

June 2026

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# Peru Economic Outlook

# Contents

## 1 Global scenario

### 1.1 Context and forecasts

## 2 Peruvian economy forecasts

### 2.1 Baseline scenario considerations

### 2.2 Economic activity

### 2.3 Fiscal balance and public debt

### 2.4 External sector

### 2.5 Exchange rate, inflation, and monetary policy

## 3 Main risks

### Main risks to forecasts for the Peruvian economy

## 4 Macroeconomic forecasts

### Summary of macroeconomic forecasts

# Main messages: global macro outlook

## Global economic activity remains resilient



despite higher inflation and some (limited) financial tightening stemming from the conflict in Iran, which has been lasting more than initially anticipated. The ongoing AI boom and other tailwinds continue to sustain global growth.

## Growth will be weaker than previously forecast, particularly in Europe.



However, a sharp slowdown will likely be avoided, assuming energy prices moderate from 2H26 and severe energy supply disruptions do not trigger non-linear effects.

## Inflation will be higher than expected, above 3 % in both the US and Europe in 2H26.



Still, absent second-round effects, it should moderate in 2027. The Fed is likely to keep rates unchanged until at least mid-2027, while the ECB is expected to adjust rates slightly upward going forward.

## Risks are large and tilted to the downside.



Oil reserve withdrawals have so far cushioned demand, but this buffer is temporary and vulnerabilities will increase if the conflict persists. Beyond geopolitics, potential risks also stem from AI, US policies, and sovereign debt markets, among others.

# Key messages: domestic macro outlook

## Economic activity



The Peruvian economy has performed well so far in 2026, expanding by 3,5 % y/y in the first quarter of the year. This was a positive surprise, as it occurred despite the March disruption in gas transport from the Camisea field. Domestic demand maintained solid momentum, particularly private spending, both consumption and investment. These trends have continued at the start of the second quarter.

Economic growth in the coming quarters of the year will be shaped mainly by the conflict in the Middle East and its impact on oil prices, weather conditions, and the election outcome. In the baseline scenario, the Peruvian economy will grow by 3,1 % in 2026.

This forecast is two-tenths of a percentage point above the March baseline scenario: although oil prices will take longer to normalize and weather forecasts have deteriorated, it takes into account the positive GDP growth surprise in the first quarter and that we expect that the incoming government administration will create a more market-friendly environment.

Next year, once supply shocks have dissipated and despite the fact that weather anomalies will probably still be affecting the country in the first quarter, GDP growth is expected to reach 3,5 %.

## Fiscal accounts



The fiscal deficit narrowed to 2,1 % of GDP in the first quarter of 2026 (2,2 % at the end of last year) and to 1,6 % in May (Central Bank estimate). The decline is a result of the positive impact on fiscal revenues of stronger economic activity and favorable export prices. Lower public investment (as a percentage of GDP) and the improvement in state-owned firms' earnings have also contributed to the deficit reduction.

The baseline forecast scenario incorporates spending on military equipment and higher labor benefits for a group of public-sector workers, but also the stronger expected economic growth and somewhat more favorable export prices (copper, in particular). As a result, the fiscal deficit should end the year at a level equivalent to 2,1 % of GDP and at 1,9 % in 2027.

This implies gross public debt will remain around 30 % of GDP this year and the next. Peru's fiscal accounts will thus continue to compare favorably with those of other countries in the region. Maintaining that position requires ensuring that Congress does not have spending initiative and properly managing the difficulties still facing the state-owned oil company.

# Key messages: domestic macro outlook

## External accounts



In a context of high terms of trade that continue to support the trade balance, and despite the dynamism of domestic demand (which induces a higher volume of imports), the current account surplus of the balance of payments reached 4,3 % of GDP in the first quarter of the year (last four quarters accumulated). It is the highest since 2006.

The high copper and gold prices expected for the remainder of the year and in 2027—and assuming that the sharp increase in the international oil price is temporary and gradually dissipates—suggest that the average level of the terms of trade will increase again this year and will remain high next year.

As a result, the current account of the balance of payments will remain in surplus in 2026 at a similar level to that of 2025 (when it reached 3,5 % of GDP) and around 2,0 % in 2027.

## Exchange rate



The conflict in the Middle East and the domestic electoral process generated volatility in the Peruvian foreign exchange market, which has been contained by Central Bank intervention.

In the baseline scenario, the exchange-rate impact of these tensions will be transitory. After the electoral process -that we assume will lead to a new government that maintains the type of macroeconomic management of the last 30 years-, with the conflict in the Middle East in the process of being resolved, and with external accounts remaining comfortably in surplus, the domestic currency will tend to strengthen.

Thus, in our forecast, the exchange rate will close 2026 in a range between 3,20 and 3,30 soles per dollar (as a daily average for December). In 2027 it will end in a similar range.

# Key messages: domestic macro outlook

## Inflation



The conflict in the Middle East led to a significant increase in oil prices, which locally has been reflected in fuel and transport prices, without major second-round effects. Inflation reached 3,9 % in May, above the target range (2 %, +/- one percentage point).

Although in the baseline scenario the oil price will tend to decline, the strength of private spending, the upward impact of weather anomalies on some prices, and the low y/y comparison base suggest that there is not much room for inflation to ease soon.

Hence, we expect inflation to stand above 3,5 % in the coming months and to be around 4 % at end-2026. In 2027, after weather conditions normalize, inflation will ease and end that year at around 2,3 %.

## Monetary policy interest rate



Although inflation exceeds the target range, the Central Bank has not increased the policy rate, which remains at 4,25 %. It expects this increase in inflation to be temporary. However, in a context in which the monetary stance is expansionary, inflation will remain outside the target range for several more months, and strong private spending, it is difficult to rule out some interest rate tightening.

For this reason, the baseline scenario envisages an increase in the monetary policy interest rate in the second half of the year, ending 2026 at 4,75 %. In 2027, with lower inflation, there will be room to normalize rates.

## Main risks to GDP growth forecasts



The main external risks that could divert economic growth projections include: (i) a more prolonged conflict in the Middle East; (ii) new negative supply shocks (tariffs, geopolitics, weather); (iii) adjustments associated with artificial intelligence; (iv) financial tensions due to the Trump administration's pressure on the Fed or a debt crisis in a major economy.

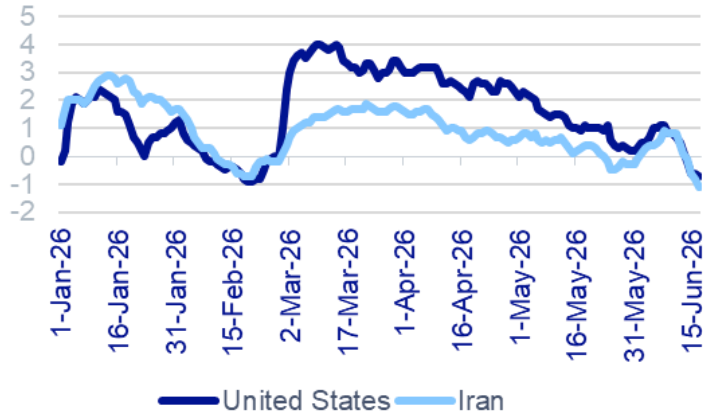
The main local risks include: (i) weather anomalies more severe than considered; (ii) an increase in political or social conflict; (iii) greater insecurity associated with rising crime; (iv) expansion of illegal economies; (v) a more favorable impact from the high terms of trade; (vi) a more positive private-sector response to the new government; and (vii) a new release of pension funds in 2026.

1. Context and forecasts

# Global scenario

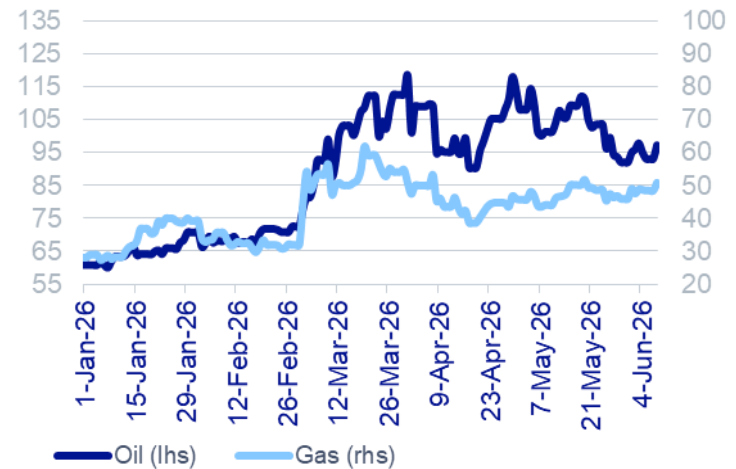
# The conflict in the Middle East is putting pressure on energy prices, although expectations point to a decline following the recent agreement

## GEOPOLITICAL RISK INDEX (28-DAY MOVING AVERAGE)



1: Series centered at zero. Risk can be Low ( $x < -1$ ), Neutral ( $-1 \leq x \leq 1$ ), High ( $1 < x \leq 3$ ), or Extreme ( $x > 3$ )  
Source: BBVA Research

## OIL AND EUROPEAN GAS PRICES (DOLLARS PER BRENT BARREL; EUROS PER MWH)

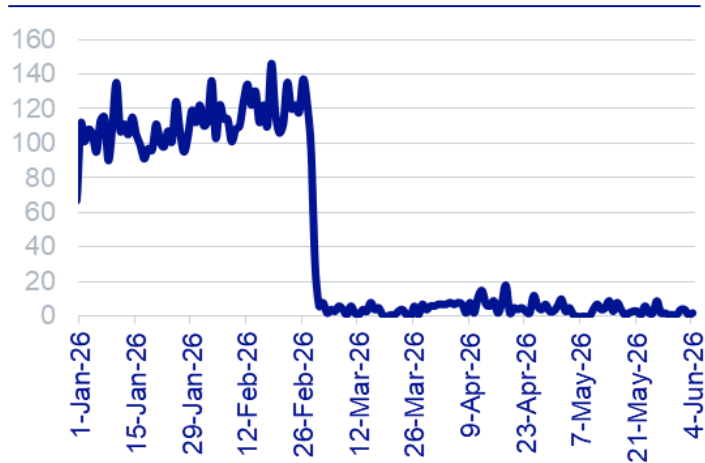


Source: BBVA Research based on Haver data

**Although an agreement to end the conflict with Iran could be within reach, the situation remains highly uncertain, with non-negligible risks of more persistent tensions**

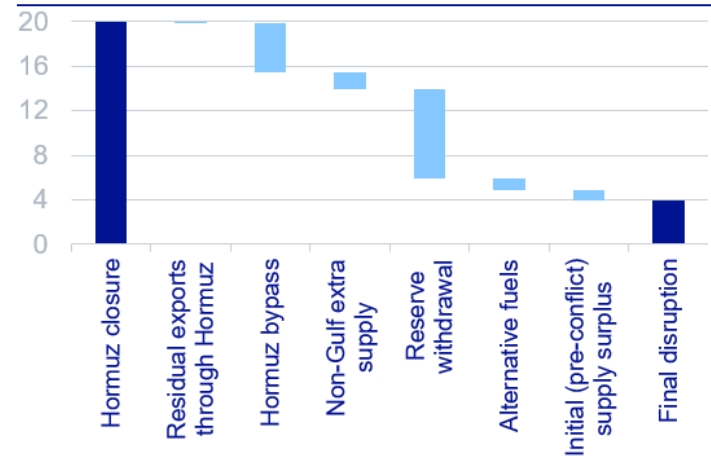
# Factors offsetting oil disruptions have been insufficient and temporary

**TRANSIT THROUGH STRAIT OF HORMUZ**  
(NUMBER OF VESSELS)



Source: BBVA Research based on data from Haver

**SHORT-TERM OIL MARKET BALANCE UNDER A STRAIT OF HORMUZ CLOSURE**  
(MILLION BARRELS A DAY)



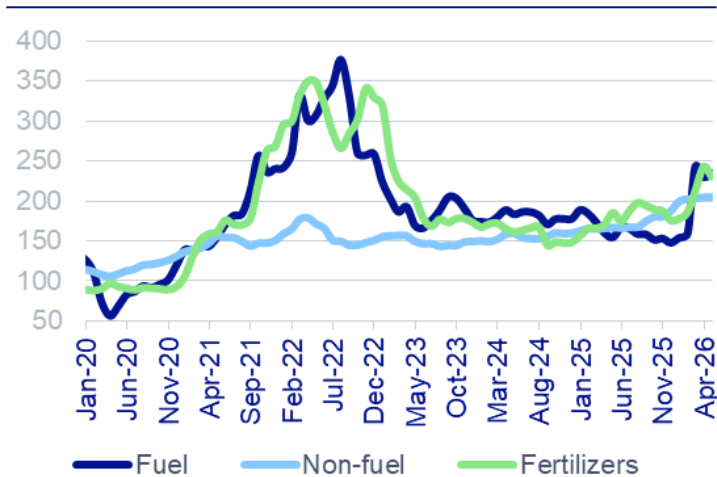
Source: BBVA Research

**With the Strait of Hormuz practically closed, countries have been relying on reserve withdrawals to avoid sharper demand adjustments, but concerns are that inventories may be depleted over the next few months**

# Geopolitical tensions are also affecting non-energy inputs and supply chains

## COMMODITY PRICES

(SPOT PRICES, INDICES: 2016=100)



Source: BBVA Research based on IMF data

## GLOBAL SUPPLY CHAIN PRESSURE INDEX

(STANDARD DEVIATIONS FROM THE MEAN)



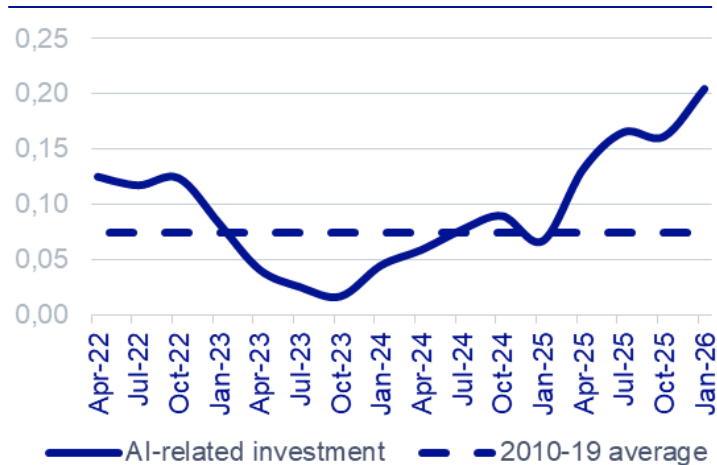
Source: BBVA Research based on NY Fed data

**The increase in fuel and fertilizer prices is putting pressure on other inputs and supply chains; but commodities and bottlenecks remain less strained than four years ago.**

# Despite the Iran conflict, growth and market sentiment are being sustained by the AI boom and other tailwinds

## US: AI-RELATED INVESTMENT (\*)

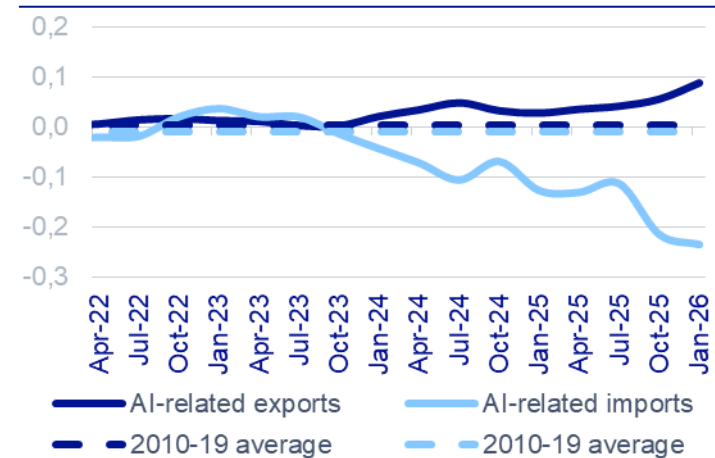
(CONTRIBUTION TO QUARTERLY GDP GROWTH;  
FOUR-QUARTERS MOVING AVERAGE: PP)



(\*) AI-related investment defined as investment in information processing, investment in softwares and investment in data centers.  
Source: BBVA Research based on data from FRED and US Census Bureau

## US: AI-RELATED EXPORTS AND IMPORTS (\*)

(CONTRIBUTION TO QUARTERLY GDP GROWTH;  
FOUR-QUARTERS MOVING AVERAGE: PP)

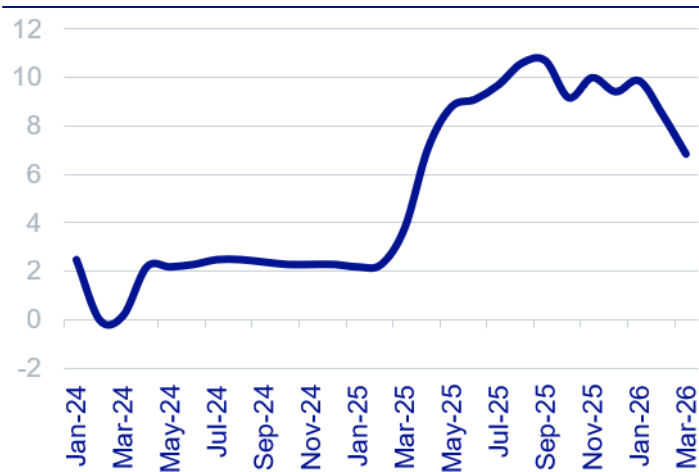


(\*) AI-related exports (imports) defined as exports (imports) of computer, peripherals and parts and of telecommunications, computer, and information services.  
Source: BBVA Research based on data from US Census Bureau

**AI is boosting economic activity through investment, trade and consumption (due to wealth effects), mainly in the US; other tailwinds include fiscal stimuli (reinforced by recent mitigatory measures), defense spending, robust labor markets, sound private balance sheets, and demand for green products**

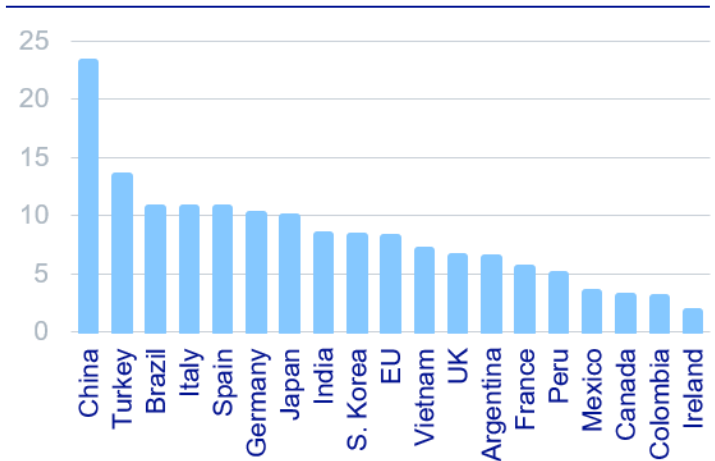
# US tariffs have been declining, but recent developments suggest new protectionism measures are likely ahead

US EFFECTIVE TARIFF  
(PP)



Source: BBVA Research based on data from the USITC

US EFFECTIVE TARIFF: MARCH, 2026  
(PP)



Source: BBVA Research based on data from the USITC

The US government has signaled it may raise tariffs on EU automobiles by 10pp to 25% and has indicated that new tariffs of at least 10%, under Section 301 of the Trade Act of 1974, could replace the temporary 10% universal levies announced after the legal suspension of reciprocal and fentanyl tariffs

