

October 7, 2026

Peru Economic Outlook

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The global economy continues to grow, with higher but contained inflation



and limited financial stress. AI demand, defense spending and inflation-focused central banks are helping offset global headwinds, including escalating Middle East tensions, which have further pushed energy prices up, and the ongoing trend of rising long-term yields.

Growth prospects remain broadly unchanged.



In the US, GDP growth will likely stay just above 2%, while in China it is forecast to keep converging down toward 4%. In the Eurozone, this year's outlook has improved on stronger incoming data, but prospects for next year remain unchanged despite higher oil prices, rates and inflation.

Commodity prices will keep inflation under pressure



in the short run. Still, inflation could ease next year if tensions in Iran subside as assumed in our baseline scenario. Tighter monetary conditions should also help contain inflation: policy rates are likely to soon reach 4.25% in the US and 2.75% in the Eurozone.

Uncertainty remains very high.



Escalation of conflicts in the Middle East or in Ukraine, weather shocks, policy uncertainty, rising public debt and sovereign yields, protectionism, AI and other factors could eventually erode global resilience and trigger macro and financial instability. Higher oil prices for longer would make inflation and rates edge higher.

Key messages: domestic macroeconomic outlook

Economic activity



The Peruvian economy will grow by 2.9% in 2026. By sector, growth is supported by buoyant non-extractive activities (particularly Construction, Trade, and Services), partly offset by the weak performance of primary GDP (especially Fishing and related activities, and agriculture), which has been affected by weather anomalies. On the expenditure side, domestic demand growth stands out, particularly private-sector investment demand. The international environment remains favorable, and reduced domestic political uncertainty has had a positive effect on confidence.

We also expect GDP to grow by 2.9% in 2027, with two markedly different phases during the year. In the first half, El Niño will slow growth to rates between 1.0% and 2.0%. In the second half, as weather conditions and affected activities normalize and damaged infrastructure is rebuilt, activity will rebound, posting growth rates close to 4.0%.

Compared with our previous baseline scenario, GDP forecasts have been revised downward (in June, we expected growth of 3.1% in 2026 and 3.5% in 2027) due to a sharp deterioration in weather forecasts.

Fiscal accounts



The fiscal deficit narrowed to 1.0% of GDP in August 2026 (from 2.2% at the end of last year). The decline reflected improved government revenue, supported by buoyant economic activity and high export prices, while public investment was lower as a share of GDP and public enterprises posted better results.

Public spending will increase in the second half of the year owing to higher disbursements for works aimed at preventing and mitigating the impacts of coastal El Niño. We therefore estimate that the deficit will close 2026 at 1.7% of GDP, below the fiscal rule ceiling (1.8%). In 2027, it will temporarily widen to 2.3% due to the spending needed to manage the climate emergency and subsequently rebuild infrastructure damaged by El Niño. Thereafter, the deficit will ease to somewhat below 2.0% of GDP.

Against this backdrop, gross public debt will remain around 29% of GDP over the coming years, comparing favorably with regional peers.

Key messages: domestic macroeconomic outlook

External accounts



In a context of high terms of trade that continue to support the trade balance, and despite buoyant domestic demand (which drives higher import volumes), the current account surplus reached 4.5% of GDP in the second quarter of the year (on a rolling four-quarter basis). This is the highest level since 2006.

The high prices of copper and gold (Peru's main exports) expected for the remainder of this year and in 2027—and assuming that the sharp rise in international oil prices gradually fades—suggest that average terms of trade will increase again this year and remain high next year.

As a result, the balance of payments current account will remain in surplus, at around 3.0% in 2026 and approximately 1.0% in 2027.

Exchange rate



Following the election result, and against a backdrop of persistent external account surpluses, the PEN tended to appreciate. However, this trend reversed in recent weeks: the conflict in the Middle East intensified, the Fed adopted a more hawkish tone (and raised its policy rate, with further increases expected), and long-term sovereign interest rates rose globally. The Peruvian sol weakened.

The new scenario continues to envisage a gradual improvement in energy flows through the Strait of Hormuz. It also assumes that the Fed will raise its policy rate again, although by less than markets anticipate. Given that the external account surplus will remain significant (and that allowing the local currency to appreciate could help the Central Bank contain inflation to some extent), we expect the Peruvian sol to strengthen going forward, although episodes of turbulence cannot be ruled out.

Accordingly, we forecast that the exchange rate will close 2026 within a range of 3.25 to 3.35 soles per dollar (as the December daily average), and end 2027 within a range of 3.20 to 3.30 soles per dollar.

Key messages: domestic macroeconomic outlook

Inflation



Inflation has remained high since March, when international oil prices rose sharply (amid the Middle East conflict), feeding through to domestic fuel and transport prices. In September, it reached 4.5% y/y, comfortably exceeding the upper bound of the target range (2%, +/- 1 pp).

Persistently high oil prices (and their impact on fuel and transport), robust private spending, upward pressure on some prices from weather anomalies, and a low year-earlier comparison base suggest limited scope for inflation to ease soon.

We expect inflation to end this year closer to 5.0%. In 2027, as energy flows through the Strait of Hormuz gradually improve and weather conditions normalize, inflation will ease and end the year at around 2.2%.

Monetary policy interest rate



The Central Bank (BCRP) has kept its policy rate at 4.25% for a year. It expects the rise in inflation to be temporary and notes that higher energy and transport prices have not spilled over to other prices in the consumer basket. However, with the monetary stance expansionary, inflation set to remain high for several more months, inflation expectations already above the upper bound of the target range, and private spending robust, we cannot rule out the BCRP raising its policy rate soon.

The baseline scenario includes two rate hikes (of 25 bp each) over the coming months. In 2027, when inflation returns to the target range in the second half, those increases will be reversed.

Main risks to growth forecasts



The main external risks that could cause growth to deviate from forecasts include: (i) an escalation of the war between Iran and the United States; (ii) further adverse supply shocks (weather, tariffs, geopolitics); (iii) stronger expansion associated with artificial intelligence (or, conversely, a stock market correction); and (iv) financial strains due to pressure from the Trump administration on the Fed or debt crises in a major economy.

The main domestic risks include: (i) the eventual impact of El Niño; (ii) the response of private spending to more positive household and business sentiment; (iii) a failure by the government to deliver promptly, which would disappoint citizens and erode political capital; and (iv) rising crime that discourages private spending.

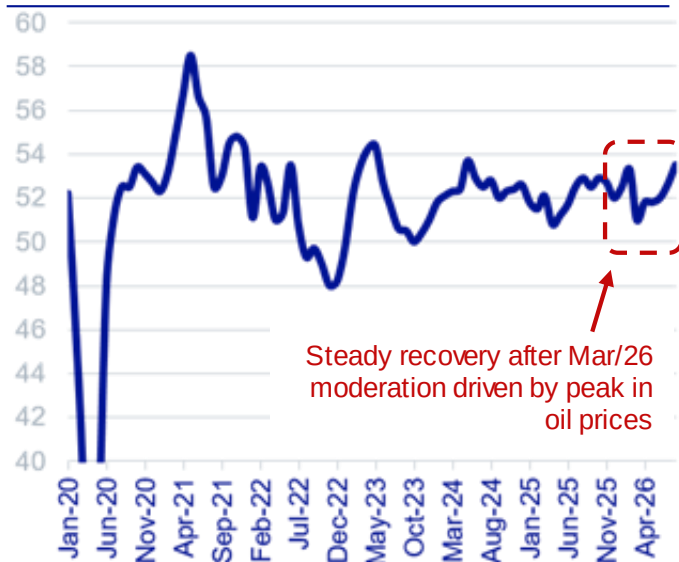
1. Context and forecasts

Global outlook

The global economy has remained resilient despite multiple shocks, which have lately shown little sign of abating

GLOBAL COMPOSITE PMI

(HIGHER THAN 50: EXPANSION; LOWER THAN 50: CONTRACTION)



GLOBAL HEADWINDS

- geopolitical fragmentation, conflicts
- energy and commodity shocks
- climate shocks
- rising public debt and long-term yields
- policy uncertainty
- protectionism
- China's structural slowdown
- ageing

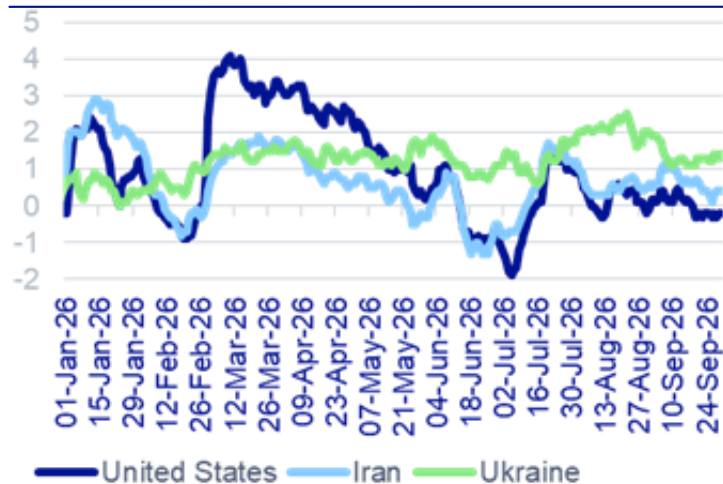
GLOBAL TAILWINDS

- AI adoption
- defense spending
- inflation-focused central banks
- solid private balance sheets
- fiscal impulse
- resilient labor markets
- supply-chain reconfiguration
- green investment, energy diversification

US-Iran tensions escalated again, with conflict spreading to the Red Sea, pushing up energy prices and uncertainty

GEOPOLITICAL RISK INDEX

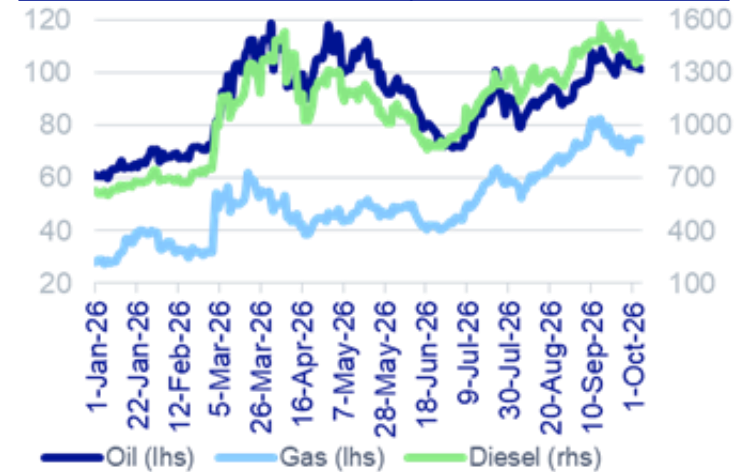
(AVERAGE = 0; 28-DAY MOVING AVERAGE)



Source: BBVA Research

BRENT, EUROPEAN GAS AND DIESEL

PRICES^(*) (USD PER BRENT BARREL; EUROS PER MWh, USD PER METRIC TONS)



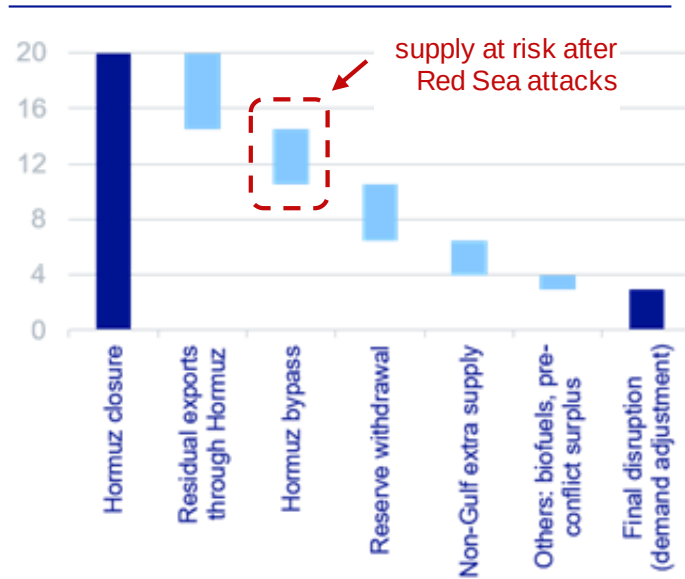
(*) Diesel: low sulphur gas oil future (ICE Futures Europe)

Source: BBVA Research based on data from Haver

US-Iran diplomacy stalled over ceasefire terms and control of Hormuz; Washington then intensified economic pressure by expanding sanctions on Iran's allies; fighting has since resumed, with the Houthis attacking alternative oil routes in the Red Sea

Supply disruptions persist, with some offsetting factors now at risk, adding volatility to energy prices

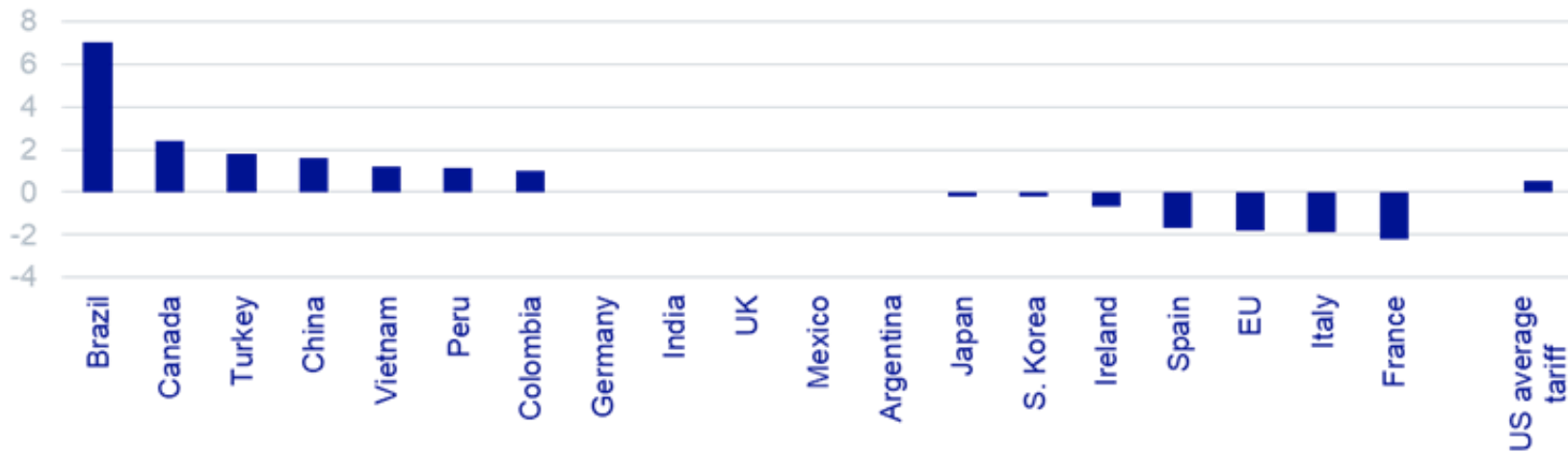
OIL MARKET BALANCE: AUG/26
(MILLION BARRELS A DAY)



- **Despite data uncertainty, there are signs that oil exports through Hormuz have increased**, due to a larger flow of oil from US allies
- **Bypassing routes through the Red Sea have helped cushion supply losses**, but escalating attacks in the region have caused fresh, seemingly temporary disruptions
- **Reserve liberation, particularly by China, continues to provide support**, but non-linearity risks remain in place
- **Increasing production by other countries**, especially in the Americas, is also preventing oil prices from moving even higher

Tariffs: the recent changes leave the average US tariff mostly unchanged, despite varying effects across countries

US STATUTORY TARIFFS: CHANGES DUE TO THE EXPIRATION OF “UNIVERSAL” TARIFFS (BASED ON SECTION 122), ADOPTION OF “FORCED LABOR” TARIFFS (BASED ON SECTION 301) AND IMPLEMENTED NEW TARIFFS ON CANADA AND BRAZIL (*) (PP)

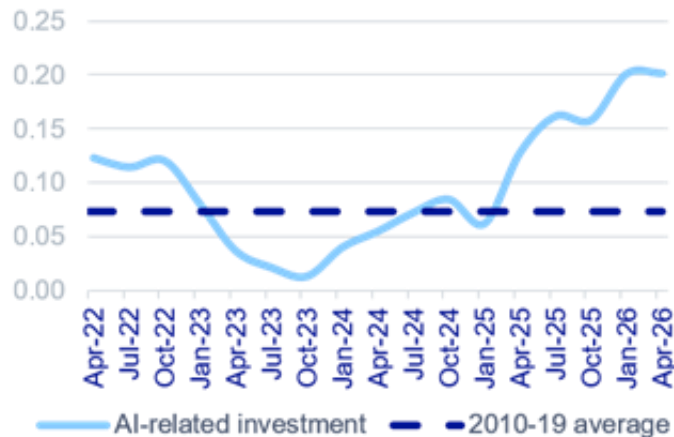


(*) It does not consider higher tariffs on Canadian cars, trucks, automobiles parts and steel announced to take place on January 2027, nor the recently announced tariffs cuts between the US and China, which are still pending implementation.
Source: BBVA Research

The average effective US tariff is likely to remain close to 7%; extra US tariffs scheduled to be effective next year would raise Canada's tariff by 2pp to 6pp, depending on whether the targeted goods will still benefit or not from USMCA exemptions; the recent US-China deal could reduce tariffs on China by 1pp to 2pp

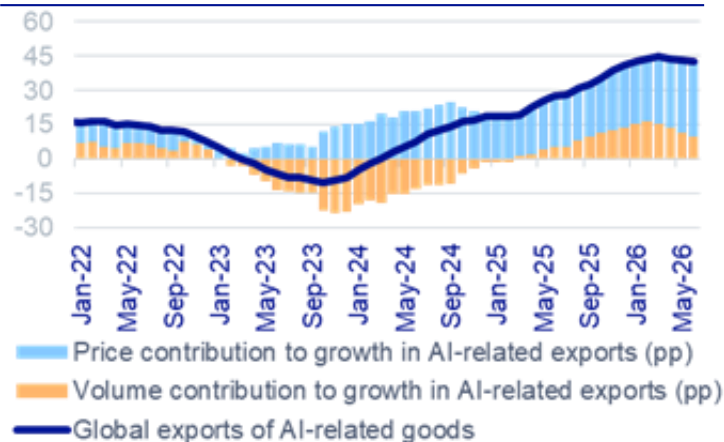
Rising AI investment is supporting aggregate demand, mainly in the US, but also in other countries

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

GLOBAL EXPORTS OF AI-RELATED GOODS
(Y/Y%, 12-MONTH MOVING AVERAGE)

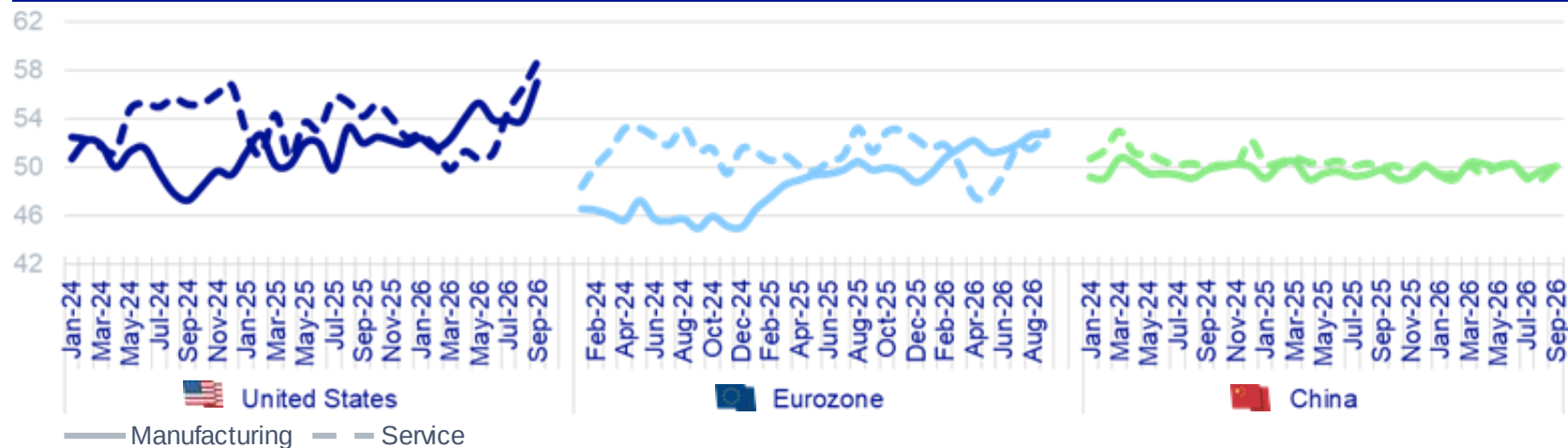


(*) AI-related goods exports include key inputs at the 6-digit level (energy and power, the semiconductor ecosystem, AI hardware, and connectivity) used in AI production.
Source: BBVA Research based on data from UN Comtrade, China's GAC, and Taiwan Customs.

