INTERNATIONAL MONETARY FUND

IMF Country Report No. 26/113

PERU

May 2026

2026 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR PERU

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2026 Article IV consultation with Peru, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its May 15, 2026 consideration of the staff report that concluded the Article IV consultation with Peru.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on May 15, 2026, following discussions that ended on March 25, 2026, with the officials of Peru on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on April 28, 2026.
- An **Informational Annex** prepared by the IMF staff.
- A **Statement by the Executive Director** for Peru.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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International Monetary Fund
Washington, D.C.

PRESS RELEASE

PR26/157

IMF Executive Board Concludes 2026 Article IV Consultation with Peru

FOR IMMEDIATE RELEASE

Washington, DC – **May 18, 2026:** The Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation[1] with Peru on May 15, 2026.[2]

Record-high terms of trade (TOT) supported strong economic growth in 2025, bringing output close to potential. Employment, income, and consumer confidence improved, boosting private consumption. Private investment rose strongly, supported by metal prices and progress with infrastructure projects. The BCRP continued monetary policy normalization, with inflation expectations firmly anchored and inflation around the midpoint of the target band. The current account surplus grew to 3.1 percent of GDP, while the fiscal deficit narrowed to 2.2 percent, meeting the fiscal rule's target but remaining high in structural terms.

Growth is projected at 2.8 percent in 2026, assuming limited effects from a short-lived Middle East conflict. A strong labor market and rising real incomes should support private consumption despite some electoral period challenges. Favorable metal prices are likely to boost potential growth, with credit growth set to recover moderately. Higher energy costs will mainly impact transportation and food, temporarily pushing inflation above the upper limit of the target range. The current account is expected to stay in surplus in 2026 before gradually moving to a deficit, reflecting normalizing terms of trade and rising private investment. The fiscal deficit is projected to reach 2 percent of GDP, remaining above fiscal targets in the medium term, while public debt would stabilize around 32 percent of GDP.

The balance of risks to the outlook is tilted to the downside, but Peru retains strong buffers against shocks. Key domestic risks include political uncertainty, social unrest, and weather-related events, while ongoing insecurity and illegal mining may hinder medium-term growth. External risks are primarily driven by spillovers from a protracted Middle East conflict and potential upside inflation pressures. Other external threats include regional geopolitical tensions, protectionism, trade disruptions, commodity price volatility, a disorderly AI correction in financial markets, and prolonged policy uncertainty. On the upside, growth could exceed expectations if high metal prices boost private investment or if greater political stability after the elections enables progress on structural reforms. Peru's macroeconomic resilience is reinforced by very strong buffers including low public debt, abundant international reserves, and access to international capital markets on favorable terms.

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[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

[2] Under the IMF's Articles of Agreement, publication of documents that pertain to member countries is voluntary and requires the member consent. The authorities have requested additional time to decide on the publication of the staff report. A final decision is expected not later than 28 days from the Board consideration date.

Executive Board Assessment[3]

Executive Directors welcomed the robust growth in 2025, in the context of favorable terms of trade and very strong macroeconomic and institutional policy frameworks. While noting the positive medium-term outlook, Directors recognized that the balance of risks remains tilted to the downside, including from political uncertainty and spillovers from the war in the Middle East. Accordingly, they underscored the importance of continued prudent policies and accelerated structural reforms to boost potential growth and productivity, while supporting inclusive and sustainable growth.

Directors welcomed the authorities' commitment to preserving fiscal sustainability. They emphasized the need for fiscal consolidation to achieve the fiscal targets, while creating space for productive public investment and targeted intervention should the global energy crisis escalate. Noting that the structural deficit remains high, Directors encouraged the authorities to address rising spending rigidities, particularly from wage and pension pressures. Measures to improve the quality and efficiency of public procurement and investment are also important. Directors agreed on the need for revenue reforms to help close infrastructure and social gaps. They also encouraged close monitoring of risks arising from the recent reforms to the public-private partnership framework and pension system.

Directors highlighted that the inflation targeting framework has helped maintain low inflation and anchor inflation expectations. They agreed that a broadly neutral monetary policy stance remains appropriate. In the context of multiple supply shocks and elevated uncertainty surrounding short-term inflationary pressures, Directors concurred on the need for vigilance and a data-dependent monetary policy. The flexible exchange rate should continue to play the role of a shock absorber.

Directors welcomed Peru's financial sector resilience and the authorities' progress on regulatory reforms. Directors underscored the importance of efforts to promote financial deepening, revive credit growth, and implement the remaining FSAP recommendations. They also stressed that further private pension withdrawals should be avoided to safeguard domestic capital markets.

Directors encouraged the authorities to leverage the opportunity presented by the favorable terms of trade to accelerate structural reforms. Noting the implications for governance, security, and financial integrity, Directors emphasized the need for a coordinated policy response to address illegal mining. They also encouraged efforts to update the fiscal decentralization framework, incentivize formalization, and enhance productivity. Further integrating climate-related risks into macroeconomic planning and public investment decisions is also important.

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[3] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

Peru: Selected Economic Indicators

						Projections					
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Social Indicators											
Poverty rate (total) 1/	25.9	27.5	29.0	27.6	...	...	...	...	...	...	...
Unemployment rate for Metropolitan Lima (average)	10.7	7.8	6.8	6.4	5.9	6.3	6.3	6.5	6.5	6.5	6.5
Production and Prices			(Annual percentage change, unless otherwise indicated)								
Real GDP	13.4	2.8	-0.4	3.5	3.4	2.8	2.8	2.8	2.8	2.8	2.8
Output gap (percent of potential GDP)	1.5	1.3	-1.5	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Consumer prices (end of period)	6.4	8.5	3.2	2.0	1.5	2.5	2.0	2.0	2.0	2.0	2.0
Consumer prices (period average)	4.0	7.9	6.3	2.4	1.5	2.5	1.8	2.0	2.0	2.0	2.0
Money and Credit 2/ 3/											
Broad money	2.4	-0.2	2.5	11.2	7.5	8.7	8.0	7.3	6.6	5.9	5.6
Net credit to the private sector	6.2	3.5	0.8	0.7	3.9	7.4	7.1	7.0	6.9	6.9	6.8
Credit-to-private-sector/GDP ratio (%)	44.9	43.5	41.0	37.9	36.1	35.4	36.1	37.0	37.9	38.8	39.5
External Sector											
Exports	47.4	5.1	1.2	13.8	21.8	18.6	1.6	-0.7	-0.9	0.7	2.1
Imports	38.2	16.7	-10.8	4.3	12.3	12.2	3.2	4.9	4.5	4.6	4.7
External current account balance (percent of GDP)	-2.3	-4.1	0.3	2.2	3.1	3.4	2.5	1.2	0.2	-0.4	-0.8
Gross reserves In billions of U.S. dollars	78.5	72.2	71.3	79.2	90.3	100.1	105.1	107.5	109.7	111.8	113.8
Percent of short-term external debt 4/	57.8	509	404	436	540	642	638	737	773	738	755
Percent of foreign currency deposits at banks	229	209	204	213	219	225	223	211	201	192	185
Public Sector				(In percent of GDP, unless otherwise indicated)							
NFPS revenue	25.1	26.5	23.5	22.3	22.6	22.6	22.5	22.4	22.5	22.5	22.5
NFPS primary expenditure	26.1	26.7	24.6	24.0	23.1	22.9	22.8	22.6	22.6	22.4	22.3
NFPS primary balance	-1.0	-0.1	-1.1	-1.8	-0.6	-0.3	-0.3	-0.2	-0.1	0.1	0.1
NFPS overall balance	-2.5	-1.7	-2.7	-3.5	-2.2	-2.0	-2.0	-1.9	-1.8	-1.7	-1.6
NFPS structural balance 5/	-4.3	-2.5	-2.7	-3.9	-3.6	-2.9	-2.7	-2.5	-2.2	-2.0	-1.8
NFPS structural primary balance 5/	-2.8	-1.0	-1.0	-2.2	-2.0	-1.2	-1.1	-0.8	-0.4	-0.2	0.0
Debt											
Total external debt 6/	46.3	42.7	39.5	37.6	34.2	30.1	29.1	27.9	26.9	25.6	24.4
Gross non-financial public sector debt 7/	35.5	33.5	32.4	32.1	30.2	30.0	30.9	31.6	32.1	32.1	32.2
External	19.1	17.3	15.5	15.2	12.9	12.8	12.5	12.1	11.6	10.9	10.1
Domestic	16.4	16.2	16.9	16.9	17.3	17.2	18.5	19.5	20.5	21.2	22.1
Savings and Investment											
Gross domestic investment	22.0	22.0	19.3	19.6	20.2	20.4	20.8	21.7	22.2	22.4	22.4
Public sector (incl. repayment certificates)	4.6	4.9	4.9	5.2	5.1	4.7	4.8	4.9	4.9	5.0	5.0
Private sector	20.1	19.9	17.6	16.8	16.7	16.9	17.2	17.3	17.4	17.4	17.5
National savings	19.7	17.9	19.6	21.9	23.4	23.8	23.3	22.9	22.4	22.0	21.6
Public sector	2.8	4.2	2.9	2.4	3.4	3.3	3.4	3.5	3.7	3.8	3.9
Private sector	17.0	13.7	16.7	19.5	20.0	20.5	20.0	19.5	18.7	18.2	17.7
Memorandum Items											
Nominal GDP (S/. billion)	892	952	1,018	1,109	1,211	1,325	1,393	1,454	1,515	1,581	1,658
GDP per capita (in US$)	6,923	7,431	8,086	8,666	9,911	10,960	11,008	11,360	11,699	12,087	12,550

Sources: National authorities; UNDP Human Development Indicators; and IMF staff estimates/projections.

1/ Defined as the percentage of households with total spending below the cost of a basic consumption basket.

2/ Corresponds to depository corporations.

3/ Foreign currency stocks are valued at end-of-period exchange rates.

4/ Short-term debt is defined on a residual maturity basis and includes amortization of medium and long-term debt.

5/ Adjusted by the economic cycle and commodity prices, and for non-structural commodity revenue. The latter uses as equilibrium commodity prices a moving average estimate that takes 12 years of historical prices and 3 years of forward prices according to the IMF's World Economic Outlook.

6/ Includes local currency debt held by non-residents and excludes global bonds held by residents.

7/ Includes repayment certificates and government guaranteed debt.

INTERNATIONAL MONETARY FUND

PERU

STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION

April 28, 2026

KEY ISSUES

Context. Peru is benefiting from its most favorable terms of trade since the 1950s, driven by high metal prices, which have buoyed domestic demand and strengthened the fiscal and external positions. Despite political uncertainty and recent energy price shocks, very strong macroeconomic policy frameworks have helped sustain market confidence, lower financial volatility, and preserve market access on favorable terms.

Outlook and risks. High metal prices support a positive outlook. With the output gap closed and some headwinds to domestic demand from the electoral period and higher energy prices, growth is expected to moderate slightly and inflation to rise temporarily above the upper range of the target band in 2026. Nonetheless, sustained high metal prices would continue to support investment and growth in the coming years. The balance of risks to the outlook is tilted to the downside. Peru's macroeconomic resilience is reinforced by very strong buffers, including low public debt and abundant international reserves.

Policy Advice. Favorable terms of trade provide a unique opportunity to address structural issues and achieve stronger and more sustainable medium-term growth:

- *Fiscal Policy.* Tackling the structural fiscal deficit and meeting the fiscal targets will require addressing spending rigidities and inefficiencies. Revenue reforms will be needed to close fundamental infrastructure and social gaps.

- *Monetary Policy.* A broadly neutral monetary policy stance remains appropriate and the BCRP should continue to allow exchange rate flexibility. In the context of multiple supply shocks and elevated uncertainty surrounding inflation expectations, monetary policy should remain data dependent.