# Growth was weaker than expected in 1Q26, with stagnation in the Eurozone and more resilience in the US and China

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

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

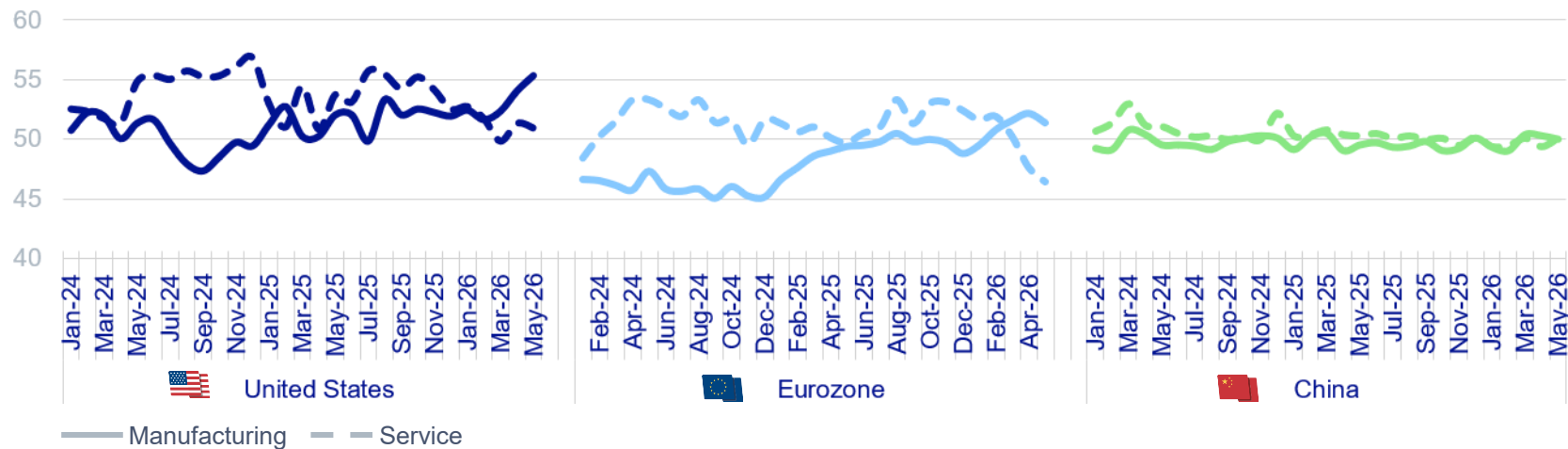


Source: BBVA Research based on data from Haver

**Consumption moderation and weak net exports weighed on US and Eurozone growth in 1Q26, with AI-driven investment providing support in the former; in China, domestic demand remains constrained by the housing market adjustment, although exports continue to provide support**

# High-frequency data point to an impact of Iran tensions on activity, particularly in services and in Europe

**PMI INDICATORS** (HIGHER THAN 50: EXPANSION; LOWER THAN 50: CONTRACTION)

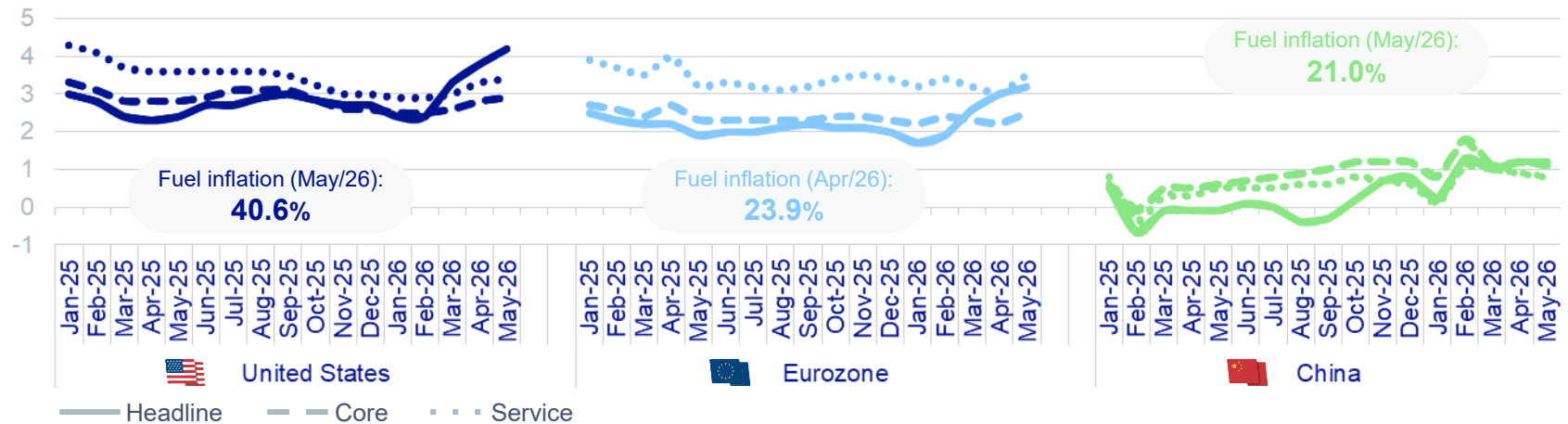


Source: BBVA Research based on data from Haver

**Manufacturing continues to improve, possibly reflecting the AI adoption boom; labor market data point to resilience, and even some improvement in the US, while soft indicators are increasingly concerning in Europe**

# Inflation has accelerated after the recent surge in energy prices, with no clear second-round effects, so far

CPI INFLATION: HEADLINE, CORE AND SERVICE (Y/Y %)

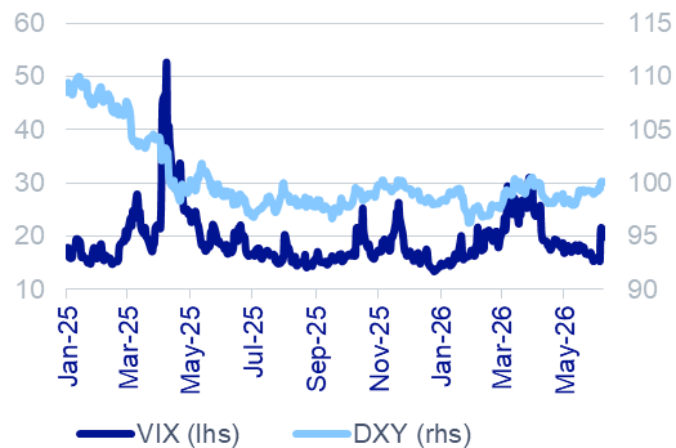


Source: BBVA Research based on data from Haver

**Core inflation has increased slightly since tensions in Iran began; wages continue to grow significantly less than in previous years, despite some persistence; short-term inflation expectations have risen lately, but long-term expectations remain broadly anchored**

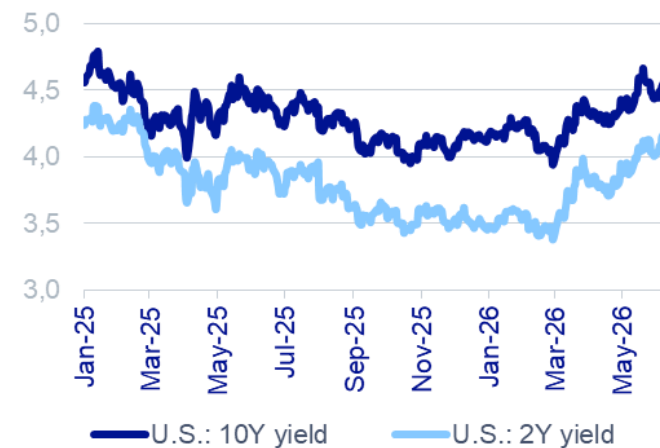
# Market sentiment remains benign, but sovereign yields continue to trend up on inflation and fiscal concerns

**VOLATILITY (VIX); US DOLLAR (DXY)**  
(INDEXES)



Source: BBVA Research based on data from Haver

**US SOVEREIGN YIELDS**  
(%)



Source: BBVA Research based on data from Haver

**Markets are now pricing in a 25bp rate hike by the Fed and two additional rate hikes by the ECB this year**

# Commodity prices are expected to remain higher than previously anticipated and above 2025 levels over 2026-27

COMMODITY PRICE FORECASTS, COMPARED TO PREVIOUS FORECASTS AND 2025 LEVELS  
(%, ANNUAL AVERAGES)

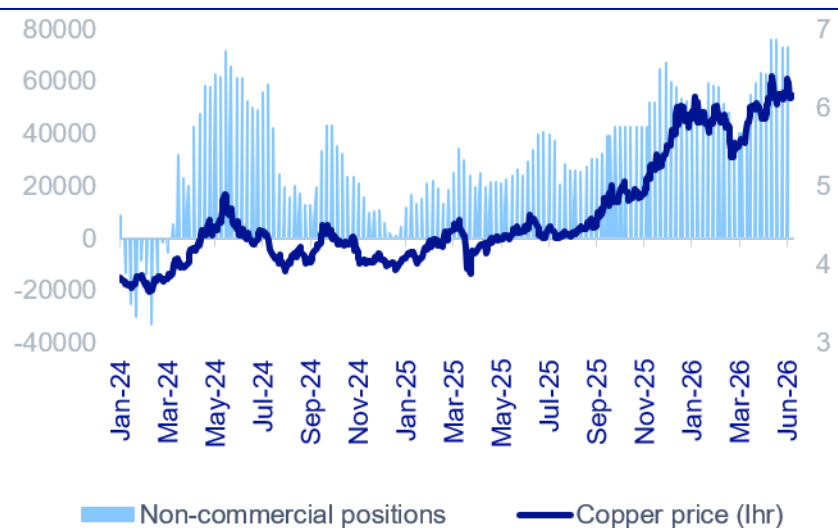


Source: BBVA Research

**Higher energy prices tend to raise other commodity prices through higher production costs and demand for biofuels; in addition, the Hormuz closure also directly disrupts the global supply of fertilizers, sulfur, helium, and other critical inputs, further increasing food and metal prices**

# Copper: the price remains at high levels, albeit with volatility

**COPPER PRICE AND NON-COMMERCIAL POSITIONS<sup>1</sup>**  
(USD PER POUND - NUMBER OF CONTRACTS)



- At the beginning of 2026, the copper price stood at around USD 5.90/lb, with volatility due to uncertainty associated with the Trump administration's tariff policy.
- After the conflict in the Middle East began, the copper price weakened due to greater risk aversion and because higher fuel prices dampened global growth prospects.
- It has subsequently regained ground: demand for investment in AI infrastructure remains solid, supporting increases in non-commercial positions, and supply remains constrained.

% change relative to...			
Level in 09/06	27/02	YTD	Year
USD 6.17	+2	+9	+37

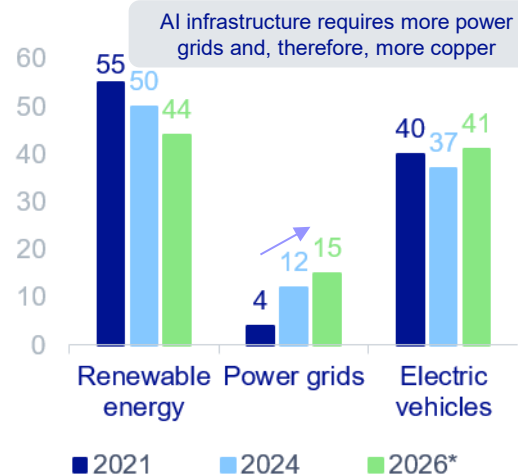
<sup>1</sup>: information as of June 09  
Source: BCRP, COMEX, and BBVA Research

# Copper demand: support from AI infrastructure investment and manufacturing performance in China

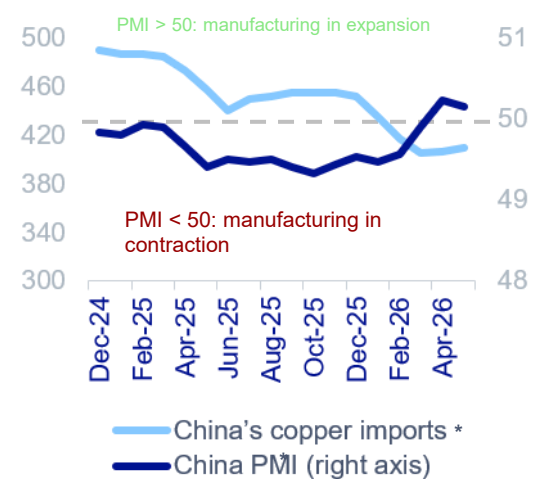
## ANNOUNCED INVESTMENT IN AI INFRASTRUCTURE

Company	Capex (2026)	Investment destination
Amazon	USD 200bn	AI infrastructure (expansion of data centers, chips, etc.)
Microsoft	USD 190bn	Data centers and cloud capacity
Alphabet	USD 180bn	Data centers and in-house chips
Meta	more than USD 145bn	AI infrastructure and data centers
<b>Total</b>	<b>USD 725bn</b>	

## GLOBAL COPPER CONSUMPTION LINKED TO ELECTRIFICATION AND RENEWABLE ENERGY (%)



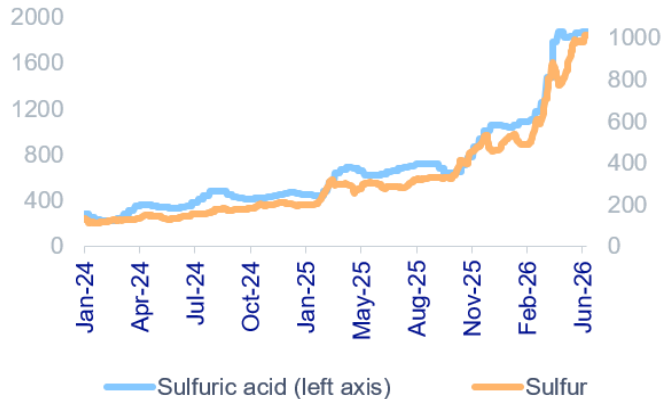
## CHINA: PMI AND COPPER IMPORTS (THOUSAND METRIC TONS – INDEX)



\* Three-month moving average

# Copper supply: lower availability of inputs, which affected copper production, mainly in Chile

**SULFUR AND SULFURIC ACID PRICE**  
(RMB PER METRIC TON – USD PER METRIC TON)



By raising costs, the rise in sulfuric acid prices negatively affects copper production by leaching. It mainly affects Chile and Asia (excl. China)

**GLOBAL COPPER PRODUCTION<sup>1</sup>**  
(THOUSAND METRIC TONS)

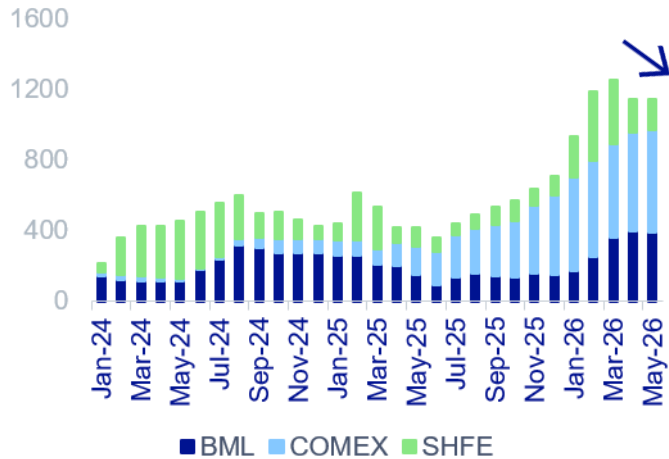


	DR Congo	China	Rest of the world
1Q26	10.0%	8.8%	-1.4%

<sup>1</sup>: In addition to input supply problems, production has been affected by lower ore grades and operational challenges at mature deposits.  
Source: International Copper Study Group (ICSG) and Cochilco

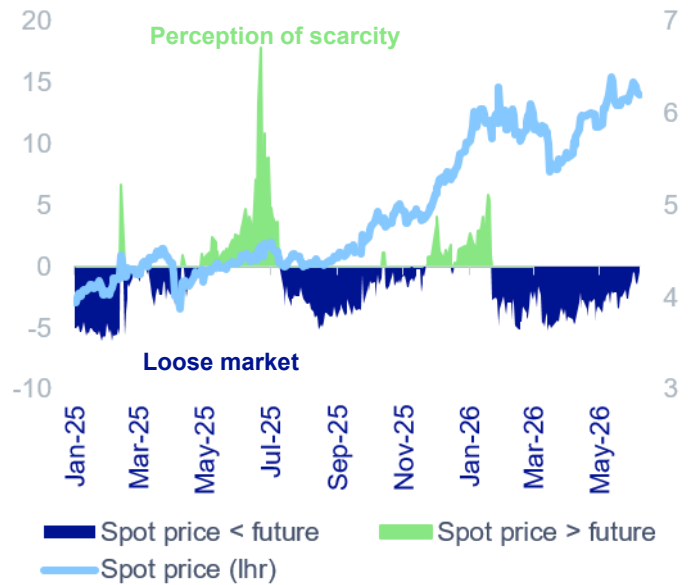
# Copper inventories are declining, although their levels do not suggest significant scarcity pressures

**COPPER INVENTORIES BY MARKET**  
(THOUSAND METRIC TONS IN STOCK)



	Oct-25	Nov-25	Dec-26	Jan-26	Feb-26	Mar-26
Inventory days	19	21	23	25	33	26

**COPPER PRICE, SPOT-3M SPREAD<sup>1</sup>**  
(CUSD PER POUND - USD PER POUND, LME)



\* Information as of June 09  
/1: Spot price < future (loose market), spot price > future (perception of scarcity)  
Source: International Copper Study Group and Cochilco

# Copper market balance: stabilizes this year and will improve next year

## WORLD BALANCE OF REFINED COPPER (MILLION METRIC TONS)

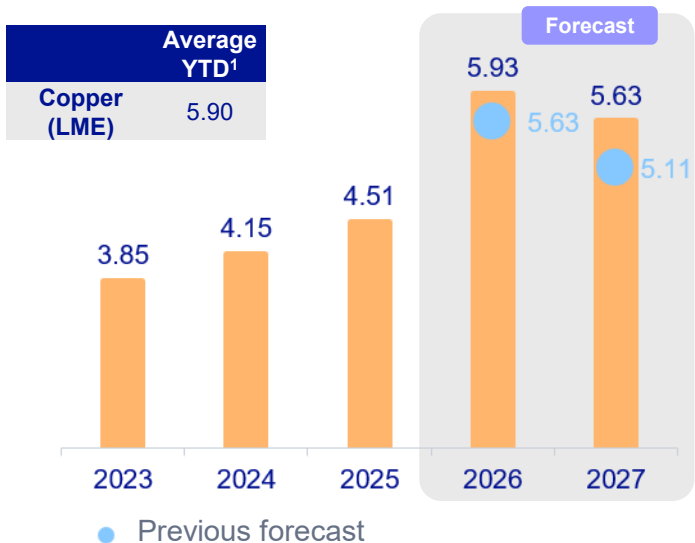
	2025		2026 e		2027 e	
	Ktmf	Ktmf	Chg.	Ktmf	Chg.	
<b>(1) Mine product</b>	23 187	23 303	0.5%	24 398	4.7%	
<b>(2) Refined supply</b>	27 615	28 167	2.0%	28 956	2.8%	
Primary	23 605	24 068	2.0%	24 744	2.8%	
Secondary	4 010	4 099	2.2%	4 212	2.8%	
<b>(3) Refined demand</b>	27 739	28 155	1.5%	28 803	2.3%	
China	15 422	15 730	2.0%	15 809	0.5%	
RW	12 317	12.245	0.5%	12 994	1.8%	
<b>(2)-(3): Refined balance</b>	-123	12		153		

- For the remainder of 2026, a decline in the copper price is expected: global growth will show some moderation due to the impact of the high cost of energy. The decline should not be very pronounced because the market will remain relatively tight.
- In 2027, we expect a more pronounced correction in the copper price as metal supply increases from projects such as Oyu Tolgoi (Mongolia) and Malmyz (Russia), while Grasberg (Indonesia) production normalizes.