Extraordinary AI demand is also putting strong pressure on related prices, potentially creating risks to global inflation

High-frequency indicators reinforce the view that growth is still robust in the US and is improving in Europe

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

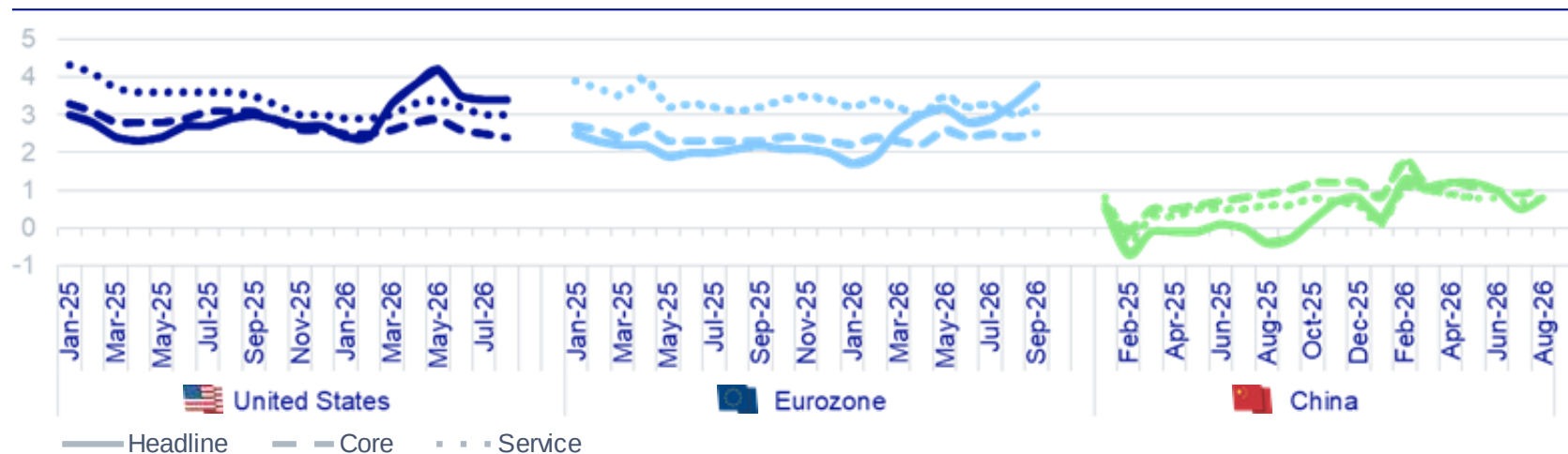


Source: BBVA Research based on data from Haver

2Q26 GDP surprised to the upside in the Eurozone, supported by resilient consumption and stronger net exports, but disappointed in the US despite robust domestic demand, and mainly in China despite very strong exports

Inflation is running above 3% both in the US and in the Eurozone amid higher energy prices and resilient demand

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

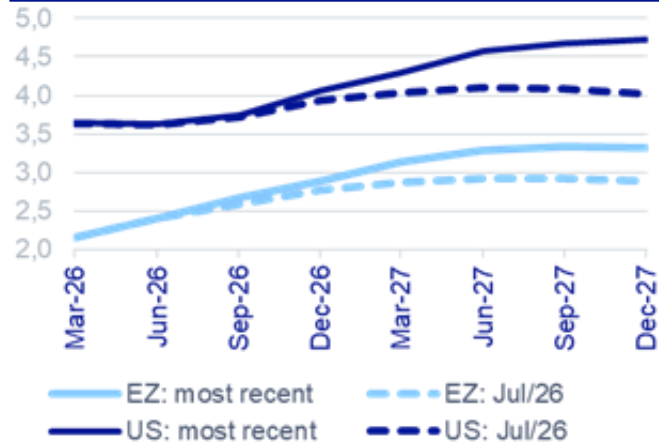


Source: BBVA Research based on data from Haver

Although headline inflation continues to be under pressure, core and service figures have exhibited a (timid) downward trend over the last few months, which suggest no significant second-order effects from the commodity shock so far

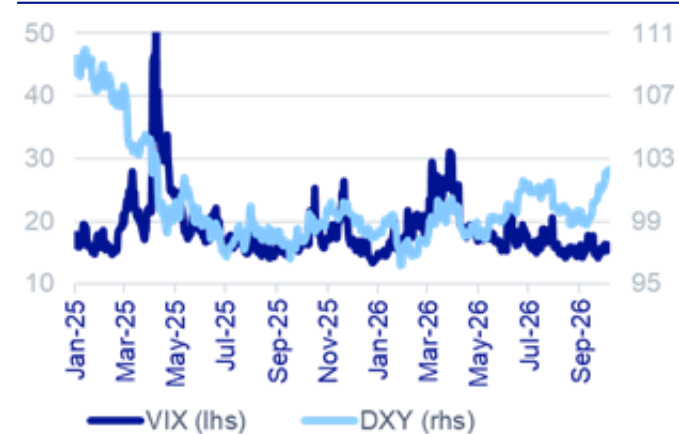
Markets expect both the Fed and the ECB to continue tightening monetary conditions ahead

INTEREST RATES IMPLIED BY FED FUNDS
AND EURIBOR FUTURES (%)



Source: BBVA Research based on data from Haver

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

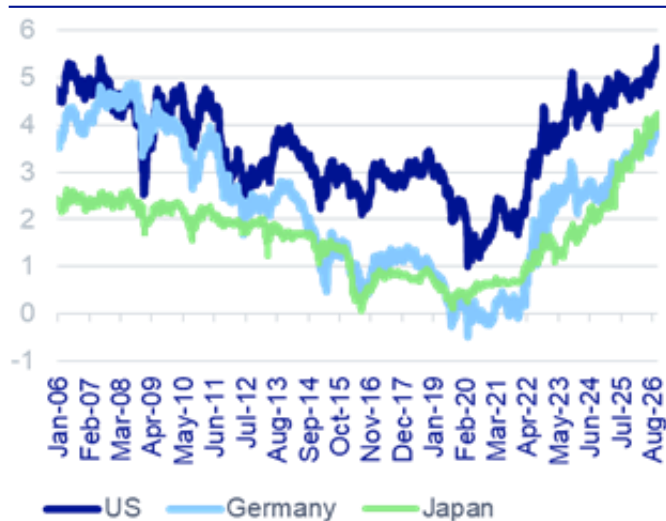


(*) A higher DXY represents a stronger US dollar
Source: BBVA Research based on data from Haver

The ECB and the Fed have recently raised rates to 2.5% and 4.0%, respectively, with markets pricing in further hikes; the VIX has remained subdued, while the US dollar has appreciated somewhat

Long-term sovereign yields continue to rise globally, prompting a policy response from the US Treasury

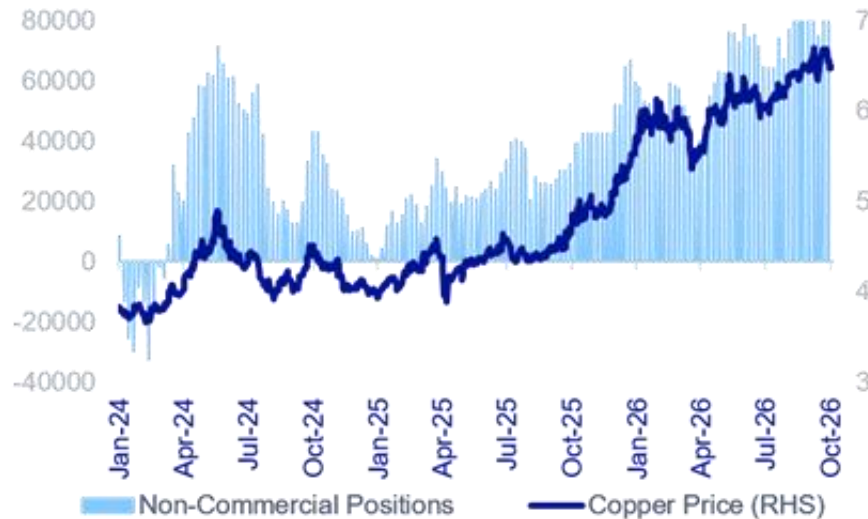
30-YEAR SOVEREIGN YIELDS
(%)



- **Long-term sovereign yields have continued to trend up, accelerating recently**, mostly due to higher real interest rates (driven by inflation pressures and resilient growth) while the term premia remain higher than in the past years (mostly due to fiscal issues)
- **The US Treasury has tried to contain the trend** by increasing bond buybacks and supporting the yen, while seeking to limit Japan's sales of US Treasuries
- **The moves had only limited impacts** as they don't structurally address the drivers of their upward trend; moreover, they may eventually clash with Fed's goals

Copper: prices continue to rise amid more severe supply disruptions and solid demand

COPPER PRICES AND NON-COMMERCIAL POSITIONS¹
(USD PER POUND – NUMBER OF CONTRACTS)

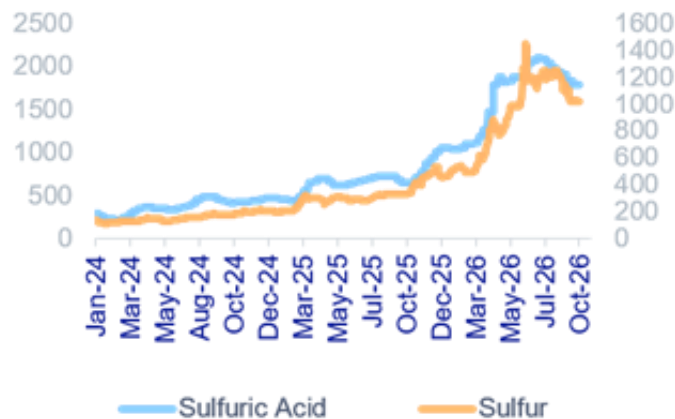


- Copper prices remain at record levels, extending the upward trend seen since June 2026.
- **Upside factors:** (i) more severe supply disruptions; (ii) persistently high costs of mining inputs due to limited transit through the Strait of Hormuz; (iii) concerns about higher U.S. tariffs, which have encouraged precautionary inventory accumulation in that country; (iv) solid demand, driven by investment in AI infrastructure, defense and the rally in technology stocks; and (v) increased copper imports by China.
- **Downside factors:** a more restrictive Fed stance that strengthens the dollar, making copper more expensive for buyers using other currencies. In addition, the pronounced overbought position among non-commercial traders increases vulnerability to a correction.

% change compared with...			
Level on Oct 5	05/07	YTD	Year
USD 6.49	+7.5	+14.9	+33.9

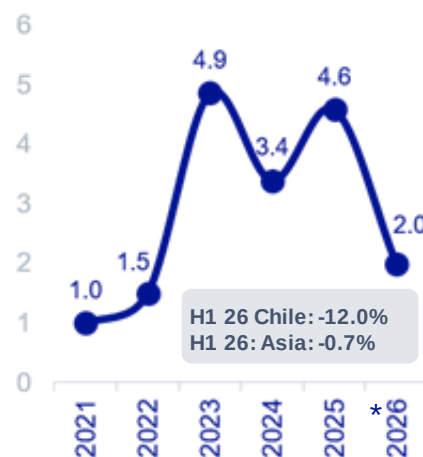
Copper: rising mining input costs due to the prolonged Hormuz blockade have constrained global production

SULFUR AND SULFURIC ACID PRICES¹
(RMB PER METRIC TON – USD PER METRIC TON)



Higher prices and limited availability of sulfuric acid are weighing on production by leaching, especially in Chile, where more than half of refined output uses these inputs.

GLOBAL REFINED COPPER PRODUCTION
(Y/Y % CHANGE)



SUPPLY PROBLEMS:

- A slower recovery in output at the Grasberg mine (Indonesia), which accounted for 4.0% of global production (2024).
- Ban on copper concentrate exports in Congo (output will be directed toward domestic refining, but there is a risk that this will be constrained by local capacity).
- Greater domestic supply difficulties in Chile: strikes, weather events and lower ore grades.

Production	DR Congo	China	Rest of the world
H1 26	7.9%	5.3%	-1.9%

Copper: investment in AI infrastructure and increased defense spending sustain solid demand for the metal

SEMICONDUCTOR
PROFITABILITY INDEX¹
(INDEX)



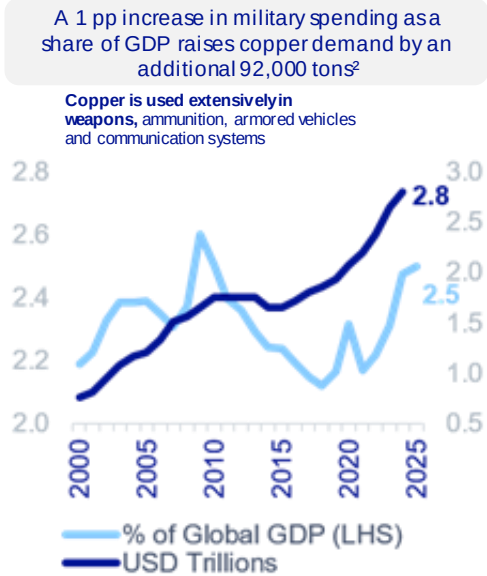
ANNOUNCED INVESTMENT IN AI
INFRASTRUCTURE

Company	Estimated capex (2026)	Investment purpose
Amazon	Approx. USD 200 bn	AI infrastructure (expansion of data centers, chips, etc.)
Microsoft	Approx. USD 190 bn	Data centers and cloud capacity
Alphabet	USD 195–205 bn	Data centers and proprietary chips
Meta	USD 130–145 bn	AI infrastructure and data centers
Total	USD 735–760 bn	

1/ Information as of October 2
Source: FRED

Source: corporate reports, market estimates and news media.

GLOBAL MILITARY
EXPENDITURE (TRILLIONS OF
DOLLARS; % GLOBAL GDP)



2/ Álvarez et al. (2025). Global defense spending. Central Bank of Chile. (link)
Source: World Bank

Copper: industrial demand remains robust; Chinese imports increase

GLOBAL ECONOMIC ACTIVITY INDEX¹
(INDEX)



1/ Lutz Kilian's (2009) Global Real Economic Activity Index, constructed using dry bulk ocean freight rates.

Source: FRED

CHINA | PMI AND COPPER IMPORTS²
(THOUSANDS OF METRIC TONS; INDEX)

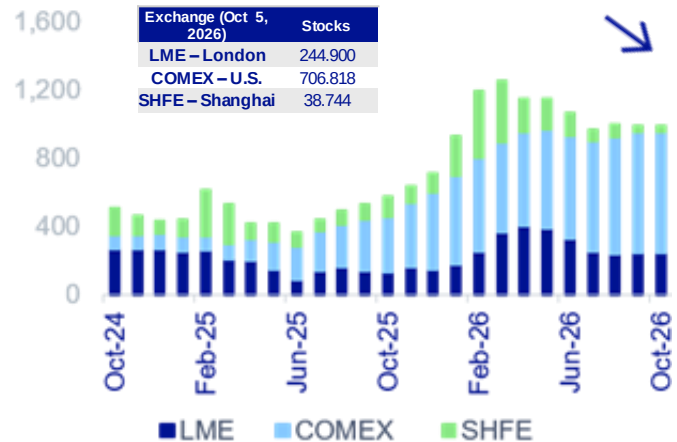


2/ Three-month moving average

Source: Investing

Copper: concerns over higher U.S. tariffs drive inventory accumulation in that country, supporting prices

COPPER INVENTORIES BY MARKET¹
(THOUSANDS OF METRIC TONS IN STOCK)



	Dec 25	Jan 26	Feb 26	Mar 26	Apr 26	May 26	Jun 26
Days of consumption held in global inventories	23	26	33	26	25	27	25

Copper is flowing to the U.S. because traders anticipate an import tariff: moving the metal to COMEX before the tariff takes effect (possibly on January 1, 2027) is advantageous, taking advantage of the premium already paid by the U.S. market relative to the LME.

COPPER PRICE AND SPOT-3M SPREAD¹
(U.S. CENTS PER POUND – USD PER POUND, LME)



Copper: physical balance faces a high risk of near-term tightness

GLOBAL REFINED COPPER BALANCE¹
(THOUSANDS OF FINE METRIC TONS – KT)

	2025	2026e		2027e	
	Kt	Kt	Change	Kt	Change
(1) Mine production	23 514	23 567	0.2%	24 473	3.8%
(2) Refined supply	27 525	28 087	2.0%	28 627	1.9%
(3) Refined demand	27 348	27 862	1.9%	28 448	2.1%
China	15 626	16 053	2.7%	16 273	1.4%
Rest of the world	11 722	11 809	0.7%	12 175	3.1%
(2)–(3): Refined balance	177	225		179	
		0.8% of demand		0.6% of demand	
		BBVA Research			
		Downside bias			

1/ Forecast corresponds to the second quarter of 2026.

- The global refined copper balance estimated by Cochilco for the second quarter showed a surplus of 225,000 metric tons. Since then, conditions have tightened.
- Operational problems at certain mines have been more severe and persistent than anticipated. Moreover, the prolonged conflict in the Middle East has increased risks to production, input supplies and logistics.
- Given that precautionary copper stockpiling in the United States amid concerns over a potential tariff—estimated at between 600,000 and 700,000 tons—exceeds the surplus estimated by Cochilco, the market would remain tight or could even record an effective deficit over the remainder of 2026, supporting copper prices.
- Global copper supply will gradually recover in 2027 under a scenario in which the conflict in the Middle East and the operational problems currently affecting some mines move toward resolution.

Gold: prices decline amid a more restrictive Fed and global dollar strength

GOLD PRICE¹
(USD PER TROY OUNCE)



- After reaching a peak of USD 5,417/oz in March 2026, gold corrected by 27% through late June. It is currently trading around USD 4,143/oz.
- Expectations of a more restrictive Fed and dollar strength are weighing on gold prices by raising the opportunity cost of holding a non-interest-bearing asset.
- Although performance improved in July (USD 3 billion in inflows), gold-backed ETFs recorded USD 10.9 billion in outflows between May and June.
- Central banks have moderated their gold purchases: in the first quarter of 2026, they reached their lowest level in more than a decade (56 metric tons); purchases rebounded in the second quarter but remained below levels seen in, for example, 2024.

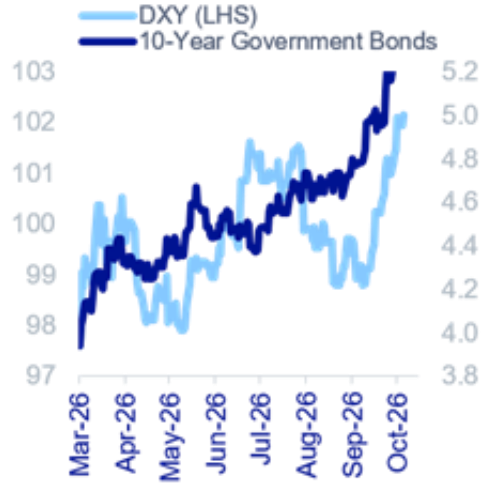
% change compared with...			
Level on Oct 5	05/07	YTD	Year
USD 4,143/oz	-0.8	-4.1	+6.6

^{1/} Information as of October 5.
Source: Bloomberg.