- *Financial Sector.* Systemic financial risks are contained, and the banking system is robust. Addressing structural challenges would improve financial deepening. The authorities should avoid further private pension withdrawals.

- *Structural.* Policies should focus on removing structural impediments to boost potential output. A coordinated policy response is needed to reverse the rapid rise in illegal mining and ensure a stable environment for investment.

Approved By
Dora Iakova (WHD) and Jay Peiris (SPR)

Discussions took place in Lima and Cusco during March 10–25, 2026. The team comprised Sònia Muñoz (Head), Moya Chin, Enrico Di Gregorio, and Giovanni Ugazio (all WHD), and Mariano Spector (MCM). Luisa Malcherek and Jonathan Pampolina (LEG) joined governance and AML meetings virtually, and Christoph Freudenberg (FAD) joined a pension meeting virtually. Óscar Hendrick (OED) also participated in the discussions. Boele Bonthuis and Samir Jahan (both FAD), Iyke Maduako and Mario Saraiva (both STA), and Maksym Markevych (LEG) contributed from HQ. The mission met with Central Bank Governor Julio Velarde; Minister of Economy and Finance Rodolfo Acuña and former Minister of Economy and Finance Gerardo López; Superintendent of Banks, Insurance, and Pensions Sergio Espinosa; National Superintendent of Customs and Tax Administration Javier Franco; former Minister of Energy and Mines Ángelo Alfaro; Vice-Minister of Labor and Employment Promotion Yolanda Erazo; Cusco Regional Governor Werner Salcedo; other senior government officials, including from the Agency for the Promotion of Private Investment, National Infrastructure Authority, and Superintendency of the Securities Market; private sector and civil society representatives; and think tanks. Euihyun Bae (WHD) provided research assistance. Astrid Baigorria and Geraldine Cruz (both WHD) provided administrative assistance. Vanessa Husni and Vera Winkelried (CSF vendors) provided interpretation services.

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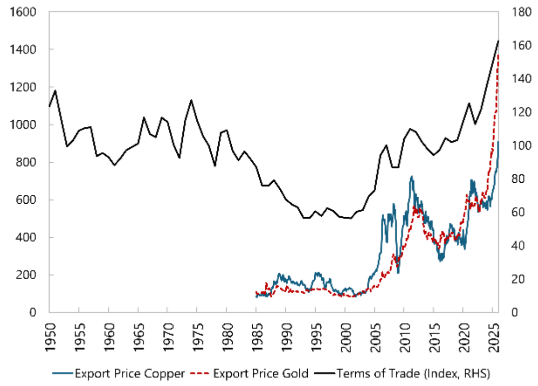
ANNEXES

SUSTAINED GROWTH AMID RECORD-HIGH TERMS OF TRADE

1. The most favorable terms of trade since the 1950s have lifted confidence, despite the global energy price shock and political uncertainty ahead of the general elections. Peru has been benefitting from extremely favorable terms of trade (TOT), due to a combination of high metal prices and low import cost, which continue to remain supportive despite higher global oil prices and the recent volatility in copper and gold prices in the wake of the war in the Middle East. Business and consumer confidence have risen to their highest levels since 2020, buoying the recent growth outlook and improving macroeconomic balances. Still, recent months saw a marked increase in political instability, which culminated in the impeachment of President Boluarte in October 2025 and President Jerí in February 2026. Persistent political fragmentation resulted in a highly uncertain political landscape ahead of the April 2026 general elections.

Terms of Trade

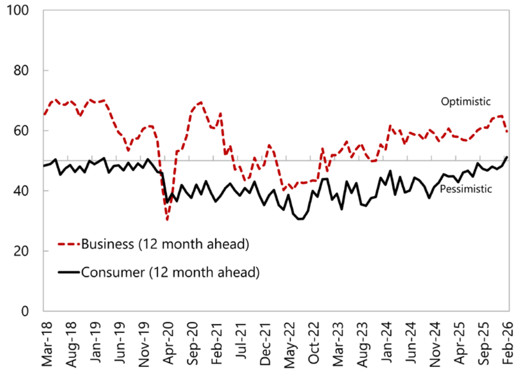
(index, 2002=100)



Sources: BCRP, Haver; and IMF staff calculations.

Confidence Indicators

(index)

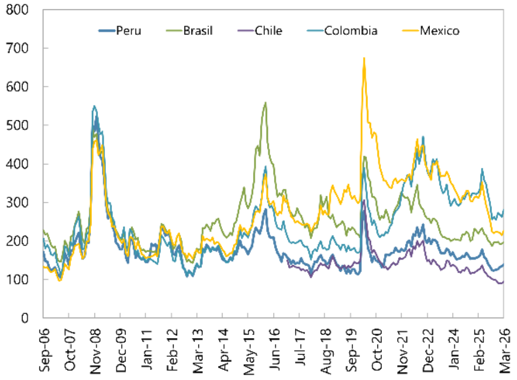


Sources: Apoyo Consultoria; and BCRP.

2. Very strong policy frameworks continue supporting Peru well. The solid inflation-targeting regime, strong financial sector supervision, and appropriate macroprudential policies have enabled the buildup of ample buffers. Peru maintains one of the lowest public debt ratios in the region, but the recent proliferation of unfunded legislative initiatives may affect the strength of the fiscal policy framework going forward. A long track record of sound macroeconomic policies (broadly in line with past IMF advice, Annex I) have preserved relatively low and stable EMBIG spreads despite recent political turbulence.

EMBIG Spreads

(index)

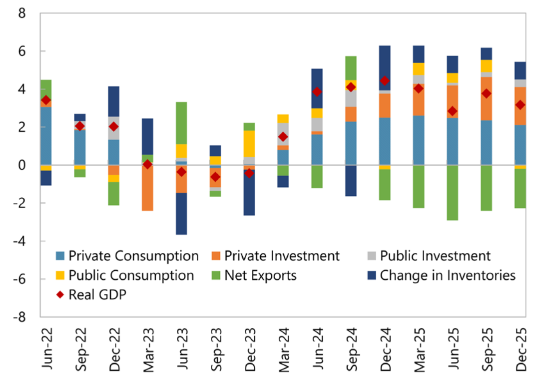


Sources: BCRP.

3. Domestic demand underpinned strong economic activity. After a strong recovery in 2024, the economy continued to expand in 2025, reaching 3.4 percent and bringing economic activity close to potential. Growth in employment and income, a recovery in consumer confidence, and low inflation sustained continued momentum in private consumption. Private investment grew 10 percent, its strongest pace since 2013 excluding the post-pandemic rebound, buoyed by high metal prices and steady progress of infrastructure projects.

Contribution to Growth

(percent, y/y)

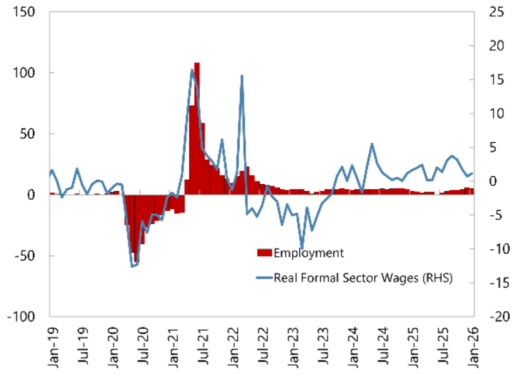


Sources: BCRP.

4. The labor market was strong, yet structural slack remains. The unemployment rate declined to 5.0 percent in December (from 5.5 percent in 2024). Adequate employment[1] and real wages posted consistent growth, with the adequate employment rate reaching 62.5 percent in December and real wage growth averaging 1.8 percent in 2025. However, the labor force participation rate is still below pre-pandemic levels and informality remains very high.

Employment and Wages

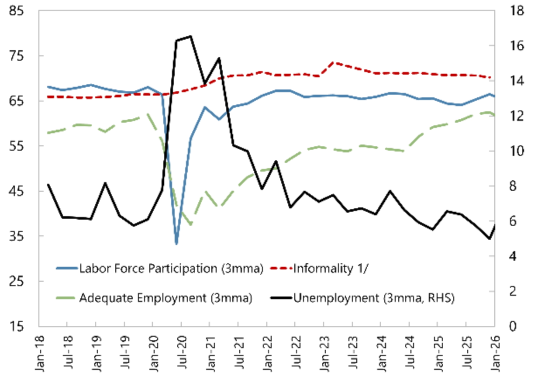
(percent growth, y/y)



Sources: BCRP; Haver Analytics; and INEI.

Labor Market Indicators

(percent)



Sources: BCRP; Haver Analytics; and INEI.
Note: All series refer to Metropolitan Lima except for informality which is national.
1/ In 2023, the EPEN replaced the ENAHO as the source for the INEI's official labor force statistics at the national level, with slightly hire estimates for informality.

5. Inflation remained close to the midpoint of the target band and monetary policy normalization continued. Headline, core, and inflation expectations remained anchored within the target band of 1–3 percent throughout 2025 (1.5 percent, 1.8 percent, and 2.1 percent, respectively, in December 2025), with negative contributions from international food and energy prices and the appreciation of the PEN. The BCRP continued monetary policy normalization, reducing the policy rate by 75 bps in 2025 to 4.25 percent. Higher food and energy prices increased inflation in the first

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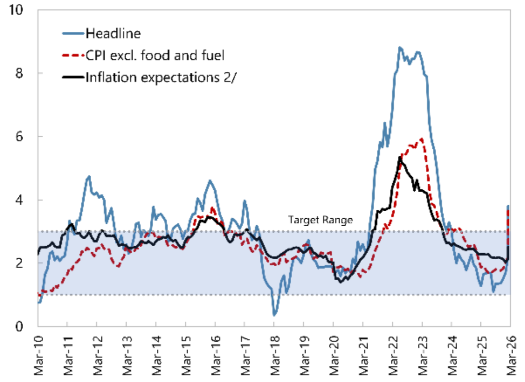
[1] Adequate employment is defined as workers who either work 35 hours or more per week and earn above a minimum reference income or work fewer than 35 hours per week but do not wish to work more.

months of 2026, with both headline and core measures reaching 3.8 and 3.6 percent, respectively, in March.[2]

Inflation: Headline and Core 1/

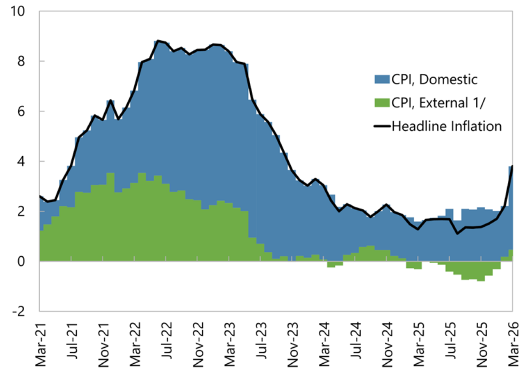
(percent, y/y)



Sources: BCRP; INEI; and Haver Analytics.
1/ Data covers the Metropolitan Lima area.
2/ From the BCRP survey of 12-month ahead expectations.

Inflation: Components

(percent, y/y)



Sources: BCRP; INEI; and Haver Analytics.
1/ CPI items linked to the exchange rate, international prices, and wholesale prices.