# In consequence, copper price forecasts are revised upward in 2026 and 2027

## COPPER PRICE

(USD PER POUND, LME)



<sup>1</sup>: information as of June 09.  
Source: BCRP and BBVA Research (forecasts)

## 2026

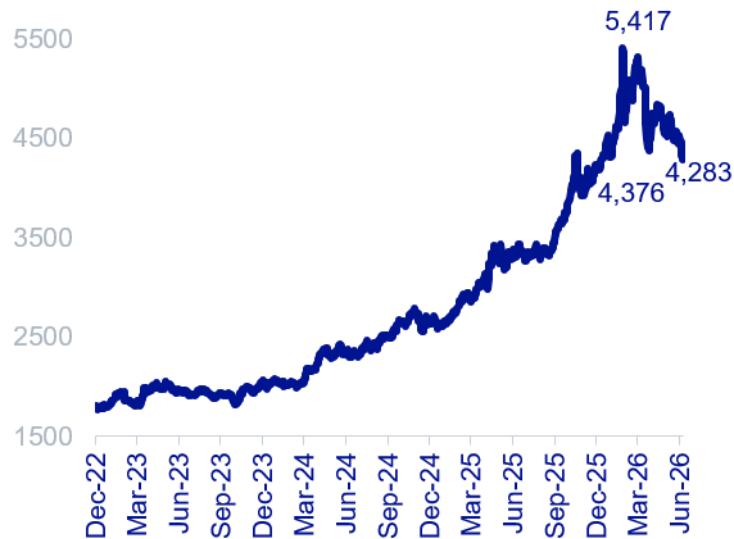
- **Demand:** greater investment in AI infrastructure, electrification, manufacturing recovery, and higher copper imports by China boost copper consumption.
- **Supply:** higher costs and lower availability of refining inputs (e.g., sulfur, sulfuric acid) due to tensions in the Middle East limit production.

## 2027

- **Support:** more favorable financial conditions and dollar weakness sustain high prices.
- **Moderation:** supply surplus from new projects (Oyu Tolgoi, Mongolia; Malmyz, Russia) and normalization of Grasberg (Indonesia) reduce upward pressures.

# Gold: the price declined significantly after the outbreak of the conflict in the Middle East

**GOLD PRICE<sup>1</sup>**  
(USD PER TROY OUNCE)

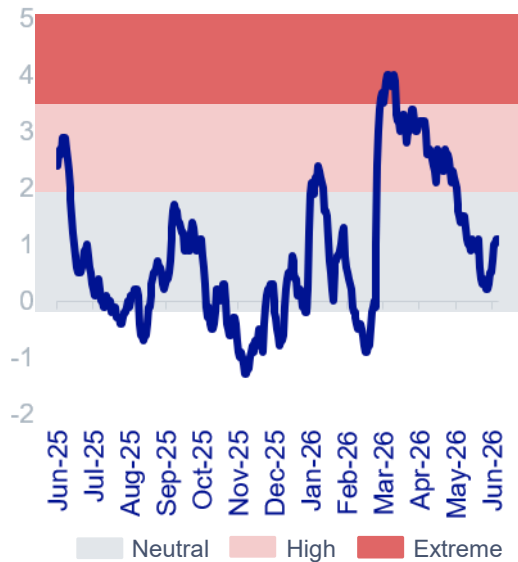


- The gold price has fallen sharply following the outbreak of the conflict in the Middle East (-19% since February). It is one of the assets with the largest downward correction.
- Safe-haven demand amid geopolitical tensions and greater risk aversion was more than offset by inflationary pressures and higher real rates in the US.
- High levels of public debt in developed economies and (the dollar is not what it used to be) reinforce gold's appeal as a store of value and hedging asset, keeping it still at high levels.

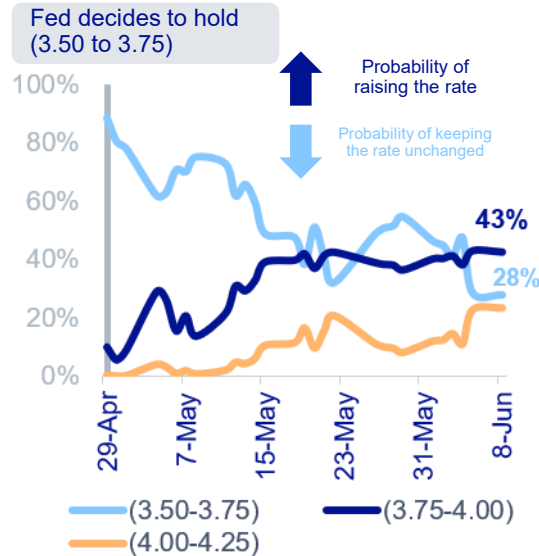
<sup>1</sup>: information as of June 09  
Source: BCRP

# Gold: geopolitical risk and expectations of higher rates moderate demand for assets backed by this metal

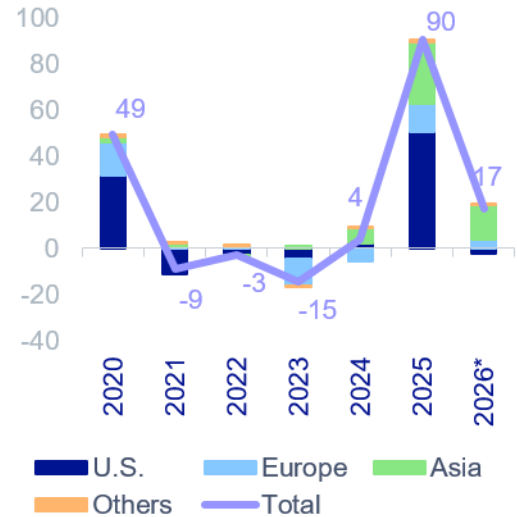
## US GEOPOLITICAL RISK<sup>1</sup> (INDEX)



## FED RATE EXPECTATIONS (PROBABILITY THAT THE FED SETS ITS YEAR-END RATE AT ...)



## FLOWS OF GOLD-BACKED ETFs (THOUSAND METRIC TONS)



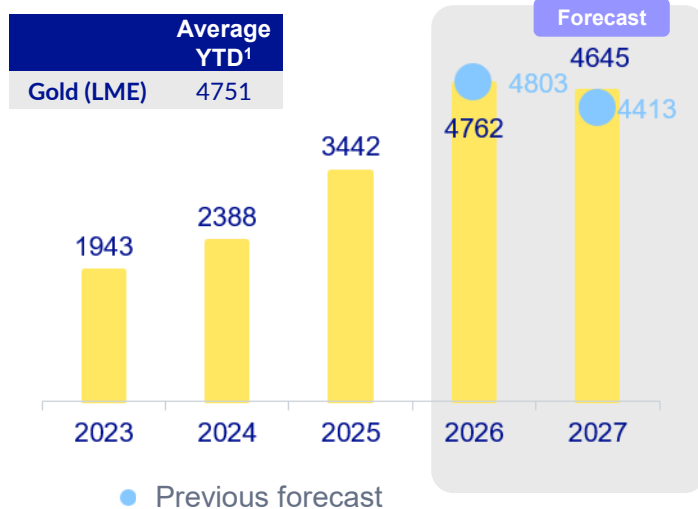
\* Estimated

/1: Index built by BBVA Research based on the tone and coverage associated with the GDELT search for the intersection of two sets of keywords, following the methodology of Caldara, Dario and Matteo Iacoviello (2022).  
Source: BBVA Research, CME, and World Gold Council

# Beyond a slight adjustment, we expect the price of gold to remain at a high level

## GOLD PRICE

(USD PER TROY OUNCE)



/1: information as of June 09.  
Source: BCRP and BBVA Research (forecasts)

## 2026

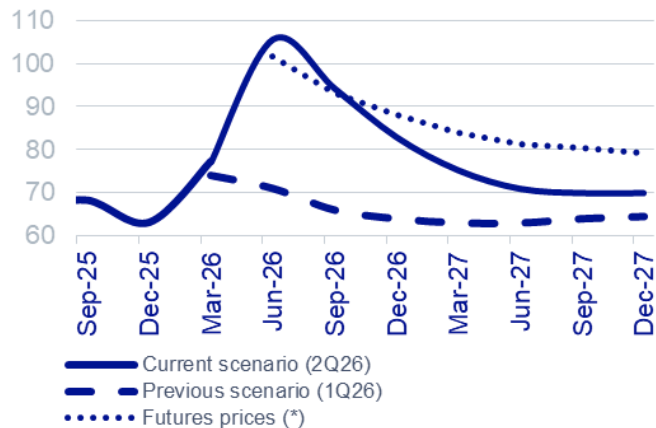
- Inflationary pressures stemming from the conflict in the Middle East keep interest rates elevated for longer, increasing the opportunity cost of holding gold and moderating demand for gold and gold-backed assets.

## 2027

- The start of the Fed's policy-rate cut cycle creates favorable financial conditions for gold demand, although the gradual normalization of global conflicts partially limits increases by reducing demand for safe-haven assets.

# The baseline assumes a more adverse and persistent shock from the war in Iran, although not a disruptive one

## BRENT PRICES: BBVA RESEARCH FORECASTS, FUTURES PRICES (USD/BARREL)



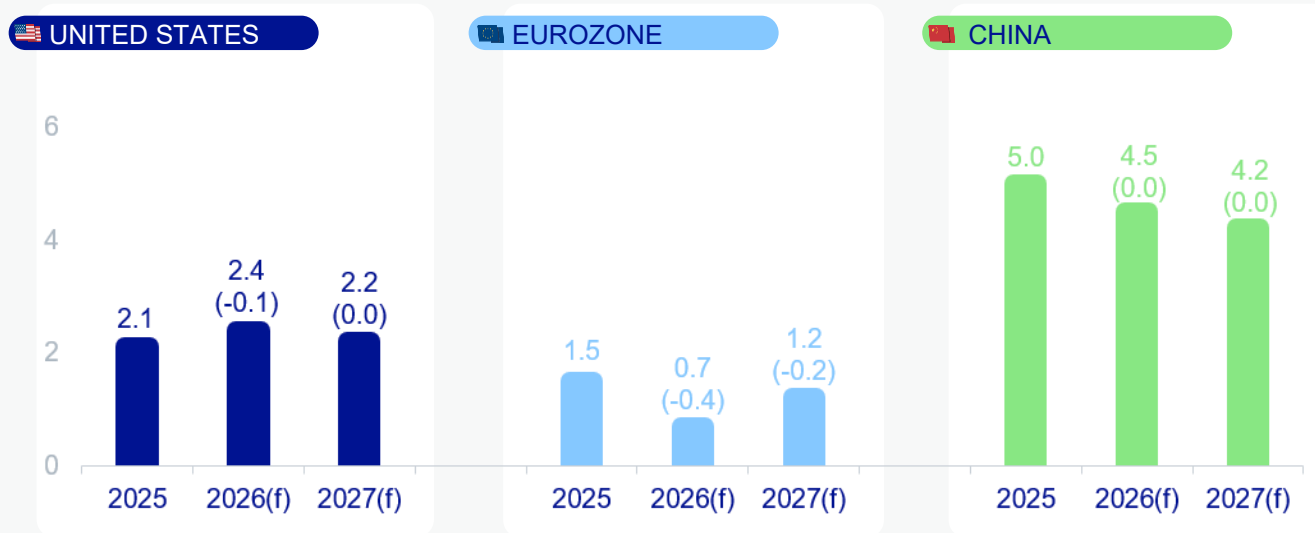
	2026 average	2027 average
2Q26 Baseline scenario	90	72
1Q26 Baseline scenario	69	64

- **More prolonged tensions than anticipated**, consistent with Hormuz reopening around mid-year.
- **Slow normalization of energy prices:**
  - geopolitical risk premium to remain in place.
  - affected production infrastructure.
  - slow logistical normalization.
  - strategic reserves rebuilding.
- **Some factors could favor low energy prices:**
  - UAE exit from OPEC risks spurring price war.
  - potential lifting of sanctions on Iran.
- **Higher prices of non-energy inputs and supply bottlenecks** add to the energy shock.

# Growth will stay firm in the US and China but weaker in the EZ; a sharp slowdown will be avoided if the war does not drag on

## GDP GROWTH (\*)

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



**Weaker-than-expected 1Q26 data and a prolonged conflict lead to a slight downgrade of US growth and a larger cut to the Eurozone forecast; China's slowdown outlook remains unchanged despite strong exports and resilient activity**

(\*) After expanding by 3.5% in 2025, global GDP is forecast to grow by 3.1% in 2026 (0.1pp lower than the previous forecast) and by 3.3% in 2027 (unchanged from the previous forecast).

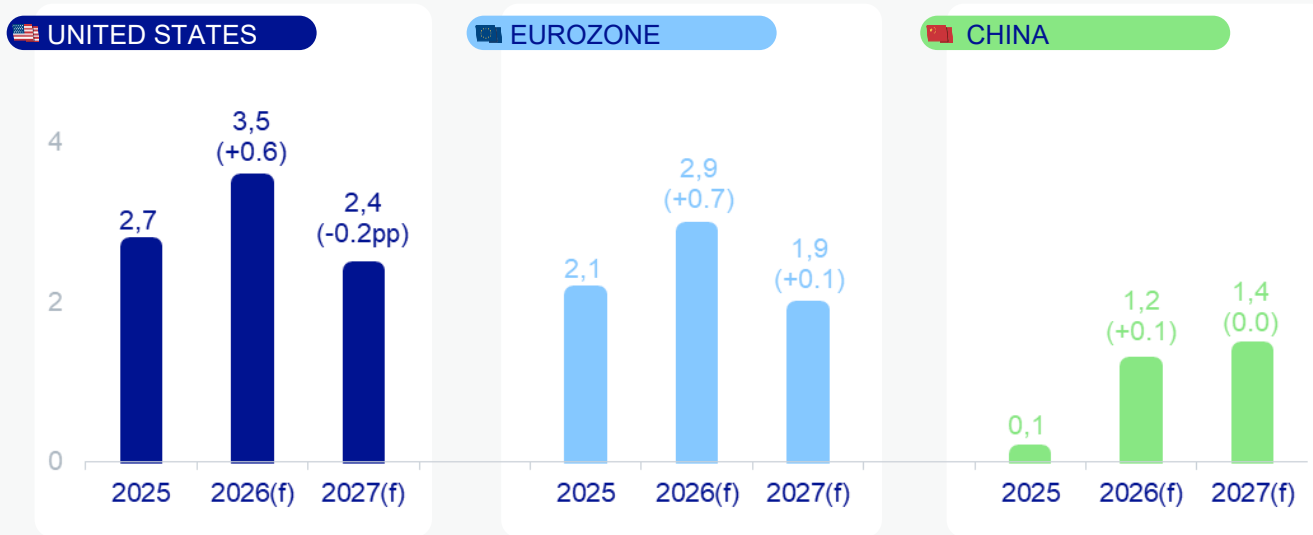
(f): forecast.

Source: BBVA Research

# The 2026 inflation outlook has worsened significantly, but inflation should fall in 2027 absent large second-round effects

## HEADLINE CPI INFLATION

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



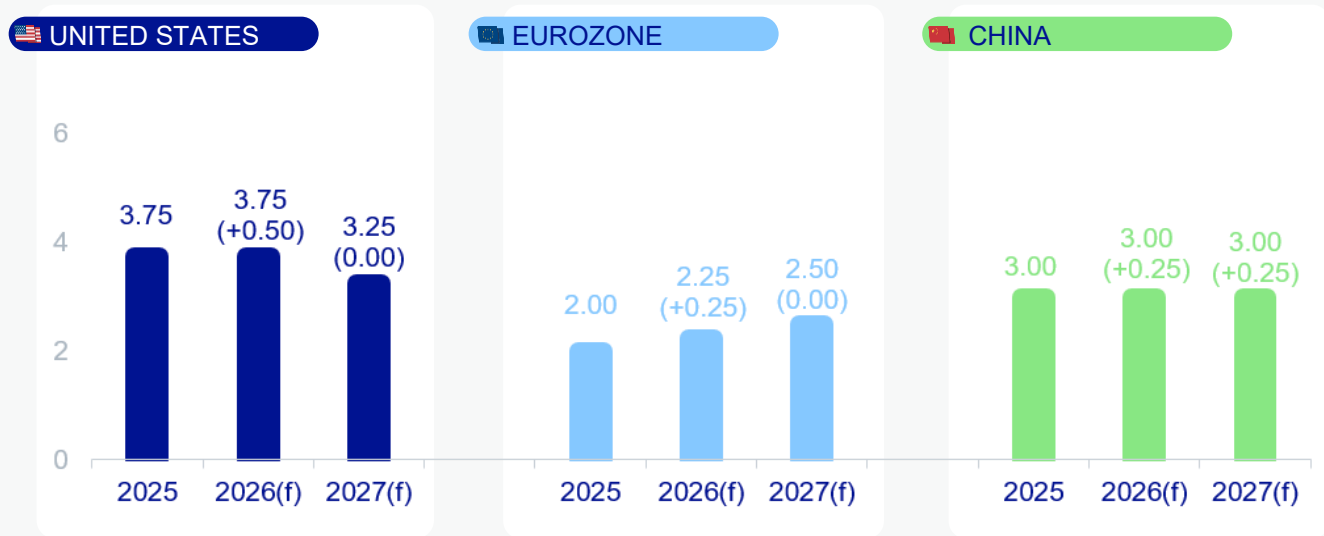
Inflation forecasts have been revised upwards in response to adverse incoming data and expectations of higher energy and food prices; with limited second-round effects, core inflation will be within 2% and 3% in the US and the EZ; upside risks if the Strait of Hormuz remains closed for an extended period

(f): forecast.  
Source: BBVA Research

# Inflation pressures make central banks more cautious, leading to higher-than-expected rates, mostly in 2026

## POLICY INTEREST RATES (\*)

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



Policy rates are now expected to remain unchanged until mid-2027 in the US and longer in China; the ECB, facing a sharper growth-inflation trade-off, is expected to bring forward a rate hike

(f): forecast.