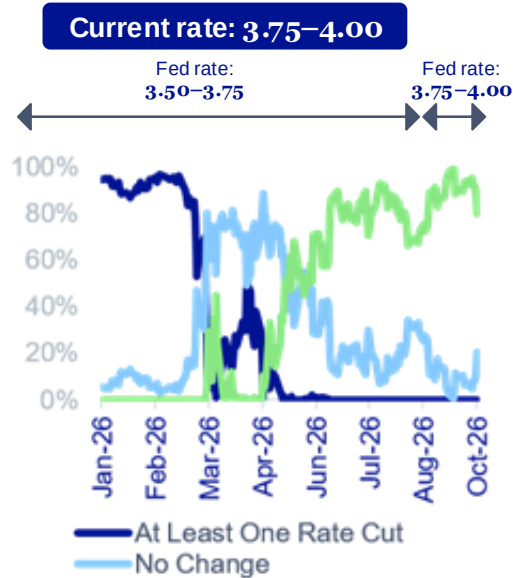
Gold: the dollar strengthens, Fed rate expectations turn more restrictive, and ETF flows decline over the year

U.S. BONDS AND DXY¹ (INDEX)

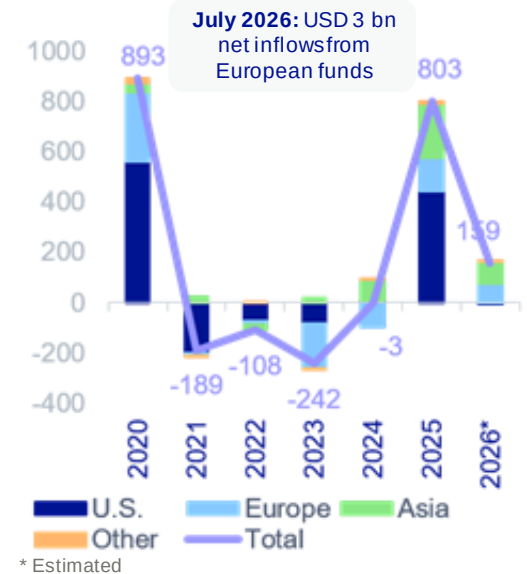
A stronger dollar and higher bond yields weigh on gold, making it more expensive for foreign buyers and increasing the opportunity cost of holding a non-yielding asset



FINANCIAL MARKETS | PROBABILITY OF FED RATE CHANGES IN 2026²

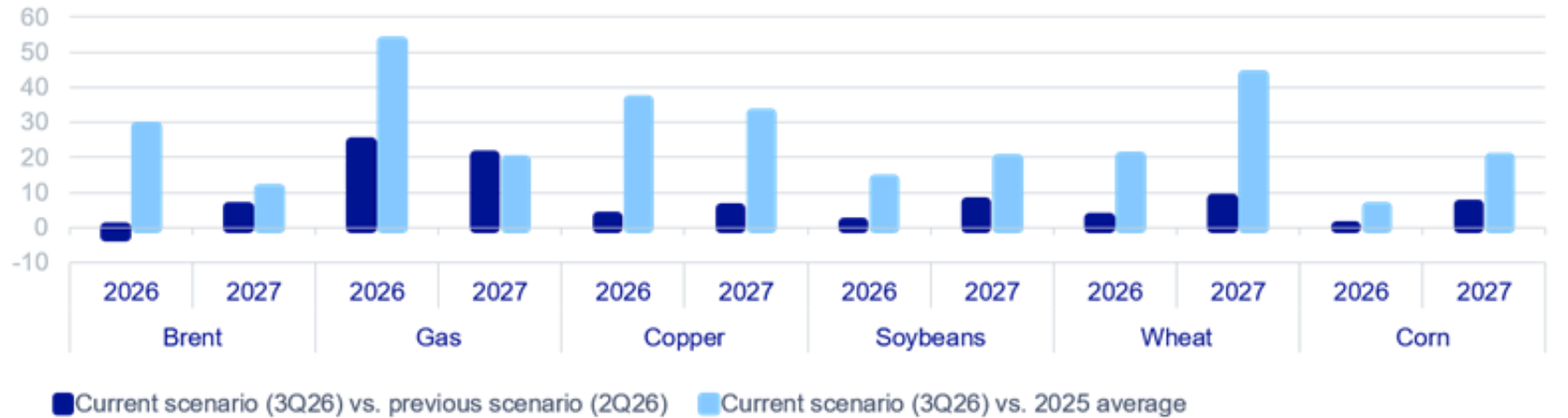


GOLD-BACKED ETF FLOWS (METRIC TONS)



Commodity prices will be supported not only by geopolitical tensions, but also by weather shocks and AI demand

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

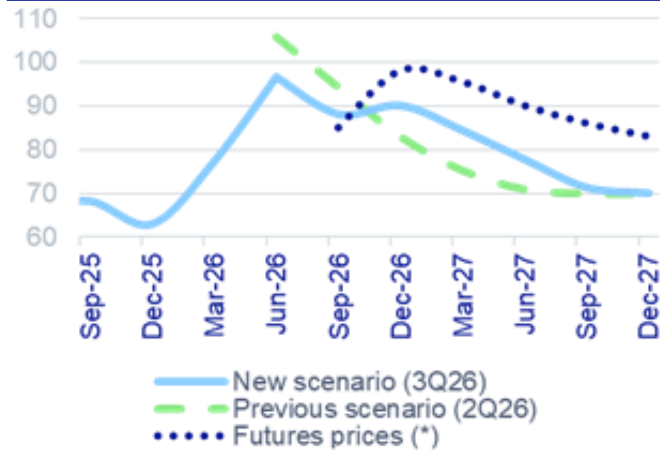


Source: BBVA Research

While the Middle East conflict is pushing up a broad range of input prices (notably energy and fertilizers), further pressure will come from low inventories (gas), the Russia-Ukraine war (now hitting wheat exports), weather shocks (El Niño and hot weather in the EU and US) and resilient demand (particularly AI-related demand for copper, energy and other inputs)

Our scenario assumes that oil prices will be contained and decline gradually next year, despite risks

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



	2026 average	2027 average
New baseline scenario (3Q26)	88	76
Previous baseline scenario (2Q26)	90	72

(*) In early October 2026.
Source: BBVA Research based on data from Haver

- **With Hormuz transit constrained for longer, prices are assumed to be slightly higher** than the previous scenario, although they were below the previous forecast in 3Q26
- **The new scenario is still consistent with a gradual improvement of energy flows** through Hormuz moving forward
- **Upside risks** to the oil baseline are relevant as tensions could avoid a reopening of the Strait, severely hit bypassing routes through the Red Sea and trigger nonlinearities
- **But oil prices could decline faster than forecast** if eventually a new deal is reached

Copper price forecast: prices will remain elevated in 2026 and 2027

COPPER PRICE
(USD PER POUND, LME)



2026

- The realized price was higher than forecast.
- **Demand:** the baseline scenario assumes continued strong investment in AI infrastructure and a boost from bringing forward precautionary purchases amid U.S. tariff concerns.
- **Supply:** high mining input costs due to the prolonged Hormuz blockade and severe supply disruptions stemming from weather and operational factors.

Moderation in 2027

- (i) Easing of the Middle East conflict and gradual normalization of mining supply are assumed; (ii) tariff concerns dissipate; and (iii) less favorable financial conditions (higher rates).

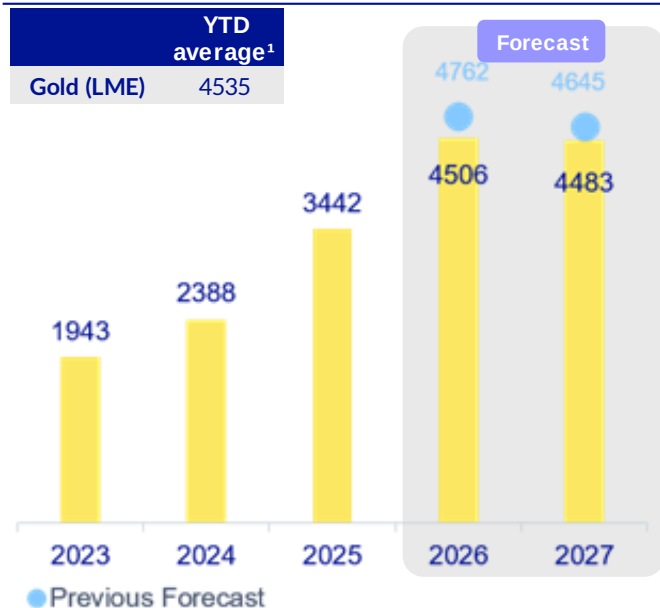
Risks

- **Downside risks:** a sharp correction in AI-related stock prices—following recent warnings about their valuations—could temper investment expectations and copper demand.
- **Upside risks:** slower supply normalization and persistent tariff uncertainty—which encourages advance purchases.

Gold price forecast: prices around USD 4,500/oz in 2026 and 2027

GOLD PRICE

(USD PER TROY OUNCE)



2026

- The realized price was lower than forecast.
- **Demand:** more moderate central bank purchases and higher short-term interest rates reduce demand for gold.
- **Structural factors:** global and geopolitical uncertainty remains high, providing a floor for prices.

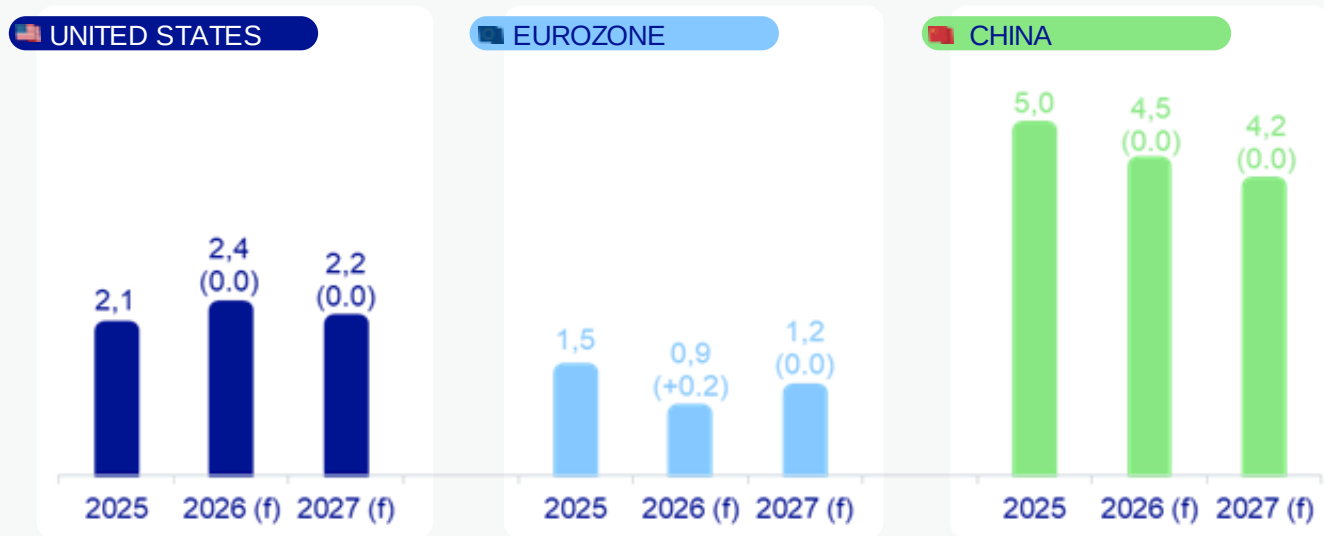
Moderation in 2027

- Three factors: (i) easing of the Middle East conflict, (ii) lower global risk aversion, and (iii) interest rates remaining higher for longer due to the gradual convergence of inflation.

Broadly unchanged GDP forecasts despite a better outlook for Europe this year, supported by stronger incoming data

GDP GROWTH (*)

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



Growth is expected to be slightly above 2% in the US and converge to 4% in China, despite 2Q26 negative surprises.

In **Europe**, the impact of higher interest rates will be mostly offset by the effects of a weaker euro

(*) After expanding by 3.5% in 2025, global GDP is still forecast to grow by 3.1% in 2026 and by 3.3% in 2027 (unchanged figures).

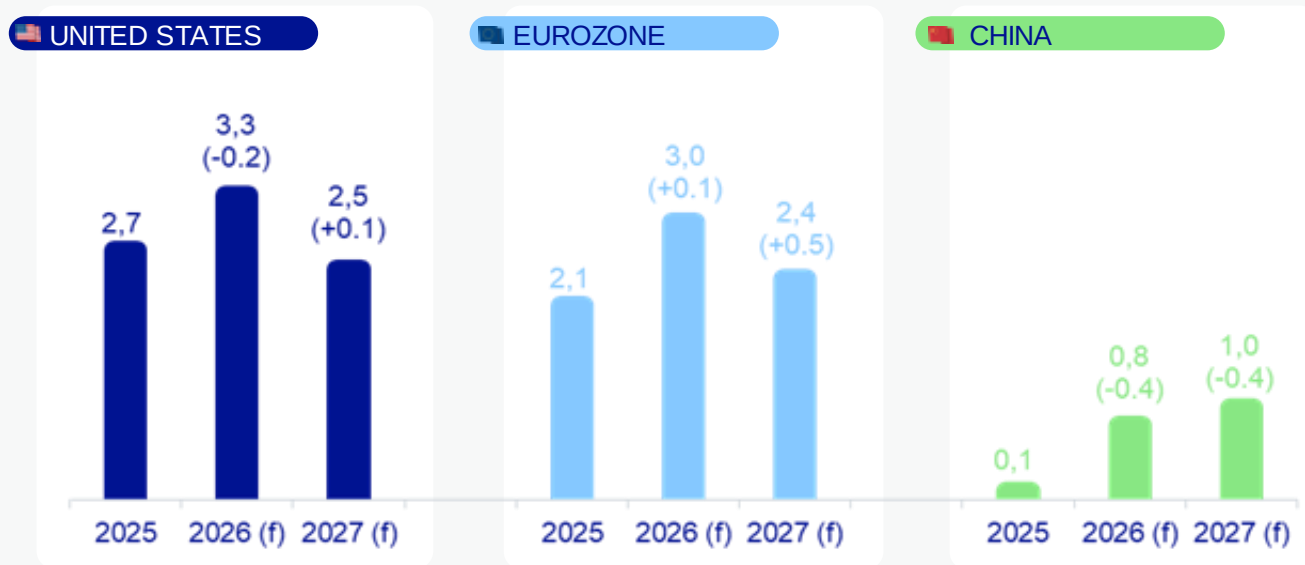
(f): forecast.

Source: BBVA Research

Commodity prices and demand resilience will help to keep inflation under pressure, at least in the short-run

HEADLINE CPI INFLATION

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



Inflation will remain high, above previous expectations in Europe, amid higher energy prices and resilient growth

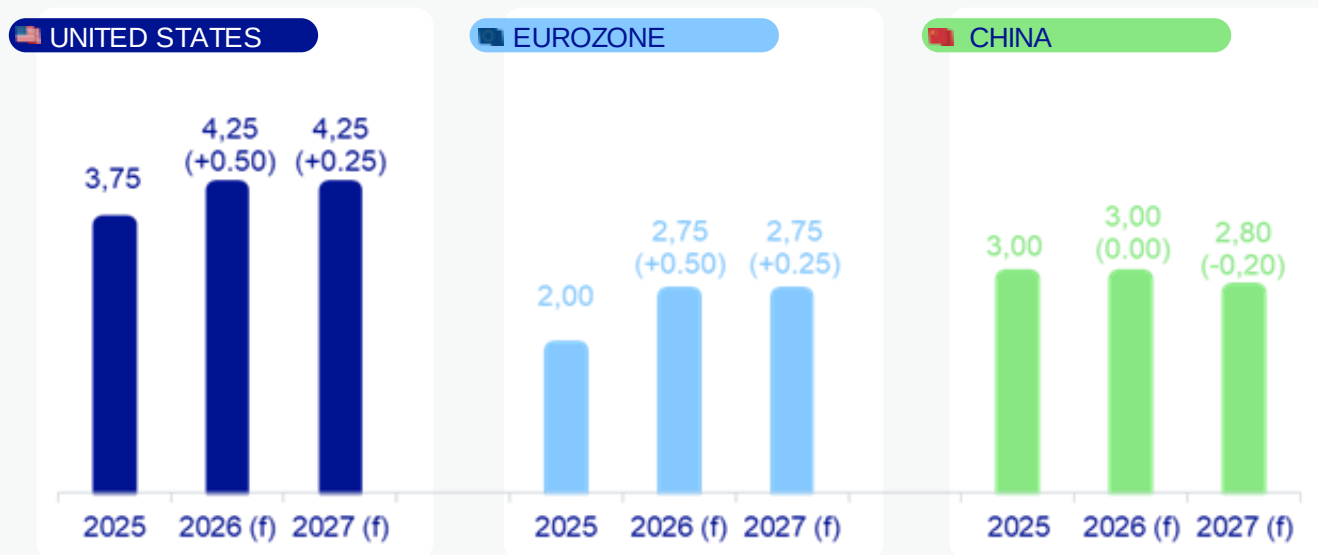
It is forecast to ease next year, with core prices staying contained, provided energy prices decline as assumed

(f): forecast.
Source: BBVA Research

Fed and ECB will raise rates again this year and keep them unchanged in 2027, despite upside risks

POLICY INTEREST RATES (*)

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



Policy rates will be higher than previously expected to address increasingly challenging inflation risks

Further tightening will likely be limited, if inflation eases as expected during 2027, but risks are tilted upwards

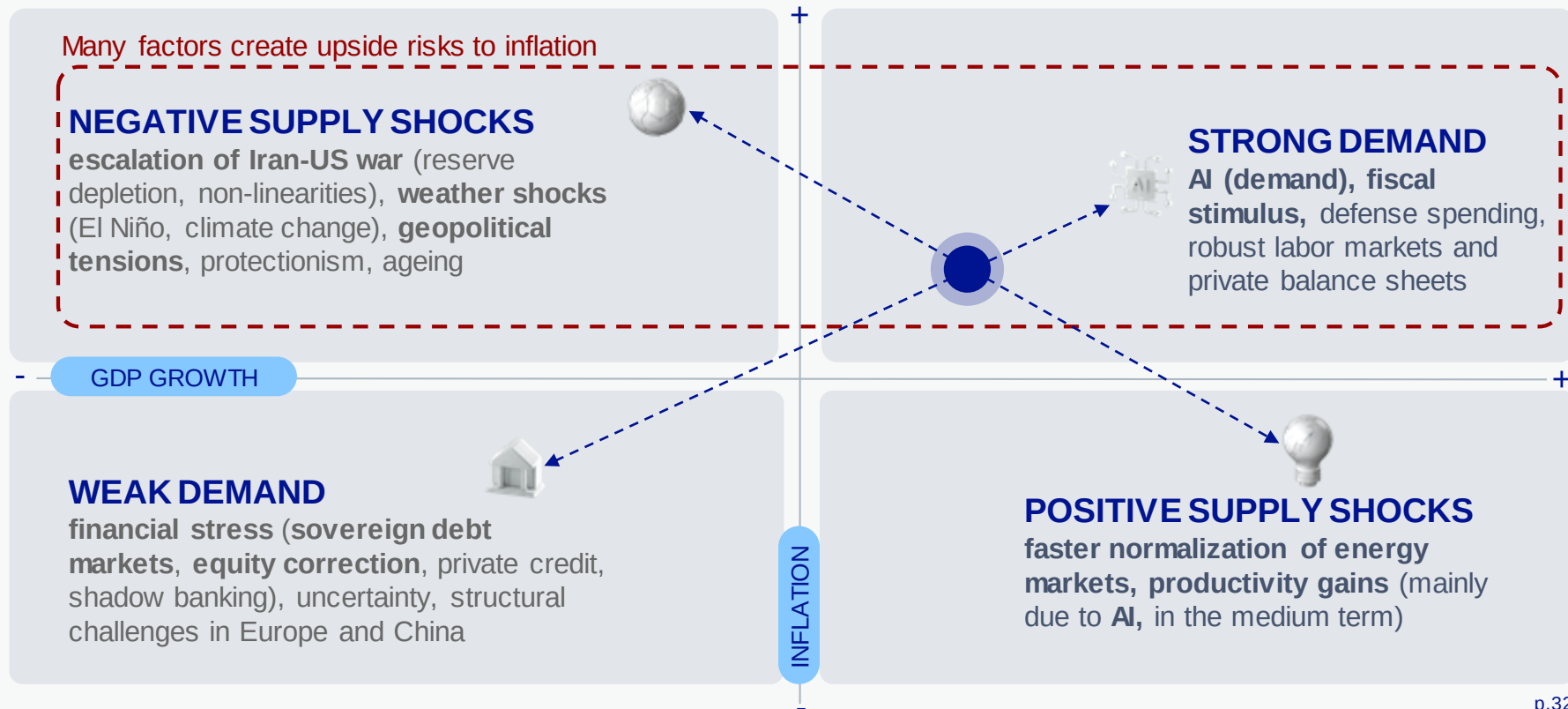
(f): forecast.

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

Source: BBVA Research

Risks: geopolitical conflicts, weather shocks and financial stress, but also stronger demand

GLOBAL ECONOMY: MAIN RISKS AROUND BBVA RESEARCH BASELINE SCENARIO



2.1 Baseline scenario considerations

Peruvian economic forecasts

Baseline scenario: main considerations

Baseline scenario



International environment

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- The international environment remains favorable, and reduced political uncertainty has had a positive effect on confidence.