6. **The fiscal deficit narrowed in line with the fiscal rule target, but remained high in structural terms**. The non-financial public sector (NFPS) deficit dropped from 3.5 percent of GDP in 2024 to 2.2 percent in 2025—the fiscal rule deficit target—after two consecutive years of non-compliance.[3] However, in structural terms, the fiscal deficit improved significantly less and stood at 3.6 percent of potential GDP in 2025 prices (MEF, 2026).[4] About one third of the consolidation was driven by higher tax revenue, which was bolstered by higher TOT and an expected rebound in tax collections (CIT, regularizations). Additional revenue improvements came from significant one-off revenues from a tax amnesty, capital gains taxes on large corporate asset sales, and tax assessments. General government expenditure dropped in GDP terms, supported by measures adopted with an emergency decree in November 2025.[5] Consolidation included a moderation in wages and goods and

NFPS Fiscal Balance

(percent, y/y)

	2024	2025		
	Outturn	**Budget 1/**	**Outturn**	**Change 2/**
Revenues (GG)	**18.7**	**19.4**	**19.1**	**0.4**
Taxes	14.4	15.1	14.8	0.4
Other	4.3	4.3	4.2	0.0
Primary Expenditure (GG)	**20.7**	**19.9**	**20.0**	**-0.8**
Current	14.6	14.3	14.3	-0.3
Capital	6.1	5.5	5.6	-0.5
Primary Balance (GG)	**-2.0**	**-0.5**	**-0.9**	**1.2**
Interest	1.7	1.7	1.6	-0.1
SOEs Net Operating Balance	0.3	0.0	0.3	0.0
Overall Balance (NFPS)	**-3.5**	**-2.2**	**-2.2**	**1.3**
Structural Balance (NFPS)	-3.9	-3.0	-3.6	0.3

Sources: MEF; and IMF staff calculations.
1/ Budget figures reflect the projections reported in MEF's August 2025 multi-annual macroeconomic framework (MMM). GDP series were revised at end-2025.
2/ Difference between 2025 and 2024 outturn figures in percent of GDP.

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[2] In February 2026, intense rainfall disrupted the agricultural supply chains and increased food prices. In March 2026, an explosion in the Camisea natural gas pipeline collapsed Peru's gas supply for 2 weeks and increased domestic energy prices.

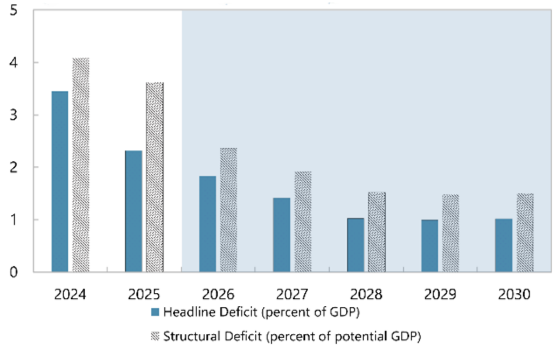
[3] On the other hand, real primary and current spending growth was higher than envisaged by the corresponding spending rules' limits (Fiscal Council, 2026).

[4] The current MEF official methodology to calculate the structural deficit—established by Ministerial Resolution N° 24-2016-EF/15—adjusts the general government's current revenues for one-off revenues and the effect of the business cycle, and corrects mining and hydrocarbon-related revenues for commodity price deviations from their 15-year moving averages (the current year, 11 previous years, and projections for the following 3 years).

[5] In November 2025, Emergency Decree 8/2025 sought to reduce non-essential current spending, prioritize public investment projects already in execution, and limit financial transfers. The measures expired at the end of the year.

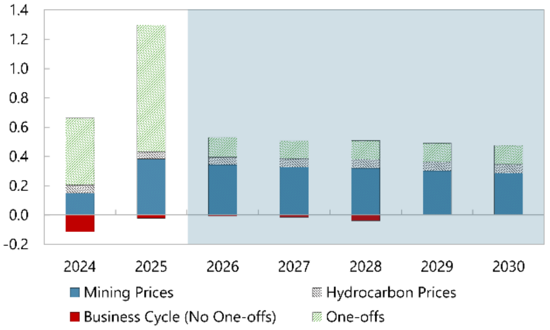
services, restrained public investment, and lower financial support to Petroperú.[6] Gross public debt fell from 32.1 to 30.2 percent of GDP, as the deficit was partly financed by a reduction in total public assets to 7.4 percent of GDP from 8.6 percent in 2024.

NFPS Headline and Structural Deficit
(percent of nominal and potential GDP)



Source: MEF (2026).
Note: Headline deficit projections reflect rule compliance.

Components of the Structural Deficit Gap
(percent of potential GDP)



Sources: MEF (2026); and IMF staff calculations.

7. The external position remained strong. Effects from external uncertainty and new trade barriers have been limited, as a resilient global economy has supported metal prices and domestic producers in affected sectors may have absorbed the tariff impacts in their profit margins.[7] The current account further improved to a surplus of 3.1 percent of GDP while the real effective exchange rate appreciated by 4 percent. The strong trade balance was underpinned by elevated commodity export prices, strong agricultural export volumes, and lower import prices that more than offset higher import volumes.[8] Net inflows into the capital and financial accounts increased slightly. International reserves increased to a record high of US$90.3 billion at end-2025 (27 percent of GDP and 268 percent of the ARA metric). Peru's external position in 2025 was stronger than the level implied by fundamentals and desirable policies (Annex II), driven by strong private savings and still subdued investment, notwithstanding the significant investment recovery in 2025.

8. The banking system is well capitalized and profitable, but credit growth remains subdued.[9] Bank profitability continued to recover, with return on equity and assets slightly above pre-pandemic levels, reflecting lower credit losses amid strong economic activity, and slightly higher net interest income from an increase in credit growth in late 2025. Banks maintain ample capital and

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[6] In September 2025, the government authorized the private issuance of sovereign bonds maturing in 2034 to refinance guarantees previously granted to Petroperú for lines of credit with Banco de la Nación. The cost of the refinancing operation was estimated at US$287 million. Throughout the year, government transfers to Petroperú amounted to about 0.2 percent of GDP (MEF, 2026).

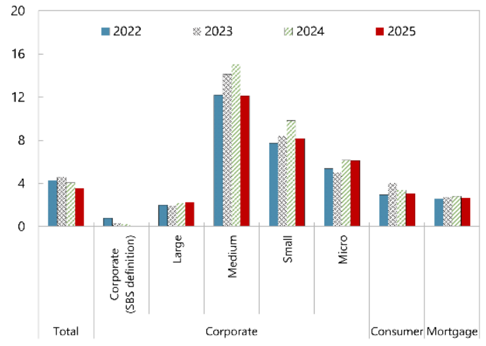
[7] Peru faces a 10 percent tariff on its exports to the US. The copper tariffs introduced in July 2025 exempted raw and refined copper (Peru's primary copper export to the US). On November 14 2025, the US removed tariffs on key agricultural products exported by Peru. As a result of these exceptions, the import-weighted average US tariff on Peru exports stood at 8 percent as of February 10, 2026 (WTO IMF Tariff Tracker).

[8] Elevated commodity prices primarily comprised gold and copper, but also agricultural products. Lower import prices primarily comprised oil, but also intermediate goods and food.

[9] Throughout this report, the banking sector refers to all deposit-taking institutions, not just those with banking licenses.

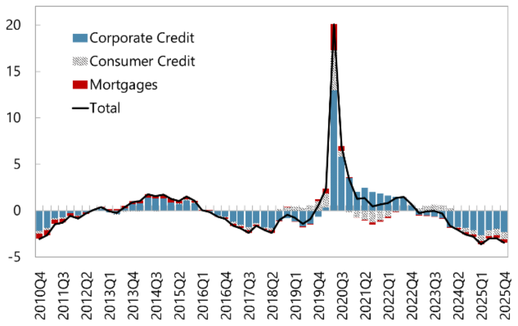
liquidity buffers, substantially exceeding required levels (total capital ratio was 17.9 percent, while the LCR stood at 166.9 percent by end-2025). The nonperforming loan (NPL) ratio continued to decline, reaching 3.5 percent by end-2025, after peaking at 4.6 percent in March 2024 due to the mild 2023 recession. The credit-to-GDP gap was negative at -3.5 percentage points (pp) in 2025Q4, recovering slightly from a trough of –3.6 pp in 2025Q1.[10]

Non-Performing Loan Ratios
(percent as of December)



Sources: SBS.

Contributions to Credit to GDP Gap
(percentage points)



Sources: BCRP; and IMF staff calculations.

9. Financial asset price volatility and risk premia declined to post-pandemic lows. Following a temporary increase in early 2025 related to heightened geopolitical and trade tensions, financial volatility receded. Long-term sovereign yields declined to 5.9 percent in 2025Q4 compared to 6.6 percent a year earlier, remaining among the lowest in the region. Booming metal prices and strong economic activity supported a sharp increase in stock prices of 98 percent between the start of 2025 and their peak at end-February 2026, with a subsequent decline of 13 percent in March 2026 amid the conflict in the Middle East and higher volatility of copper and gold export prices.

NAVIGATING ELEVATED UNCERTAINTY AMID HIGH METAL PRICES

10. Growth is projected to moderate and inflation to rise temporarily. Under the assumption of limited spillovers from a short-lived war in the Middle East, growth is expected to slow to 2.8 percent in 2026. A strong labor market and improving real incomes are expected to support private consumption in 2026, despite a closed output gap and some headwinds to domestic demand from the electoral period. Looking ahead, favorable metal prices would marginally improve potential growth to 2.8 percent (Box 1). Credit growth is expected to continue a moderate recovery. Higher energy prices would primarily affect transportation and food, with headline and core inflation

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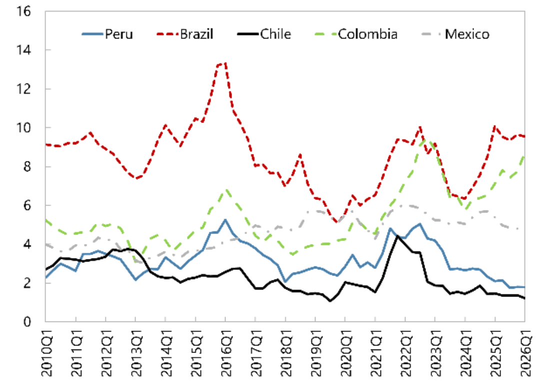
[10] The credit-to-GDP gap values reported in this report are different from those in past Article IV consultations due to some methodological differences in its calculation. The main difference is that the credit-to-GDP gap is now reported in percentage points, while in previous staff reports it was expressed as a percentage of the trend.

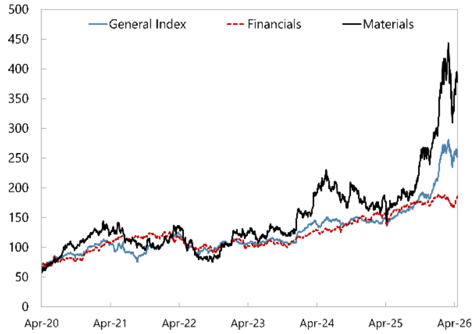
temporarily increasing above the upper range of the 1-3 percent target band and thereafter decelerating to 2.5 percent towards the end of the year.

Long-Term Sovereign Bond Spread Against USD
(percent)



Sources: Banco Central de Chile; BCRP; Haver Analytics; and Tullett Prebon Information.
Note: Sovereign bond spread calculated as the difference between 10-year sovereign bond yield minus that of the United States.

Stock Market: General Index and Subindices
(index, average Dec 2019 = 100)



Source: LSEG Workspace.

11. **High metal prices would strengthen macroeconomic balances in the short term, although fiscal deficits and public debt would remain above medium-term targets.** Elevated metal prices would improve the external balance through higher private savings. The current account balance is envisaged to remain in a surplus of 3.4 percent of GDP in 2026, then gradually shift to a deficit as TOT normalize and private investment grows,[11] stabilizing at a deficit of about 0.8 percent of GDP, with low external financing and debt rollover risks. At current policies, the fiscal deficit would narrow but remain above the fiscal rule in the medium term, stabilizing public debt around 32 percent of GDP, above its 30 percent of GDP by 2035 legal limit (Annex III).[12]

12. **The balance of risks to the outlook is tilted to the downside, but Peru maintains ample buffers against shocks (Annex IV).** Key domestic risks include political uncertainty, social unrest, and weather-related shocks,[13] while persistently high levels of insecurity and illegal mining could hold back medium-term growth prospects. External risks are dominated by spillovers from a protracted conflict in the Middle East (see next paragraph) and upside risks to the inflation outlook. Additional external risks include regional geopolitical tensions, protectionism and trade disruptions,

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[11] TOT are expected to normalize mostly through a correction in import prices. Metal prices are expected to decline somewhat, but remain at a permanently higher level.

