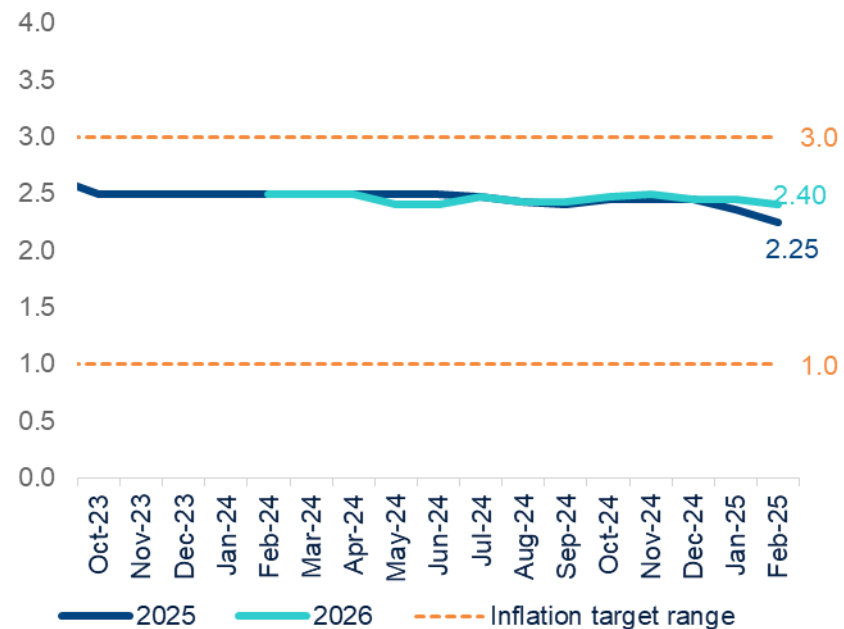
### 1-YEAR AHEAD INFLATION OUTLOOK

(YoY % CHANGE EXPECTED FOR THE CPI)



### INFLATION FORECASTS

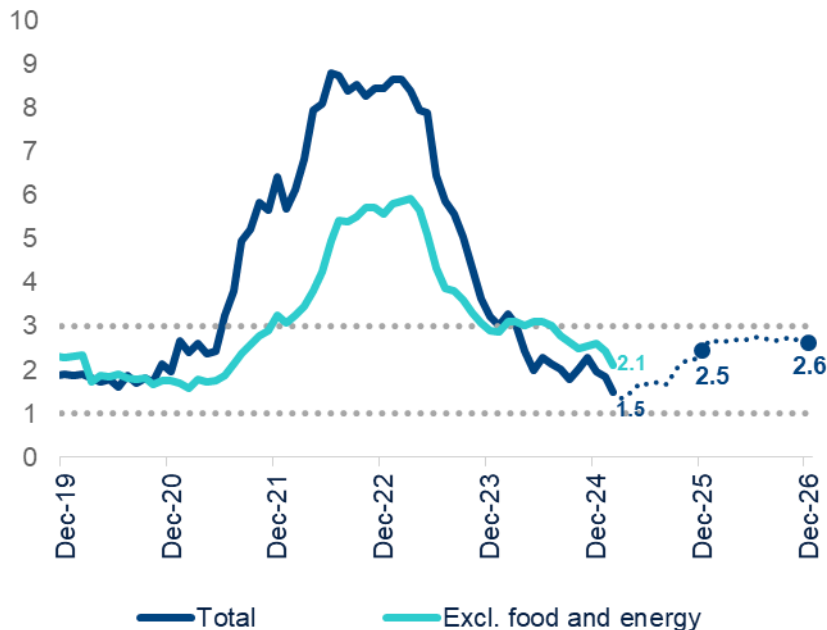
(FOR YEAR-END, %)



## Over the forecast horizon, the baseline macro scenario is consistent with an absence of significant inflationary pressures

### INFLATION

(YoY % CHANGE IN THE CPI)