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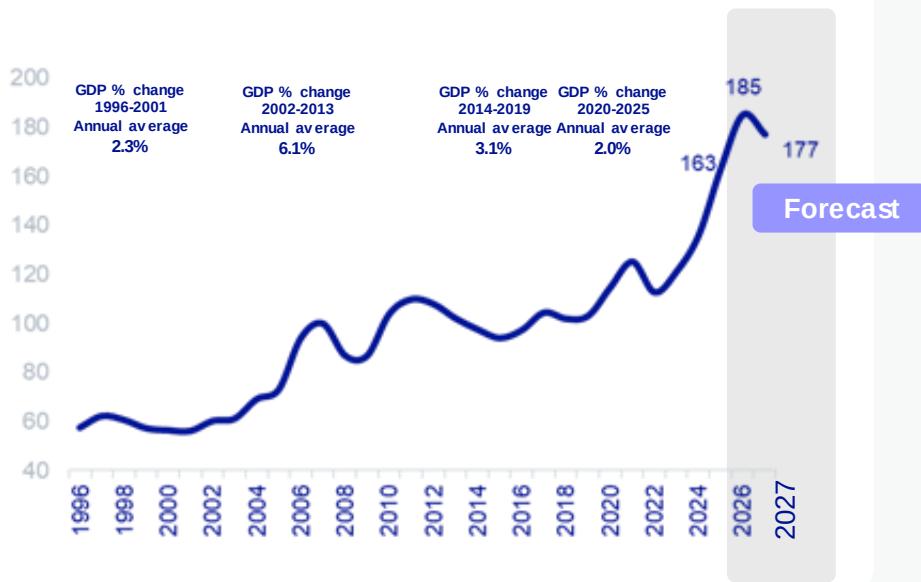
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On the external front, terms of trade will remain high over the forecast horizon

TERMS OF TRADE

(EXPORT PRICES RELATIVE TO IMPORT PRICES,
2007=100 INDEX)



High copper and gold prices will keep terms of trade at favorable levels

Positive impacts of terms of trade on:

External sector

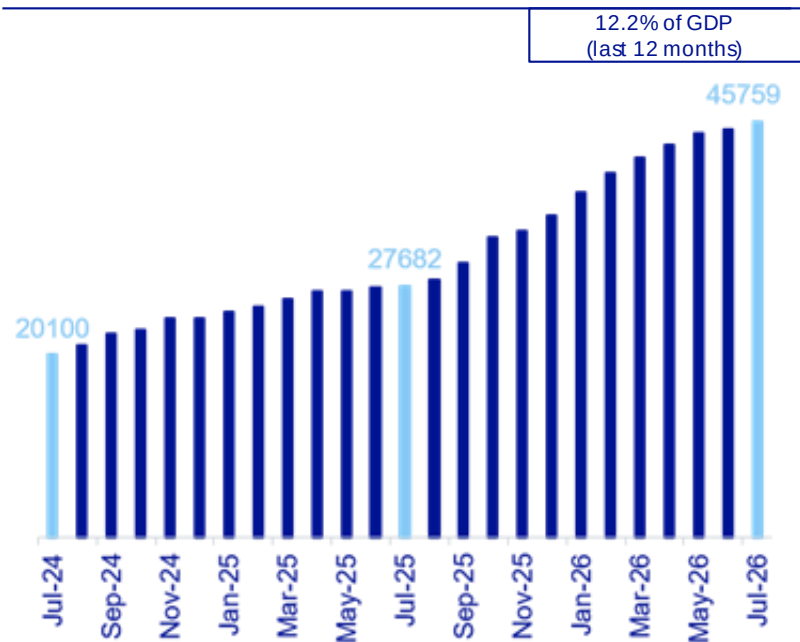
Fiscal revenue

Their growth-boosting effect through investment has yet to materialize, although some improvements are evident

High terms of trade have translated into a large trade surplus and increased tax revenue...

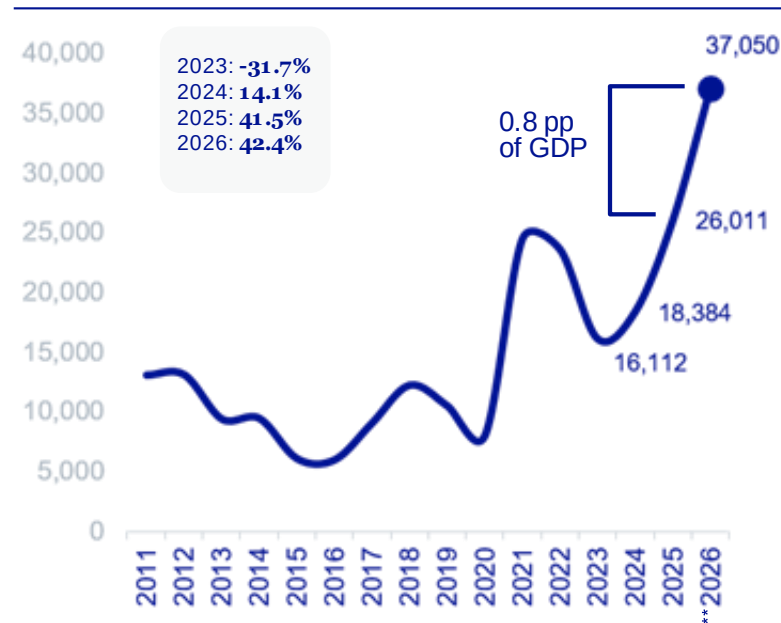
TRADE BALANCE

(USD MILLIONS, ROLLING 12 MONTHS)



FISCAL REVENUES FROM THE MINING SECTOR*

(MILLIONS OF SOLES AND % CHANGE)



Source: BCRP

* Includes tax and non-tax revenue from the mining sector.

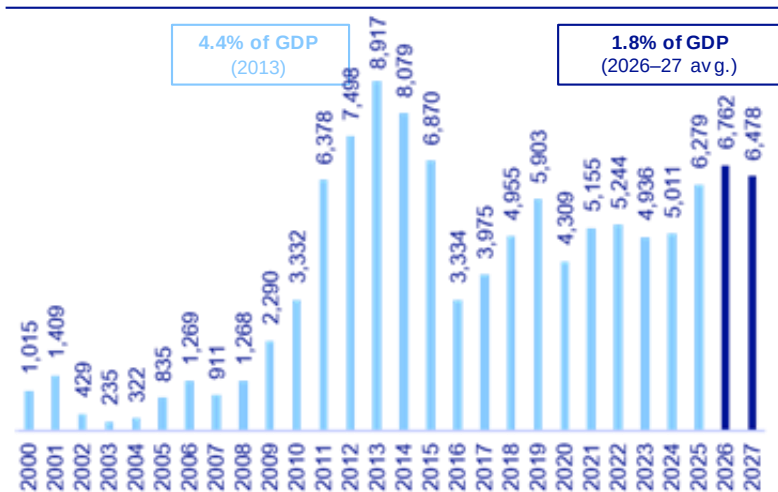
** Refers to the rolling 12-month period using data available through July.

Source: MINEM.

... and mining investment could gain further momentum, especially if administrative procedures for new projects are streamlined

MINING INVESTMENT

(USD MILLIONS)



	2022	2023	2024	2025	2026	2027
Y/y % change	1.7	-5.9	1.5	24.7	14.6	3.0

Source: MINEM

Most important ongoing projects

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

Construction starts in 2026–2027

- **Cerro Verde optimization** (USD 2.1 bn, 2026)
- **Ferrobamba replacement** (USD 1.8 bn, 2026)
- **Pampa del Pongo** (USD 1.8 bn, 2027)
- **Corocohuayco integration** (USD 1.8 bn, 2027)

Construction starts in 2028

- **Trapiche** (USD 3.4 bn)

Source: BBVA Research based on MINEM data

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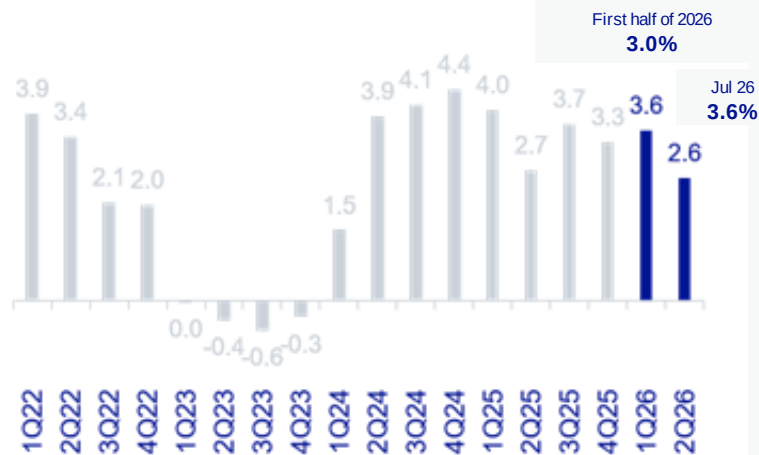
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Growth lost momentum in Q2 26: while El Niño weighs on primary GDP, non-primary activity remains solid

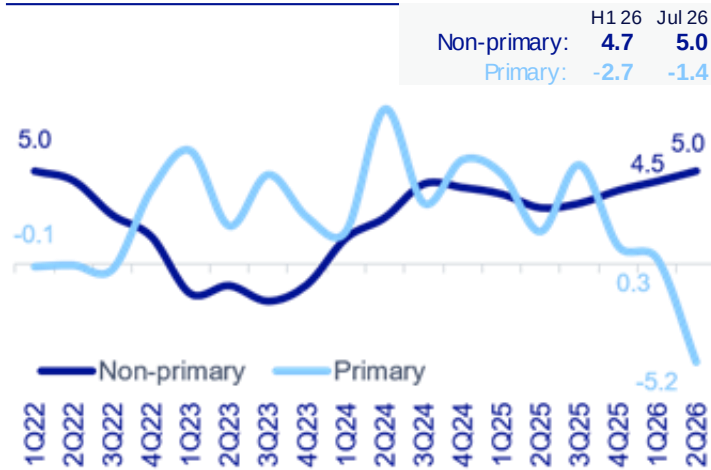
GDP

(Y/Y % CHANGE)



GDP BY SECTOR

(Y/Y % CHANGE)

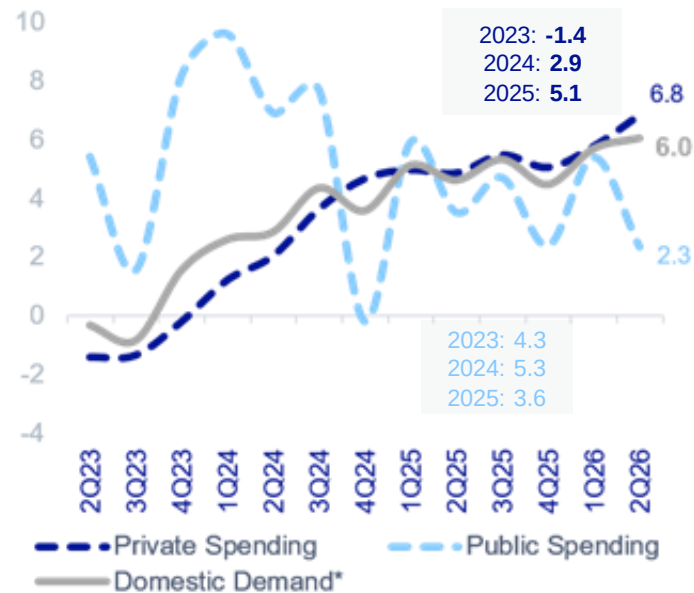


Source: BCRP

El Niño has been adversely affecting the primary component of GDP (fishing, agriculture), even more severely than anticipated. Conversely, non-primary GDP is showing surprisingly strong momentum, led by construction and trade.

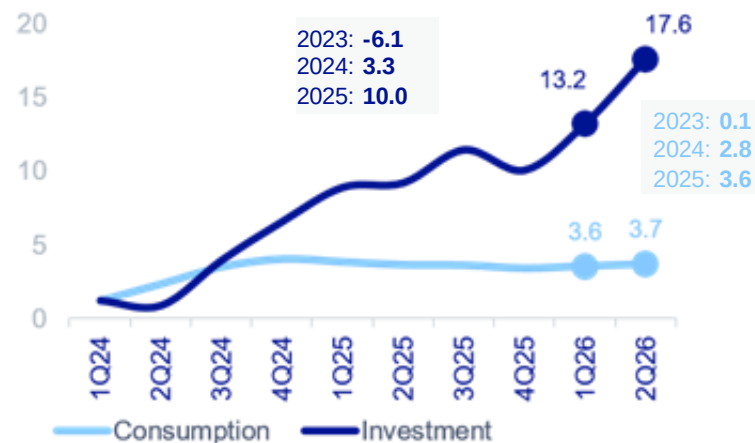
The strong performance of non-primary GDP is underpinned by robust private spending, particularly investment

DOMESTIC DEMAND: PRIVATE AND PUBLIC SPENDING (Y/Y % CHANGE)



* Excludes changes in inventories
Source: BCRP

PRIVATE SPENDING: COMPONENTS



Gross private fixed investment	Share (%)	3Q25	4Q25	2025	1Q26	2Q26
Residential investment	30	2.4	5.3	3.5	7.3	5.1
Non-residential investment	70	15.6	11.9	12.8	16.0	22.5
Mining	10	25.7	35.3	20.3	39.0	34.0
Non-mining	60	14.0	7.3	11.6	12.7	20.7

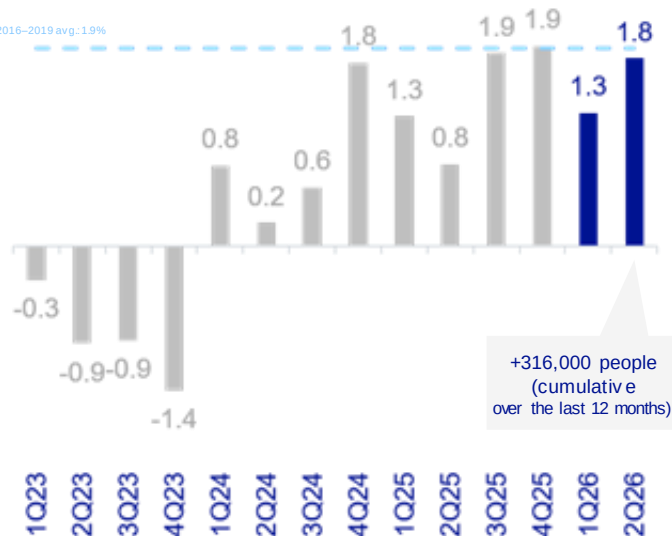
Source: BCRP and BBVA Research

Private consumption is supported by the labor market: employment is increasing, while underemployment and informality are declining

NATIONWIDE EMPLOYMENT (Y/Y % CHANGE)

Total: 17.8 million employed

2016-2019 avg: 1.9%



UNEMPLOYMENT RATE (% OF LABOR FORCE)



UNDEREMPLOYMENT RATE (% OF EMPLOYED, ROLLING 4 QUARTERS)



INFORMALITY RATE (% OF EMPLOYED, ROLLING 4 QUARTERS)



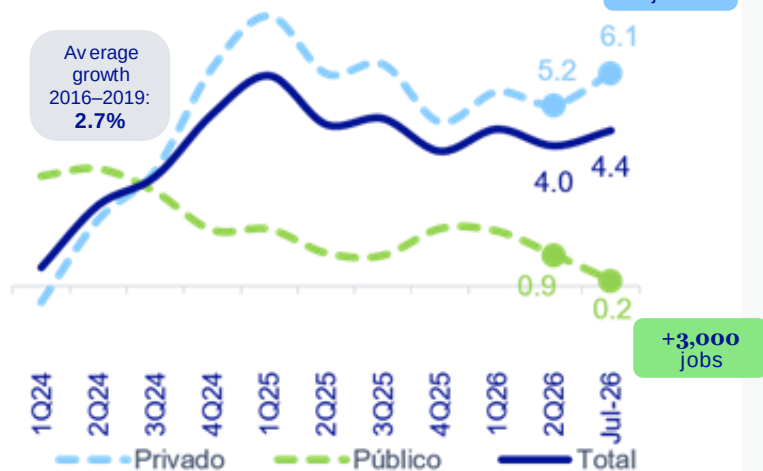
Formal employment remains buoyant at the start of the third quarter (jobs registered in the electronic payroll system)

ELECTRONIC PAYROLL | JOBS (Y/Y % CHANGE)

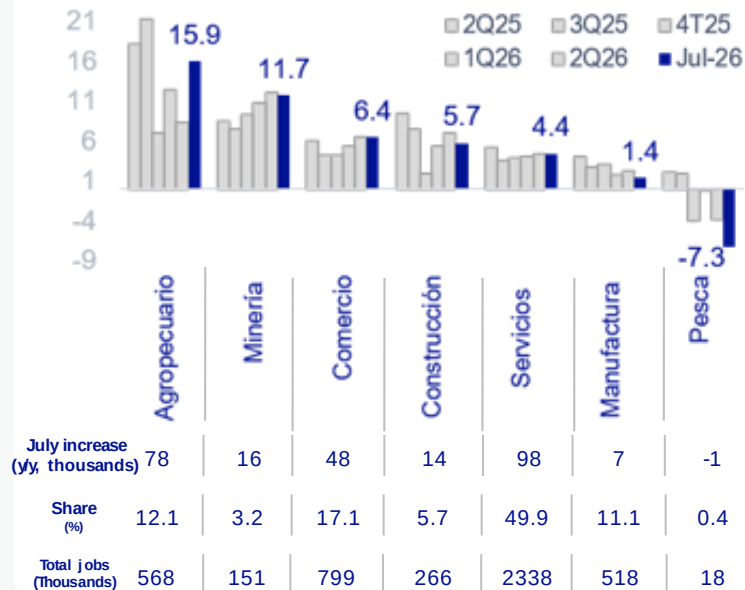
Total: 6.4 million employed

+268,000 jobs

Average growth
2016–2019:
2.7%



ELECTRONIC PAYROLL | PRIVATE EMPLOYMENT BY SECTOR¹ (Y/Y % CHANGE)



1/ The agricultural sector includes fruit and vegetable processing and preservation.
Source: SUNAT (electronic payroll) and BCRP.

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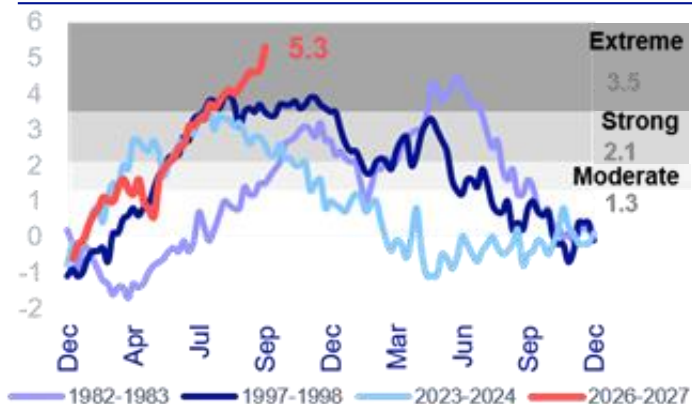


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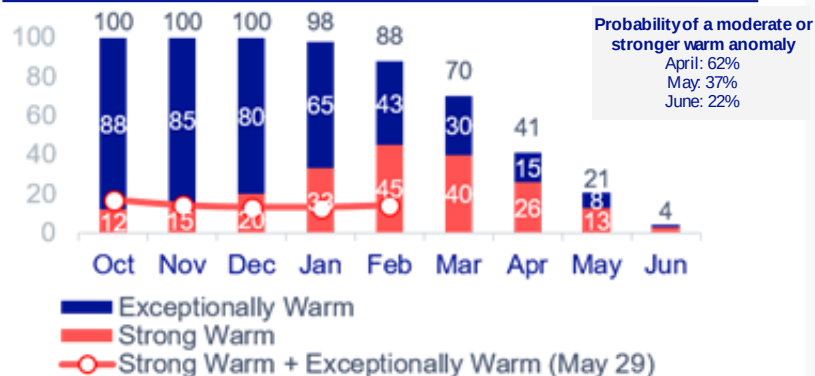
Coastal El Niño has reached extraordinary intensity and will remain so into 2027

SEA TEMPERATURE ANOMALY OFF THE PERUVIAN COAST (°C ABOVE NORMAL)



Source: NOAA (updated October 5, 2026)

SCENARIOS FOR PERU'S SEA TEMPERATURE ANOMALY (% , PROBABILITY OF OCCURRENCE OF EACH SCENARIO)

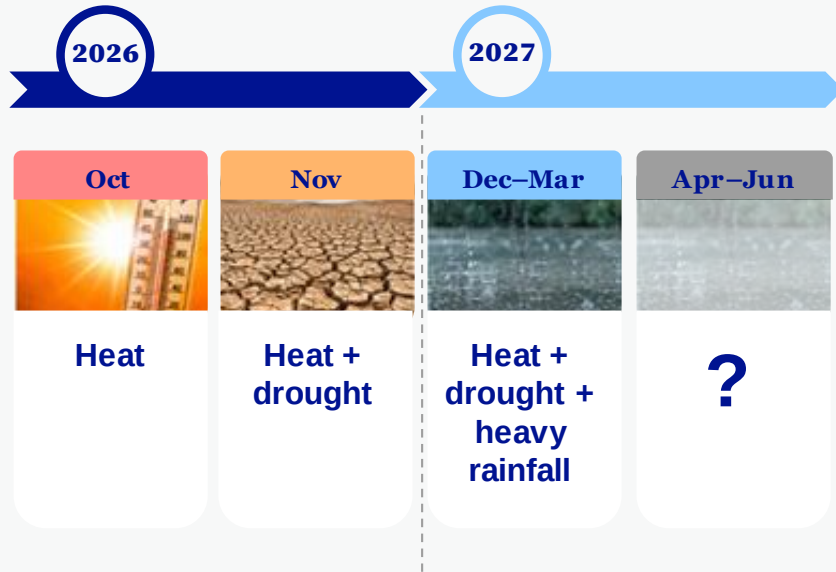


On May 29, the probability of an "Extraordinary" anomaly was zero for all forecast months.