[12] In the absence of identified measures, consolidation would proceed slowly, with the NFPS deficit falling to 1.6 percent of GDP by 2031. High TOT in the short term and gradual improvements in tax administration over the projection horizon would support modest growth in revenues, limited by persistent informality, low compliance, and continued tax exemptions. Continued decompression of current spending (transfers, goods and services) would be supported by the gradual withdrawal of crisis-era support, the reduction in payments related to closed-entry pension systems, and the effects of the 2025 procurement reform. Capital spending rationalization would be partly offset by the phase-in of the 2025 FONCOMUN reform, encouraging local public investment.

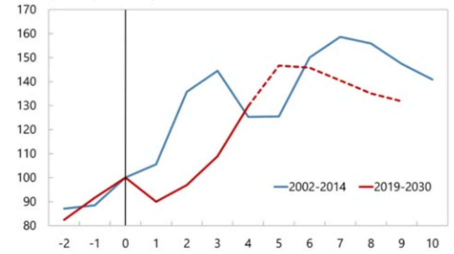
[13] The March 13, 2026 communication from *Estudio Nacional del Fenómeno El Niño* (ENFEN) indicated that the most probable scenario is a weak *El Niño Costero* through December 2026. *El Niño Costero* causes infrastructure damage and negatively impacts agricultural and fisheries production in Peru. See Box 1 in 2024 Article IV.

commodity price volatility, a disorderly AI correction, and prolonged policy uncertainty. On the upside, growth could be higher than envisaged if high metal prices lead to stronger private investment or if increased political stability after the general elections leads to progress on structural reforms.

Box 1. Boosting Potential Growth

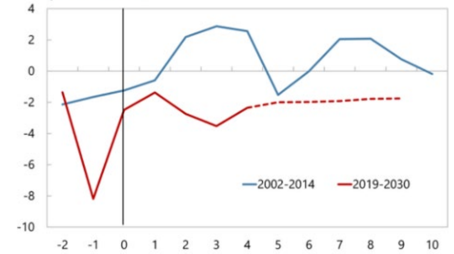
As a critical mineral exporter, metal prices are a key factor driving Peru's TOT. About 66 percent of Peru's exports are mineral products, primarily comprising copper and gold (45 and 38 percent of mineral exports in 2025, respectively).

Terms of Trade
(index, t0=100)



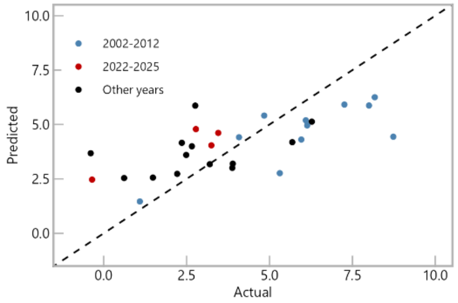
Sources: BCRP; Haver; and IMF staff estimates and calculations.
Note: t=0 corresponds to 2004 for the blue series, and 2021 for the red.

General Government Fiscal Balance
(percent of GDP)



Sources: Haver; MEF; and IMF staff estimates and calculations.
Note: t=0 corresponds to 2004 for the blue series, and 2021 for the red.

Actual and Predicted GDP Growth
(percent change)



Souces: WEO; and IMF staff calculations.
Note: 2020 and 2021 excluded from plot.

The 2000s commodity boom spurred growth and investment in Peru. A surge in demand for copper, driven by rapid growth in emerging markets, increased the price of copper over five-fold between 2002 and 2014. Gold prices also increased at similar magnitudes. Over that same period, real GDP growth averaged around 6 percent, spurred by a boom in mining investments.

Economic activity during the 2000s commodity boom was boosted by growth-enhancing reforms and prudent macroeconomic management. Albeit from a low base, Peru achieved growth rates higher than would be predicted by the prevailing strong TOT,[1] reflecting a significant structural reform agenda that also supported the expansion of the non-mining economy.[2] Prudent macroeconomic policies underpinned the buildup of significant buffers. Fiscal surpluses allowed gross public debt to decline to below 20 percent of GDP. The credible inflation-targeting framework kept inflation low, despite strong capital inflows, while gross international reserves rose to over 30 percent of GDP.

Current high metal prices have helped lift investment and growth, but greater structural reform efforts could boost potential growth substantially. Since 2012, negative productivity growth and low private investment have led to declining potential growth (see 2024 Selected Issues Paper). A US$64 billion pipeline of mining projects could raise potential growth by 0.5-1 pp (see Annex VII of 2025 Article IV), but has been stalled for many years due to bureaucratic complexity and social conflicts, and illegal mining and associated illicit financial flows are threatening Peru's position as a reliable destination for mining investment.

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[1] Impulse responses to a TOT shock were estimated from a local projection specification (controlling for 3 lags of TOT shocks, 3 lags of GDP growth, and country and year fixed effects) using panel data of 197 countries between 1995-2023 (see Annex 1 of October 2025 Regional Economic Outlook – Western Hemisphere for details on the data). Predicted growth rates are the fitted values using the estimated coefficients.

[2] These included a revamp of the macroeconomic policy framework (the introduction of inflation targeting and fiscal rules); trade and financial liberalization reforms; improvements in infrastructure; reforms in healthcare, education, civil service, pensions, and taxes; and development of the mining, agriculture, and tourism sectors.

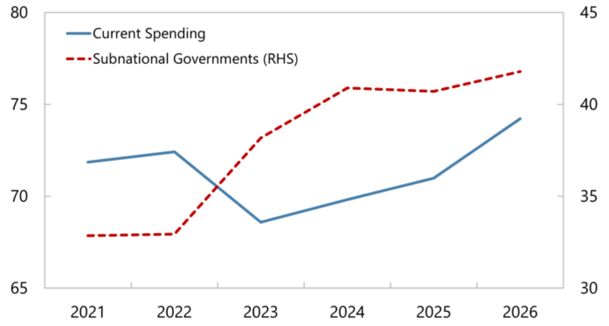
13. A prolonged global energy shock would significantly deteriorate the near-term baseline outlook, but leave medium-term prospects broadly unchanged. Higher global energy prices could lead to second-round effects on inflation expectations, lower global growth, and tighter financial conditions. In a scenario where oil prices approximately double in 2026 and in 2027 compared to the baseline assumption,[14] higher energy prices and lower global demand—including its effect on metal export prices—would lower economic growth by about 1-1.5 pp in both years. Inflation could increase by up to 1.5 pp, bringing headline CPI above the target band. The growth impact could be partially offset by a boost in exports from currency depreciation due to tighter global financial conditions. Macroeconomic balances would weaken all else equal, though high metal prices would still support terms of trade. The potential policy response would include tighter monetary policy to prevent second-round effects from the inflationary shock, and possibly some targeted fiscal offset if automatic stabilizers are insufficient to counter the shock. Despite the potential significant short-term impact, Peru's macroeconomic resilience under this scenario is reinforced by very strong buffers including low public debt, abundant international reserves, and access to international capital markets on favorable terms.

REIGNITING A REFORM MOMENTUM

The current favorable terms of trade provide a unique opportunity to undertake ambitious reforms. Implementing a credible fiscal consolidation plan would create space to close critical social and infrastructure spending gaps within the fiscal rule. Addressing illegal mining and security challenges along with other structural barriers to investment and potential growth would help rebalance the external position and achieve a stronger medium-term growth outlook. Financial system risks should continue to be monitored, and financial regulatory gaps closed.

A. Addressing Structural Fiscal Challenges

Allocation of Budget Spending in the Legislature
(percent of general government primary spending)



Sources: MEF (2026); and IMF staff calculations.
Note: Budget information refers to the provisional budget approved the year before the year shown.

14. The approved Budget Law for 2026 and the authorities' medium-term macroeconomic framework project an appropriate fiscal path, but rely on unidentified measures. The 2026 Budget foresees an increase in the share of current spending (mostly wages) and of assignments to regional and local governments, in line with recent trends. These increases would come at the expense of public investment. On the other hand,

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[14] Average petroleum spot prices are assumed at US$82 and US$76 per barrel in the baseline scenario for 2026 and 2027, respectively. Since Peru produces natural gas locally, international price changes have little effect on domestic gas prices; thus, the scenario focuses only on oil price impacts.

the authorities' 2026-2029 multiannual macroeconomic framework plans to meet the 2026 fiscal deficit target of 1.8 percent of GDP through both current and capital spending restraint.[15] In the medium term, revenues would remain stable while interest payments would increase marginally, and further consolidation in current spending and in public investment would bring the fiscal deficit to its legal limit of 1 percent of GDP by 2028.[16]

Non-Financial Public Sector 1/ 2/
(percent of GDP)

	2025	2026			2027			2028			2029		
	Baseline	Budget	Baseline	Gap	Budget	Baseline	Gap	Budget	Baseline	Gap	Budget	Baseline	Gap
Revenues (GG)	**19.1**	**19.2**	**19.4**	**0.2**	**19.2**	**19.3**	**0.1**	**19.2**	**19.3**	**0.1**	**19.2**	**19.3**	**0.2**
Taxes	14.8	15.0	15.1	0.2	15.0	15.1	0.1	15.0	15.0	0.0	15.0	15.1	0.1
Other	4.2	4.2	4.3	0.1	4.2	4.3	0.0	4.2	4.3	0.0	4.2	4.2	0.0
Primary Expenditure (GG)	**20.0**	**19.3**	**19.8**	**0.5**	**18.9**	**19.7**	**0.8**	**18.5**	**19.5**	**1.0**	**18.5**	**19.4**	**0.9**
Current	14.3	14.0	14.4	0.4	13.7	14.2	0.5	13.3	14.0	0.7	13.2	13.9	0.7
Capital	5.6	5.3	5.4	0.1	5.2	5.4	0.2	5.2	5.5	0.3	5.4	5.6	0.2
Primary Balance (GG)	**-0.9**	**-0.1**	**-0.4**	**-0.3**	**0.3**	**-0.4**	**-0.6**	**0.7**	**-0.3**	**-0.9**	**0.6**	**-0.1**	**-0.7**
Interest	1.6	1.7	1.7	0.0	1.8	1.7	-0.1	1.8	1.7	-0.1	1.7	1.7	0.0
SOEs Net Operating Balance	0.3	0.1	0.1	0.1	0.1	0.0	0.0	0.1	0.0	0.0	0.1	0.0	-0.1
Overall Balance (NFPS)	**-2.2**	**-1.8**	**-2.0**	**-0.2**	**-1.4**	**-2.0**	**-0.6**	**-1.0**	**-1.9**	**-0.9**	**-1.0**	**-1.8**	**-0.8**

Sources: MEF; and IMF staff calculations.
Note: General Government (GG, Non-Financial Public Sector (NFPS).
1/ Budget figures reflect the projections in MEF's August 2025 multi-annual macroeconomic framework (2026–29 MMM), while baseline reflects IMF staff projections.
2/ Gap refers to the difference between IMF staff baseline and budget figures in percent of GDP. Differences reflect different macro frameworks and the assumed speed of fiscal consolidation. Compared to the budget, the baseline projection shows the effect of more conservative assumptions with unchanged policies.