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

Source: BBVA Research

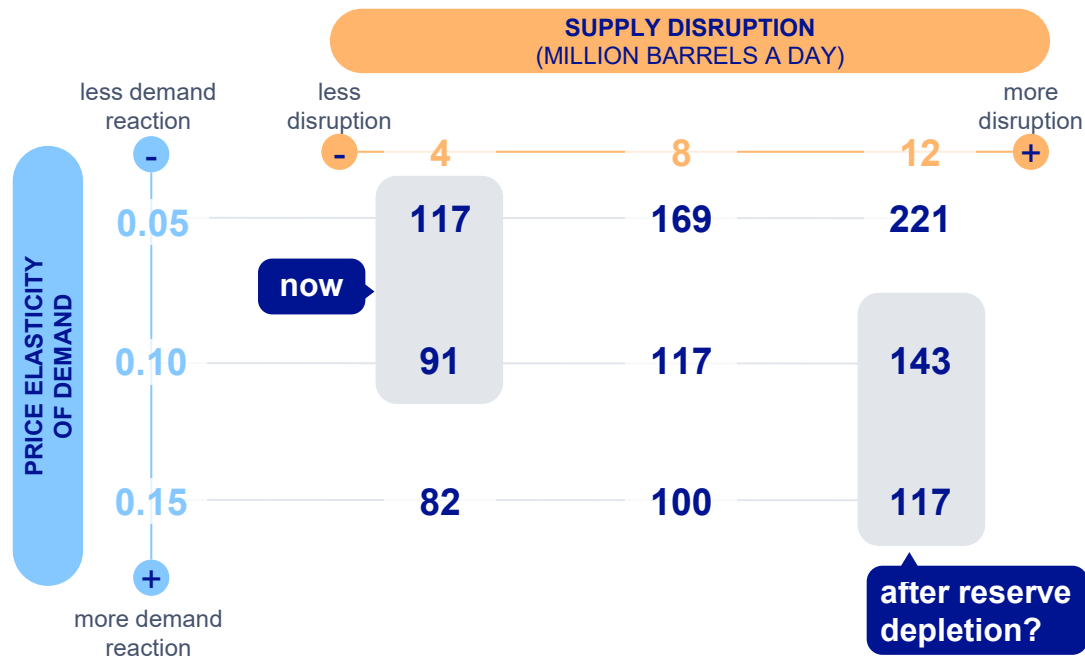
# Risks

If the conflict persists, inventory depletion could push oil prices sharply higher and trigger non-linear effects

## Risks go beyond geopolitics:

1. AI: two-sided,
2. US policies and institutions: Fed, tariffs, mid-term elections,
3. Financial stability: sovereign debt markets, private credit, equity correction, shadow banking;
4. China: structural slowdown, housing market, deflation;
5. Others: climate change, demographics

## OIL PRICES WITH DIFFERENT COMBINATIONS OF SUPPLY DISRUPTIONS AND DEMAND PRICE ELASTICITY (\*) (US DOLLARS PER BARREL)



(\*) Based on an equilibrium oil price of \$65.  
Source: BBVA Research

## 2.1 Baseline scenario considerations

# Peruvian economy forecasts

# Baseline scenario: main considerations

## Baseline scenario



### International environment

**Favorable external backdrop for Peru.** Despite the persistence of the conflict in the Middle East, the international scenario remains positive for Peru: solid growth in the US and China, and high terms of trade. Relative to what was expected three months ago, the conflict in the Middle East has lasted longer, so the growth forecast for the US in 2026 has been trimmed slightly, while projections for China are unchanged. The terms of trade have been revised upward due to the better performance of copper and gold and the favorable outlook for these metals.



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### Political context

**More positive political scenario.** The incoming government is assumed to maintain the broad guidelines of the macroeconomic management of the last 30 years, which reduces uncertainty and strengthens confidence.

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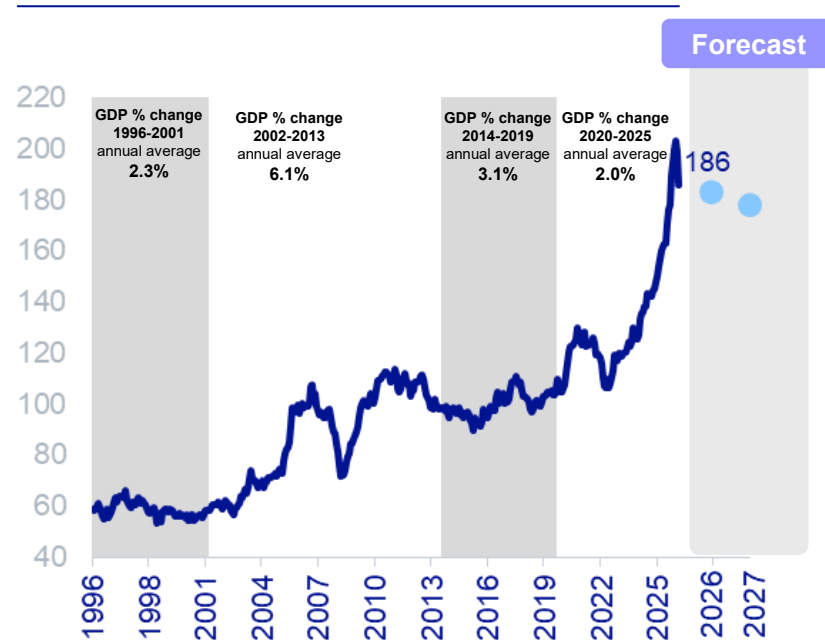
### Political context

**More positive political scenario.** The incoming government is assumed to maintain the broad guidelines of the macroeconomic management of the last 30 years, which reduces uncertainty and strengthens confidence.

# On the external side, the terms of trade are set for a slight moderation ahead, but will remain at high levels. Positive impacts are already being perceived

## TERMS OF TRADE

(EXPORT PRICES OVER IMPORT PRICES)



As a result of high copper and gold prices, the terms of trade will remain at favorable levels

**Positive impacts of the terms of trade on:**

External sector

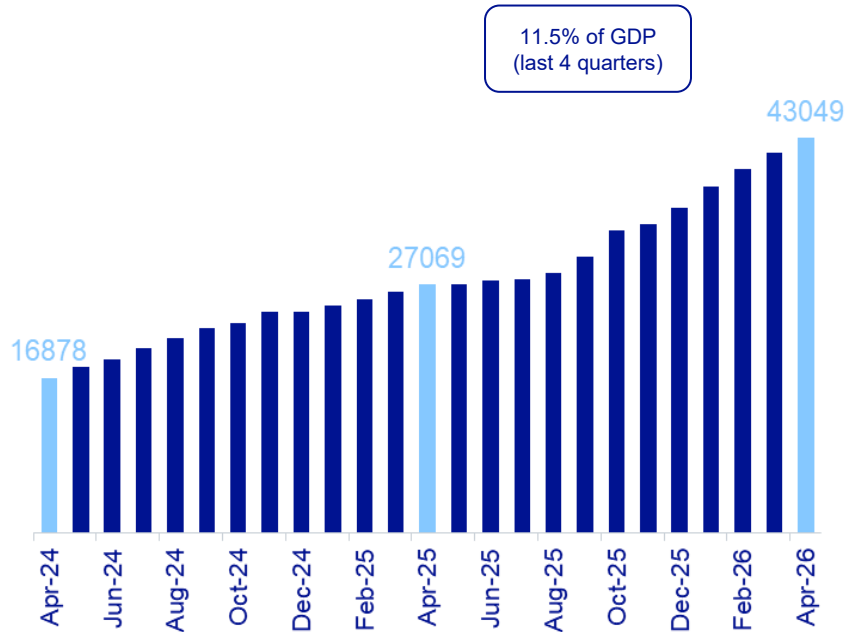
Fiscal revenue

Their growth-boosting effect, through investment, is still pending, although some improvements are being observed

# High export prices have translated into a significant trade surplus and higher fiscal revenue

## TRADE BALANCE

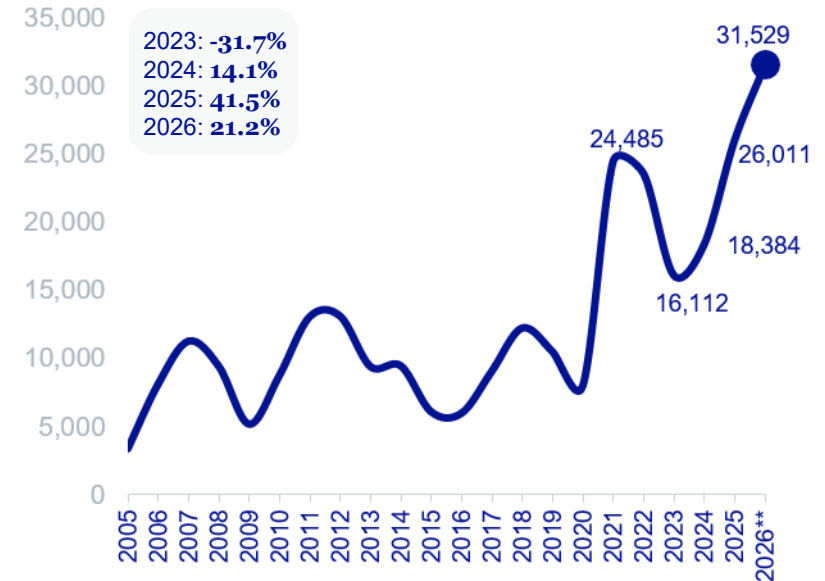
(USD MILLION, LAST 12 MONTHS ACCUMULATED)



Source: BCRP

## FISCAL REVENUES FROM THE MINING SECTOR\*

(PEN MILLION AND % CHANGE)



\* Includes tax and non-tax revenues from the mining sector.

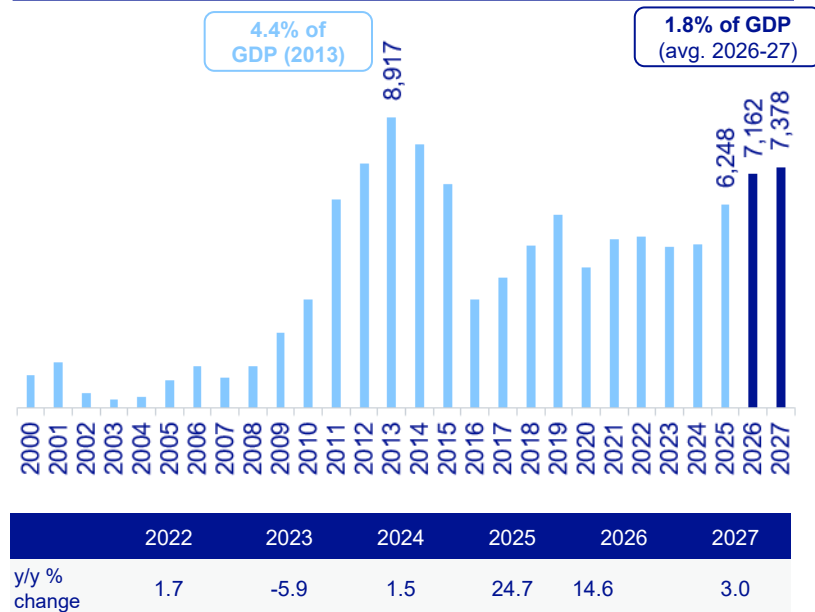
\*\* Corresponds to the accumulated last twelve months with information available through April.

Source: MINEM.

# Mining investment is starting to improve in a context of high metal prices. Looking ahead, the bias is to the upside

## MINING INVESTMENT

(USD MILLION)



### Most important projects already underway

- **Antamina Replacement** (USD 2.0bn, construction began in 2024)
- **Tía María** (USD 1.9bn, construction began in 2025)
- **Inmaculada Replacement** (USD 1.3bn, construction began in 2023)

### Will begin construction in 2026-2027

- **Cerro Verde Optimization** (USD 2.1bn)
- **Ferrobamba Replacement** (USD 1.8bn)
- **Pampa del Pongo** (USD 1.8bn)

### Will begin construction in 2028<sup>1</sup>

- **Trapiche** (USD 3.4bn)

<sup>1</sup>: It is worth noting that the Corocochuayco project has recently advanced from the feasibility stage to detailed engineering, increasing the likelihood that this USD 1.8bn project will materialize within the forecast horizon.

Source: BBVA Research based on MINEM data

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**Weather anomalies**

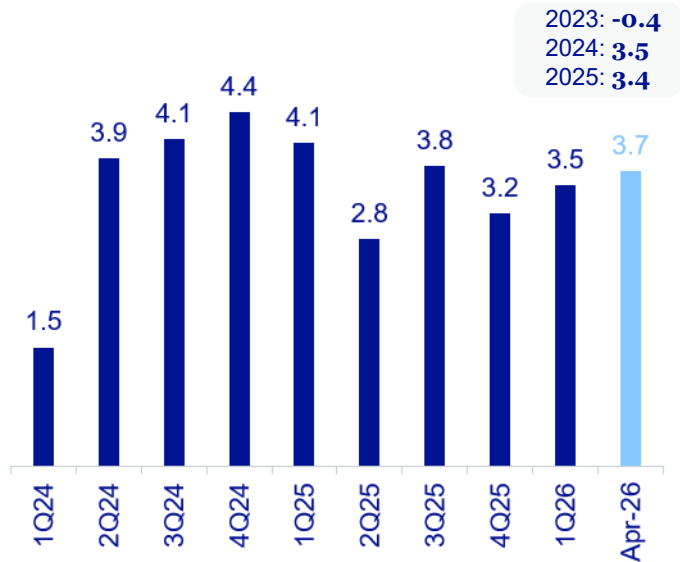
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**Political context**

**More positive political scenario.** The incoming government is assumed to maintain the broad guidelines of the macroeconomic management of the last 30 years, which reduces uncertainty and strengthens confidence.

# GDP continues to expand at around 3.5%, while domestic demand growth exceeded 6.0%

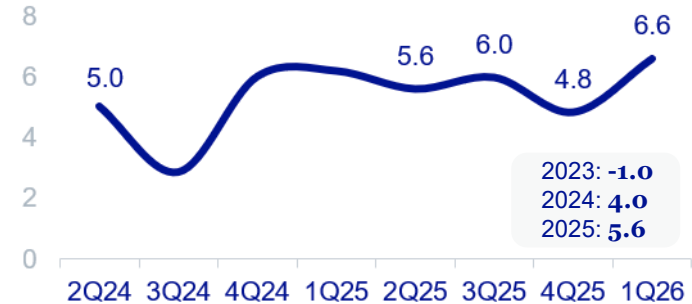
**GDP**  
(Y/Y % CHANGE)



The carryover for 2026 is:

**2.7pp**

**DOMESTIC DEMAND**  
(Y/Y % CHANGE)

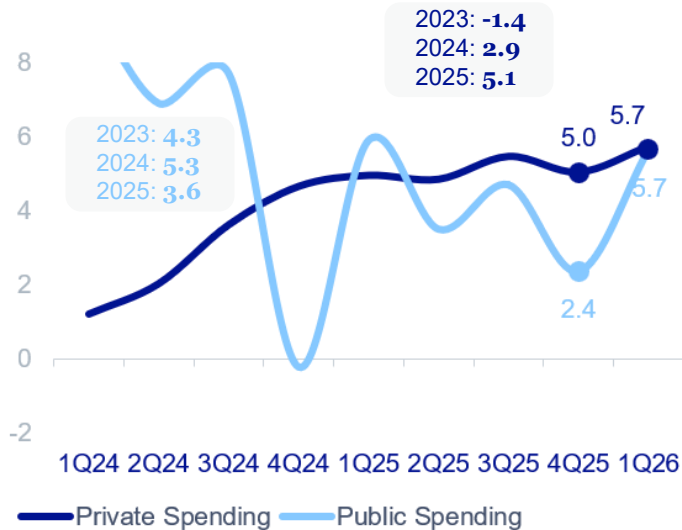


	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26
<b>Domestic demand</b> (excludes inventory change, y/y % change)	3.6	5.1	4.6	5.3	4.5	5.7
<b>Net exports</b> (contribution to growth, in pp of GDP)	-1.6	-2.2	-2.9	-2.3	-1.8	-3.3

# Within domestic demand, the performance of private investment stands out

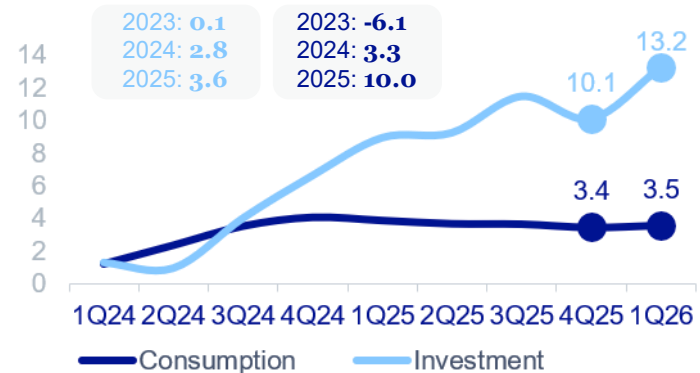
## PRIVATE AND PUBLIC SPENDING

(Y/Y % CHANGE)



## PRIVATE SPENDING: COMPONENTS

(Y/Y % CHANGE)

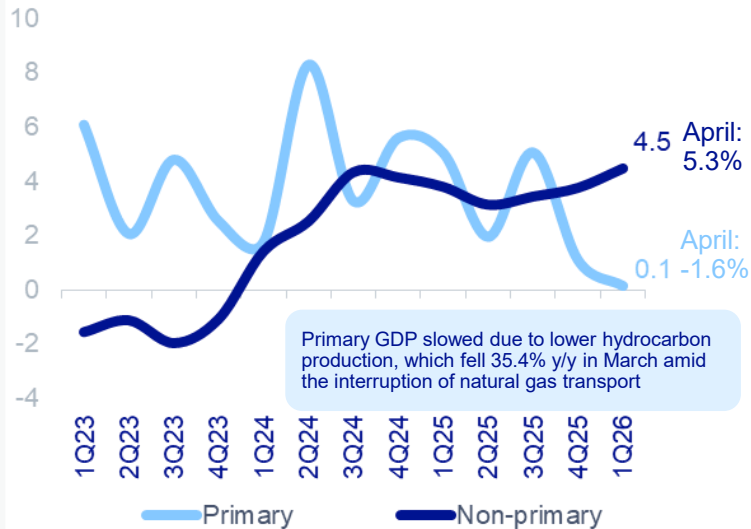


Gross fixed private investment	1Q25	2Q25	3Q25	4Q25	2025	1Q26
Residential investment	3.2	3.1	2.4	5.3	3.5	7.3
Non-residential investment	11.8	11.8	15.6	11.9	12.8	16.0
Mining	1.8	8.8	24.6	33.7	19.3	41.2
Non-mining	13.4	12.3	14.2	7.6	11.7	12.4

# Looking at sectors, non-primary activities (more closely linked to domestic demand) performed better

## GDP BY SECTORS <sup>1</sup>

(Y/Y % CHANGE)

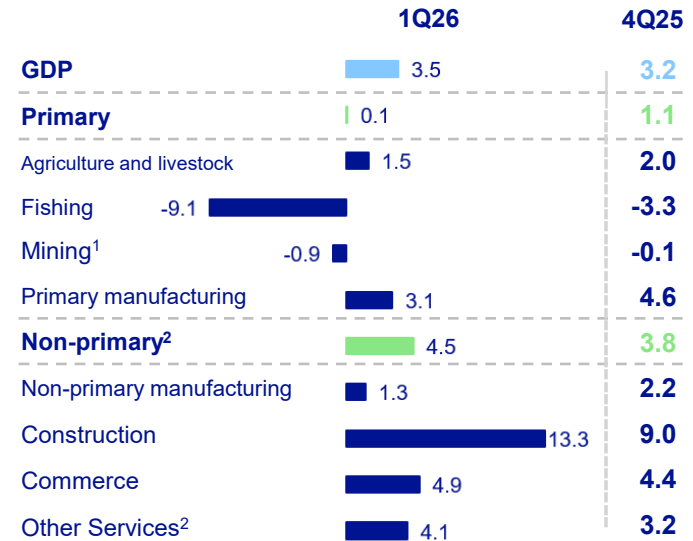


1: Non-primary GDP includes import duties.

Source: BCRP

## SECTORAL GDP 4Q25 AND 1Q26

(Y/Y % CHANGE)

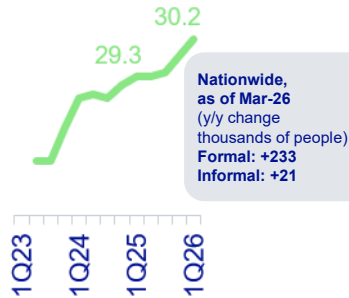


1: Includes metallic mining and hydrocarbons.