Source: ENFEN (September 28)

The coastal El Niño forecast has deteriorated: the previous baseline scenario (June) assumed moderate intensity through February 2027, but the ENFEN committee now anticipates that extraordinary intensity will persist into summer 2027, only beginning to weaken thereafter.

According to these forecasts, heat will henceforth be compounded by drought in the highlands and heavy rainfall along the coast

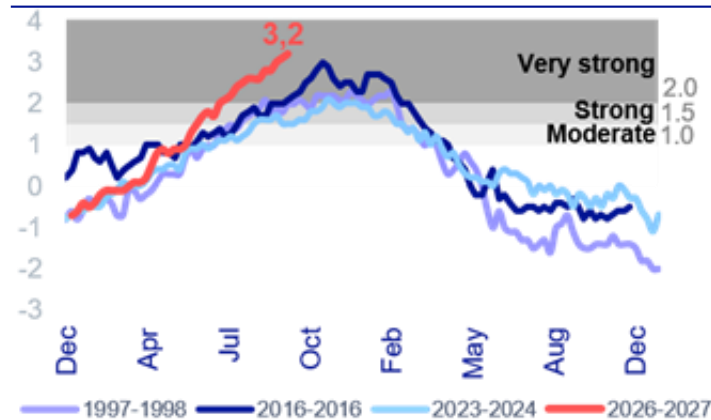


- **Sectors already affected by coastal El Niño:** fishing (warm seas), agriculture, livestock and branches of manufacturing (due to heat).
- **Q4 26: rainfall deficits in the highlands (global El Niño).** Agriculture, livestock and electricity generation will be affected.
- **Q1 27: above-normal rainfall on the coast (coastal El Niño).** Flooding and mudslides; road closures. Loss of physical assets. Risk of diseases such as dengue.
- Other sectors that will also be affected in Q1 27: construction, trade and services.
- In addition to economic activity, adverse impacts on
 - employment and wages: fishing and agriculture
 - prices: perishable foods

The impact of coastal El Niño depends on its intensity, duration, the season in which it occurs (dry or rainy), prevention and mitigation measures, crisis management and reconstruction work

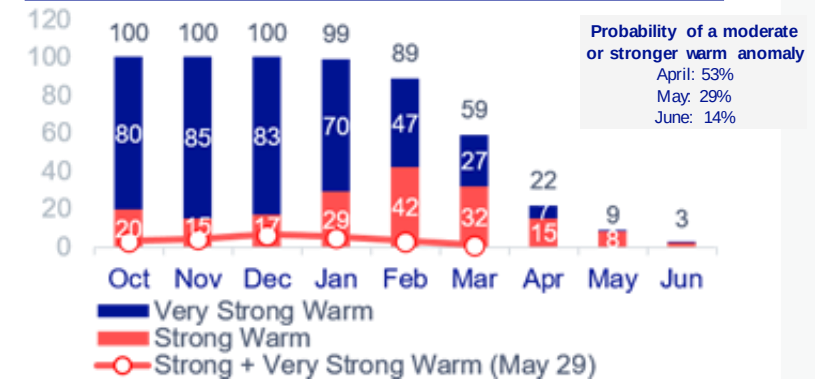
A similar situation applies to global El Niño, which has reached very strong intensity and will remain so over the coming months

SEA TEMPERATURE ANOMALY IN THE CENTRAL EQUATORIAL PACIFIC OCEAN (°C ABOVE NORMAL)



Source: NOAA (updated September 28, 2026)

SCENARIOS FOR THE CENTRAL EQUATORIAL PACIFIC TEMPERATURE ANOMALY (% , PROBABILITY OF OCCURRENCE OF EACH SCENARIO)

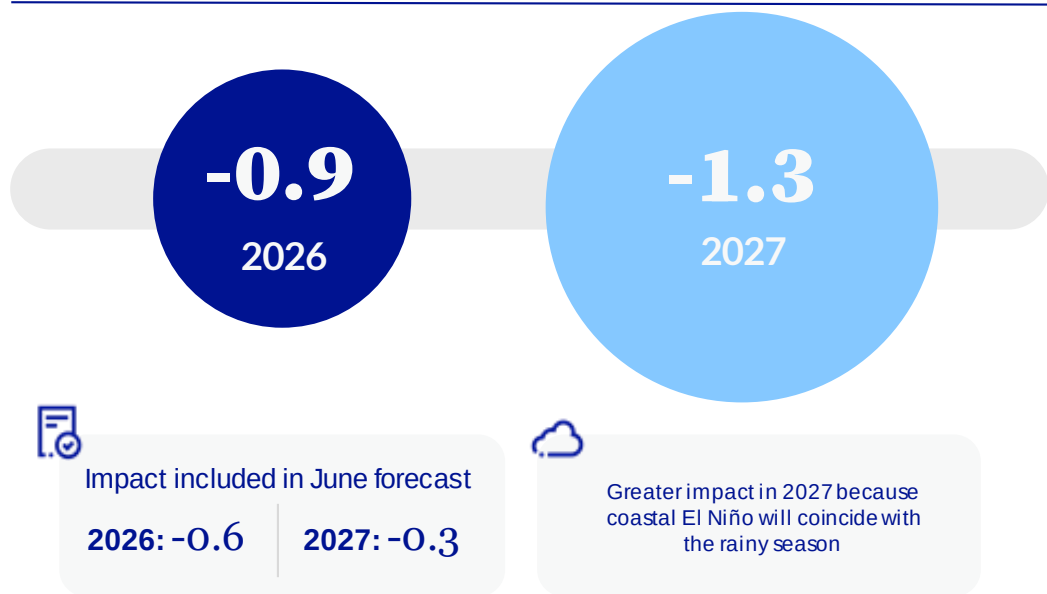


Source: ENFEN (September 28)

The global El Niño forecast has deteriorated: the previous baseline scenario (June) assumed weak intensity through February 2027, but the ENFEN committee now expects extraordinary intensity through February 2027, weakening only thereafter. As its name suggests, global El Niño affects the entire planet; in Peru it causes droughts in the central and southern highlands and the Amazon region.

We estimate that El Niño will subtract almost one percentage point from GDP in 2026 and 1.3 percentage points in 2027

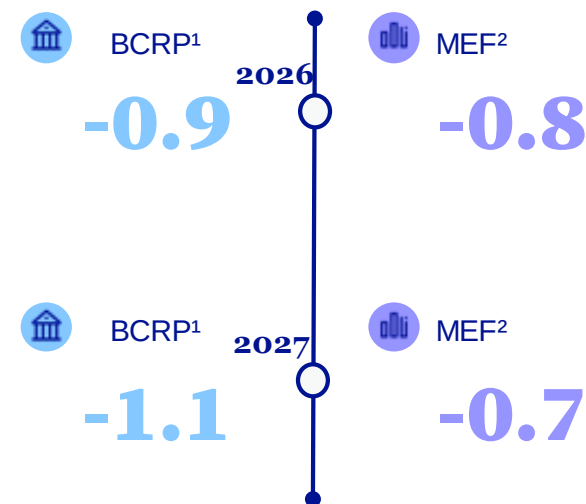
IMPACT OF WEATHER ANOMALIES ON GDP GROWTH¹ (PERCENTAGE POINTS)



1/ Impact estimate prepared on September 14.

Source: BBVA Research

IMPACT OF EL NIÑO ACCORDING TO OTHER INSTITUTIONS (PP OF GDP)



1/ Estimated in September
2/ Estimated in August

Source: BCRP and MEF

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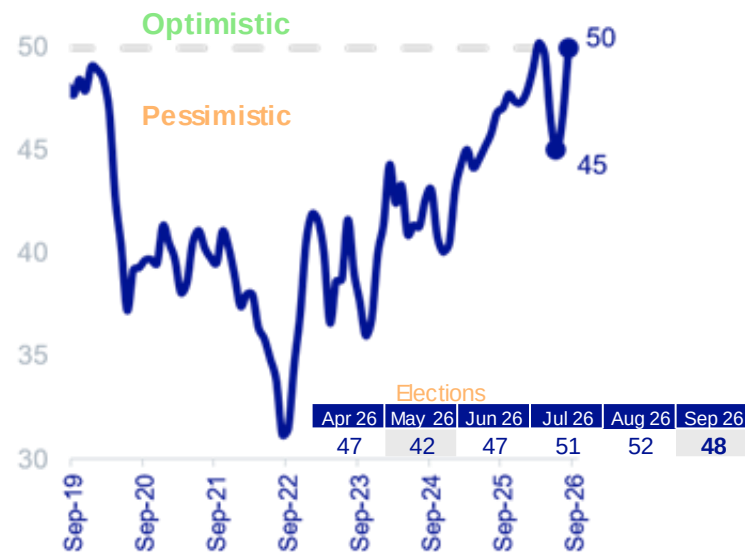
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Change of government: political uncertainty dissipates and confidence improves, supporting private spending

BUSINESS CONFIDENCE
(POINTS)



CONSUMER CONFIDENCE
(POINTS, LAST 3-MONTH AVERAGE)



Change of government: economic proposals from the Ministry of Economy and Finance

STRATEGIC OBJECTIVES



Government targets

4 %

Average GDP growth over 2026–2031

15 %

Poverty by 2031

50 %

Informality by 2031

PRIORITIES

Immediate

- Response to El Niño.
- Contain fiscal pressures (measures enacted by the previous Congress, PetroPerú management).

Short term

- Raise the minimum wage to PEN 1,300, in two stages.
- Reorganize public holidays.
- Expand social programs.
- Reduce tax evasion.
- More progressive labor and tax regimes
- Adjust fiscal rules.

Medium term

- Commissions to implement reforms in labor formalization, access to the financial system, public investment and taxation.

Challenges: reaching agreements with political parties to advance the agenda. Citizens demand relatively swift results on issues such as insecurity and better public services.

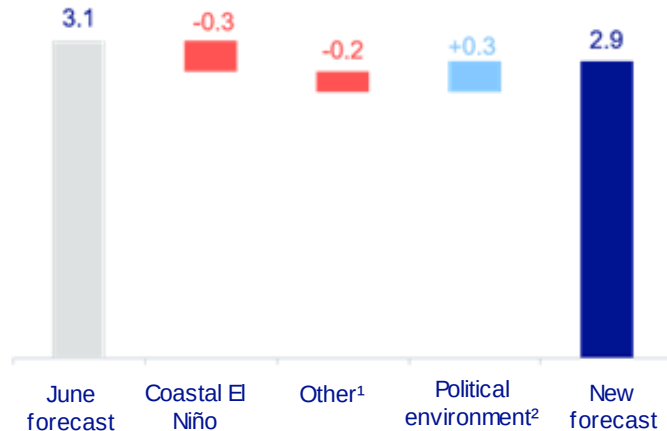
2.2 Economic activity

Peruvian economic forecasts

Growth: we lower our forecasts for 2026 and 2027 because El Niño will be more severe, despite greater optimism

BREAKDOWN OF CHANGE IN THE 2026 GROWTH FORECAST

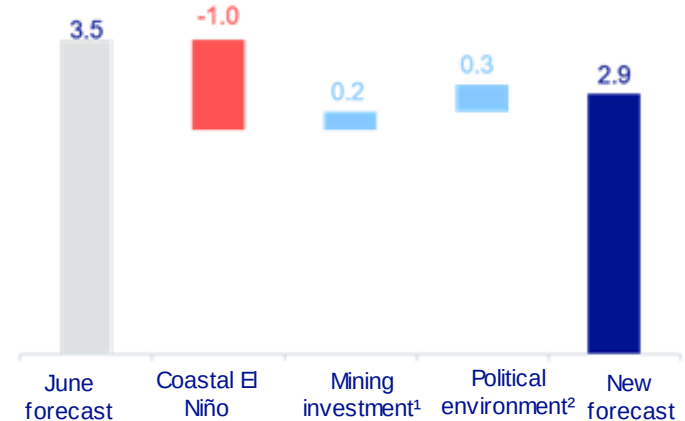
(% CHANGE; PERCENTAGE POINTS)



1: Includes, for example, lower ore grades at mines and higher long-term dollar interest rates.
2: Refers to greater business and household optimism following the change of government, supporting private spending growth.

BREAKDOWN OF CHANGE IN THE 2027 GROWTH FORECAST

(% CHANGE; PERCENTAGE POINTS)



1: The new baseline scenario now includes the start of construction at the Corocochuayco copper project.
2: Refers to greater business and household optimism following the change of government, supporting private spending growth.

By sector, non-primary GDP will stand out in 2026. Primary activities will be affected by weather conditions



Construction: strong expansion so far this year. A robust labor market and growth in mortgage lending will continue to support the sector.



Trade: despite higher inflation, commercial activity is supported by strong formal employment and buoyant consumer lending.

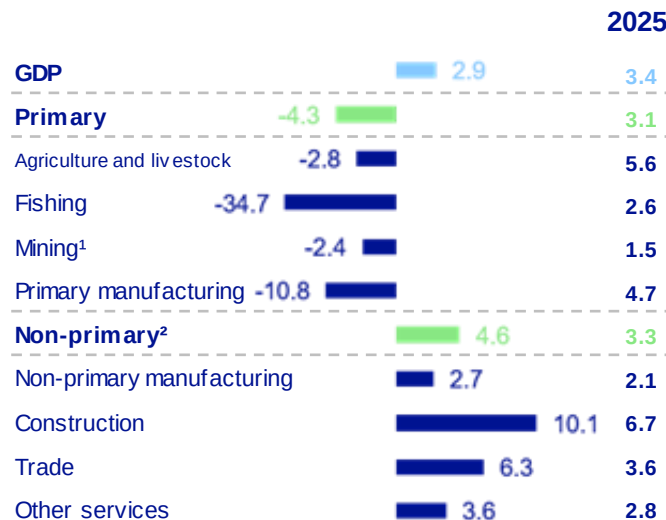


Agriculture: unusually intense heat (coastal El Niño) affects crop flowering, particularly export-oriented crops.



Fishing: sharp contraction in 2026 due to (i) the early end of the first anchovy fishing season in the north-central zone and (ii) exceptionally warm sea conditions, which will likely disrupt the normal course of the second season.

2026 GDP FORECAST BY SECTOR (ANNUAL % CHANGE)



1/ Includes metallic mining and hydrocarbons.

2/ Excludes import duties and other taxes

Source: BBVA Research

On the expenditure side, strong private investment growth in 2026



Private investment: the most dynamic component, driven by improved business confidence, high metal prices and the implementation of mining and infrastructure projects.



Private consumption: supported by job creation and stronger household confidence.



Public investment: moderates as some large-scale projects, such as schools built through government-to-government agreements, are completed.

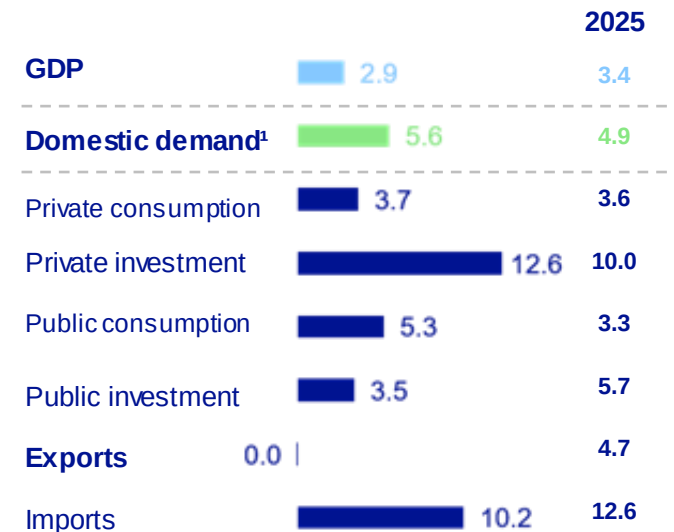


Imports: remain buoyant because part of higher domestic demand is met by imported goods and services, subtracting from GDP.



Exports: lose momentum due to the impact of weather anomalies on fishing and agricultural exports.

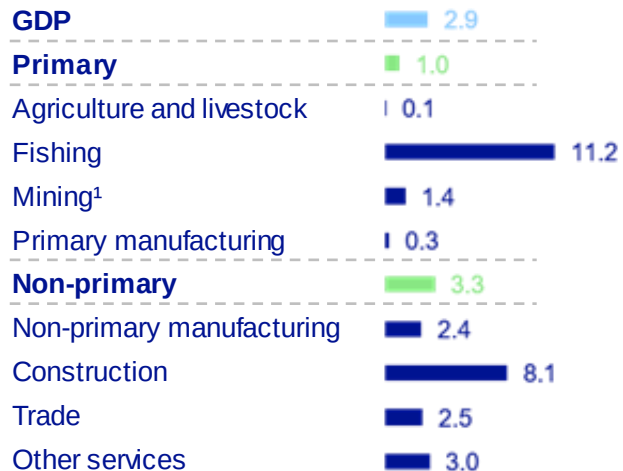
2026 GDP FORECAST BY EXPENDITURE COMPONENT (ANNUAL % CHANGE)



1/ Excludes changes in inventories
Source: BBVA Research

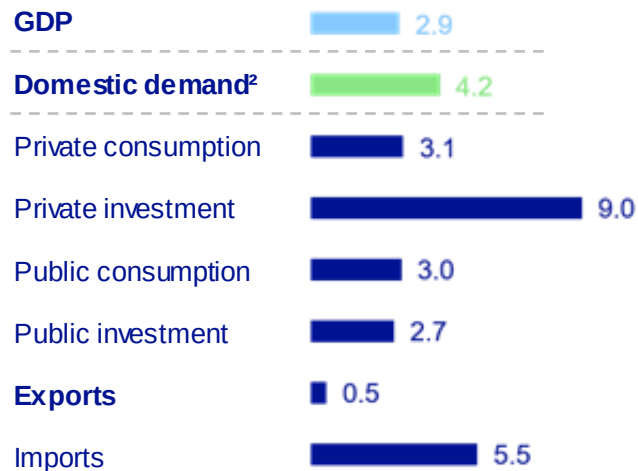
GDP will grow by 2.9% in 2027: supply shocks fade and sectors affected by weather recover in H1

2027 GDP FORECAST BY SECTOR (ANNUAL % CHANGE)



1/ Includes metallic mining and hydrocarbons.
Source: BBVA Research

2027 GDP FORECAST BY EXPENDITURE COMPONENT (ANNUAL % CHANGE)

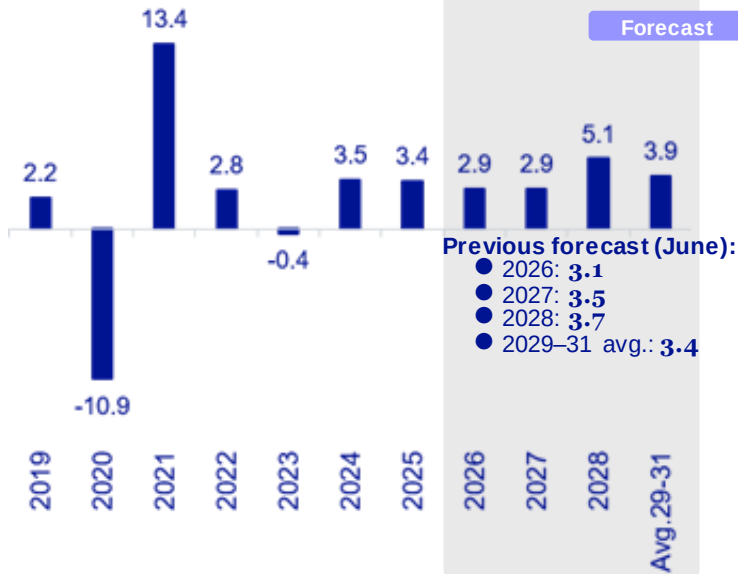


2/ Excludes changes in inventories.