15. **Addressing spending rigidities and inefficiencies would support the authorities' fiscal goals and create space for productive public investment**. Without additional measures, the fiscal deficit would miss the fiscal rule target by 0.2 percent of GDP in 2026 and 0.9 percent of GDP in 2028. Over the medium term, fiscal pressures are likely to rise, including from a rising wage bill, upcoming defense-related commitments, the gradual phase-in of a 2025 reform that expands transfers to local governments, approved sectoral tax benefits, and unfunded legislative spending proposals with relevant fiscal implications.[17] Consolidation of at least 0.9 percent of GDP to meet the 2028 fiscal target could be obtained by i) slowing ongoing trends in public employment and public as primary education, health, and the regional government level;[18] ii) improving procurement

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[15] To this end, the authorities' Emergency Decree 1/2026 caps spending on goods and service in 2026 and prioritizes continuity of capital spending projects already in execution.

[16] In January 2026, the authorities revised their projections in the 2021-2026 Pre-electoral Report, which the law mandates for publication at least three months before a general election. While the report accounts for INEI's higher nominal GDP series and a marginally more optimistic revenue path, the composition of the expected medium-term adjustment is broadly unchanged.

[17] In March 2026 alone, Congress adopted measures expanding benefits for temporary public workers, raising pensions for teachers, military personnel and policemen, and extending the application of a preferential tax regime dedicated to the Amazon. If implemented in full, recently approved laws and existing initiatives could add up to 5.4 pp of GDP over the fiscal rule limit by 2036 (Fiscal Council, 2025). Similarly, policy proposals by fifteen parties running in the 2026 elections would cost 3 percent of 2025 GDP on average yearly (Videnza Instituto, 2025).

[18] Possible measures include rejecting proposals to convert temporary workers to permanent employees (in line with the Constitutional Court's October 2024 ruling, Fiscal Council, 2025), temporarily capping wage growth at the inflation rate, streamlining allowances, ensuring staff contract flexibility to make headcount adjustments possible,

(continued)

practices (World Bank, 2025); and iii) adopting PFM measures to improve the efficiency of public investment, as large capital spending-to-GDP ratios have produced modest gains in closing social and infrastructural gaps and high project abandonment, especially at the subnational level (Box 2 and 2025 Selected Issues Paper). Ongoing reforms at Petroperú could reduce costs stemming from poor management and rising liabilities at the company, supporting the authorities' fiscal objectives.[19] Rationalizing spending would also protect space should a more prolonged and intense energy price shock require a fiscal offset. Any fiscal support should be targeted to the most vulnerable, feature clear sunset clauses, and avoid distorting hydrocarbon prices.

Potential Savings from Spending Measures
(percent of GDP)

	2028	
	Baseline	**Recommended**
NFPS deficit	**1.9**	**1.0**
GG Current spending	**14.0**	**13.3**
Suggested savings:		
Wage control		0.3
Transfer decompression		0.2
Procurement improvements		0.1
GG Capital spending	**5.5**	**5.2**
Suggested savings:		
FONCOMUN reform savings		0.2
Efficiency improvements		0.1
Gap with fiscal rule	0.9	0.0

Source: IMF staff calculations.
Note: Wage control savings reflect restricting wage growth to inflation. Transfer decompression refers to reducing CG discretionary transfers to pre-pandemic levels. FONCOMUN reform savings would obtain from compensating higher FONCOMUN with cuts to discretionary transfers to districts. Residual savings reflect a fraction of the 1.2–1.5 percent of GDP in potential procurement and efficiency savings estimated by World Bank (2025).

16. Revenue reforms will be needed to close fundamental infrastructure and social gaps. Estimates suggest that closing Peru's infrastructural gaps over 2019-2030 could require resources equivalent to almost 50 percent of 2019 GDP (IDB, 2021). Peru also faces significant gaps in education and health outcomes, while social protection remains limited. To meet these spending needs without endangering fiscal sustainability, reforms are needed to durably raise the low tax-to-GDP ratio beyond the current TOT cycle.[20] Continued modernization of the tax administration (SUNAT) can reduce high VAT and CIT non-compliance through the implementation of dedicated Compliance Improvement Plans and consolidate recent TA-driven improvements in customs management. The *Acuerdo Fiscal* is a welcome recent government initiative to facilitate the public debate around fiscal sustainability, spending efficiency, and tax base expansion. Analyzing the

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partially freezing hires, and ensuring timely retirement where staff is sufficient. MEF should retain a gatekeeping role in employment and compensation decisions.

[19] In December 2025, Emergency Decree 10/2025 entrusted ProInversión with the reorganization of Petroperú's assets, which is expected to encourage private participation in the company. The measure included a capital injection of PEN240 million as Petroperú implements payroll cuts among its administrative staff and a PEN144 million transfer to ProInversión in support of its consultancy.

[20] Priorities include reducing informality, especially in the critical mineral sector, removing inefficient tax expenditures such as those for agro-exporters and SEZs, homogenizing the tax treatment on capital and labor income, reviewing excise taxation, and facilitating tax compliance, including through digitalization, rationalization of existing MSME tax regimes, and certainty of interpretation of tax laws. In terms of tax policy, raising the PIT exemption threshold would help to align the composition of fiscal revenues to regional and OECD averages (OECD, 2025), while the progressivity of the mining tax regime could be enhanced.

optimality of the current medium-term fiscal targets would ensure that they keep providing an effective anchor to meet Peru's fiscal and development goals.

17. The recently enacted public-private partnership (PPP) frameworks could stimulate investment, but the authorities should carefully manage risks. Over 2024-2025, the authorities awarded about 20 PPP projects and more than 600 works-for-taxes (OxI), equivalent to a yearly estimated average of US$3.7 billion and US$1.3 billion, respectively—the sharpest increase in the use of these investment promotion tools in a decade.[21] The increase was accompanied by two laws adopted in 2025, which reorganized the PPP governing framework and greatly expanded the OxI scheme. The legal limit for subnational governments to award OxI was also progressively raised to about 6 percent of GDP in 2025. The new PPP framework involves enhanced responsibilities for the government's PPP unit (ProInversión) and higher contract flexibility. The authorities should closely monitor the accumulation of contingent liabilities and maintain neutrality when it comes to investment modality selection.[22]

18. The implementation of the 2024 pension reform should proceed cautiously until the associated risks have been mitigated to ensure fiscal sustainability and stability of the pension system. The pension reform was adopted in September 2024 to improve pension coverage, adequacy, participation, and competition in the system, as well as to limit early withdrawals. However, the reform may affect negatively the sustainability and stability of the pension schemes, along with the adequacy of benefits, due to the mandated transition of the public defined benefit system to a notional defined contribution system by 2030 and the facilitated switching of participants between the public and private systems (Box 3). In addition, the original reform was significantly weakened in September 2025 upon approval of the eighth round of private pension withdrawals. Specifically, the exclusion from the minimum pension for affiliates who withdraw the entirety of their pension funds was removed, adding to long-term fiscal costs. The authorities should examine these risks before considering the implementation of the 2024 pension reform, focusing on pension benefit rule design, withdrawal regulations, and switching arrangements.

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[21] Works-for-taxes traditionally consist of the private execution of public investment in exchange for a tax credit. In 2025, a reform expanded its application to the provision of services and the list of tax instruments for which companies can receive credits from CIT to VAT, excise taxes, and the special mining tax, among others. The maximum credit was raised from 50 percent of the previous year's liability to 80 percent.

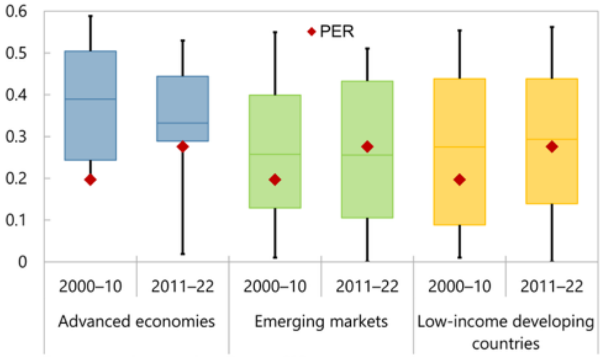
[22] The 2025 PPP reform preserves MEF's gatekeeping role in terms of assessing the fiscal implications of PPP projects, albeit with some limitations. As of 2024, the net stock of PPP-related commitments in present value terms was estimated at 3 percent of GDP, below the legal limit of 12 percent.

Box 2. Addressing Fiscal Spending Inefficiency and Rigidity

Public spending in Peru has become more rigid, driven by personnel costs. Expenses considered to be relatively harder to revise or renege upon, at least in the short term, make up about 60 percent of primary spending (MEF, 2026). Relatedly, the persistence of public spending across years has increased since 2010, with Peru now displaying more rigidity than the average emerging market (IMF, 2025). Personnel costs are the main driver of this dynamic. Public wages have grown by almost 60 percent in real terms over the last decade, resulting in a 35 percent premium vis-à-vis private sector wages (World Bank, 2025), compared with 13 percent in the average emerging market (IMF, 2025).

Public Spending Rigidity

(scale, 0-1)



Source: IMF Fiscal Monitor (October 2025).

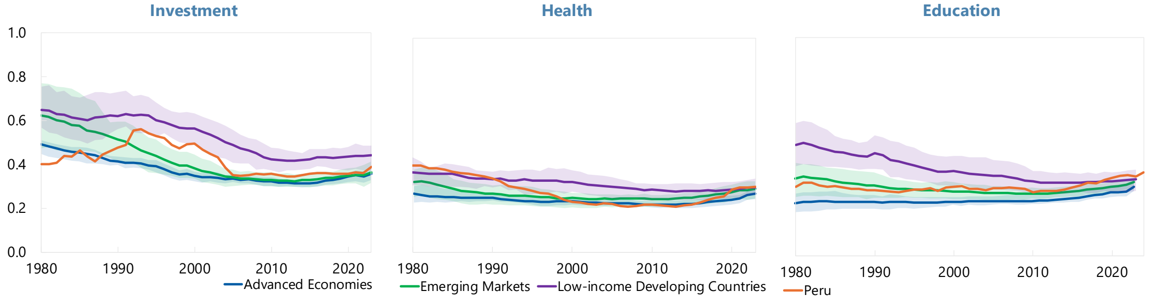
Note: Higher values reflect higher rigidity.

Peru appears to lag in terms of public spending efficiency among emerging markets. Recent IMF staff analysis reveals that the gap between Peru and the technological frontier—corresponding to its level of inputs—has been increasing in areas such as health, education, and the extent and perceived quality of its public infrastructures over the past decade (IMF, 2025). Similar trends have been estimated for primary education at the local level (World Bank, 2025). Involvement of municipal and regional governments in public investment, with limited budget and technical skills, has resulted in the abandonment of thousands of infrastructure projects (Contraloría General de la República, 2025).

PFM reforms can improve Peru's spending efficiency. Public procurement rationalization can help curtail waste, including through demand consolidation and item bundling (World Bank, 2025). On the capital spending side, Peru needs to develop robust multi-year decision frameworks and an integrated approach to public investment management extending to SOEs. Improvements are needed in the interoperability of information systems and the reliability of capital expenditure projections, aligning multiannual commitments with budget ceilings and annual commitments, and prioritizing projects based on natural disaster risks. Independent proposal reviews and systematic ex-post evaluations could raise the chances of project success.

Efficiency Gap in Public Spending

(index, 0-1 scale)


Investment

Health

Education

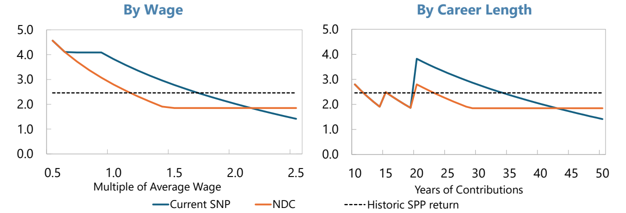
Source: IMF Fiscal Monitor (October 2025).

Note: Higher values reflect higher inefficiency.

Box 3. The Long-Run Risks of the 2024 Pension Reform[1]

Peru's Pension Systems: Internal Rates of Return by Worker Feature

(percent)



Source: IMF staff calculations.