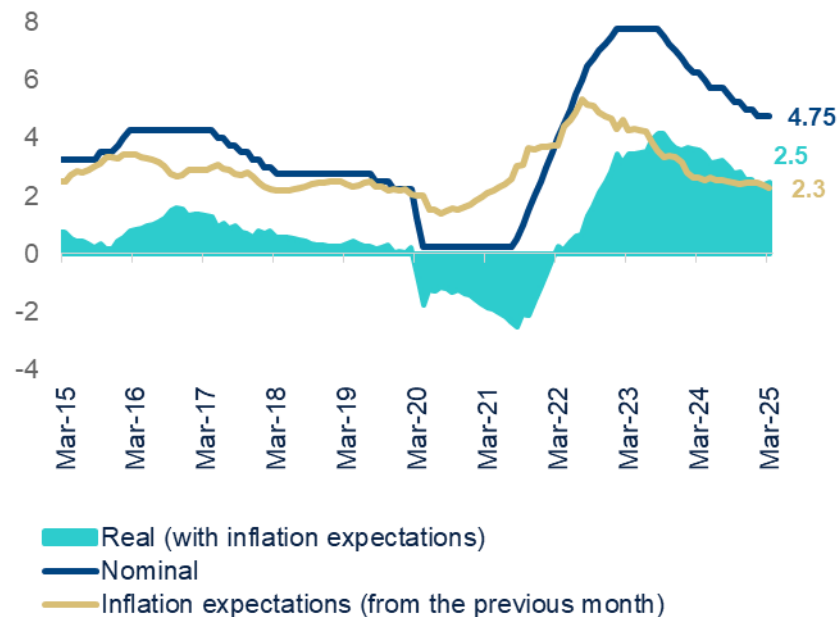
Source: INEI, BCRP, and BBVA Research (projections).

- In the short term, the baseline scenario considers that inflation will remain around its current level (1.5%) and will then rise gradually (due to a low base of comparison) and will stand around 2.5% at the end of the year. Thus, it will remain within the target range (2%, +/- one percentage point).
- This performance mainly reflects anchored inflationary expectations (currently at 2.4%), but with activity growing a bit above its potential rate and a low year-on-year comparison basis in the last months of the year. Thus, our previous projection is maintained: lower implementation and depreciation of the PEN, but higher GDP growth and lower oil price decline.
- For 2026, we anticipate a normalization of the pace of food price growth, bringing inflation closer to its long-term levels.

## The Central Bank maintained the pause in monetary policy, and proceeds with caution in the face of greater uncertainty due to trade policies

### MONETARY POLICY INTEREST RATE

(%)

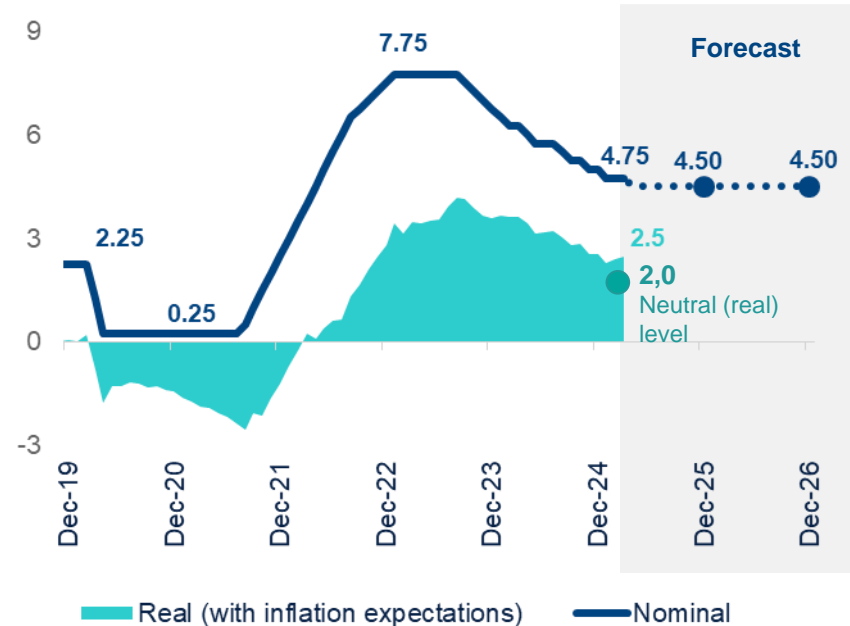


- The BCRP has been normalizing the monetary position since September 2023, albeit gradually: 12 reductions of 25 bp each, reaching a level of 4.75% last March.
- The BCRP's March statement said that it expects inflation to head toward the lower limit of the target range in March, but that it will be somewhat transitory, while indicators of confidence and the current situation of the economy are in positive territory for the second consecutive month.
- On the external side, it anticipates that the Fed will delay in lowering its policy rate. In addition, uncertainty persists over U.S. trade policies.