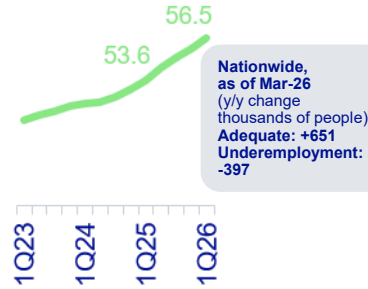
2: Includes import duties.

# In the labor market, the quality of total employment is improving and this reflects on income growth

## FORMAL EMPLOYMENT RATE<sup>1</sup> (4-QUARTER CUMULATIVE)



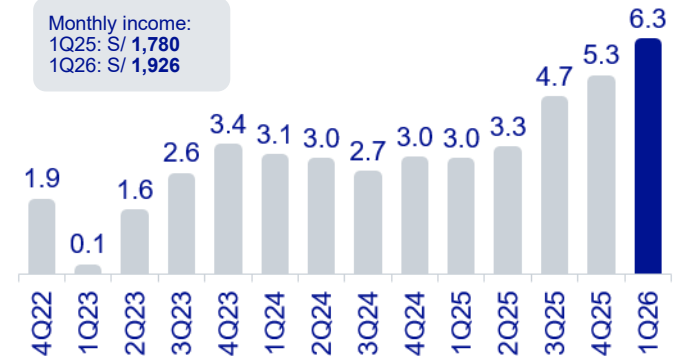
## ADEQUATE EMPLOYMENT RATE (4-QUARTER CUMULATIVE)



y/y % change	4Q19	1Q25	2Q25	3Q25	4Q25	1Q26	# people (thousands)	1Q26: change in thousands of people
Employed	2.6	1.3	0.8	1.9	1.9	1.3	17.596	+222
Unemployment rate		<b>5.5</b>				<b>5.1</b>		

## AVERAGE MONTHLY LABOR INCOME (Y/Y % CHANGE, LAST 4-QUARTER AVERAGE)

inflation-adjusted



## WAGE BILL<sup>1</sup> (Y/Y % CHANGE)

Quarter	y/y % change (%)
1Q25	4.0
2Q15	4.5
3Q25	6.2
4Q25	6.8
1Q26	<b>7.9</b>

Source: INEI (ENAHO, EPEN). Prepared by: BBVA Research

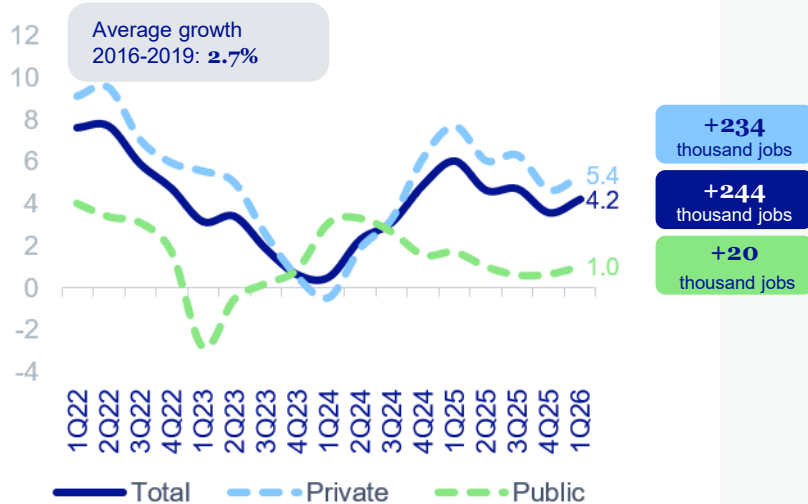
1: To calculate the wage bill, national quarterly employment is multiplied by average labor income over the last four quarters.

Source: INEI (ENAHO, EPEN). Prepared by: BBVA Research

# Likewise, formal job creation maintains its momentum, particularly in the private sector

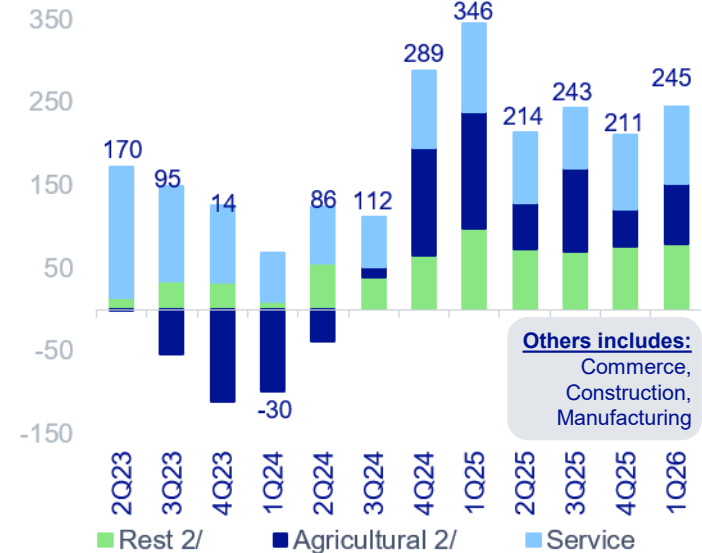
## FORMAL JOBS

(Y/Y % CHANGE)



## FORMAL JOBS IN THE PRIVATE SECTOR<sup>1</sup>

(Y/Y CHANGE, THOUSANDS)



1: Rest includes Commerce, Construction, Manufacturing, Mining, Fishing, and Electricity

2: The Agriculture sector includes processing and preservation of fruits and vegetables

Source: SUNAT (electronic payrolls) and BCRP

# Baseline scenario: main considerations

## Baseline scenario

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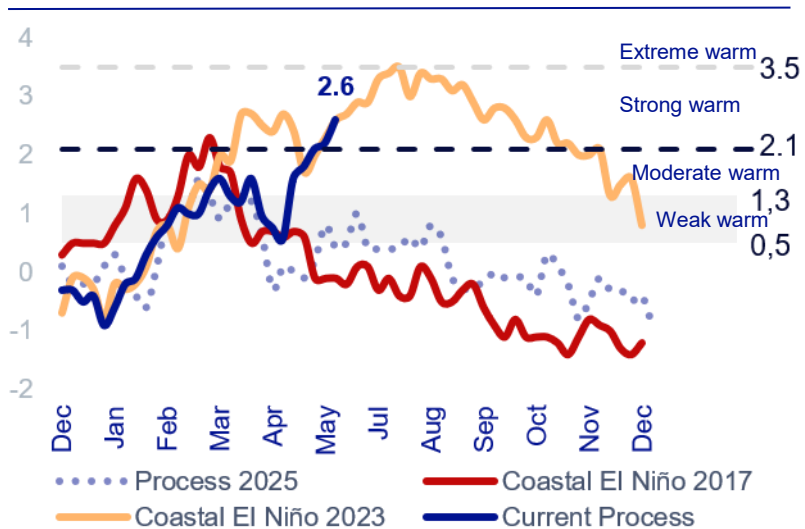
### Political context

**More positive political scenario.** The incoming government is assumed to maintain the broad guidelines of the macroeconomic management of the last 30 years, which reduces uncertainty and strengthens confidence.

# The sea temperature anomaly on the country's northern coast is intensifying: the probability of a strong El Niño is increasing

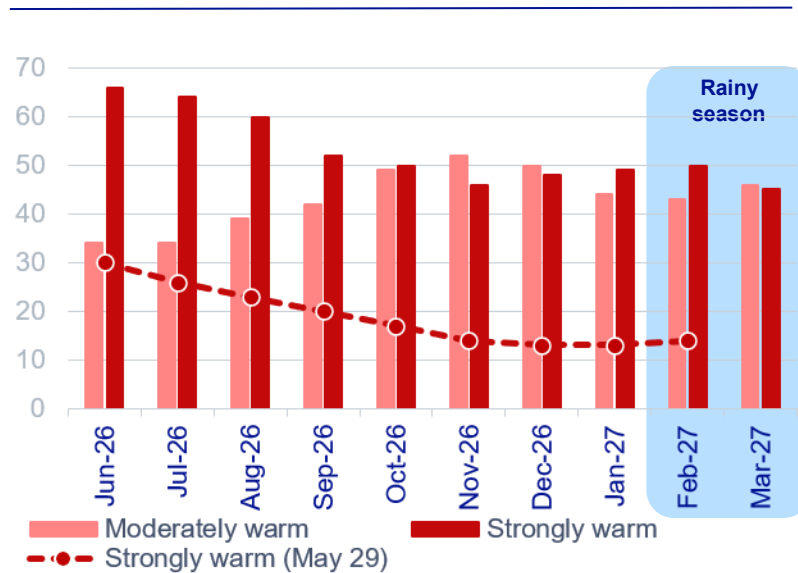
## SEA SURFACE TEMPERATURE ANOMALY ON THE PERUVIAN NORTHERN COAST

(DEGREES CELSIUS, WEEKLY MOVING AVERAGE)



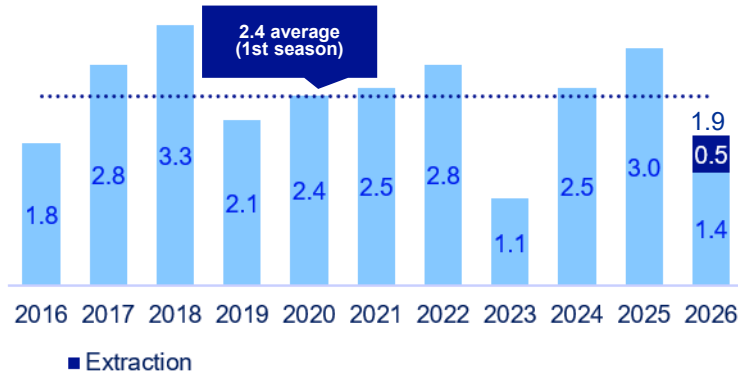
## SCENARIOS | ANOMALY IN PERUVIAN SEA TEMPERATURE

(%, PROBABILITY OF EACH SCENARIO)



# Weather anomalies (Coastal El Niño) affect fishing, agricultural exports, and textile activity

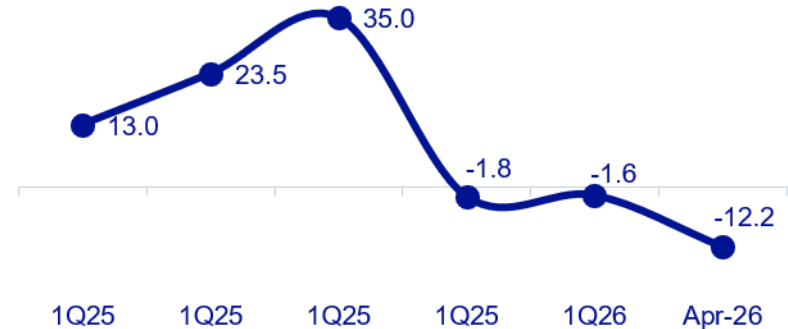
**FIRST ANCHOVY SEASON: ASSIGNED QUOTA**  
(MILLION TONS)\*



\* Through Ministerial Resolution No. 000191-2023-PRODUCE (June 1), in 2023 the first season began with a quota of 1.1 million MT, conditional on exploratory fishing. IMARPE detected 86% juveniles, which led PRODUCE to cancel it.  
Source: BCRP and PRODUCE

After consecutive closures by Produce due to the high presence of juveniles, the effective catch would reach only 469 thousand MT, well below the quota of 1.9 million tons. In this context, anchovy fishing was suspended indefinitely in the North-Central zone

**AGRICULTURAL PRODUCTION GEARED TO THE EXTERNAL MARKET** (Y/Y % CHANGE)



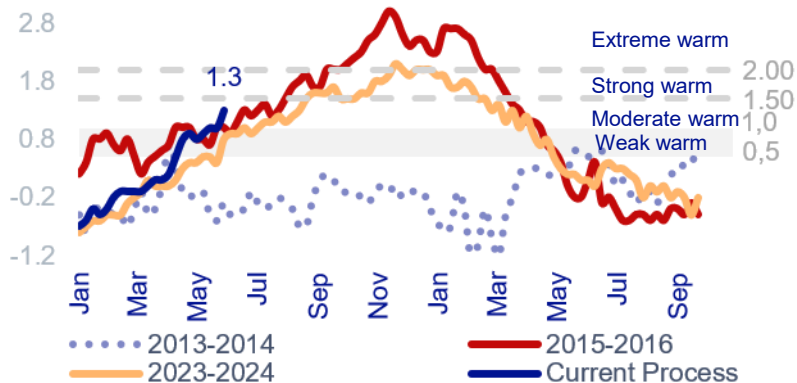
Source: BCRP and MIDAGRI

Agricultural production geared to the external market was 15.2% in 2025, driven by blueberry and avocado production. Since February, it has moderated due to base effects and seasonal factors, and greater moderation is expected in the second half. The main risk is weather anomalies, because of their impact on the flowering of export crops

# Sea temperature anomaly in the central Pacific Ocean: the probability of a strong Global El Niño is increasing

## SEA SURFACE TEMPERATURE ANOMALY IN THE CENTRAL PACIFIC (ZONE 3.4)

(DEGREES CELSIUS, WEEKLY MOVING AVERAGE)



Source: NOAA

## WHAT DO CENTRAL PACIFIC OCEAN FORECASTERS SAY (REGION 3.4)?

- **NOAA:** El Niño conditions are already present and are expected to continue strengthening through the 2026-2027 winter in the northern hemisphere. There is a 63% probability that it will reach very strong intensity, ranking among the most important events recorded since 1950 (published 11.06).
- **ECMWF (Europe):** positive sea surface temperature anomalies in the Niño 3.4 region of approximately +1.5 °C in June 2026, increasing progressively to +3–4 °C during the second half of the year, suggesting the development of a strong to very strong El Niño episode (published 01.06).
- **BoM (Australia):** Between July and September, a 60–80% (or higher) probability of above-average maximum and minimum temperatures is forecast across much of Australia, with more than a 60% probability of unusually high heat in the south of the country. (published 12.06).
- **ENFEN:** El Niño would develop from June 2026 through March 2027, inclusive, with a higher probability of reaching strong magnitude from November to December of this year. For the 2026-2027 summer, the event is estimated to reach a magnitude between strong (44%) and moderate (36%) (published 15.06).

Source: NOAA, ECMWF, BoM, ENFEN

**Direct impact in Peru of anomalies in the Central Pacific (3.4): droughts in the southern Andes**

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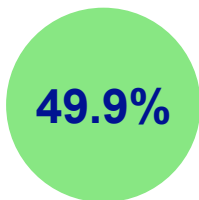
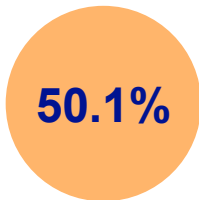


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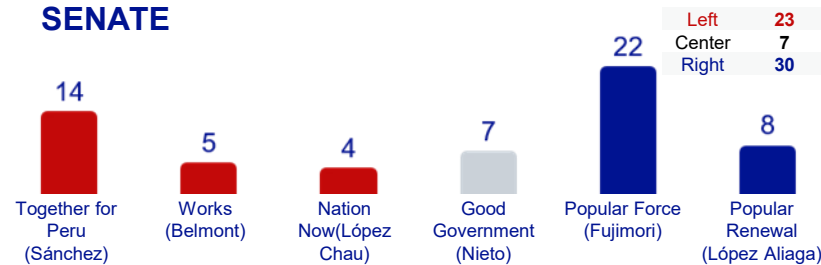
# We expect the new government to maintain the macroeconomic guidelines of the last 30 years

## PRESIDENTIAL ELECTION <sup>1/</sup> (RUNOFF, % OF VALID VOTES)

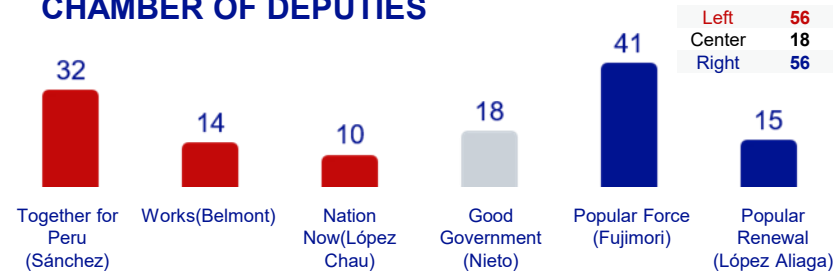


## CONGRESSIONAL ELECTION 2026 (NUMBER OF ELECTED REPRESENTATIVES BY PARTY)

### SENATE



### CHAMBER OF DEPUTIES



<sup>1/</sup> Results at the close of June 17  
Source: ONPE.

# Looking ahead, economic performance will be backed by policies that consolidate confidence and the business environment

## Possible actions by the new government

- **Continuity** of the main economic policies
- **Promotion of private investment** (greater confidence, deregulation)
- **Recovery of fiscal space**
- **Meritocracy in State management**
- **Reduction of procedures** for business activity



## Improved confidence

Reduction of uncertainty and political instability.



## GDP

Higher investment, productivity, and stable aggregate consumption.

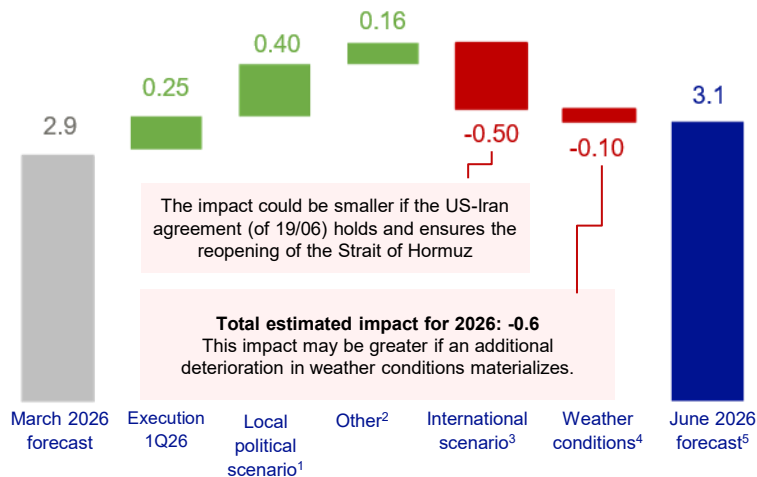


2.2 Economic activity

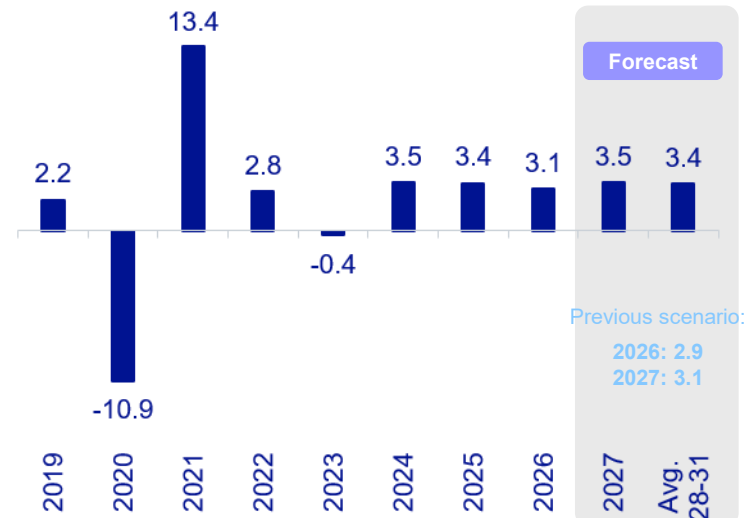
# Peruvian economy forecasts

# Growth: upward revision of the 2026 and 2027 forecasts

## GDP 2026: DECOMPOSITION OF THE CHANGE IN THE FORECAST (% CHANGE; PERCENTAGE POINTS)



## GDP (Y/Y % CHANGE)



1: Keiko Fujimori is assumed to win the runoff election (confidence, better business environment).