Note: Individual assumed to retire at age 65 in 2060, the wage graph assumes a career of 20 years, the career length graph assumes an average wage. Historic SPP return is based on real returns of Fondo 2, June 2015-2025. The notional rate of return in the NDC system is assumed to be equal to GDP growth.

Peru's pension systems traditionally promoted worker self-selection and low cross-system mobility. Peru operates two parallel pension systems, the public pay-as-you-go scheme—*Sistema Nacional de Pensiones* (SNP)—and the funded private defined contribution scheme—*Sistema Privado de Pensiones* (SPP). Until recently, switching between systems was subject to restrictions and often proved disadvantageous to workers, who would gain from either system based on their anticipated career path. The SPP is generally better for those with low contribution densities, due to its flexible withdrawal policy. Low to average earners, with at least 10 years of contributions, would benefit more from the SNP (Figure, blue solid line) because of its minimum guarantees and generous rules, while high earners and those with extensive contributions histories would find the SNP less attractive due to a maximum pension ceiling. Meanwhile, as earnings rise, the SPP becomes more attractive since it has no pension cap (Figure, dashed black line).

The 2024 pension reform facilitated switching across systems. After seven rounds of SPP withdrawals since the COVID-19 pandemic, a pension reform was introduced in September 2024, making system-switching more flexible and mandating the transition of the SNP to a notional defined contribution (NDC) system in 2030, along with expanding the non-contributory pillar and setting the same minimum pension for the SPP and SNP. Initially, the reform restricted early withdrawals from SPP funds, but these were allowed once again upon approval of the eighth and latest withdrawal in September 2025.

While providing flexibility, features encouraging a switch may introduce risks of financing shortfalls for the two pension systems.[2] Under the pre-reform system, the SNP offered advantages for workers with moderate earnings and contribution histories, largely due to its favorable benefit formula and minimum guarantees. However, under NDC rules, if the notional rate of return (Figure above, orange line) falls behind SPP rates, contributors are likely to favor the SPP and engender a decline in SNP membership, especially if minimum pensions can be collected. A smaller SNP contributor base could further erode its natural rate of return, accelerating the SNP's deterioration and raising pressure for fiscal support to keep NDC returns competitive. Additionally, lump sum withdrawals from the SPP increase pressure on both systems by encouraging a switch to the SPP solely for the purpose of withdrawals. Further fiscal risks arise from the treasury's potential obligation to redeem newly issued recognition bonds reflecting SNP contributions accrued since 2002 for members switching to the SPP.

Stability risks can magnify during financial downturns. Allowing unrestricted movement between the SPP and SNP further increases instability. Participants could shift to the SNP during financial downturns, drawn by better and apparently safer rates, which may force SPP administrators to hold more liquid assets, reducing returns. During recoveries, contributors may move back to the SPP. These cycles can heighten financial market volatility and undermine the stability of both pension schemes.

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[1] Prepared by Boele Bonthuis, Christoph Freudenberg, and Samir Jahan.

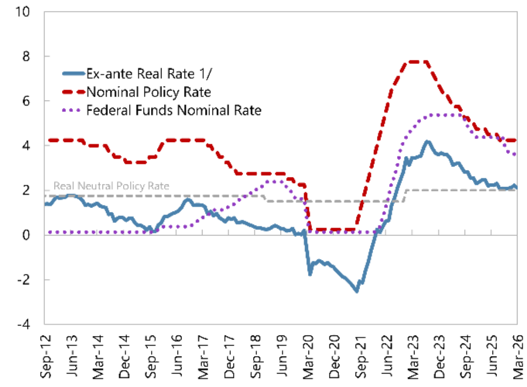
[2] Current SNP reserves cover about three years of pension payouts (0.6% of GDP annually).

B. Maintaining a Data Dependent Monetary Policy Stance

19. With inflation expectations firmly anchored and the output gap expected to remain closed, a broadly neutral monetary policy stance remains appropriate. The BCRP policy rate currently stands at 4.25 percent, implying an ex-ante real rate of 2.1 percent as of end-February 2026, slightly above the estimated neutral rate of 2 percent. Looking ahead, monetary policy should remain data dependent in the context of elevated external and domestic uncertainty surrounding short-term inflationary pressures from multiple supply shocks,[23] and be ready to tighten if second-round effects materialize and inflation expectations threaten to move higher.

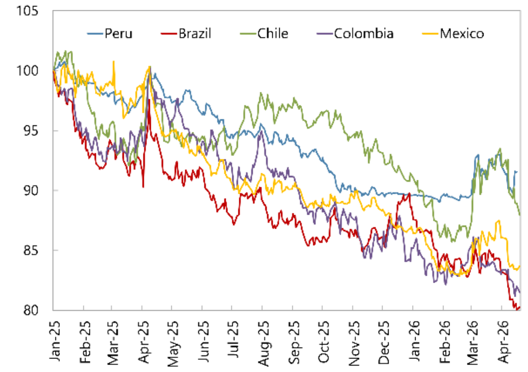
20. The BCRP should continue to allow exchange rate flexibility. A global weakening of the US dollar, historically high terms of trade, strong interest from nonresident investors for Peruvian securities, and the liquidation of AFP foreign assets in the context of the eighth private pension withdrawal round created appreciation pressures on the PEN, especially during the second half of 2025. To stem increased volatility, the BCRP intervened in the spot market between November 2025 and February 2026, purchasing a cumulative US$6.2 billion, and in the non-spot market, decreasing its outstanding stock of FX Swaps (sell) by US$12.3 billion between the start of 2025 and February 2026. The PEN appreciated by about 10 percent over the year relative to the USD—less than the appreciation in most other LA5 currencies—and was accompanied by lower volatility. During March 2026, the PEN depreciated by 3 percent amid heightened global uncertainty surrounding the conflict in the Middle East. Continued exchange rate flexibility should be maintained to help cushion the impact of external shocks (see Annex V of the 2024 Article IV).

Monetary Policy Rate
(percent)



Sources: BCRP; and Haver Analytics
1/ Calculated using 12m-ahead headline inflation expectations.

Exchange Rates, LC per USD
(index, start of 2025=100)



Source: Haver.

C. Strengthening Financial Sector Deepening and Safeguarding Resilience

21. Systemic financial stability risks remain contained. The banking sector regulator's (SBS) latest top-down stress tests suggest that the banking system would remain sound even under

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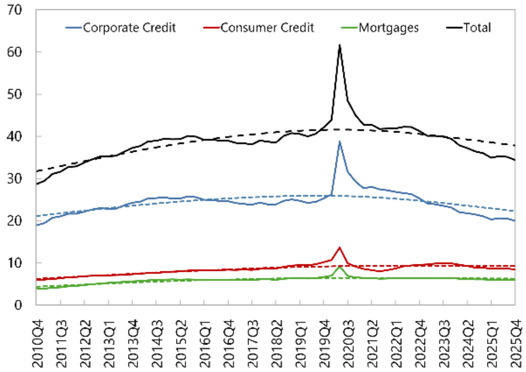
[23] These include the 2-week Camisea natural gas crisis, a weak *El Niño Costero*, and the conflict in the Middle East.

adverse scenarios, and their interconnectedness analysis indicates that contagion risks are limited.[24] Foreign funding represents a small share of total bank liabilities (7 percent in September 2025),[25] while banks' net open FX positions are small.

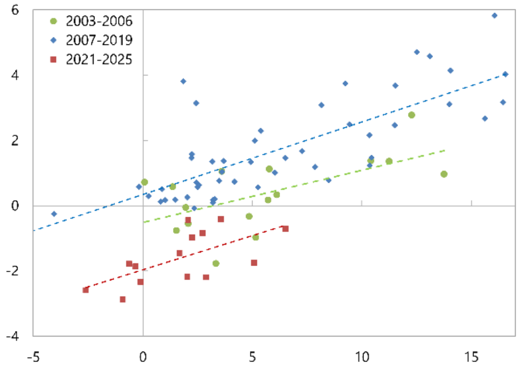
22. The authorities could consider policies to improve financial deepening and revive credit growth (Annex V). The expansion of digital finance is increasing access to financial services, and credit to the private sector has accelerated towards the end of 2025. However, while the credit-to-GDP ratio grew over 10 percent in the pre-pandemic decade, its growth has since stalled, suggesting a period of "credit-less" growth.[26,27] This is possibly related to structural challenges to credit expansion, such as the high level of informality in labor and real estate markets, limited financial literacy, and limited usage and access to financial services.[28] In addition, staff analysis suggests that credit-to-GDP is also experiencing a cyclical downturn, currently mainly reflecting a reduced demand for credit from various growth impediments that have discouraged private investment (see section below), as well as abundant liquidity from AFP withdrawals and high mining

Credit-to-GDP Ratio
(percentage)



Sources: BCRP; and IMF staff calculations.
Note: Dotted lines represent the HP trend with smoothing parameter 16,000.

Domestic Demand and Credit-to-Domestic Demand
(x-axis: percent: y-axis: percentage points)



Sources: BCRP; and IMF staff calculations.
Note: The scatter plot uses quarterly observations. The x-axis shows the growth rate of domestic demand between periods t and t-4. The y-axis shows the change in percentage points of the credit-to-DD ratio between periods t+4 and t. Observations corresponding to 2020Q2 and 2020Q3 are excluded.

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[24] See "*Informe de Estabilidad del Sistema Financiero,*" SBS November 2025.

[25] See "*Reporte de Estabilidad Financiera,*" BCRP November 2025.

[26] Other sources of funding beyond credit from domestic banks have also been declining relative to GDP, indicating that there is no significant substitution away from domestic banks.

[27] Results are similar as percent of domestic demand.

[28] Other longstanding features of the Peruvian banking system are high average lending rates, especially for consumer credit and loans to small and micro businesses; high operating costs; and a high market concentration, with the top 4 commercial banks accounting for 69 percent of assets of the commercial banking sector (67 percent of financial sector assets), and the Herfindahl Index (in terms of assets) at 2,000 (on a scale from 0 to 10,000).

profits, including from illegal mining.[29] Measures to improve financial deepening could include promoting competition and innovation, while maintaining appropriate risk-based regulation, for example by promoting Open Banking and Finance frameworks.[30]

23. Further rounds of private pension withdrawals should be avoided to safeguard domestic capital markets and promote the diversification of funding sources. The eight withdrawals cumulatively amounted to 12 percent of 2025 GDP and 80 percent of assets under management in 2019.[31] The recurrent withdrawals have reduced AFP portfolio yields, reportedly due to the liquidation of assets at a discount and the reallocation of the remaining portfolios towards more liquid assets. With AFPs being the largest investor in domestic corporate bonds, withdrawals have severely impacted the depth and long-term financing capacity of domestic capital markets.

24. Fully operationalizing new regulations and closing remaining regulatory gaps will enhance financial resilience. The measure introduced by the SBS to standardize the definition of unhedged FX borrowers is welcome.[32] Most banks meet SBS's Basel III-aligned capital requirements, consistent with the 2018 FSAP recommendations to strengthen the capital framework (Annex VI). Authorities plan to review the activation criteria for the counter-cyclical capital buffer to align it with the financial cycle, possibly using criteria based on credit-to-GDP. The SBS has also proposed increasing risk weights for unhedged FX loans and modifying standardized regulatory provisioning rates to better reflect expected lifetime losses for each loan classification. The latter initiative would serve as an intermediate step towards full IFRS9 implementation, requiring earlier provisioning for exposures experiencing credit quality deterioration. Recovery plans for domestic systemically important banks have been submitted for review and should be later extended to the financial group level and to their resolution planning thereafter, and the legal framework should be amended to grant SBS powers to exercise full consolidated supervision, following FSAP recommendations (Annex VI).