## Under the baseline scenario, we reckon the monetary stance should reach a neutral level within the first few months of 2025

- With inflation comfortably within the target range, inflation expectations anchored, and activity close to its potential, we estimate that there will soon be an additional 25 bp cut in the rate, bringing it down to 4.50%.
- The timing of the rate cut will depend, above all else, on what happens in the financial markets, due to the natural uncertainty over Trump 2.0.
- In 2Q25, the monetary normalization process would conclude, when the policy rate reaches a level of 4.50%, which we estimate to be neutral (2.0% real rate and 2.5% medium-term inflation). However, additional declines in inflation expectations a year ahead could lead the BCRP to implement one more cut (of 25 bp).

### MONETARY POLICY RATE (%)



Source: BCRP and BBVA Research (forecasts).

## Trump's policy moderation, high metal prices, and good performance in China generated appreciation pressures on the PEN

### EXCHANGE RATE

(PEN-USD)



Source: BCRP (information as of March 17).

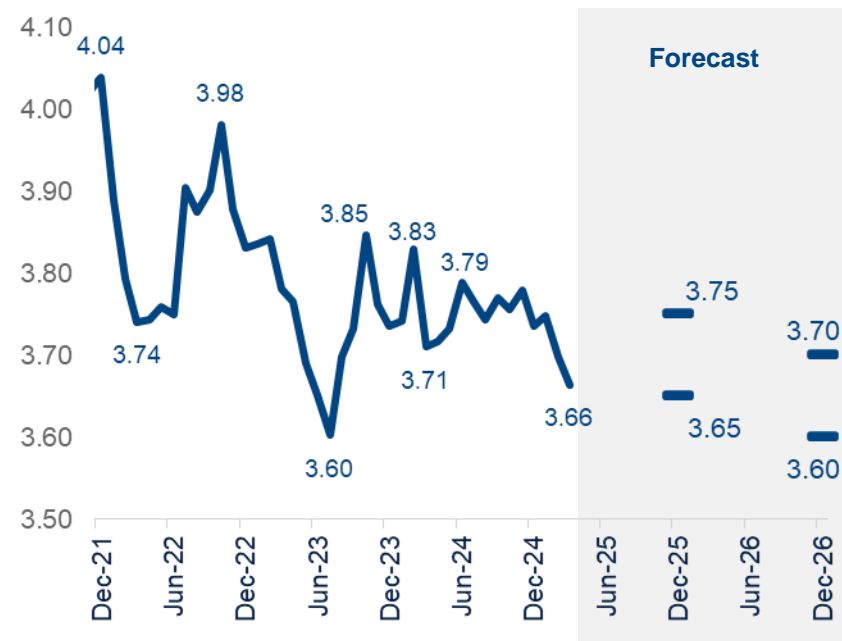
- The PEN has been experiencing appreciative pressures associated with (i) offshore companies seeking to unwind long positions in USD, (ii) regularization of income tax payments (which entails the supply of dollars by non-resident companies), (iii) weak data on both activity and financial activities in the U.S., (iv) high copper and gold prices, (v) expectation of stimuli from the German and Chinese governments and (vi) high trade surpluses. Some of these elements will continue to be supported in the coming months.
- Uncertainty associated with Trump's trade policies has introduced some volatility along the appreciation path.



## We anticipate that the strength of the PEN will continue in the coming months with some volatility due to announcements by the Trump administration

- Strong external surplus, stimuli in Europe and China, as well as seasonal factors will continue to support the PEN. The uncertainty about the consequences of the policies that Trump would implement will inject a degree of volatility to the exchange rate in the coming months.
- The short-term interest rate differential in 2025 will not be very different from the previous year. However, toward the end of 2025, more defensive positions will likely be taken given the proximity of the general elections, which will exert upward pressure on the exchange rate. The high trade surplus will continue to support the PEN. In this context, we expect the year to end in a range between 3.65 and 3.75 soles per dollar.
- From mid-2026 onward, when the Fed resumes its monetary normalization process (following a lengthy hiatus in 2H25 and 1H26), the PEN-USD rate differential will widen to favor the PEN, which will strengthen as a result.
- These forecasts for the exchange rate are lower than in the previous base scenario due to the improvement in the terms of trade.