2: Considers the impact of the budget expansion that the government has been requesting and the usual lags in public spending execution.

3: Conflict in the Middle East: more persistent, gradual decline in oil prices; higher interest rates, lower global growth. However, the impact may be smaller if an agreement establishing conditions for lasting peace is announced on 19/06, in which case the impact could be 3 tenths smaller.

4: Total impact in the year: 0.6 percentage points. However, the ENFEN report of 15/06 shows a greater deterioration in weather conditions, so the impact could be around 3 or 4 tenths larger.

5: Forecasts closed with information as of June 02.

Source: BCRP and BBVA Research (forecast).

# Looking at sectors, non-primary GDP will stand out in 2026. Primary activities will be affected by El Niño



**Construction:** (i) in January-April, the dynamism of construction activity stood out (13.2%, compared with 6.7% in 2025), driven by the strength of the labor market and the expansion of mortgage lending. This dynamic is expected to persist for the remainder of the year.



**Commerce and Other services:** supported by the strength of formal employment, the improvement in labor income, and the dynamism of consumer loans.



**Agriculture:** Weak performance of agro-exports (blueberries and avocados) in a context of deteriorating weather conditions due to the Coastal El Niño.



**Fishing:** Sharp contraction in fishing activity due to the early end of the first anchovy extraction season in the north-central zone—with a catch of only around 24% of a reduced quota—amid sea warming.

## SECTORAL GDP FORECAST 2026 (ANNUAL % CHANGE)

		2025	2026
<b>GDP</b>		3.1	3.4
<b>Primary</b>	-2.0		3.2
Agriculture and livestock	-1.5		5.6
Fishing	-27.7		2.9
Mining <sup>1</sup>	-1.3		1.5
Primary manufacturing	-2.0		5.0
<b>Non-primary</b>		4.0	3.3
Non-primary manufacturing		3.3	2.1
Construction		7.5	6.7
Commerce		4.6	3.6
Other Services		3.4	2.8

1: Includes metallic mining and hydrocarbons

Source: BBVA Research

# On the expenditure side, private investment will expand strongly in 2026



**Private investment:** in the first quarter, residential investment grew by 7.3% (3.5% in 2025) and mining investment by 41.2% (19.3% the previous year), while non-mining non-residential investment continued to advance (12.4% versus 11.7% in 2025). The expected improvement in confidence will underpin investment dynamism in the second half.



**Private consumption:** will sustain growth rates around 3.5%, in line with expected job creation.



**Public investment:** moderation due to the completion of some major works (school construction through G2G).

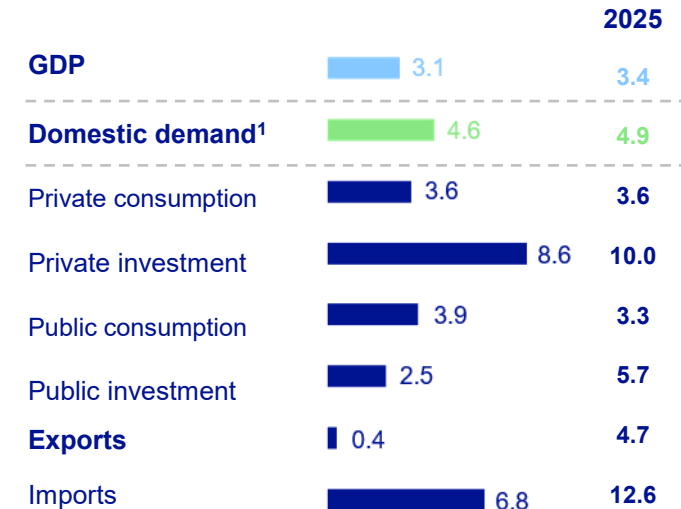


**Imports:** part of the dynamism of domestic demand will be met with imported goods and services supply.



**Exports:** lower growth due to the impact of weather anomalies on fishing and agro-exports

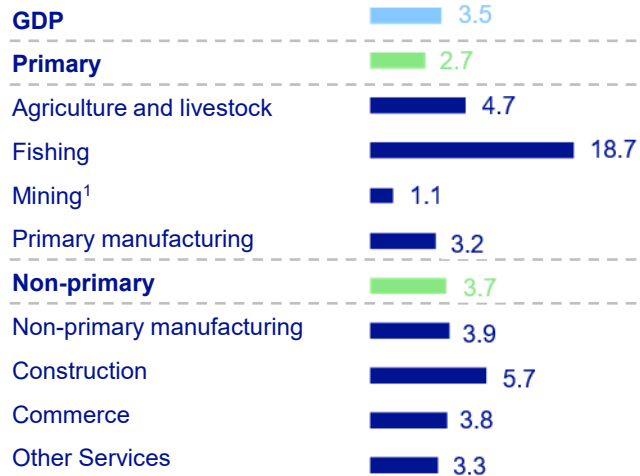
## GDP FORECAST BY EXPENDITURE SIDE 2026 (ANNUAL % CHANGE)



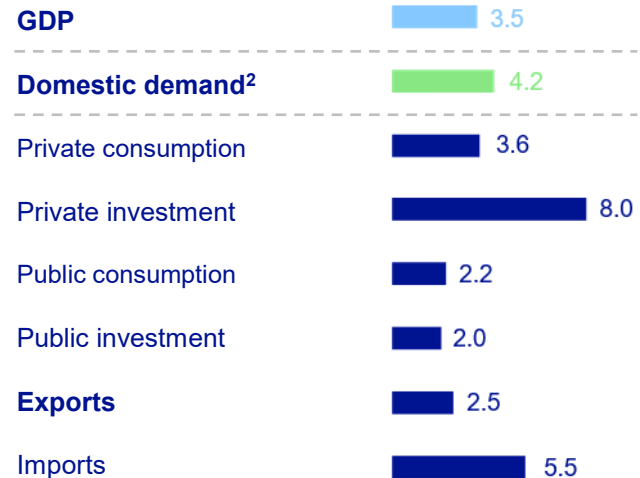
1: Does not include inventory change  
Source: BBVA Research

# In 2027, growth will accelerate to 3.5% as this year's supply shocks dissipate and backed by private spending

## SECTORAL GDP FORECAST 2027 (ANNUAL % CHANGE)



## GDP FORECAST BY EXPENDITURE SIDE 2027 (ANNUAL % CHANGE)



1: Includes metallic mining and hydrocarbons. 2: Does not include inventory change  
Source: BBVA Research

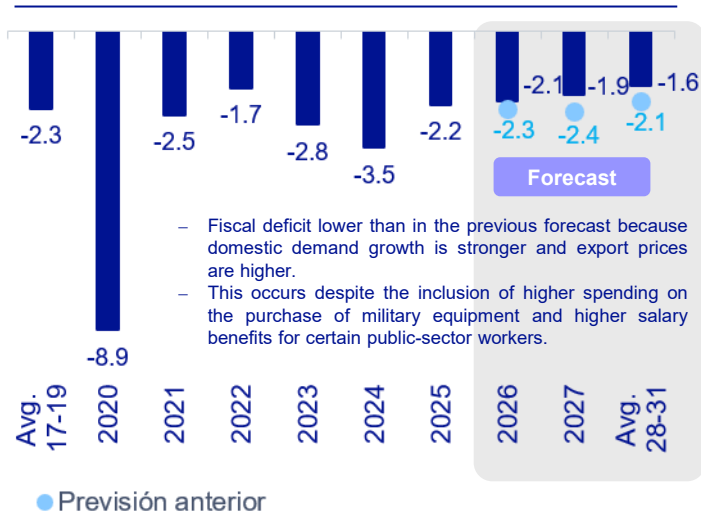
## 2.3 Fiscal balance and public debt

# Peruvian economy forecasts

# Starting in 2026, the fiscal deficit will tend to narrow due to stronger growth and better metal prices

## FISCAL BALANCE

(NON-FINANCIAL PUBLIC SECTOR, % OF GDP)

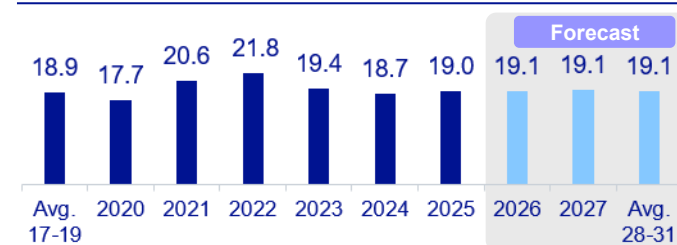


The fiscal deficit would increase from 1.6% of GDP in May to 2.1% at end-2026, due to the budget expansion that the government has been requesting and higher compensation spending.

Source: BCRP and BBVA Research (forecasts)

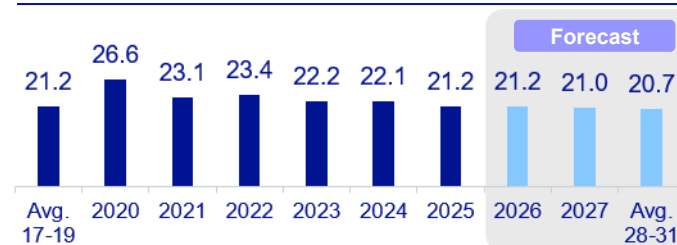
## REVENUES

(NON-FINANCIAL PUBLIC SECTOR, % OF GDP)



## EXPENDITURES<sup>1</sup>

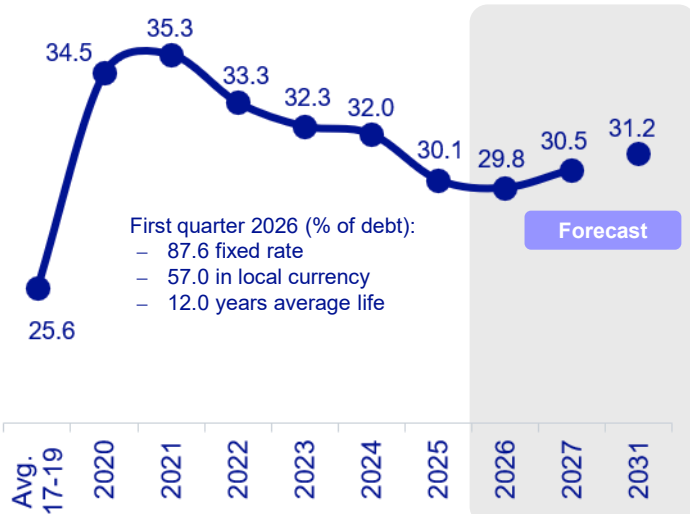
(NON-FINANCIAL PUBLIC SECTOR, % OF GDP)



1/ Considers General Government expenditures, the balance of non-financial public enterprises, and interest outlays

# Under this scenario, gross public debt will remain at relatively low levels in the coming years

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



## REQUIRED PRIMARY BALANCE TO STABILIZE GROSS PUBLIC DEBT

Level at which to stabilize public debt (% of GDP)	d	31.2%
Real GDP growth rate (real % change) <sup>1/</sup>	g	3.4
Real interest rate (%) <sup>2/</sup>	r	3.4
<b>Required primary balance (% of GDP)</b>	<b>f*</b>	<b>0.0</b>
<b>Interest payments (% of GDP)<sup>3/</sup></b>		<b>1.7</b>
<b>Required economic balance (% of GDP)</b>		<b>-1.7</b>

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

1/ Considers the annual average of projected GDP growth rates for 2026-2031.

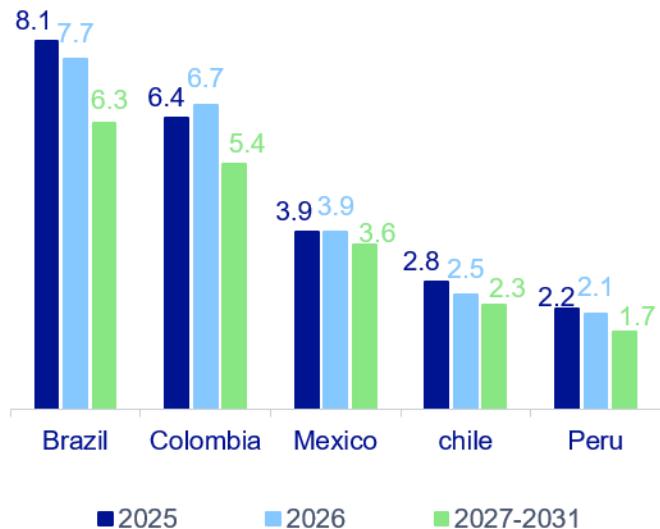
2/ Considers the annual average between 2026 and 2031 of the implicit interest rate, net of inflation according to the center of the target range.

3/ Considers the average annual interest payment between 2026 and 2031 (1.7% of GDP), which is consistent with the gross public debt projection of 31.2% of GDP by 2031.

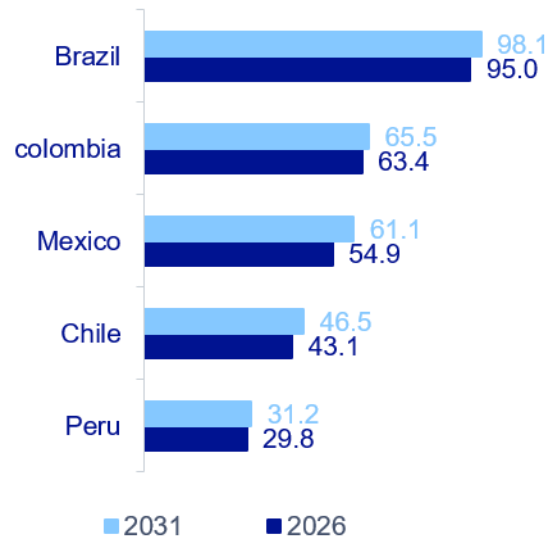
- Gross public debt is projected to reach a level equivalent to 31.2% of GDP by 2031 (30.1% in 2025). According to forecasts for economic growth and real interest rates, it would then be necessary to maintain a fiscal deficit of approximately 1.7% of GDP to stabilize debt at that level.

# The fiscal outlook will thus continue to compare favorably with that of other countries in the region

## FISCAL DEFICIT\* (% OF GDP)



## GROSS PUBLIC DEBT\* (% OF GDP)



\*For Peru, it corresponds to the non-financial public sector

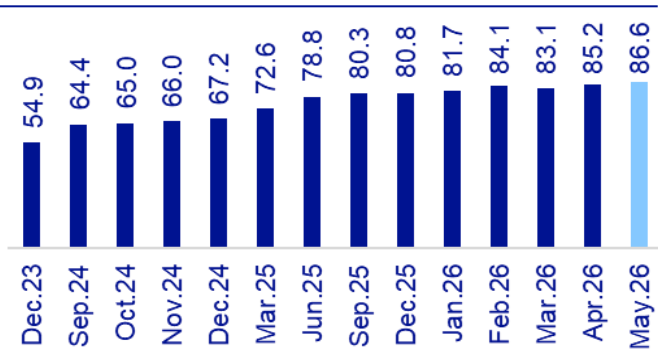
Source: BBVA Research, IMF, and Budget Directorate (Dipres) in its Public Finance Report (IFP)

\*Peru's gross public debt projection corresponds to the non-financial public sector

# In this context, foreign investors' appetite for Peruvian sovereign bonds continues

## NON-RESIDENT HOLDINGS OF SOVEREIGN BONDS

(BILLION PEN)

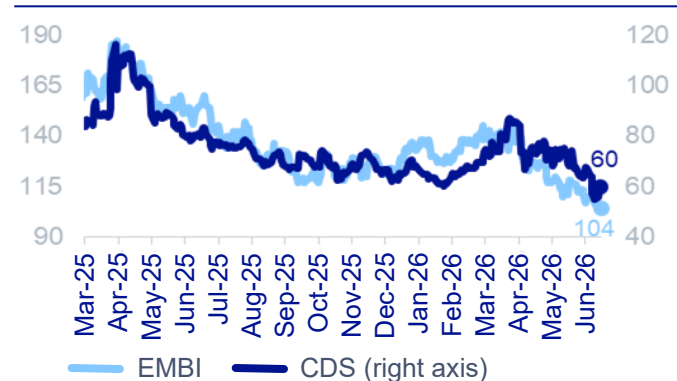


## NON-RESIDENT HOLDINGS OF SOVEREIGN BONDS (% OF TOTAL OUTSTANDING)

Month	Value (% OF TOTAL OUTSTANDING)
Dec-21	49.4
Dec-22	41.1
Dec-23	36.4
Dec-24	40.9
Mar-25	43.2
Jun-25	44.5
Dec-25	43.8
Apr-26	45.3
May-26	45.7

## SOVEREIGN RISK PREMIUMS\*

(POINTS)

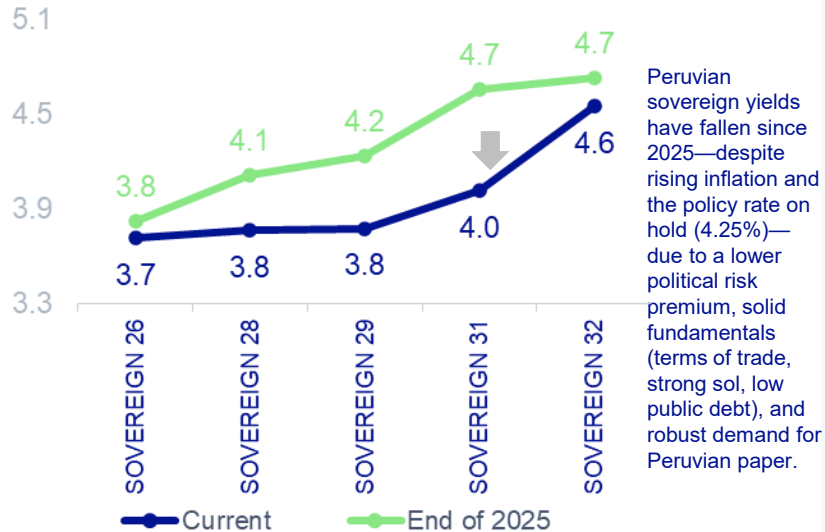


	18/06/2026	chg. (bp) vs...	
		31/12/2025	18/06/2025
EMBI	104	-31	-49
CDS	60	-10	-20

# Lower yields and solid placements, in line with strong fundamentals

## SOVEREIGN YIELD CURVE\*

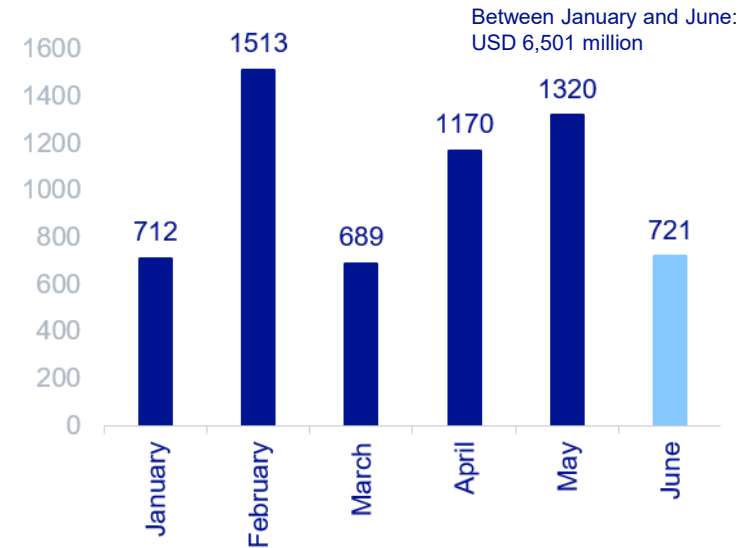
(%)



\*: Current data are as of June 18.  
Source: MEF, BCRP, and Investing

## ISSUANCE OF PERUVIAN SOVEREIGN BONDS\*

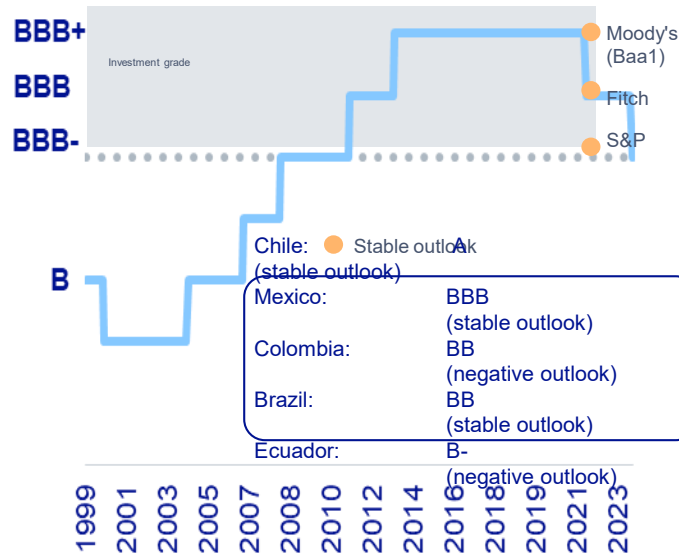
(2026, MILLION PEN)



\*Data as of June 18.