D. Boosting Investment and Potential Growth

25. Record-high TOT could help revitalize investment and growth, but Peru must address recent structural impediments to capitalize on this opportunity. Previous high TOT periods spurred investment and growth, and structural policies helped achieve stronger growth. Recent trends after the pandemic are likely dampening confidence and a stronger rebound in investment.

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[29] Other earlier contributing factors include monetary policy tightening during 2022-23 and stricter lending standards in the aftermath of the 2023 recession.

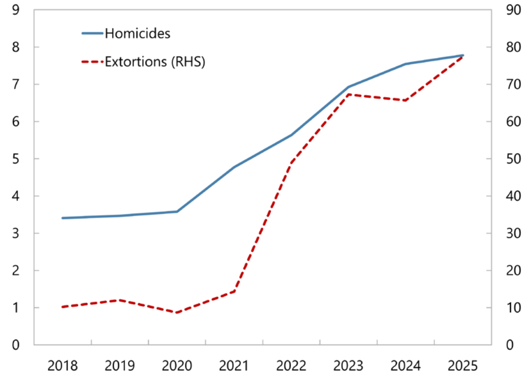
[30] In February 2026, the SBS published a roadmap with initiatives to promote Open Finance.

[31] In the first seven rounds, AFP members withdrew PEN115 billion, and have requested an additional PEN24 billion for withdrawal (as of January 2026) in the latest round approved in September 2025.

[32] The share of FX-denominated bank credit stood at 22 percent by end-2025, mostly corporate credit, a slight increase of 1 pp from 2024 amid high dollar liquidity in the banking system, narrow dollar lending spreads, and an appreciation of the PEN. Unhedged FX-denominated credit exposures, which tend to be riskier than other loans (see Annex V of 2025 Article IV), stood at 9.6 percent of total credit in 2025. SBS Resolution 0774-2025, which takes effect in June 2026, standardizes the criteria to identify unhedged borrowers.

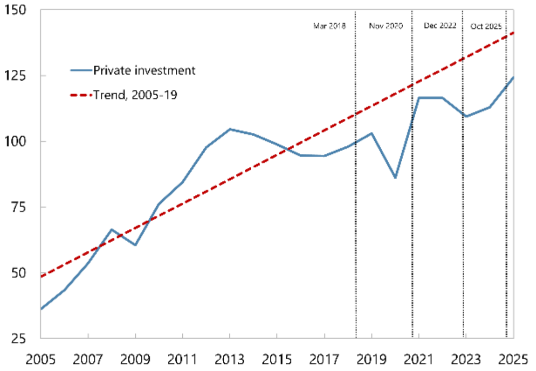
Persistent political volatility has led to policy unpredictability while high political fragmentation has impeded major reforms needed to lift growth. Although crime rates are still among the lowest in the region, a rapid rise in insecurity has weakened the business environment and contributed to a sense of impunity, undermining confidence and the rule of law, with macroeconomic costs.[33]

Crime Rates
(per 100,000 inhabitants)



Sources: INEI; and SIDPOL.

Private Investment
(billion constant 2007 Soles)



Sources: INEI.
Note: Vertical lines correspond to presidential turnover outside of general elections.

26. High metal prices have triggered a rapid rise in illegal mining, which could become an entrenched structural issue (Box 4). While illegal gold mining is a longstanding phenomenon in Peru, illegal mining has intensified and is threatening legal mining and copper production. High profits have created incentives for involvement of organized crime and resulted in significant spillovers into other segments of the economy, due to the need to launder illegal production and to subsequently integrate the illicit proceeds into the formal economy.[34] Moreover, regulatory ambiguity resulting from issues with the formalization process has contributed to the entrenchment of illegal mining, as illegal operators expand and operate with impunity and incentives to formalize are distorted.[35,36]

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[33] Insecurity is estimated to cost about 2.2 percent of GDP per year, by increasing operations costs, decreasing productivity, and disincentivizing investment. See BCRP (2024), Reporte de Inflacíon Septiembre 2024.

[34] For example, illicit actors establish legal enterprises to launder profits or use authorized smelters to legalize illegally extracted minerals. Between 2020 and 2024, the value of suspicious transaction reports (STRs) related to illegal mining received by the SBS' Financial Intelligence Unit has increased and averaged 1 percent of GDP per year. This trend suggests heightened awareness of money laundering risks related to illegal mining, especially among banks and customs agents.

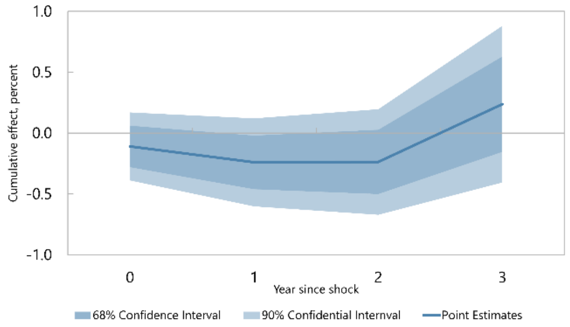
[35] Informal miners work at an artisanal or small scale in non-prohibited areas. Illegal miners operate in prohibited areas; do not comply with administrative, technical, social, and environmental regulations; and/or use machinery or equipment not justified by small-scale or artisanal miner status (Legislative Decree 1105).

[36] The Comprehensive Mining Formalization Registry, known as REINFO, was introduced in December 2016 to incentivize formalization, but has instead created a prolonged grey zone. Repeated deadline extensions to formalize (2019, 2021, 2024, June 2025, and December 2025), weak oversight, and lax control at processing plants have allowed illegal operators to shield themselves behind REINFO registrations.

27. A coordinated policy response to address illegal mining is essential to ensure a stable business environment for mining investments. Illegal mining disrupts legal mining operations and delays investments, ultimately generating uncertainty and illicit financial flows, opening corruption vulnerabilities, weakening property rights, and potentially affecting risk ratings of legal mining companies.[37] Staff's selected analytical work finds that illegal mining reduces investments by legal mining companies across all stages of a project's life cycle, with potentially negative growth impacts, and has extensive socioeconomic repercussions, including on formal labor markets, development outcomes, while also undermining financial integrity. Recent legislation to expand the definition of illegal mining as a crime to downstream processing activities is welcome. However, tackling illegal mining will require additional efforts to close remaining legal gaps and establish clear pathways to formalization. Measures weakening property rights of mining concessions should be avoided. Enhancing state capacity in security, enforcement, and financial supervision, including adopting a supply-chain approach to enforcement—such as improving supervision of processing plants, mineral traders, and other downstream operators—should be supported by inter-agency, regional, and international cooperation. Strengthening anti-corruption institutions would bolster these efforts. Supply-side policies will also be essential to reduce incentives to engage in illegal mining.

Impact on Mining Investment

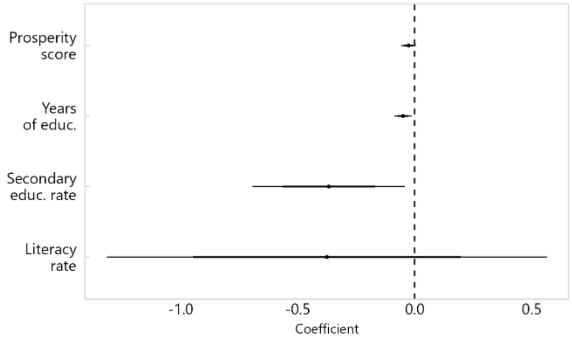
(response to a one SD illegal mining shock)



Source: IMF staff calculations.
Note: One SD in the IM shock distribution is equivalent to a 11.9 p.p. increase in the probability of IM.

Impacts on Development

(peak response to illegal mining shock)



Sources: BCRP; INEI; MINEM; and IMF staff calculations.

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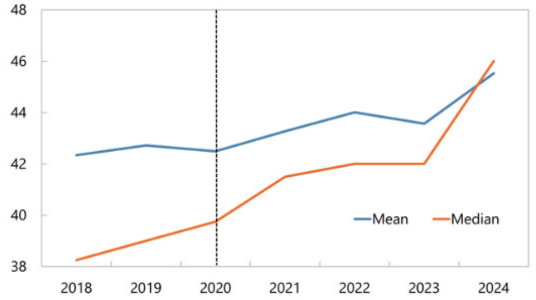
[37] Illegal miners invade existing mining concessions, affecting production sites, equipment, and infrastructure, which sometimes leads to direct confrontation with employees. Companies report higher security costs to ensure employees' safety; reduced incentives for exploration; delays in the fulfillment of mandatory administrative procedures, such as environmental impact evaluations; and modification of investment plans to reduce exposure.

Box 4. Increasing Illegal Mining[1]

The spike in metal prices has triggered a rise in illegal mining activities across the region, with Peru particularly affected. Illegal mining, which has been increasingly linked to organized criminal activity, challenges governments in the region, as it causes severe environmental damage, threatens citizen security, creates serious money laundering risks and related illicit financial flows, and undermines the rule of law. Peru is the largest exporter of illegal gold in the region, which reached levels similar to legal gold production in 2025. Moreover, an emerging concern is the recent expansion of illegal copper production, which was estimated by staff to account for up to 5 percent of copper exports in 2024.

Staff trained a machine-learning model to predict local, time-varying illegal mining activities using satellite and administrative data. The presence of illegal mining is inherently hard to detect. Previous efforts have focused on satellite imagery to identify the environmental disturbances and pollution associated with illegal mining activities. Drawing from FCDS Perú, the Observatorio de Conflictos Mineros, USAID, OEFA, and several news outlets to identify districts with recent presence of illegal mining production activities, a random forest model was trained to predict the probability of illegal mining using environmental and economic variables[2] for all districts in Peru between 2018 and 2024.

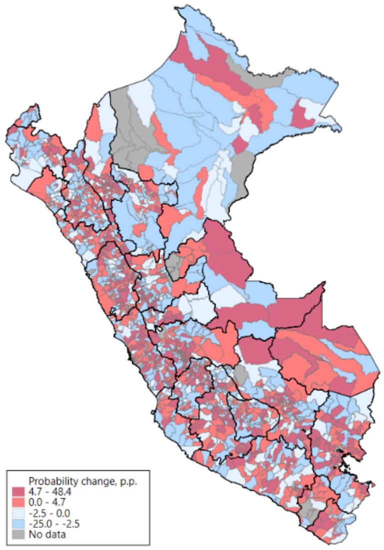
Probability of Illegal Mining Across Districts
(percent)



Source: IMF staff calculations.
Note: District-level predicted probability of Illegal Mining (IM) presence.

Illegal mining has been increasing post-pandemic and accelerated in 2024. In 2018, illegal mining was already widespread but relatively stable. Between 2018 and 2024, the median probability of illegal mining increased 7.8 pp, 4 pp of which occurred between 2023 and 2024. The increase has been widespread, with 56 percent of districts across all departments experiencing an increase in probability. The greatest increases occurred in the Amazon and along the Andes range, where both gold and copper are mined. However, increases also occurred in areas which previously had very low levels of illegal mining.

Change in Illegal Mining Probability
(2021-2024 vs. 2018-2020 district average)



Source: IMF staff estimates leveraging BCRP training data. Gray indicates missing data.

Illegal mining is threatening legal mining and, increasingly, copper production. Illegal mining continues to be more prevalent and to expand in remote areas away from legal mining. Nevertheless, it also encroaches on legal mining operations: over 80 percent of districts with legal mining production were above 50 percent probability of illegal mining. Notably, illegal mining is expanding more rapidly into copper production.

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[1] This box reflects staff's selected analytical work.

[2] These include legal mining activities in the district, land cover variables, night-time lights, nitrogen dioxide levels, and environmental variables affecting nitrogen dioxide levels.