After El Niño, a rebound will support growth in H2 27 and 2028. Over the medium term, GDP will grow close to 4.0%

GDP

(Y/Y % CHANGE)



Source: BCRP and BBVAResearch (forecasts)

Year 2027

will feature two markedly different phases:

- First half affected by El Niño during the rainy season. The economy will slow. Growth between 1% and 2%.
- Second half: weather anomalies dissipate and damaged infrastructure is rebuilt. The rebound begins, with growth near 4%.

Year 2028

The normalization of primary activities that began in the second half of 2027 will continue. Positive base effect. Growth slightly above 5% in 2028.

Looking ahead, growth near 4.0%, driven by investment.

Peru continues to have the necessary conditions for higher investment: sound macroeconomic fundamentals



Price stability



**Comfortable external
account position**



Fiscal strength
(with risks)



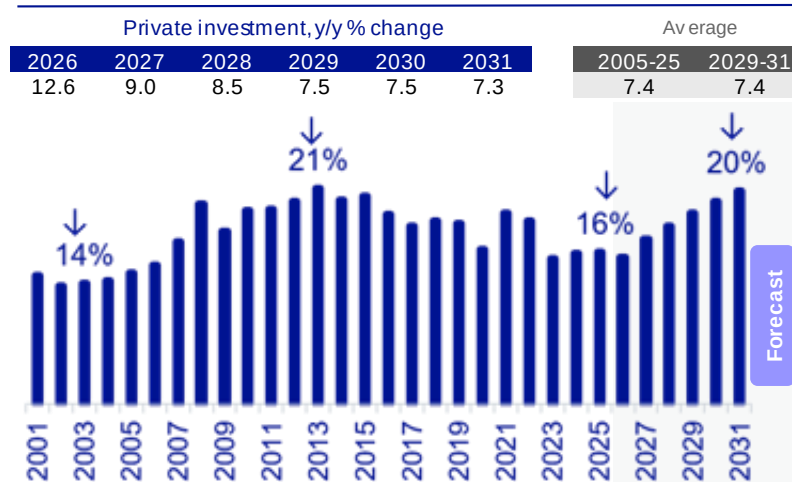
Sound financial system

There are also investment opportunities

- **Sectors that could drive growth**
 - Mining
 - Agribusiness
 - Tourism
- **Road and port infrastructure (low public indebtedness)**
- **Demographic dividend: young population**
 - More productive workforce (accelerates growth)
 - Higher saving and investment
 - Higher tax revenue
 - Boost to consumption and selected markets: retail, housing, health and technology
- **Scope to expand banking access and financial inclusion**

Over the medium term, GDP will grow by 4.0%, driven by private investment. The latter should grow at a rate similar to its average over the past 20 years

PRIVATE INVESTMENT (% OF NOMINAL GDP)



NATIONAL SAVING AND TOTAL INVESTMENT (% OF NOMINAL GDP)



Source: BCRP and BBVA Research (forecasts)

With private investment driving growth over the coming years, the saving-investment gap, currently positive and allowing greater capital accumulation to be financed without creating macroeconomic imbalances, will gradually narrow and eventually turn slightly negative, approaching -2% of GDP toward the end of the forecast horizon. Nevertheless, this level would still allow the country's net external liabilities (as a share of GDP) to continue declining; they currently stand at 24% of GDP.

Box 1: Medium-term growth, crime and credit



- Beyond the sectoral dynamics underpinning GDP growth, structural factors can constrain economic performance. Crime is one of them.
- Although the number of police reports has declined in 2026, it remains high, likely exerting an adverse effect on economic activity.
- In Latin America, Peru has a high victimization rate, exceeded only by Ecuador.

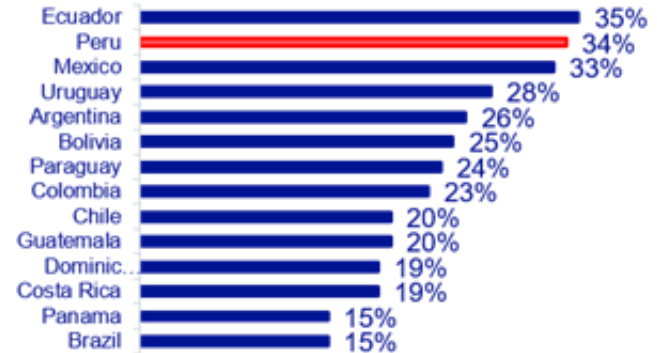
NUMBER OF DAILY HOMICIDE REPORTS



NUMBER OF DAILY EXTORTION REPORTS



LATIN AMERICA: POPULATION REPORTING BEING A VICTIM OF CRIME IN THE PAST 12 MONTHS (% OF RESPONDENTS)



Box 1: Medium-term growth, crime and credit

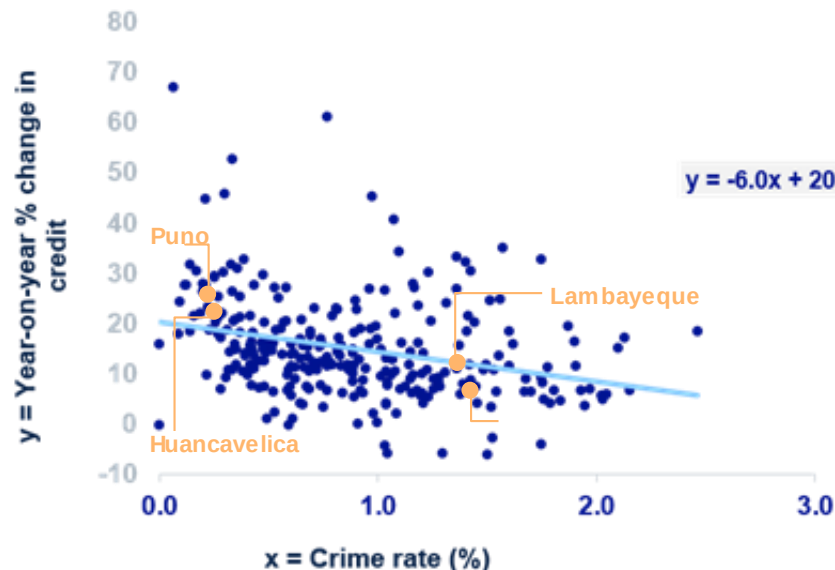
- Our estimates suggest that the increase in crime between 2021 and 2024 reduced per capita income generated in Peru by slightly more than 3% over the same period. **Crime thus has an economic impact.**
- **One channel through which crime can affect real economic activity is access to credit.** In this regard, evidence for the pre-pandemic period 2009–2019 suggests that regions such as Callao and Lambayeque, with higher crime rates (measured as reported offenses relative to population) than regions such as Puno and Huancavelica, tend to experience more limited credit growth.
- Crime increases firms' costs, reducing their demand for credit (Bonaccorsi, 2009). It also makes loan repayment more difficult, worsening firms' risk profiles and reducing their ability to obtain credit (Guzmán and Clark, 2022).

References:

- Bonaccorsi di Patti, Emilia, 2009. "Weak institutions and credit availability: the impact of crime on bank loans", Bank of Italy, Occasional Papers 52.
- Guzman, T. and Clark Benjamin Y., 2022. "Crime and credit: The empirical study of how crime affects credit ratings of large U.S. cities". *Social Science Quarterly* 103, 1234–47.

CREDIT VS. CRIME RATE: REGION-YEAR DATA (2009–2019)

(Y/Y % CHANGE VS. %)



Source: SBS, Ministry of the Interior and National Police. Prepared by: BBVA Research. Credit data cover the financial system. Crime rate (%) = (Number of reported offenses / Population) × 100. Orange dots represent simple averages for each region.

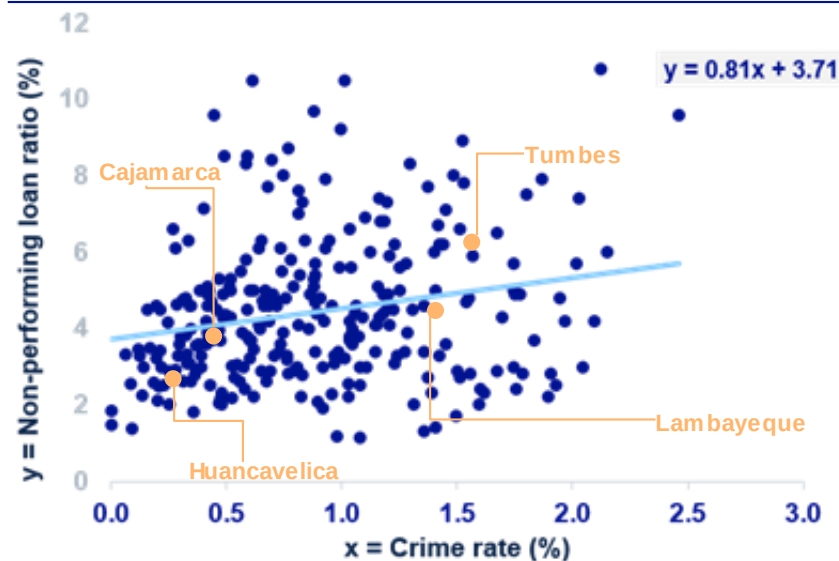
Box 1: Medium-term growth, crime and credit

- Likewise, in the same pre-pandemic period (2009–2019), Peru shows, on average, **a positive relationship between the crime rate and non-performing loans**. For example, regions with low average crime rates, such as Cajamarca and Huancavelica, also exhibit lower average non-performing loan ratios than high-crime regions such as Tumbes and Lambayeque.
- Empirical evidence suggests that crime may hinder loan repayment and consequently increase credit risk (Jin et al., 2022).
- Finally, various studies find evidence of a relationship in the opposite direction: a more dynamic credit market and greater access to financing can help reduce criminal activity (Khanna et al., 2021; Bunting, 2020; Vélez et al., 2012).

References:

- Jin, J., Nainar, K., and Sun, C., 2022. “Bank non-performing loans, loan charge-offs, and crime incidence”, Finance Research Letters 49.
- Khanna, G., Medina, C., Nyshadham, A., Posso C., and Tamayo, J., 2021. “Job Loss, Credit, and Crime in Colombia.” American Economic Review: Insights, 3 (1): 97–114.
- Bunting, W.C. 2020. “Does increased access to home mortgage money reduce local crime rates? Evidence from San Diego County”, Regional Science and Urban Economics 84.
- Vélez, M.B., Lyons, C.J., and Boursaw, B., 2012. “Neighborhood housing investments and violent crime in Seattle, 1981–2007”. Criminology 50 (4), 1025–56.

NON-PERFORMING LOANS VS. CRIME RATE: REGION-YEAR DATA (2009–2019) (% VS. %)



Source: SBS, Ministry of the Interior and National Police. Prepared by: BBVA Research. Non-performing loan data cover the financial system. Crime rate (%) = (Number of reported offenses / Population) × 100. Orange dots represent simple averages for each region.

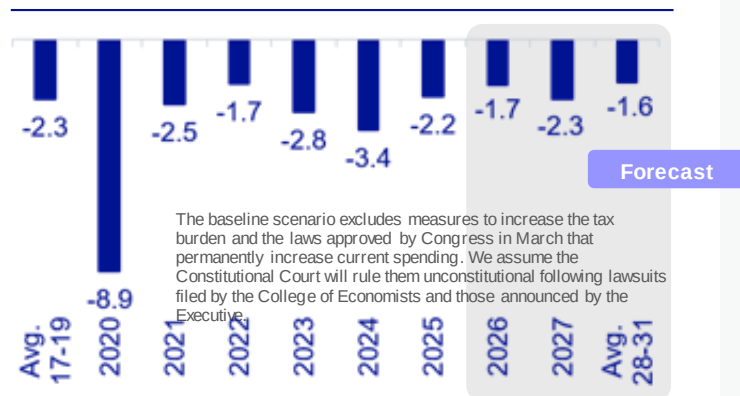
2.3 Fiscal balance and public debt

Peruvian economic forecasts

The fiscal deficit will decline this year amid buoyant domestic demand and high export prices; temporary increase in 2027 due to reconstruction

FISCAL BALANCE

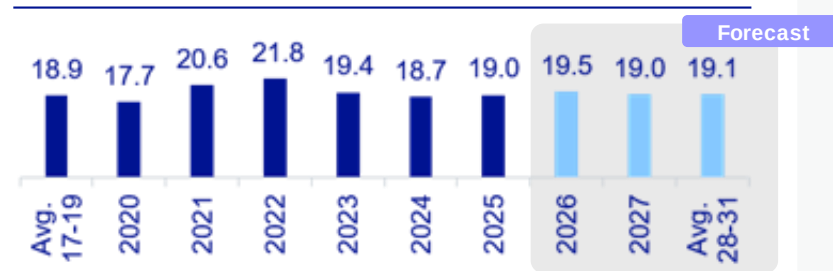
(NON-FINANCIAL PUBLIC SECTOR, % OF GDP)



The fiscal deficit stood at 1.0% of GDP in August. We expect it to widen over the rest of 2026 and in 2027 to finance El Niño-related prevention and mitigation measures, manage the climate emergency and rebuild damaged infrastructure.

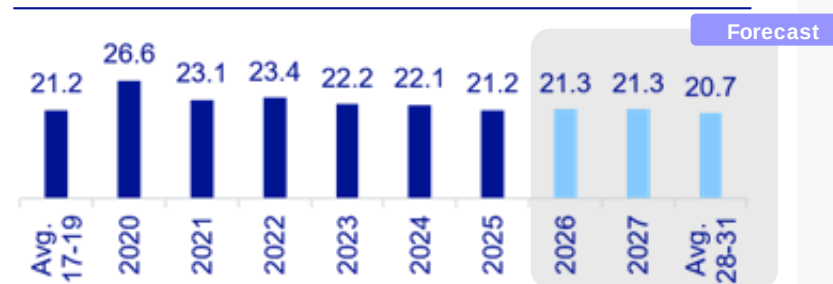
REVENUE

(NON-FINANCIAL PUBLIC SECTOR, % OF GDP)



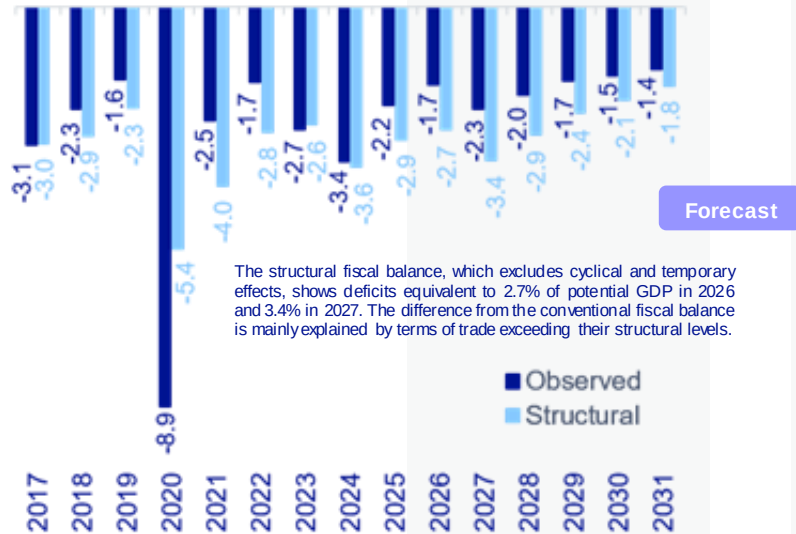
EXPENDITURE¹

(NON-FINANCIAL PUBLIC SECTOR, % OF GDP)

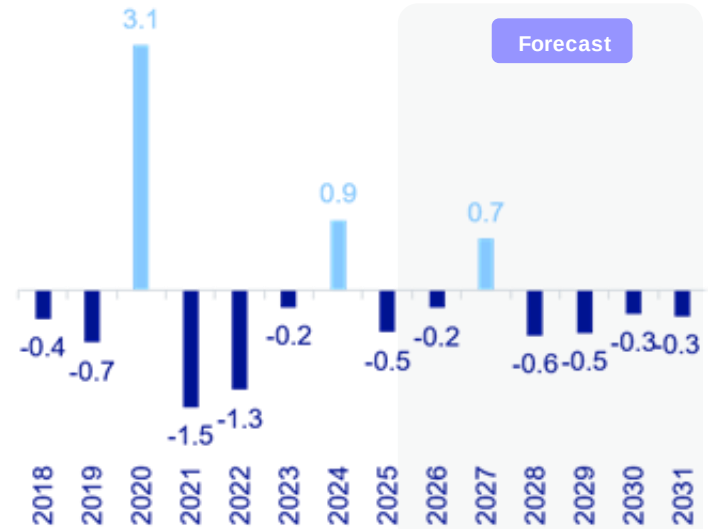


Structural deficit analysis reveals a less robust fiscal position. A significant fiscal stimulus is expected in 2027

HEADLINE AND STRUCTURAL FISCAL BALANCE (% OF GDP AND POTENTIAL GDP)

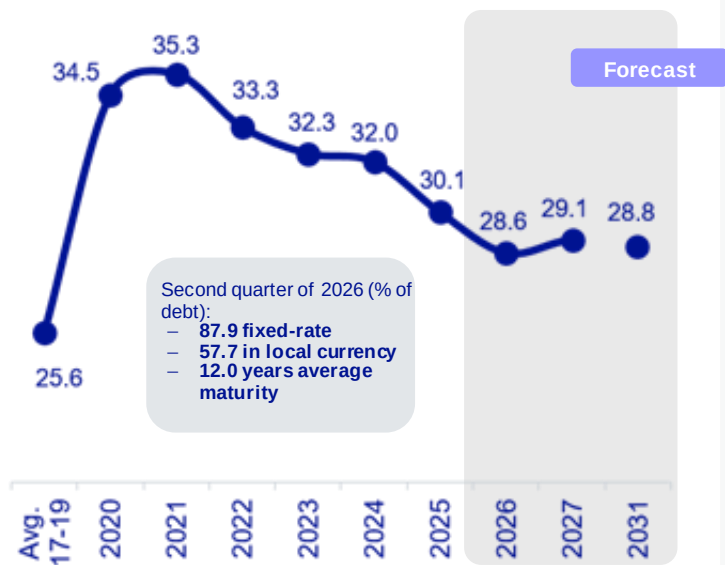


FISCAL IMPULSE (% OF POTENTIAL GDP)



Sustainability analysis: gross public debt will remain low over the coming years

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



PRIMARY BALANCE REQUIRED TO STABILIZE GROSS PUBLIC DEBT

Level at which to stabilize public debt (% of GDP)	d	29.0%
Real GDP growth rate (real % change) ¹	g	3.4
Real interest rate (%) ²	r	3.4
Required primary balance (% of GDP)	f*	0.0
Interest payments (% of GDP)³		1.7
Required overall fiscal balance (% of GDP)		-1.7

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

1/ Uses the annual average of projected GDP growth rates for 2026–2031.

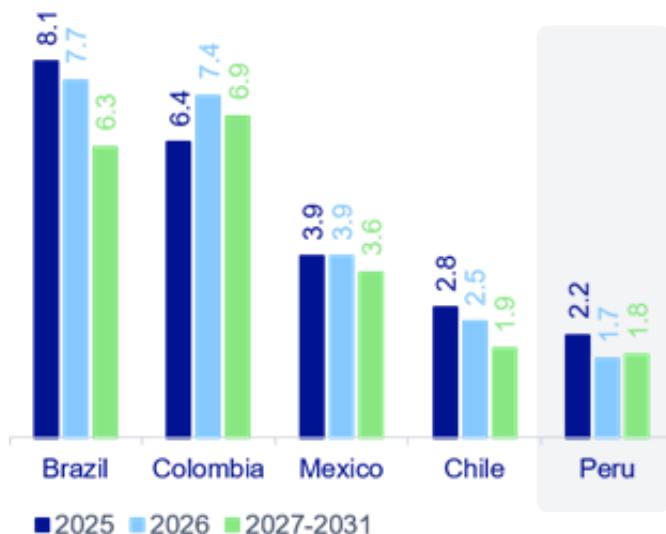
2/ Uses the 2026–2031 annual average of the implicit interest rate, adjusted for inflation at the midpoint of the target range.