# Macro-fiscal foundations allow Peru to retain one of the best sovereign credit ratings in the region

## S&P SOVEREIGN CREDIT RATING



- In November 2024, Fitch affirmed Peru's sovereign credit rating at BBB and improved the outlook to stable, highlighting the low level of public debt and the country's ability to maintain macroeconomic stability.
- In September 2024, Moody's affirmed the rating at Baa1 and improved the outlook from negative to stable, reflecting fiscal strength and greater institutional stability than at the beginning of 2023.
- In April 2024, S&P downgraded the sovereign rating from BBB to BBB-, due to fiscal deterioration and sustained political instability.
- It is worth mentioning that in March 2026, one of the main fiscal risks in the baseline forecast scenario materialized: Congress approved four laws that significantly and permanently increase current spending (salary benefits and pensions). The Executive does not appear willing to take the measures to the Constitutional Court. In addition, new support for PetroPerú was announced. This could trigger some revision to the sovereign outlook (or even the credit rating) in the coming months.

# However, this outlook is not exempt from risks

## Risks



### **PetroPerú is back in the black, but its financial fragility keeps a latent fiscal risk in place**

PetroPerú reported in 1Q26 its first positive result in four years (net income of USD 133 million, versus -USD 111 million in 1Q25), but more because of cost adjustment (OPEX -34%) than because of a commercial recovery: revenue and sales fell 21% and 36% y/y. The company remains financially fragile—cash of barely USD 22 million, liquidity ratio of 0.5, and debt of USD 6,351 million (64% of assets)—and cannot finance its operation on its own.

Hence the fiscal risk in the baseline scenario: to support it, the State authorized a guarantee of up to USD 2.0bn from private banks (Emergency Decree 003-2026), which does not imply a direct Treasury disbursement but does constitute a contingent liability, as it would be activated if the oil company defaults on its payments. The precedent is 2025, when the Treasury honored guarantees for S/ 3.1bn (0.3% of GDP). Thus, PetroPerú's losses do not pressure the deficit today, but they are a latent risk for fiscal accounts.

## Implementation of measures approved in Congress

In March, one of the upside risks to fiscal deficit and public debt projections materialized: Congress approved laws that permanently increase current spending (salary benefits and pensions), with no votes against and only some abstentions, at a total cost of S/ 13.7bn.

Of these measures, the baseline scenario incorporates only the higher labor benefits for CAS workers in the public sector (S/ 2,044 million annually, 0.2% of GDP). However, the Government announced that the payment will be implemented gradually over five years (10% in 2026, 20% in 2027, 30% in 2028, 50% in 2029, and 100% in 2030).

The remaining laws are not included and, if they materialize, would widen the fiscal deficit.

# Forecasts for the main fiscal indicators

## Non-Financial Public Sector Indicators

	2019	2021	2022	2023	2024	2025	2026(f)	2027(f)
<b>Economic balance (% of GDP)</b>	-1.6	-2.5	-1.7	-2.8	-3.4	-2.2	-2.1	-1.9
<b>Assets (% of GDP)</b>	13.4	13.9	12.6	10.2	8.6	7.4	6.7	6.4
<b>Gross public debt (% of GDP)</b>	26.2	35.3	33.3	32.3	32.0	30.1	29.8	30.5
<b>Net public debt (% of GDP)</b>	12.7	21.4	20.7	22.1	23.4	22.7	23.1	24.1
<b>Gross public debt (% of fiscal revenues)</b>	136	171	153	166	171	159	156	160
<b>Public debt dollarization (%)</b>	32	54	52	48	47	43	40	37
<b>Debt interest (% of GDP)</b>	1.4	1.5	1.6	1.7	1.7	1.6	1.6	1.6
<b>Interest (% of fiscal revenues)</b>	7.0	7.2	7.1	8.4	8.9	8.3	8.1	8.5

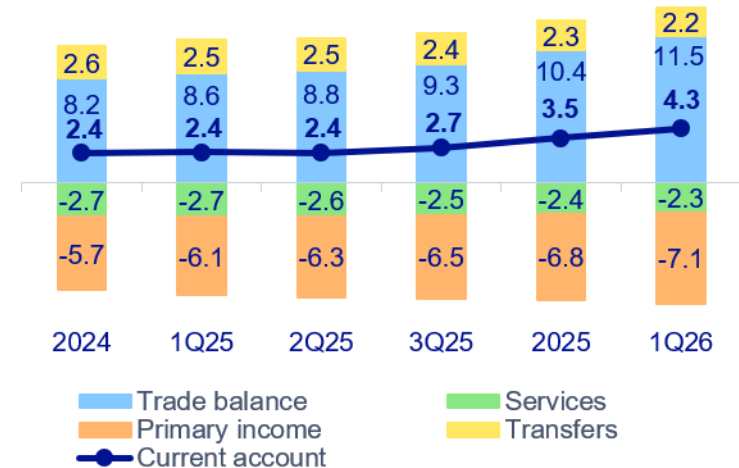
2.4 External sector

# Peruvian economy forecasts

# The external position of the Peruvian economy remains solid: current account surplus of the balance of payments...

- The trade balance surplus remains at high levels: it stood at USD 43bn in April of this year (12-month accumulated).
- Main supports: high prices of exported metals, good performance of goods export volumes, particularly non-traditional ones, and lower import prices. By contrast, the strong dynamism of domestic demand, and therefore of import volumes, has contained the trade surplus.
- Profits of foreign companies favored by high metal prices led to an increase in their remittances abroad (higher primary income, in absolute terms). This moderated the current account surplus of the balance of payments, which increased again in 1Q26.

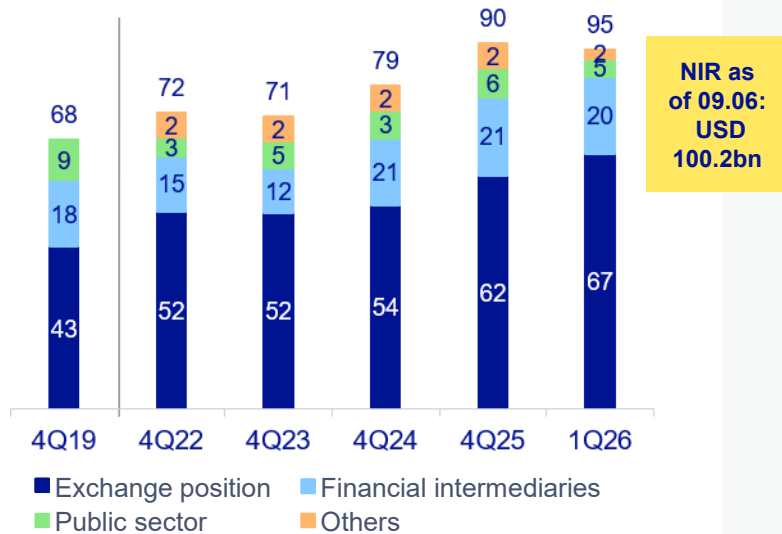
**CURRENT ACCOUNT OF THE BALANCE OF PAYMENTS** (ACCUMULATED OVER THE LAST FOUR QUARTERS, % OF GDP)



1: Includes inventory accumulation  
Source: BCRP

# ... and low external vulnerability: the indicators of the Peruvian economy show resilience

## CENTRAL BANK NET INTERNATIONAL RESERVES (USD BN)

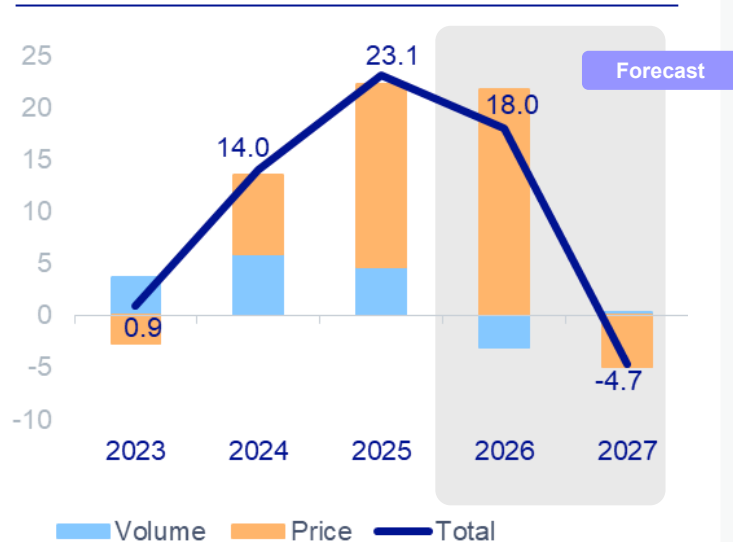


## INTERNATIONAL LIQUIDITY INDICATORS

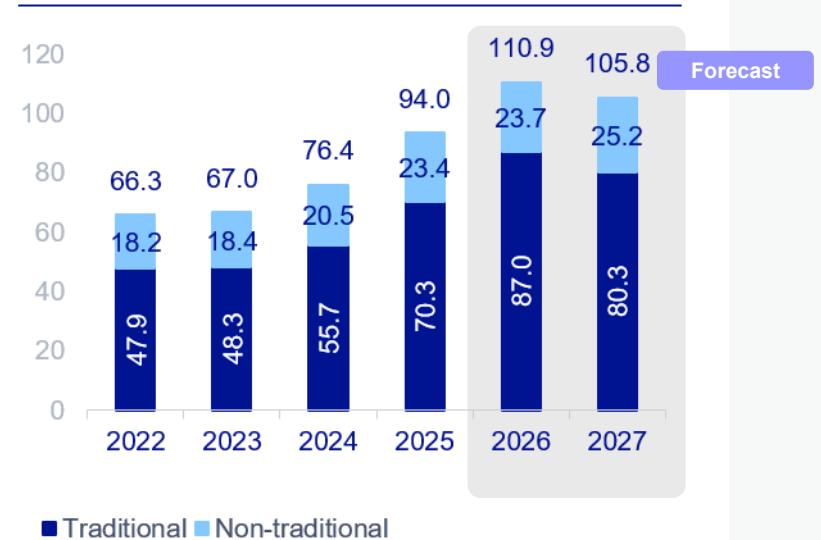
	4Q19	4Q24	4Q25	1Q26
Net international reserves (NIR) (% of GDP)	28.9	26.8	26.5	26.3
NIR / Monthly imports (times)	16	14	15	15
NIR / Short-term external debt (times)	8.6	8.2	12.9	12.9
Medium- and long-term liabilities (% of GDP)	30.8	33.6	31.4	29.2
Private (% of GDP)	14.2	11.4	9.9	9.2
Public (% of GDP)	16.6	22.1	21.5	20.0
Short-term liabilities (% of GDP)	3.4	3.2	2.0	2.0

# In the forecast, exports are backed by high export prices, but volume growth moderates...

## GOODS EXPORTS (Y/Y % CHANGE)

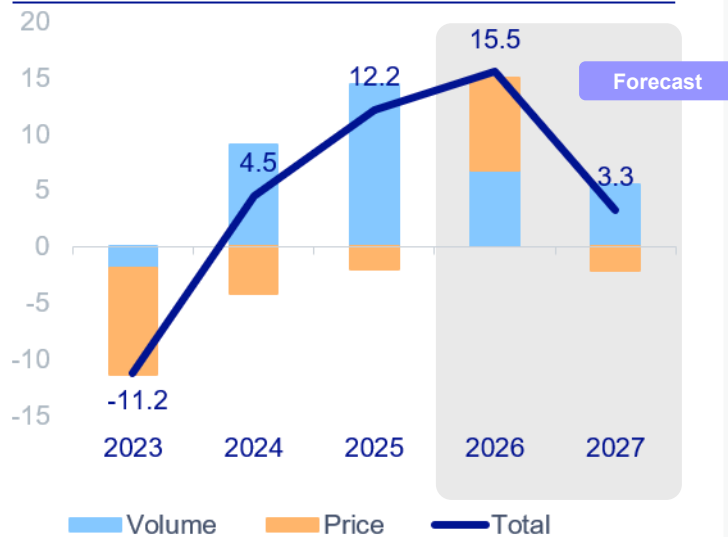


## GOODS EXPORTS (USD BILLION)

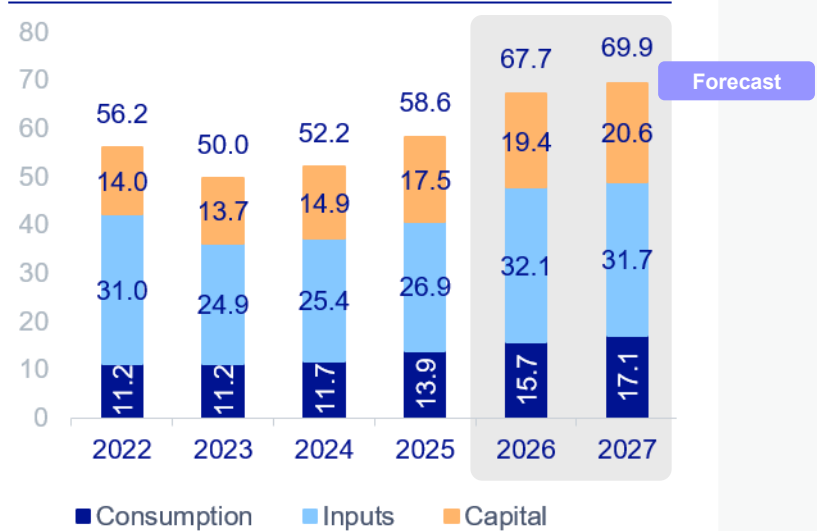


# ... and on the goods import side, volume expansion reflects the dynamism of domestic demand

**GOODS IMPORTS**  
(Y/Y % CHANGE)



**GOODS IMPORTS**  
(USD BILLION)

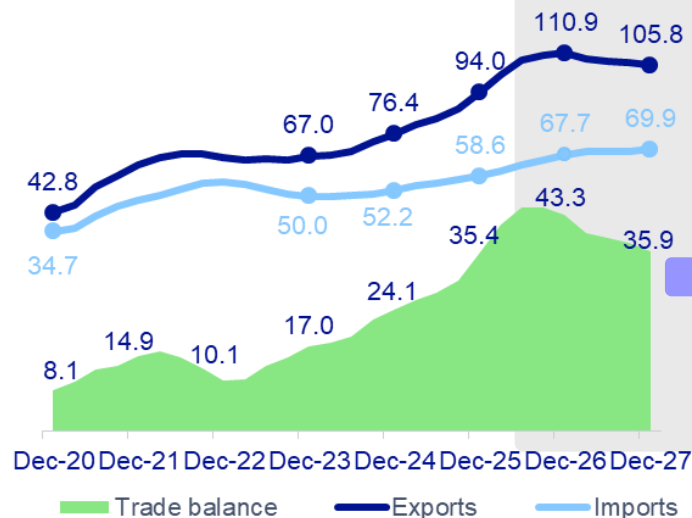


# The trade surplus will remain high this year and the next

- The trade surplus will increase in 2026 due to the rise in the terms of trade (high metal prices, which more than offset the increase in the oil price) and despite the dynamism of imported volumes (reflecting the strength of domestic demand).
- For 2027, the increase in import volumes (associated with the sustained advance of domestic demand) will be the main factor behind the moderation of the trade surplus.

## TRADE BALANCE

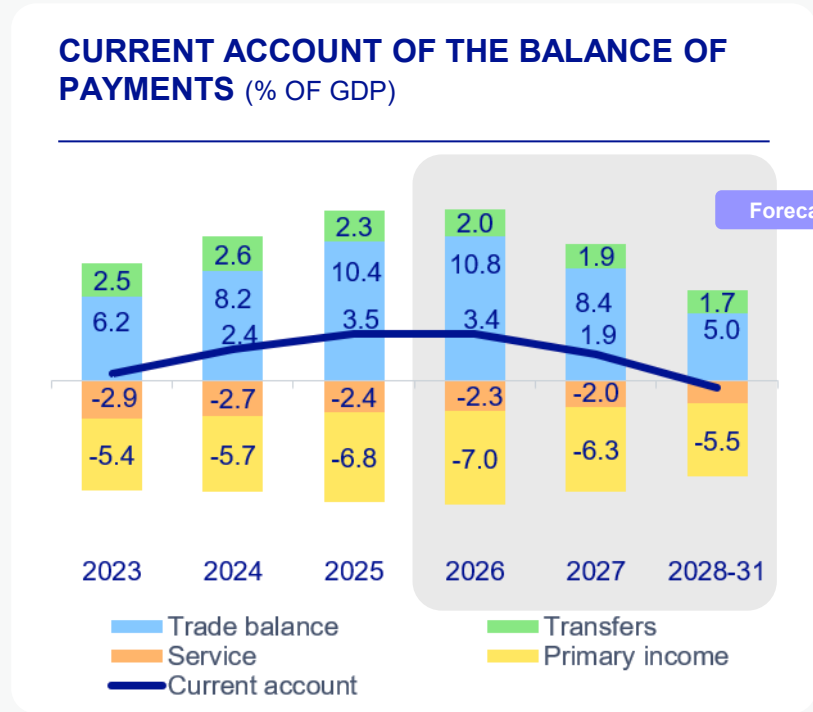
(USD BN, ACCUMULATED OVER THE LAST 12 MONTHS)



Source: BCRP and BBVA Research (forecasts)

# The current account of the balance of payments will remain in surplus over the next two years, but will decline

- The current account surplus will be similar in 2026 to the previous year: the trade surplus will be higher but will be offset by the larger profits that foreign companies operating in the country are expected to generate (primary income).
- In 2027, the trade surplus will decline, and although the profits generated by foreign companies will also decline (as a % of GDP), the current account surplus will decrease.
- This moderation process will continue from 2028 onward, with a limited deficit of 0.5% of GDP as the annual average for 2028-31. The decline in the trade surplus explains this behavior, in line with import volume growth that will exceed export volume growth.