**Exchange rate\***  
(SOLES PER USD, MONTH AVERAGE)



\* As of March 17  
Source: BCRP and BBVA Research (forecasts).

# 03

## The main risks to Peru's economic outlook

## Main risks to Peru's baseline forecast scenario

### EXTERNAL RISKS

Weaker demand due to greater uncertainty, structural challenges in Europe and China, spending cuts in the U.S. and tensions in debt markets (negative impact)

Negative supply shocks due to trade/migration policies in the U.S., geopolitical conflicts or climate shocks (negative impact)

The U.S. imposes trade tariffs on small countries such as Peru? (negative impact)

Stronger demand driven by fiscal policies (tax cuts in the U.S., defense spending in the eurozone, and stimulus in China), dynamism in services, and recovery in manufacturing (positive impact)

Positive supply shocks due to lower energy prices (policies in the U.S. , end of the war in Ukraine (positive impact)

### LOCAL RISKS

Problems in the recovery of PetroPerú (negative impact)

Election result adverse to the market economy (negative impact)

Increase in insecurity due to increased crime and the spread of illegal economies (negative impact)

Advance of infrastructure and mining projects (positive impact)

Greater recovery of mining production (positive impact)

# 04

## Summary of macroeconomic forecasts

## Summary of macroeconomic forecasts

	2023	2024	2025 (f)	2026 (f)
<b>GDP (% chg.)</b>	-0.4	3.3	3.1	2.7
<b>Domestic demand (excluding inventories, % chg.)</b>	-0.6	3.2	3.4	2.8
<b>Private spending (% chg.)</b>	-1.6	2.7	3.3	2.9
Private consumption (% chg.)	0.1	2.8	2.9	2.8
Private investment (% chg.)	-7.3	2.6	4.4	2.9
<b>Public expenditure (% chg.)</b>	4.1	5.3	3.8	2.7
Public consumption (% chg.)	4.6	2.3	2.5	2.2
Public investment (% chg.)	2.8	14.1	7.1	4.1
<b>Exports (% chg.)</b>	4.9	5.1	2.6	1.8
<b>Imports (% chg.)</b>	-1.3	6.9	4.0	2.8
<b>Exchange rate (vs. USD, EOP)</b>	3.74	3.72	3.65-3.75	3.60-3.70
<b>Inflation (% y/y, EOP)</b>	3.2	2.0	2.5	2.6
<b>Monetary policy interest rate (% , EOP)</b>	6.75	5.0	4.5	4.5
<b>Fiscal balance (% of GDP)</b>	-2.8	-3.5	-2.4	-2.1
<b>Current account balance of payments (% of GDP)</b>	0.8	2.2	1.7	0.9
Exports (USD billion)	67.5	75.9	80.6	79.3
Imports (USD billion)	49.8	52.1	54.5	56.3

(f) Forecast. Forecast closing date: March 17 , 2025.

Source: BBVA Research.

## Summary of macroeconomic forecasts

	2023	2024	2025 (f)	2026 (f)
<b>GDP (% chg.)</b>	-0.4	3.3	3.1	2.7
<b>Primary GDP (% chg.)</b>	<b>2.9</b>	<b>4.1</b>	<b>2.3</b>	<b>1.6</b>
Agricultural	-2.3	4.9	3.2	2.5
Fishing	-21.2	24.9	2.3	0.9
Mining <sup>1</sup>	8.1	2.0	1.3	0.6
Primary manufacturing	-2.3	8.2	5.3	4.7
<b>Non-primary GDP (% chg.)</b>	<b>-1.3</b>	<b>3.1</b>	<b>3.3</b>	<b>3.0</b>
Non-primary manufacturing	-8	2.5	3.1	3.0
Construction	-8.2	3.6	4.0	2.5
Trade	2.4	3.0	3.1	2.8
Other services	0.4	3.2	3.3	3.1

(f) Forecast. Forecast closing date: March 17, 2025.

1: Includes metal mining and hydrocarbons

Source: BBVA Research.

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# Peru Economic Outlook

March 2025