3/ Uses average annual interest payments for 2026–2031 (1.7% of GDP), consistent with a gross public debt projection of 29.0% of GDP in 2031.

Gross public debt is projected to reach 28.8% of GDP by 2031 (30.1% in 2025). Based on projected economic growth and real interest rates, maintaining a fiscal deficit of approximately 1.7% of GDP thereafter would be necessary to stabilize debt at that level.

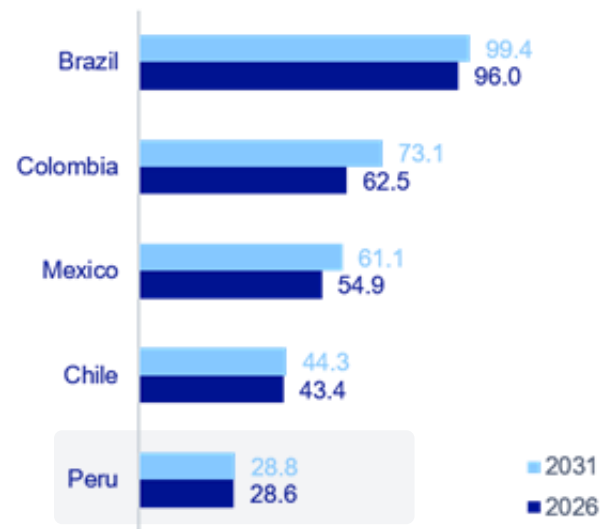
The fiscal outlook will therefore continue to compare favorably with that of other countries in the region

FISCAL DEFICIT¹
(% OF GDP)



1/ For Peru, the data refer to the non-financial public sector. For Chile and Brazil, they correspond to IMF projections.
Source: BBVA Research, IMF

GROSS PUBLIC DEBT²
(% OF GDP)

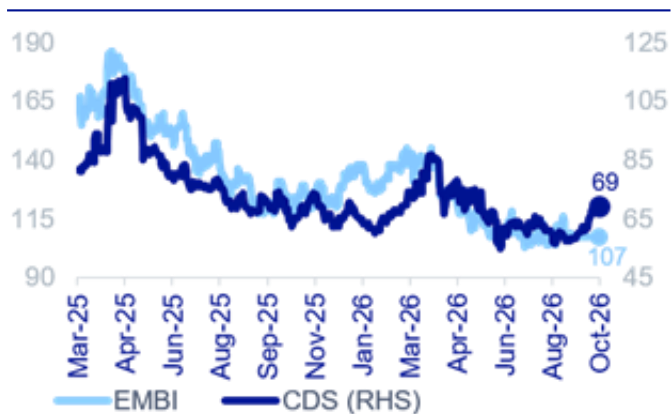


2/ Peru's gross public debt forecast refers to the non-financial public sector

Source: BBVA Research, IMF

Risk premiums remain low. Non-resident investors' appetite for Peruvian government bonds persists

SOVEREIGN RISK PREMIUMS¹
(POINTS)

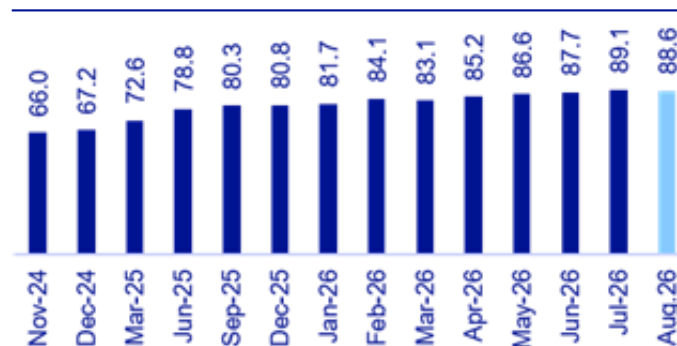


	05/10/2026	Change (bp) vs....	
		31/12/2025	23/09/2025
EMBI	107	-28	-12
CDS	69	-2	-4

1/ Information as of October 5

Source: MEF, BCRP and Investing

NON-RESIDENT HOLDINGS OF SOVEREIGN BONDS (BILLIONS OF SOLES)



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

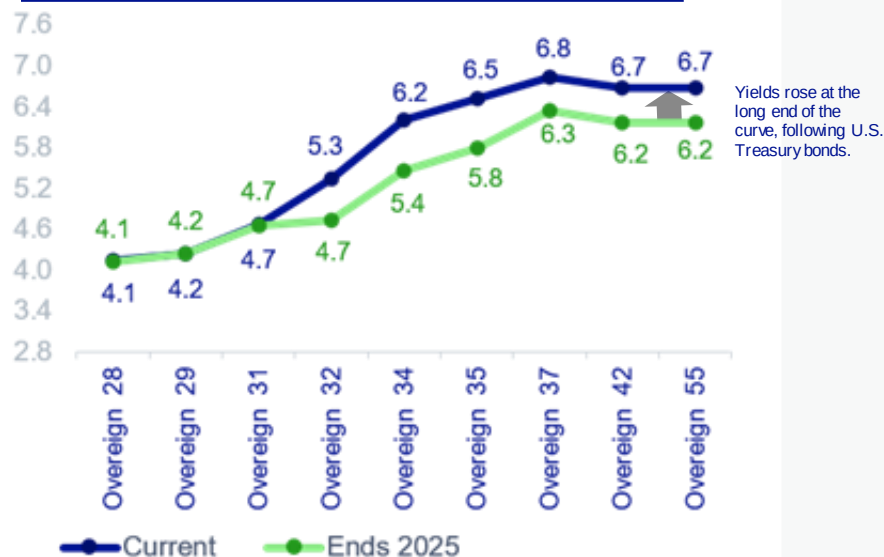
Dec 21	Dec 22	Dec 23	Dec 24	Mar 25	Jun 25	Dec 25	Jul 26	Aug 26
49.4	41.1	36.4	40.9	43.2	44.5	43.8	46.4	46.0

Source: MEF, BCRP and Investing

The sovereign bond yield curve steepened, and issuance has exceeded PEN 11 bn so far this year

SOVEREIGN YIELD CURVE¹

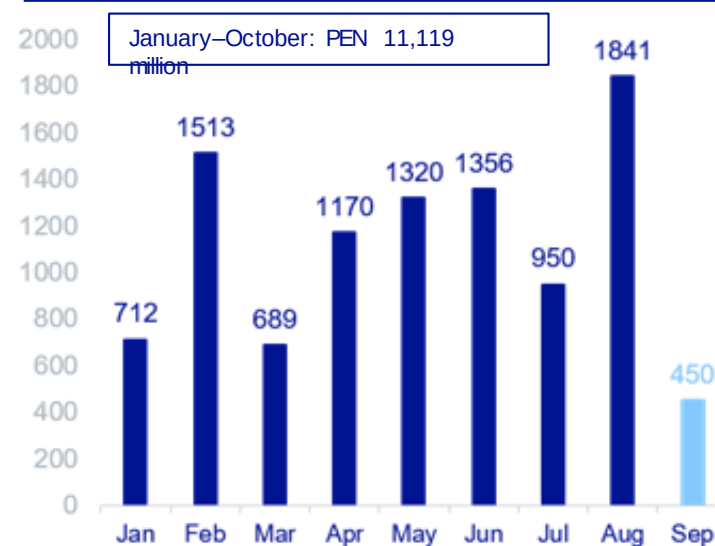
(%)



1/ Latest data as of October 6.
Source: MEF, BCRP and Investing

PERUVIAN SOVEREIGN BOND ISSUANCE²

(MILLIONS OF SOLES)

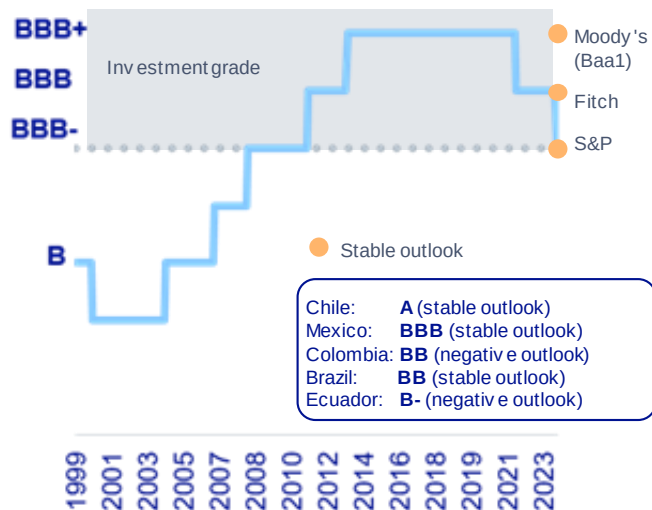


2/ Information as of October 6.

Source: MEF

Sound macro-fiscal fundamentals allow Peru to retain one of the region's highest sovereign credit ratings

S&P SOVEREIGN CREDIT RATING



- **Fitch (Nov 2024):** Affirmed its **BBB** rating and revised its outlook to **stable**, highlighting low public debt and macroeconomic stability.
- **Moody's (Sep 2024):** Affirmed its **Baa1** rating and upgraded the outlook to stable, supported by fiscal strength and greater institutional stability.
- **S&P (Apr 2024):** Downgraded the rating from **BBB** to **BBB-**, citing fiscal deterioration and persistent political instability.
- **Fiscal risks (Mar 2026):** Congress passed measures that permanently increase current spending, and new support for PetroPerú was announced, raising the risk of a revision to the sovereign outlook or rating.
- **Moody's (Sep 2026):** Affirmed the **Baa1 rating with a stable outlook**, supported by low public debt and expectations of greater political stability. For an upgrade, Moody's requires political stability to translate into stronger institutions (corruption control, justice, public administration), containment of permanent spending pressures approved by Congress, and implementation of the private investment pipeline.

Nevertheless, this outlook is not without risks

RISKS

Petroperú returns to profitability, but financial fragility remains a latent fiscal risk

Petroperú returned to positive results in the first half of 2026, after recording losses between 2022 and 2025, with operating profit of USD 337 million (net profit of USD 121 million), mainly driven by improved prices and inventory valuation. Even so, it remains financially fragile: cash of just USD 47 million, a current ratio of 0.52 and net debt of USD 6.192 bn (62% of assets), with negative working capital of USD 1.427 bn.

Hence the fiscal risk in the baseline scenario: to support the company, the government provided a guarantee of up to USD 2 bn (Emergency Decree 003-2026), backing funding from private banks. This does not entail a direct Treasury disbursement, but represents a contingent liability that would be triggered if the oil company defaulted. There is a precedent from 2025, when the Treasury honored guarantees totaling PEN 3.1 bn (0.3% of GDP).



Implementation of measures approved by Congress

In March, Congress approved a set of laws that permanently increase current spending, at an estimated annual cost of PEN 13.7 bn. The baseline scenario excludes these measures, assuming that the Constitutional Court will declare them unconstitutional following lawsuits filed by the College of Economists and those announced by the Executive Branch. If that assumption does not materialize, current spending would rise, with the resulting impact on the fiscal deficit and public debt trajectory.

Forecasts of the main fiscal indicators

NON-FINANCIAL PUBLIC SECTOR INDICATORS

	2019	2021	2022	2023	2024	2025	2026(f)	2027(f)
Overall fiscal balance (% of GDP)	-1.6	-2.5	-1.7	-2.8	-3.4	-2.2	-1.7	-2.3
Assets (% of GDP)	13.4	13.9	12.6	10.2	8.6	7.4	6.7	6.4
Gross public debt (% of GDP)	26.2	35.3	33.3	32.3	32.0	30.1	28.6	29.1
Net public debt (% of GDP)	12.7	21.4	20.7	22.1	23.4	22.7	22.0	22.8
Gross public debt (% of fiscal revenue)	136	171	153	166	171	159	147	153
Foreign-currency share of public debt (%)	32	54	52	48	47	43	40	38
Debt interest (% of GDP)	1.4	1.5	1.6	1.7	1.7	1.6	1.6	1.6
Interest (% of fiscal revenue)	7.0	7.2	7.1	8.4	8.9	8.3	8.2	8.4

2.4 External sector

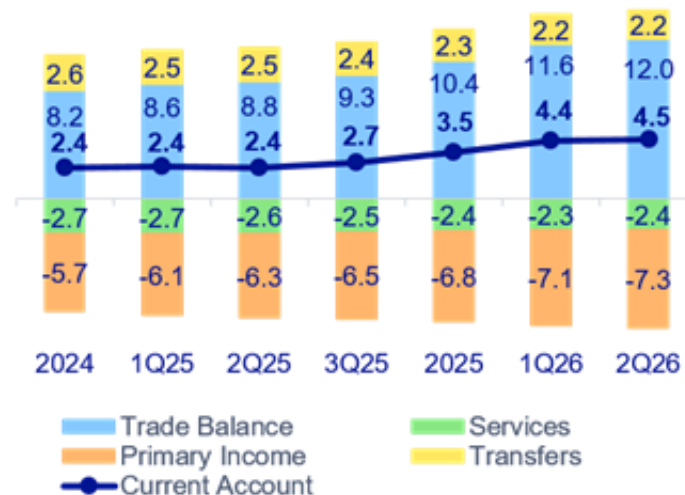
Peruvian economic forecasts

Peru's external position remains strong: a balance of payments current account surplus...

- The balance of payments current account increased again in Q2 26.
- On the one hand, the trade surplus rose again, reaching USD 45 bn in July this year (rolling 12 months).
- The main support has come from high prices for exported metals, which have more than offset the recent rise in import prices (oil) and the strong growth in import volumes associated with robust domestic demand.
- On the other hand, profits earned by foreign companies, supported by high metal prices, led to an increase in their profit remittances abroad (higher primary income outflows in absolute terms). This contained the increase in the surplus. It should be noted that part of this flow returns to the country as reinvestment and is recorded as a capital inflow in the financial account of the balance of payments.

BALANCE OF PAYMENTS CURRENT ACCOUNT¹

(ROLLING FOUR QUARTERS, % OF GDP)



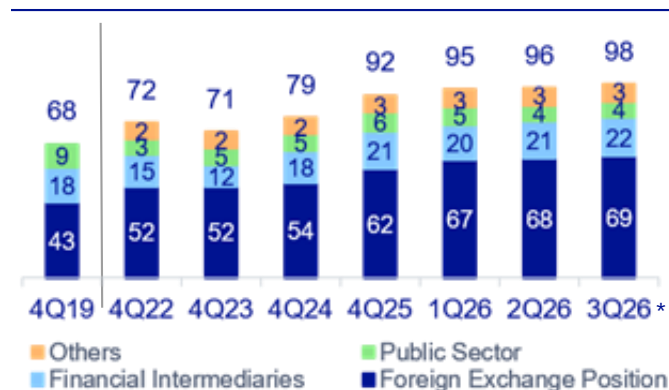
1/ Includes inventory accumulation
Source: BCRP

... and an appropriate balance between assets (liquid) and liabilities (mainly medium- and long-term)

EXTERNAL ASSETS AND LIABILITIES (% OF GDP)

	4Q19	4Q24	4Q25	1Q26	2Q26
Assets (I)	58	60	60	58	58
NIR	29	27	26	26	26
Other	29	33	33	32	32
Liabilities (II)	93	92	87	83	82
FDI and portfolio investment	52	49	47	47	45
Medium- and long-term debt	38	39	37	34	34
Private	21	17	15	14	14
Public	17	22	21	20	20
Other	3	4	3	3	3
Total (I–II)	-35	-32	-27	-25	-24

CENTRAL BANK NET INTERNATIONAL RESERVES (USD BN)

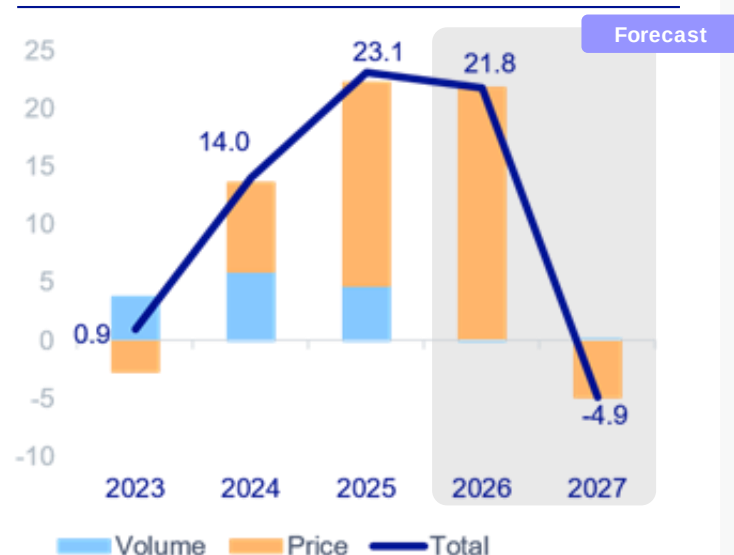


	4Q19	4Q24	4Q25	1Q26	2Q26
Net international reserves (NIR) (% of GDP)	28.9	26.7	26.4	26.2	25.5
NIR / Short-term external debt (times)	8.6	8.2	12.0	13.0	12.0

Over the forecast horizon, exports will benefit from high prices, with limited volume growth...

GOODS EXPORTS

(Y/Y % CHANGE)



GOODS EXPORTS

(USD BN)



... while for goods imports, volume growth reflects buoyant domestic demand

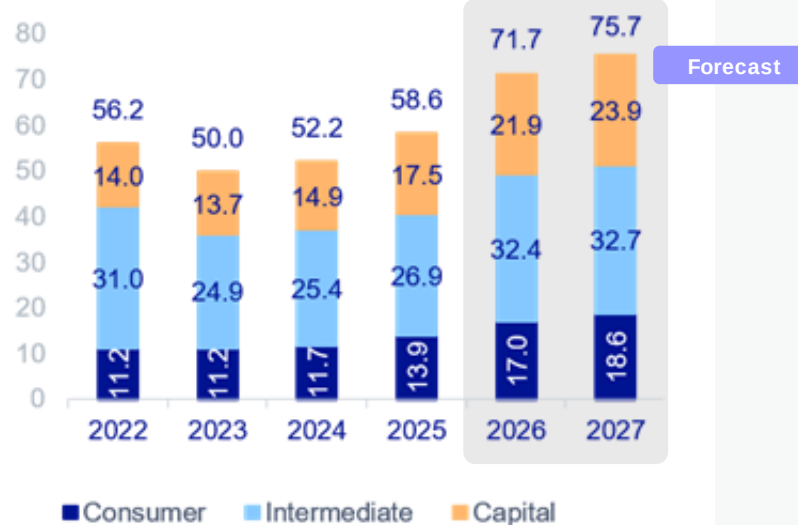
GOODS IMPORTS

(Y/Y % CHANGE)



GOODS IMPORTS

(USD BN)

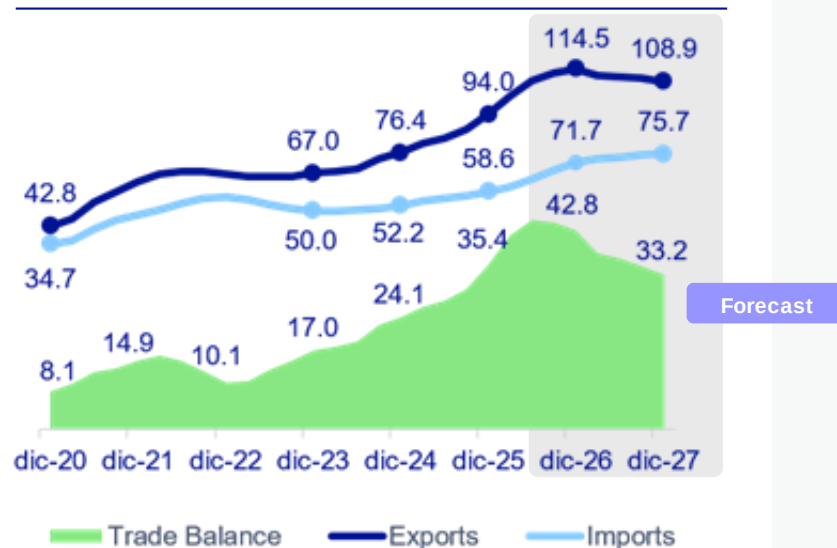


The trade surplus will remain significantly high this year and next

- The trade surplus will increase in 2026 due to improved terms of trade (high metal prices, which more than offset higher oil prices), despite buoyant import volumes (reflecting strong domestic demand).
- In 2027, rising import volumes (associated with sustained domestic demand growth) will be the main factor behind the moderation of the trade surplus.
- Compared with our forecast three months ago, we now expect a more limited improvement in the trade balance this year, due to higher import volumes (associated with stronger domestic demand).