Source: BCRP and BBVA Research (forecasts)

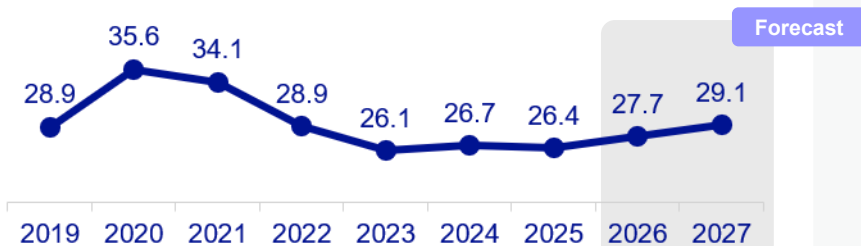
# In this context, the strength of external accounts and the limited need for external financing will be maintained

## MEDIUM- AND LONG-TERM EXTERNAL LIABILITIES (% OF GDP)



- Current account surplus in 2026/27 and lower international interest rates support the continued strength of Peru's external position.
- Along these lines, medium- and long-term external liabilities will gradually decline as obligations are amortized in the absence of significant financing needs.

## NET INTERNATIONAL RESERVES (% OF GDP)



## NET INTERNATIONAL RESERVES

	2020	2021	2022	2023	2024	2025	2026	2027
NIR / GDP (%)	35.6	34.1	28.9	26.1	26.7	26.4	27.7	29.1
NIR / short-term external debt	7.5	8.1	7.4	6.0	8.2	12.0	15.1	16.9

2.5 Exchange rate, inflation, and monetary policy

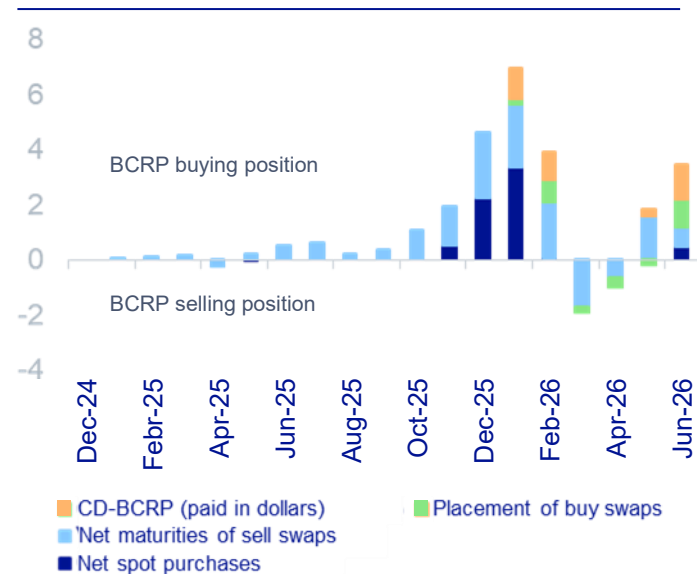
# Peruvian economy forecasts

# After the electoral process, the exchange rate trends downward. The Central Bank intervenes and smooths the decline

**EXCHANGE RATE**  
(SOLES PER USD)



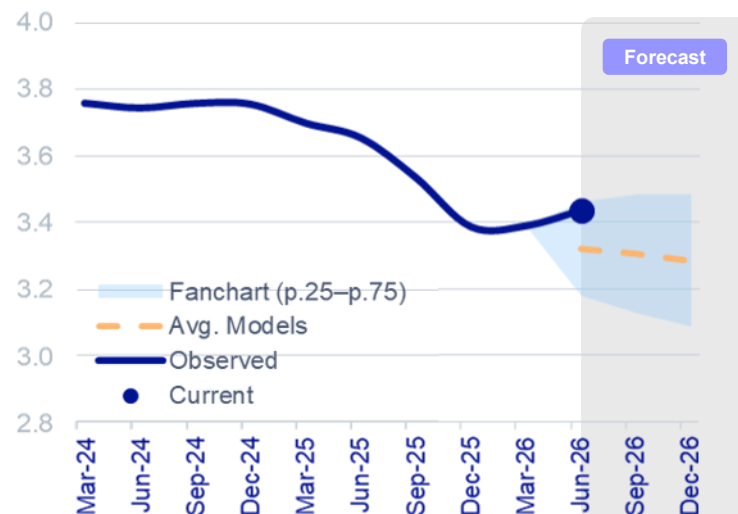
**BCRP FX INTERVENTION\***  
(USD BILLION)



# Macroeconomic fundamentals suggest that the PEN has room to strengthen by end-2026

- Nine models are estimated and divided into three groups:
  - **Fundamentals models**, which capture the improvement in net external assets and terms of trade as the main drivers of PEN appreciation.
  - **External equilibrium models**, which capture both current account surpluses and the higher level of net external assets.
  - **Time-series models**, which capture the historical dynamics of the exchange rate.
- These models estimate that the exchange rate consistent with macro fundamentals currently stands at 3.35 and at 3.25 by year-end.
- It is important to mention that these models do not incorporate the Central Bank's FX interventions, the impact of the political cycle, or geopolitical tensions.

## EQUILIBRIUM EXCHANGE RATE - AVERAGE OF MODELS (QUARTERLY AVG.)



Source: BCRP and BBVA Research (forecasts)

Note: Fan chart built using bootstrap mixture-of-experts ( $B = 2,000$  draws). Nine models are considered: BEER, ARDL, VECM, UC, TVP-BEER, BVARX-ECM, PPP, EBA-Lite, and ESNFA. In each draw, a model  $m$  is sampled with probability proportional to its average  $MSE^{-1}$  weight, and a vector of historical errors extracted in blocks from the pseudo out-of-sample backtest (37 origins since Q4 13) is added. The bands represent the 25th and 75th percentiles of the simulated distribution. The dotted line corresponds to the combined forecast weighted by  $MSE^{-1}$ . Uncertainty reflects two sources: (i) model uncertainty (which specification is correct) and (ii) forecast uncertainty (historical error of each model)

# In the forecast, the PEN will tend to strengthen over the remainder of the year. The Central Bank will continue to moderate volatility

- So far in the second quarter, exchange-rate dynamics have reflected uncertainty over: (i) developments in the Middle East and their potential impacts on global activity, inflation, and interest rates, and (ii) the general elections.
- Four elements will induce a strengthening of the Peruvian currency going forward: (i) easing tensions in the Middle East and a gradual decline in oil prices, (ii) dissipation of uncertainty over the election outcome (and of doubts about continuity in the country's type of macroeconomic management), (iii) trade surplus, and (iv) capital inflows in an environment of renewed confidence. The Central Bank will continue to intervene in the foreign exchange market to smooth the decline in the exchange rate.
- USDPEN will close 2026 in a range between 3.20 and 3.30 soles per dollar. At end-2027, with the Fed rate at its neutral level, the exchange rate will stand in a similar range.

## EXCHANGE RATE

(SOLES PER USD, DAILY AVERAGE IN THE MONTH)

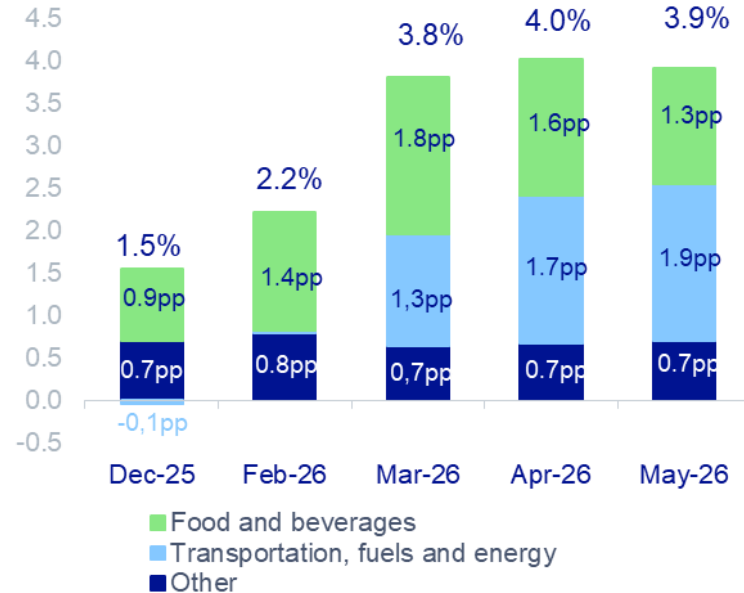


Source: BCRP and BBVA Research (forecasts)

# Inflation: elevated since March due to the effect of higher oil prices on fuel and transport costs

## INFLATION COMPONENTS

(Y/Y % CHANGE AND CONTRIBUTIONS)



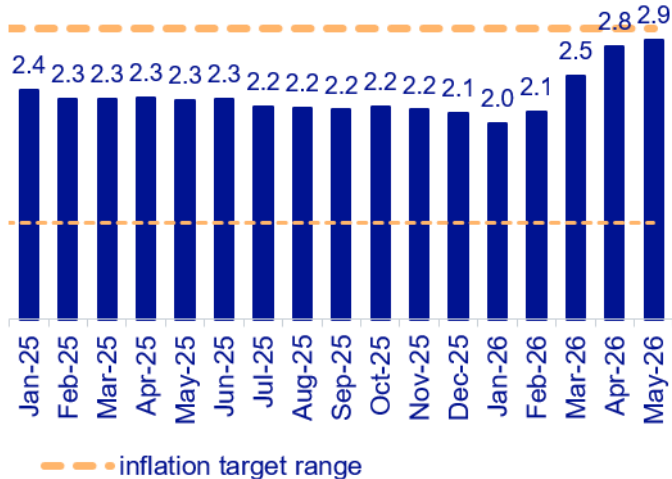
Year-on-year inflation stood at 3.9% in May as a result of the increase in local fuel and transport prices, which contributed approximately 2pp to the outcome.

Transport	Dec-25	Feb-26	Mar-26	Apr-26	May-26
y/y % change	3.0	4.1	14.1	18.1	18.1

# Inflation expectations have risen, but no spillover to the rest of the basket has been observed

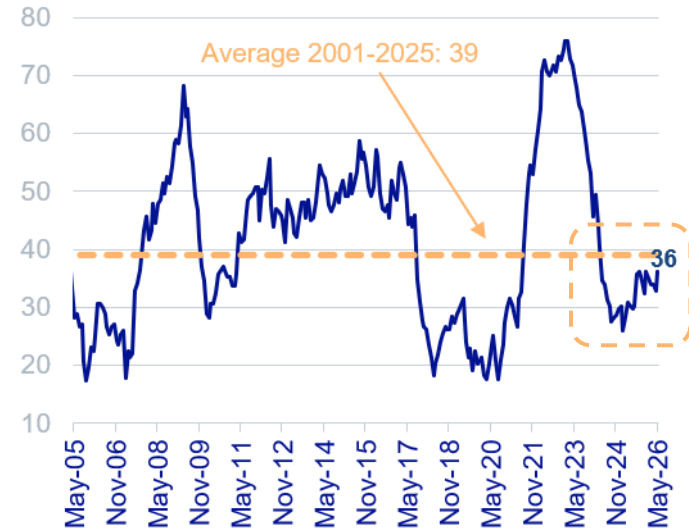
## 12-MONTH INFLATION EXPECTATIONS

(EXPECTED Y/Y % CHANGE FOR CPI)



## CPI ITEMS WITH Y/Y PRICE CHANGE ABOVE 3% (%)

(%)



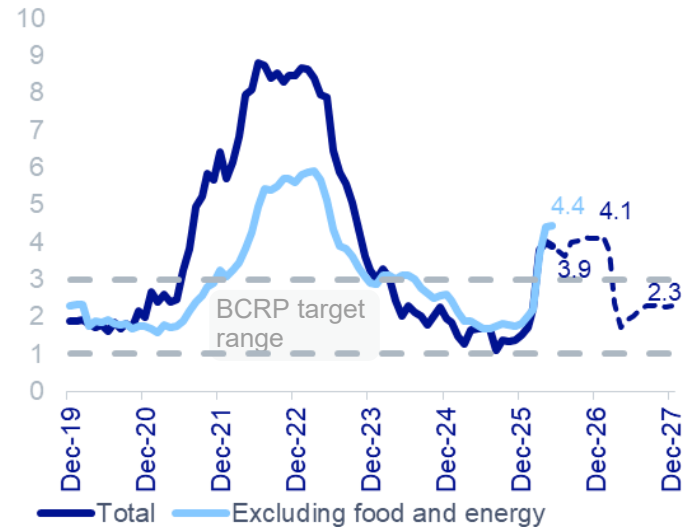
# In our forecast, inflation will remain above the target range and return inside it in 2027

- Headline inflation has been above the target range (2%, +/- one percentage point) since March due to the increase in the international oil price.
- Inflation excluding food and energy is also above 4%. Inflation expectations have also risen, although they remain within the target range. Domestic demand activity is growing at a faster pace than GDP.
- In the short term, inflation will remain high due to: (i) the impact of weather anomalies on food prices, (ii) despite the decline in oil prices, they will remain elevated, (iii) the strength of private spending, and (iv) a low y/y comparison base (low inflation in the second half of 2025).
- In this context, inflation will close at around 4% and then moderate in 2027 to a level close to the center of the target range, supported by the normalization of oil prices and the dissipation of El Niño impacts.

y/y % change (eop)	Dec-25	Dec-26 (f)	Dec-27 (f)
Exchange rate	-9.9	-3.5	0.0
WTI Oil	-17.2	30.1	-13.7
Wheat	-1.9	34.8	5.5
Corn	-0.1	15.0	1.3

## INFLATION

(Y/Y % CHANGE IN CPI)



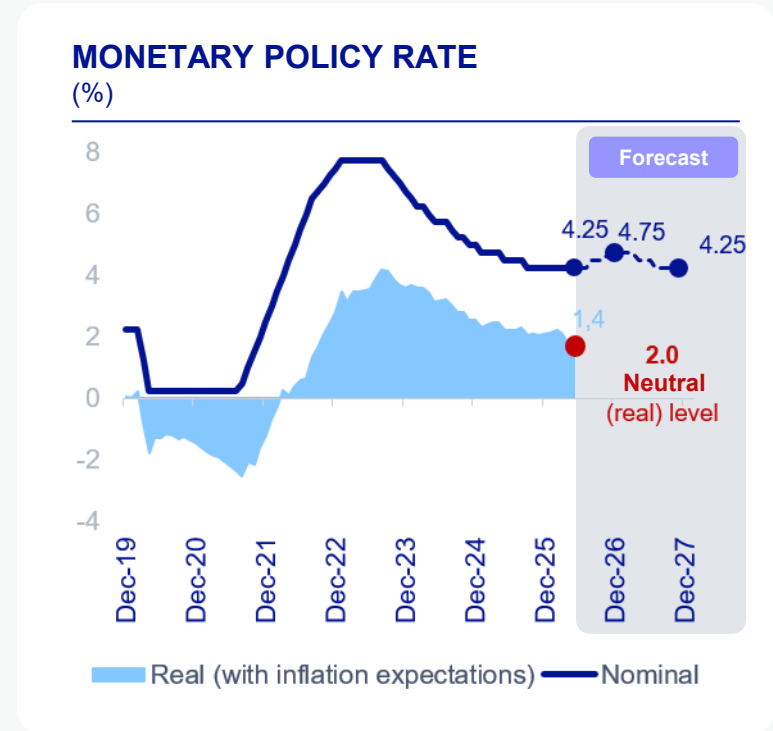
Source: INEI, BCRP, and BBVA Research (forecasts)

# The monetary policy rate will rise temporarily in response to higher inflation

In May, the BCRP kept the reference rate at 4.25%. The statement noted that inflation would return to the target range “within the forecast horizon” and would stand around 2% in 2027.

## Comments

- The real reference rate is below its neutral level.
- Economic activity is growing around its potential level.
- According to the BCRP, inflation would remain outside the target range at least for the rest of the year.
- El Niño in the summer would add to this, continuing to exert upward pressure on prices, especially food prices.
- At the same time, private spending would remain dynamic under the assumed political scenario.
- In this context, it is reasonable to anticipate some upward rate adjustment over the remainder of the year, at least as a signal. The rate could stand at 4.75% in the coming months.
- The appreciation of the sol would provide room to accumulate NIR.
- In 2027, once the energy and climate shocks have dissipated, the rate could normalize toward its neutral level of 4.25%.



Source: BCRP and BBVA Research (forecasts).

### 3. Main risks to forecasts for the Peruvian economy

# Main risks

# Main risks to growth forecasts for the Peruvian economy in 2026 and 2027



## External risks

- A more prolonged conflict in the Middle East.
- New negative supply shocks (tariffs, geopolitics, weather).
- Correction associated with artificial intelligence (or, conversely, greater expansion).
- Financial tensions due to the Trump administration's pressure on the Fed or debt crises in a major economy.



## Local risks

- Weather anomalies more severe than those considered.
- An increase in political or social conflict.
- Greater insecurity associated with rising crime.
- Expansion of illegal economies.
- More favorable impact of high terms of trade.
- A more positive private-sector response to the new Government.
- A new pension fund withdrawal in 2026.



#### 4. Summary of macroeconomic forecasts

# Forecasts

# Summary of macroeconomic forecasts

	2023	2024	2025	2026 (f)	2027 (f)
GDP (% change)	-0.4	3.5	3.4	3.1	3.5
Domestic demand (excludes inventories, % change)	-0.4	3.4	4.9	4.6	4.2
Private spending (% change)	-1.4	2.9	5.1	4.8	4.7
Private consumption (% change)	0.1	2.8	3.6	3.6	3.6
Private investment (% change)	-6.1	3.3	10.0	8.6	8.0
Public spending (% change)	4.3	5.4	4.0	3.5	2.1
Public consumption (% change)	4.9	2.3	3.3	3.9	2.2
Public investment (% change)	2.4	14.7	5.7	2.5	2.0
Exports (% change)	4.1	6.7	4.7	0.4	2.5
Imports (% change)	0.9	8.5	12.6	6.8	5.5
Exchange rate (vs. USD, eop)	3.74	3.74	3.37	3.20 - 3.30	3.20 - 3.30
Inflation (% y/y, eop)	3.2	2.0	1.5	4.1	2.3
Monetary policy interest rate (% , eop)	6.75	5.00	4.25	4.75	4.25
Fiscal balance (% of GDP)	-2.7	-3.4	-2.2	-2.1	-1.9
Current account of the balance of payments (% of GDP)	0.7	2.4	3.5	3.4	1.9
Exports (USD bn)	67.5	76.4	94.0	110.9	105.8
Imports (USD bn)	49.8	52.2	58.6	67.7	69.9

# Summary of macroeconomic forecasts

	2023	2024	2025	2026 (f)	2027 (f)
<b>GDP (% change)</b>	-0.4	3.5	3.4	3.1	3.5
<b>Primary GDP (% change)</b>	3.7	4.8	3.2	-2.0	2.7
Agriculture and livestock	-2.0	5.6	5.6	-1.5	4.7
Fishing	-21.2	27.2	2.9	-27.7	18.7
Mining <sup>1</sup>	9.4	3.0	1.5	-1.3	1.1
Primary manufacturing	-2.3	8.3	5.0	-2.0	3.2
<b>Non-primary GDP (% change) <sup>2</sup></b>	-1.4	3.2	3.3	4.0	3.7
Non-primary manufacturing	-8.0	3.3	2.1	3.3	3.9
Construction	-8.2	3.6	6.7	7.5	5.7
Commerce	2.4	3.0	3.6	4.6	3.8
Other Services <sup>2</sup>	0.1	3.0	3.0	3.4	3.3

1/ Includes metallic mining and hydrocarbons

2/ Does not include import duties

(f) Forecast. Forecast cut-off date: June 02, 2026.

Source: BBVA Research.

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