TRADE BALANCE

(USD BN, ROLLING 12 MONTHS)

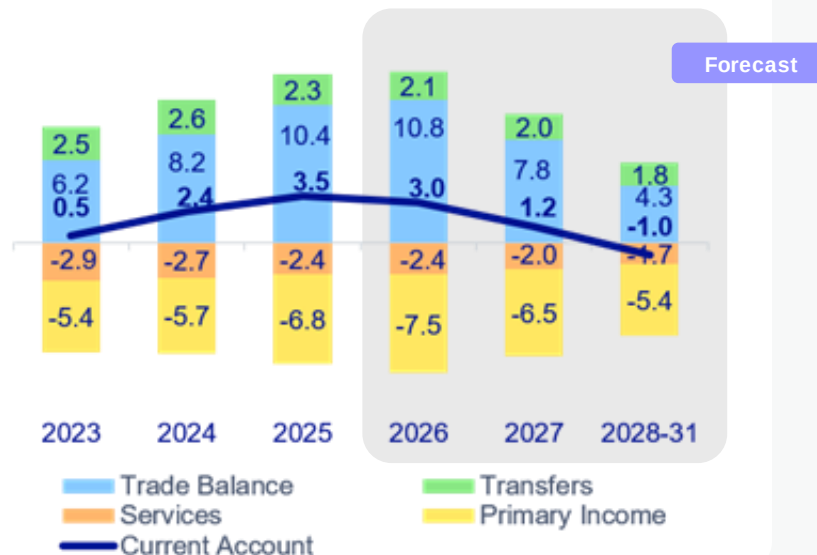


Source: BCRP and BBVAResearch (forecasts)

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

- The current account surplus will be somewhat smaller in 2026 than in the previous year due to higher profits expected from foreign companies operating in Peru (primary income). This will be partially offset by a larger trade surplus.
- In 2027, the current account surplus will continue narrowing as the trade surplus declines.
- This moderation will continue from 2028 onward, with a modest deficit averaging 1.0% of GDP annually over 2028–31. The decline in the trade surplus explains this pattern, consistent with an economy sustaining faster growth than in previous years, which will spur import volume growth exceeding that of exports.

BALANCE OF PAYMENTS CURRENT ACCOUNT (% OF GDP)



Source: BCRP and BBVAResearch (forecasts)

Against this backdrop, external accounts will remain strong and external financing needs limited

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



NET INTERNATIONAL RESERVES (% OF GDP)



- The current account surplus in 2026–27 will help preserve Peru's external strength despite higher short-term international interest rates.
- Accordingly, medium- and long-term external liabilities will gradually decline as obligations are amortized in the absence of major financing needs.

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	26.4	27.3
NIR / Short-term external debt	7.5	8.1	7.4	6.0	8.2	12.0	13.0	14.5

2.5 Exchange rate, inflation, and monetary policy

Peruvian economic forecasts

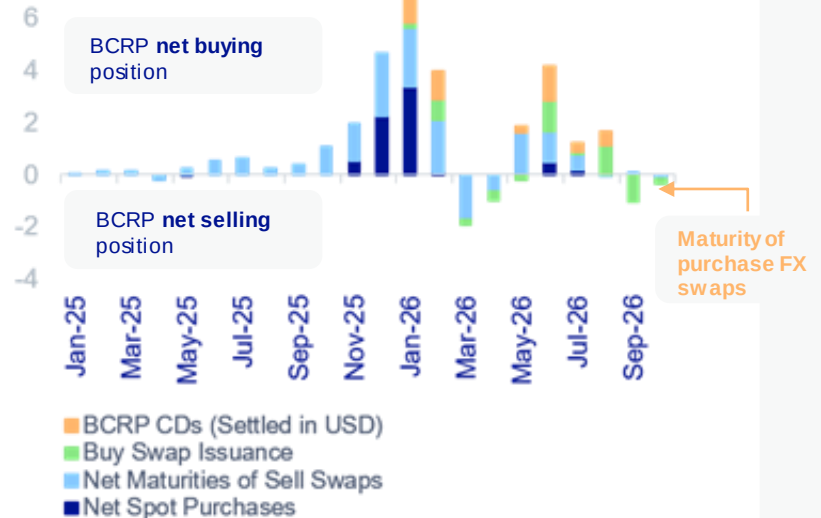
Higher dollar interest rates and high oil prices have led the PEN to depreciate again. The BCRP intervenes to contain volatility

EXCHANGE RATE
(SOLES PER USD)



Source: BCRP

BCRP FOREIGN EXCHANGE INTERVENTION¹
(USD BN)



1/ Information as of September 21

Macroeconomic fundamentals suggest scope for the PEN to strengthen toward 2027

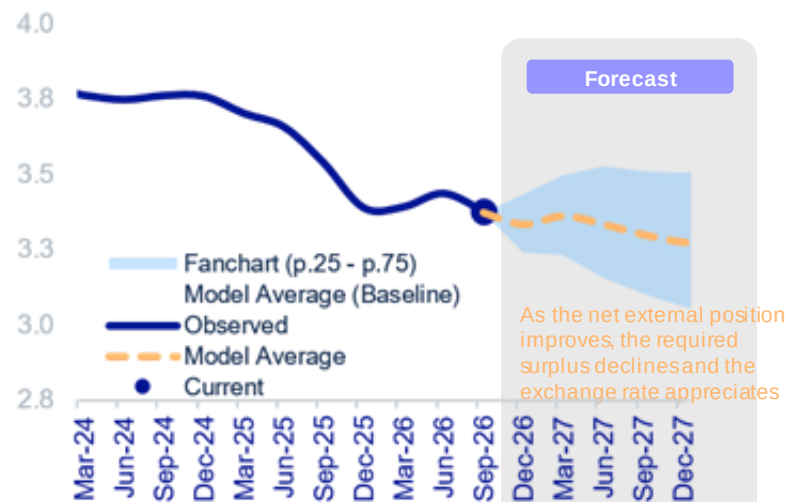
Nine models are estimated and divided into three groups:

- **Fundamental 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 higher net external assets.
- **Time-series models**, which capture the historical dynamics of the exchange rate.

These models estimate that the exchange rate consistent with macroeconomic fundamentals is currently 3.35 and will stand at 3.33 at year-end.

It is important to note that these models do not incorporate central bank FX interventions, the impact of the political cycle or geopolitical tensions.

EQUILIBRIUM EXCHANGE RATE – AVERAGE ACROSS MODELS (QUARTERLY AVERAGE)



Source: BCRP and BBVAResearch (forecasts)

Note: Fan chart constructed using a bootstrap mixture-of-experts approach ($B = 2,000$ 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 randomly selected with probability proportional to its average inverse-MSE weight, and a vector of historical errors drawn in blocks from the pseudo-out-of-sample backtest (37 forecast origins starting in Q4 13) is added. The bands represent the 25th and 75th percentiles of the simulated distribution. The dotted line represents the combined forecast weighted by inverse MSE. Uncertainty reflects two sources: (i) model uncertainty (which specification is correct) and (ii) forecast uncertainty (historical error of each model).

Over the forecast horizon, the PEN will tend to strengthen during the rest of the year. The Central Bank will continue to moderate volatility

- In the third quarter, the local currency experienced two distinct trends: (i) an initial period of strength against the USD, reflecting a more positive perception of the incoming administration, a large external surplus and a (brief) easing of tensions in the Middle East; and (ii) a subsequent period of depreciation pressure as the Fed was perceived to be more hawkish, long-term USD interest rates rose and uncertainty about the conflict between Iran and the United States resurfaced. The BCRP has intervened to contain exchange-rate volatility in both directions.
- Three factors will drive the Peruvian currency's appreciation going forward: (i) a gradual easing of tensions in the Middle East and lower oil prices, (ii) a trade surplus, and (iii) capital inflows amid renewed confidence. The Central Bank will continue intervening in the FX market to moderate the pace of exchange-rate decline.
- Thus, USD/PEN will end 2026 in a range of 3.25–3.35 soles per dollar and end 2027 between 3.20 and 3.30 soles per dollar.

EXCHANGE RATE

(SOLES PER USD, DAILY AVERAGE DURING THE MONTH)

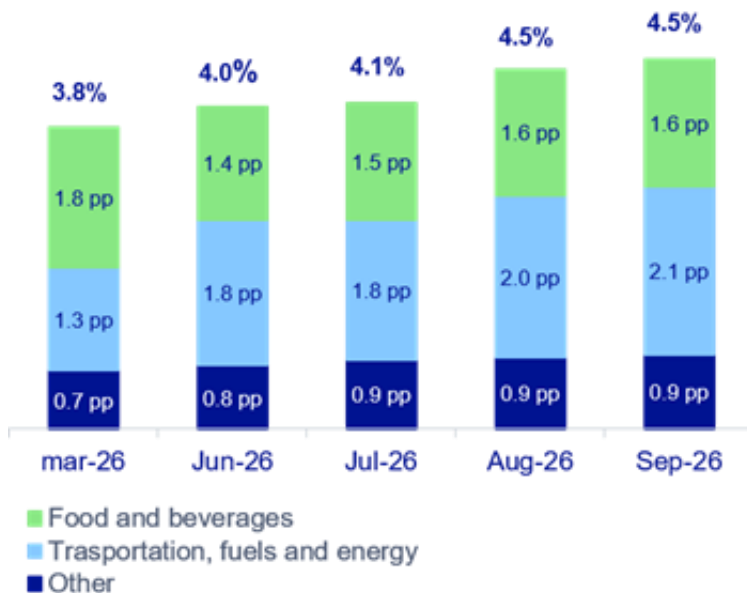


Source: BCRP and BBVAResearch (forecasts)

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

INFLATION COMPONENTS

(Y/Y % CHANGE AND CONTRIBUTIONS)

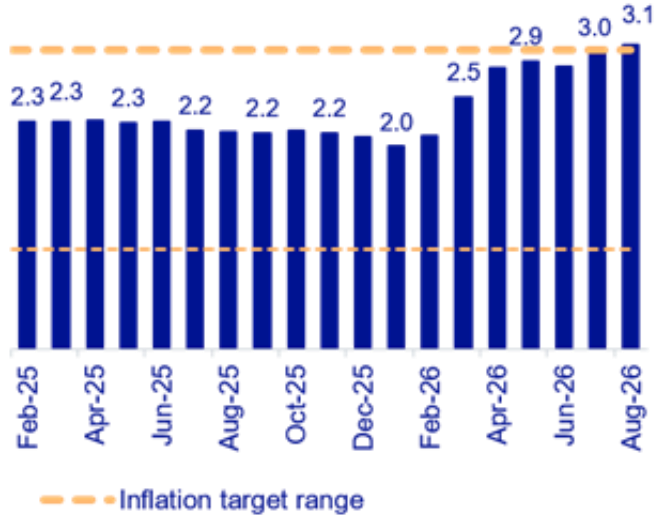


Y/y inflation reached 4.5% in September due to rising domestic fuel and transport prices, which contributed approximately 2 pp to the overall result.

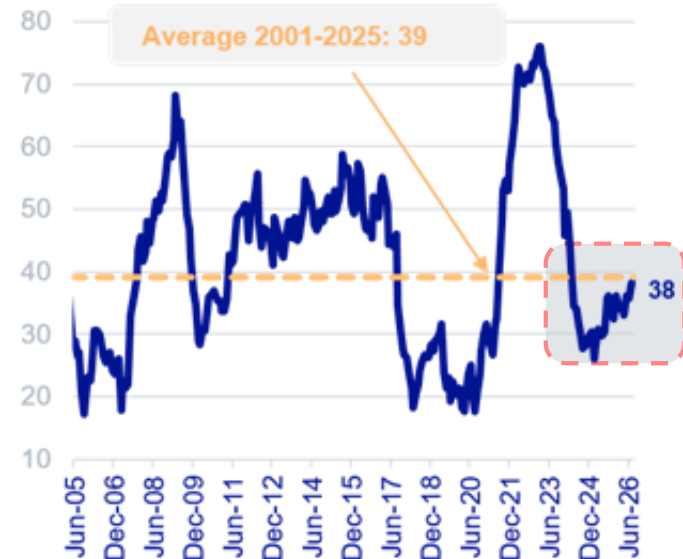
Transport	Dec 25	Feb 26	Mar 26	Jun 26	Sep 26
Y/y % change	3.0	4.1	14.1	18.3	17.1

Inflation expectations have risen, but there is no evidence of spillovers to other consumer basket prices

12-MONTH INFLATION EXPECTATIONS
(EXPECTED Y/Y CPI CHANGE, %)



CPI CATEGORIES WITH Y/Y PRICE INCREASES ABOVE 3% (POINTS)

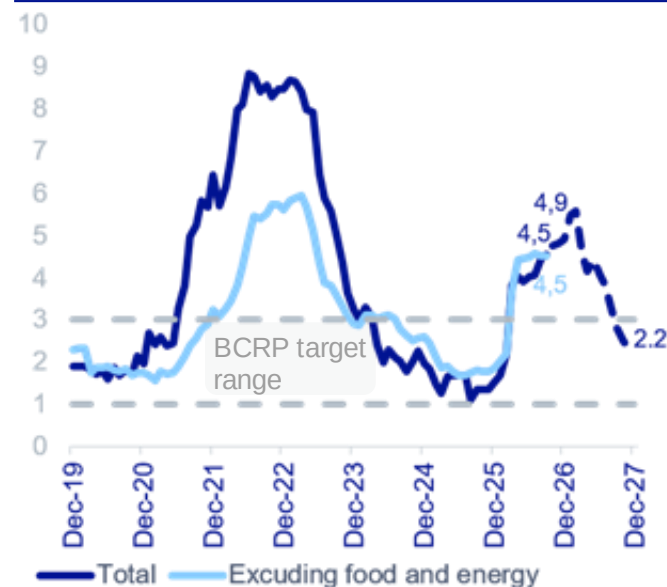


Inflation is forecast to remain outside the target range and return within it in 2027

- Headline inflation has exceeded the target range (2% +/- 1 percentage point) since March due to the rise in international oil prices.
- Inflation excluding food and energy is also above 4%, and inflation expectations have risen to slightly above the target range. Domestic demand is growing faster than GDP.
- In the near term, inflation will remain high due to: (i) the impact of weather anomalies on food prices, (ii) persistently high oil prices, (iii) strong private spending and (iv) a low year-earlier comparison base (low inflation in the second half of 2025).
- Against this backdrop, inflation will end the year near 5.0% before moderating in 2027 to a level close to the midpoint of the target range, supported by the normalization of oil prices and the fading effects of El Niño.

Y/y % change (end-period)	Dec 25	Dec 26 (f)	Dec 27 (f)
Exchange rate	-9.9	-1.1	-1.8
WTI oil	-17.2	42.4	-21.2
Wheat	-1.9	42.0	6.3
Corn	-0.1	17.9	2.0

INFLATION
(Y/Y % CHANGE IN CPI)



Source: INEI, BCRP and BBVA Research (forecasts)

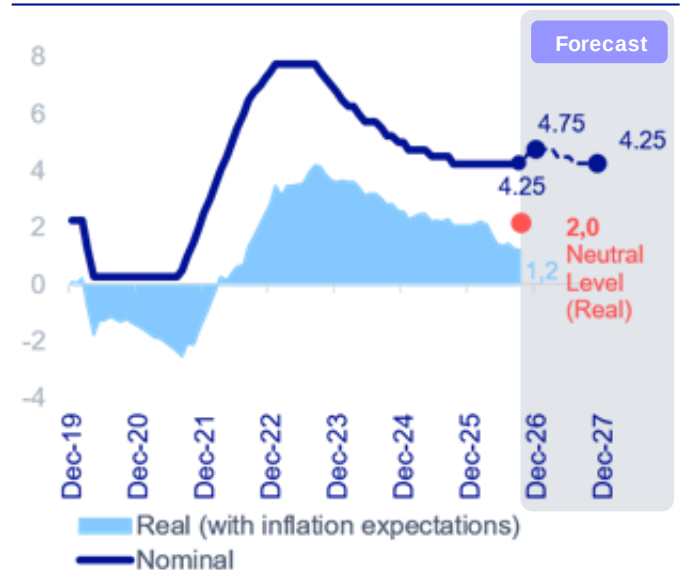
Monetary policy rate: will rise temporarily in response to higher inflation

The BCRP kept its policy rate at 4.25% in September. Its statement noted that the Board remains attentive and ready to adjust monetary policy **in the near term** if necessary to ensure inflation returns to the target range.

Comments

- The real policy rate is below its neutral level.
- Economic activity is growing around its potential level (although private spending would remain buoyant under the assumed political scenario).
- According to the BCRP, inflation will remain outside the target range at least for the rest of this year.
- El Niño in summer 2027 would add to these pressures, continuing to push prices up, particularly food prices.
- Inflation expectations have exceeded the upper bound of the target range.
- In this context, an adjustment of the monetary policy stance can reasonably be expected over the coming months, at least as a signal. The rate would reach 4.75% in the coming months.
- In 2027, once the energy and climate shocks dissipate, the rate will normalize, **declining toward a more neutral level of 4.25%**

MONETARY POLICY RATE
(%)



Source: BCRP and BBVA Research (forecasts).

3. Main risks to the Peruvian economic forecasts

Main risks

Main risks to forecasts for Peruvian economic growth in 2026 and 2027



External risks



- Escalation of the war between Iran and the United States.
- Further adverse supply shocks (weather, tariffs, geopolitics).
- Stronger expansion associated with artificial intelligence (or, conversely, a stock market correction).
- Financial strains due to pressure from the Trump administration on the Fed or debt crises in a major economy.

Domestic risks



- The eventual impact of El Niño.
- The response of private spending to more positive household and business sentiment.
- A failure by the government to deliver promptly, which would disappoint citizens and erode political capital.
- Rising crime that discourages private spending.

4. Summary of macroeconomic projections

Projections

Summary of macroeconomic projections

	2023	2024	2025	2026 (f)	2027 (f)
GDP (% change)	-0.4	3.6	3.5	2.9	2.9
Domestic demand (excludes inventories, % change)	-0.4	3.4	4.9	5.6	4.2
Private spending (% change)	-1.4	2.9	5.1	5.8	4.5
Private consumption (% change)	0.1	2.8	3.6	3.7	3.1
Private investment (% change)	-6.1	3.3	10.0	12.6	9.0
Public spending (% change)	4.3	5.4	4.0	4.8	2.9
Public consumption (% change)	4.9	2.3	3.3	5.3	3.0
Public investment (% change)	2.4	14.7	5.7	3.5	2.7
Exports (% change)	4.1	6.7	4.7	0.0	0.5
Imports (% change)	0.9	8.5	12.6	10.2	5.5
Exchange rate (vs. USD, end-period)	3.74	3.74	3.37	3.25–3.35	3.20–3.30
Inflation (% y/y, end-period)	3.2	2.0	1.5	4.9	2.2
Monetary policy rate (% , end-period)	6.75	5.00	4.25	4.75	4.25
Fiscal balance (% of GDP)	-2.7	-3.4	-2.2	-1.7	-2.3
Balance of payments current account (% of GDP)	0.7	2.4	3.5	3.0	1.2
Exports (USD bn)	67.5	76.4	94.0	114.5	108.9
Imports (USD bn)	49.8	52.2	58.6	71.7	75.7

Summary of macroeconomic projections

	2023	2024	2025	2026 (f)	2027 (f)
GDP (% change)	-0.4	3.6	3.5	2.9	2.9
Primary GDP (% change)	3.7	4.8	3.1	-4.3	1.0
Agriculture and livestock	-2.0	5.6	5.6	-2.8	0.1
Fishing	-21.2	27.2	2.6	-34.7	11.2
Mining ¹	9.4	3.0	1.5	-2.4	1.4
Primary manufacturing	-2.3	8.1	4.9	-10.8	0.3
Non-primary GDP (% change)²	-1.4	3.2	3.3	4.6	3.3
Non-primary manufacturing	-8.0	3.4	2.0	2.7	2.4
Construction	-8.2	3.6	6.7	10.1	8.1
Trade	2.4	3.0	3.6	6.3	2.5
Other services ²	0.1	3.2	3.1	3.6	3.0

1/ Includes metallic mining and hydrocarbons

2/ Excludes import duties

(f) Forecast. Forecast cutoff date: September 16, 2026.

Source: BBVA Research

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