28. More structural reforms are urgently needed to unlock investments and durably lift potential growth. Updating the fiscal decentralization framework and redesigning natural resource revenue-sharing formulas would help unlock mining investment projects and ensure that mineral wealth benefits all citizens (see 2025 Article IV). The authorities have made progress in encouraging private investment through recent PPP reforms and plans to cut red tape, but efforts continue to be needed to reform labor and tax regulations that impose excessive costs for formalizing or growing a business, enhance the independence and integrity of judicial bodies to end corruption impunity, build resilience to natural disasters, and embrace the opportunities of digital technologies and artificial intelligence (see 2024 Article IV). The OECD accession process provides a clear roadmap for other needed reforms to boost the business climate, reduce informality, and reform the civil service to help increase productivity, investments, and public spending efficiency.

AUTHORITIES' VIEWS

29. The authorities considered that growth could decrease from 3.4 percent in 2025 to 3.2 percent in 2026, due to the negative supply shocks facing the economy. They emphasized that metal prices remain favorable, high frequency indicators point to a continued expansion of private investment during 2026Q1, and expectations remain optimistic. They acknowledged that several aggregate supply shocks—a weak to moderate *El Niño Costero*, the two-week *Camisea* gas crisis, and the war in the Middle East—and political uncertainty around the elections would impact especially on primary GDP growth, which would be partially offset by the high momentum of non-primary GDP. In the medium term, the authorities foresee high metal prices maintaining a current account surplus in 2026 and 2027. They agreed that the external position is strong and that tariffs only had a limited impact on exports. In the medium term, they expect that higher metal prices would boost growth and private investment, helping to rebalance the external position.

30. The authorities acknowledged there are significant downside risks to the macroeconomic outlook. They explained that a prolonged conflict in the Middle East could impact inflation expectations and prices beyond oil products, particularly fertilizers, which would have second-round effects on inflation and growth. On the upside, they expect that strong private investment growth, including in the mining sector, could further boost potential growth and support medium-term growth rates above 3 percent.

31. The authorities concurred that a broadly neutral monetary policy is appropriate and indicated they will continue to allow the exchange rate to act as a shock absorber. They recognized that aggregate supply shocks impacting the economy could put temporary upward pressure on inflation. They noted that inflation expectations are well anchored while the output gap could remain neutral in 2026-2027. In this context, they indicated that monetary policy should remain data dependent to maintain inflation within the target range. The authorities explained that, given that the country has partial financial dollarization, they conduct limited and discretionary FX interventions to mitigate episodes of excessive short-term volatility, while allowing the exchange rate to act as a shock absorber and remaining fully consistent with the inflation-targeting framework. Finally, they also indicated that their interventions are in line with the BCRP's policy of reserve accumulation aimed at strengthening buffers and preserving sufficient space to intervene in either direction if warranted by market conditions.

32. The authorities underscored the importance of preserving fiscal sustainability and are preparing the transition for the next administration. They expected to meet the 2026 deficit target, supported by strong growth prospects, improvements in procurement efficiency, and restrictions on government purchases. In preparation for the upcoming political transition, the authorities considered that the recent *Acuerdo Fiscal* would facilitate the public debate on fiscal sustainability, spending efficiency, and tax base widening. They did not anticipate significant fiscal costs from the energy shocks but are monitoring the impact of higher oil prices. In the case of a protracted crisis, they are assessing the possibility of implementing targeted support measures to limit fiscal costs. The authorities agreed with staff's concerns over increasing budget rigidities and crowding out of public investment, and considered objecting to unfunded legislative measures that did not find support in the Council of Ministers. In addition, PPPs and OxIs can contribute to stronger investment execution. They broadly agreed with staff's risk assessment of the 2024 pension reform. Finally, the authorities are evaluating strategies to ensure Petroperú's continued operations and expected the company's ongoing reorganization to durably make it financially viable and attractive to investors without renouncing public ownership.

33. The authorities concurred that the financial system is sound and systemic risks are limited. They emphasized that capital ratios are well above regulatory requirements, profitability has recovered to its pre-pandemic level, liquidity is ample in both domestic and foreign currency, NPL ratios have continued to decline after their 2024 peak, foreign funding is low as a share of liabilities, and unhedged FX exposures are limited. They added that their stress tests indicate that the banking system would be able to sustain severe adverse shocks, and that contagion risks from interconnectedness are limited. The authorities continue to work on a new activation criterion for counter-cyclical policy based on the credit-to-GDP gap, which they expect to complete this year. They also confirmed that they are in the process of revising regulatory provisions towards an IFRS 9-like framework and recalibrating risk weights for unhedged FX exposures aligned with the Basel III framework. The new standardized methodology to define unhedged exposures, which takes effect in June 2026, will further enhance the assessment of risks associated with FX exposures.

34. The authorities emphasized that, with economic activity displaying strong growth, credit does not appear to be a bottleneck. They pointed to various demand and supply causes of subdued credit growth in the post-pandemic years. They highlighted that, with very favorable terms of trade and an acceleration in private investment, the higher growth momentum of credit in recent months may be an inflection point in the credit cycle. They further indicated that digital finance products have been rapidly expanding access to financial services. Finally, the authorities noted that AFP withdrawals have contributed to a reduction in the depth of domestic capital markets, underscoring the importance of preserving long-term savings and domestic financial intermediation going forward, and that further rounds should be avoided.

35. The authorities recognized that efforts are needed to tackle the rise of illegal mining and additional structural reforms are necessary to improve growth prospects. They acceded that illegal mining has been increasing in gold, and that the phenomenon could negatively impact formal mining investment. They stressed that illegal mining has detrimental effects on socioeconomic outcomes, institutional quality, and crime. They agreed on the importance of closing existing legal gaps. They highlighted their plans to increase enforcement along the supply chain. They also emphasized that illegal mining is now the largest illegal activity in Peru and presents the most serious risk to money laundering and illicit financial transactions, and that regulatory standards and supervision of banks adequately incorporate illegal mining as a risk factor. They concurred with the need to advance the structural reform agenda to address structural impediments to private investment and durably increase potential growth.

STAFF APPRAISAL

36. **After a strong momentum supported by record-high TOT, growth is projected to moderate in 2026, with high metal prices largely offsetting the temporary energy price shock.** Domestic demand is expected to remain resilient, despite some headwinds from the electoral period and higher energy prices, while favorable metal prices are projected to boost investment and improve potential growth. Energy prices would temporarily raise inflation above the upper range of the BCRP target band in 2026. Credit growth is expected to continue a moderate recovery. The current account surplus is projected to persist in the next years, sustained by favorable TOT and a slow increase in private investment. The external position in 2025 was stronger than the level implied by fundamentals and desirable policies, due to strong private savings and still subdued investment. The balance of risks is tilted to the downside, dominated by the elevated uncertainty from the impact of the war in the Middle East, but Peru maintains ample buffers to cope with shocks and very strong macroeconomic and institutional policy frameworks.

37. **Additional consolidation efforts will be needed to achieve the authorities' fiscal targets and create space for productive public investment.** The 2026 budget targets a narrowing of the fiscal deficit to 1.8 percent of GDP through stronger revenues—buoyed by favorable metal prices and the growth outlook—and some expenditure rationalization. However, at current policies, staff projects that an additional effort of about 0.2 percent of GDP in 2026 and 0.9 percent of GDP by 2028 will be needed to meet the fiscal rule. Priorities include addressing rising budget rigidities, especially from growing wage and pension pressures, and systematically improving the quality and efficiency of public procurement and investment. Moreover, fiscal restraint would also protect space should the global energy crisis escalate and require a targeted fiscal offset. Any fiscal support should be targeted to the most vulnerable, feature clear sunset clauses, and avoid distorting hydrocarbon prices. To close infrastructure and social gaps, reforms are needed to durably raise the low tax-to-GDP ratio beyond the current TOT cycle.

38. **The authorities should be mindful of fiscal risks emanating from recent changes to the PPP framework and from the implementation of the pension reform.** The authorities renewed focus on strengthening the PPP and works-for-taxes (OxI) framework is welcome. However, it will be essential to closely monitor the accumulation of contingent liabilities and maintain neutrality when it comes to investment modality selection. The implementation of the 2024 pension reform should

proceed cautiously until the associated risks have been mitigated to ensure fiscal sustainability and stability of the pension system.

39. A broadly neutral monetary policy stance remains appropriate and the BCRP should continue to allow exchange rate flexibility. Inflation expectations remain well anchored, and the estimated ex-ante real rate stood at 2.15 percent as of end-February 2026, slightly above the neutral rate of 2 percent. Looking ahead, monetary policy should remain data dependent in the context of multiple supply shocks and elevated uncertainty surrounding short-term inflationary pressures and inflation expectations. Continued exchange rate flexibility should be maintained to help cushion the impact of external shocks.

40. Financial stability risks are contained and fully operationalizing new regulations and closing remaining regulatory gaps will enhance financial resilience. Banks remain well capitalized and liquid, while profitability has improved. Recent regulatory improvements to tackle unhedged FX exposures are welcome. Staff supports the authorities' regulatory improvement agenda, which is in line with the 2018 FSAP recommendations, including the review of the activation criteria for the counter-cyclical capital buffer and extending recovery plans for systemically important domestic banks to the financial group level and to their resolution planning thereafter, and amending the legal framework to grant SBS powers to exercise full consolidated supervision.

41. Addressing structural challenges would promote financial deepening and revive credit growth. The expansion of digital finance is increasing access to financial services, and credit to the private sector has accelerated towards the end of 2025. However, financial deepening has stalled, possibly due to structural limitations such as the high level of labor informality, low financial literacy, and limited usage and access to financial services. Moreover, credit-to-GDP remains below pre-pandemic levels, with the current cyclical downturn mainly reflecting weak demand for credit from subdued private investment levels as well as abundant liquidity from AFP withdrawals and high mining profits, including from illegal mining. Promoting competition and innovation, such as Open Banking and Finance frameworks, could address structural challenges.

42. Private pension withdrawals are detrimental to domestic capital markets and should be avoided. The recurrent withdrawals have reduced AFP portfolio yields, due to the liquidation of assets at a discount and the reallocation of the remaining portfolios towards more liquid assets. With AFPs being the largest investor in domestic corporate bonds, withdrawals have severely impacted domestic capital markets.

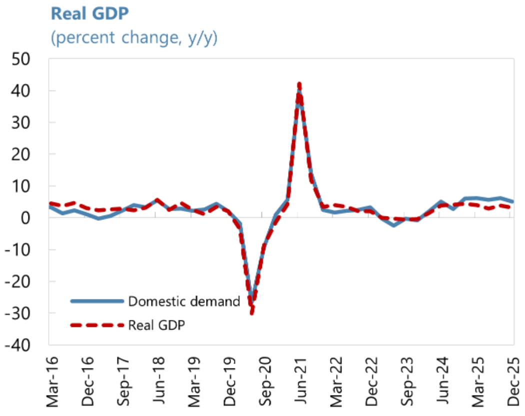
43. The authorities should urgently tackle illegal mining before it becomes an entrenched structural issue. Illegal mining threatens to become macro-critical by discouraging legal mining investment, with potentially negative growth and socioeconomic impacts, including on formal labor markets, insecurity, development outcomes, and financial integrity. Recent legislation to expand the definition of illegal mining as a crime to downstream processing activities is welcome. Additional efforts are needed to close remaining legal gaps and establish clear pathways to formalization, while also enhancing anti-corruption institutions and state capacity in security, enforcement, and financial supervision. Supply-side policies will be essential to reduce incentives to engage in illegal mining.

44. Structural reforms are needed to improve potential growth and leverage the opportunity presented by the favorable TOT. Priorities include updating the fiscal decentralization framework and redesigning natural resource revenue-sharing formulas to ensure all citizens benefit from the mining windfall. Efforts continue to be needed to reform labor and tax regulations that impose excessive costs for formalizing or growing a business, enhance the independence and integrity of judicial bodies to end corruption impunity, build resilience to natural disasters, and embrace the opportunities of digital technologies and artificial intelligence.

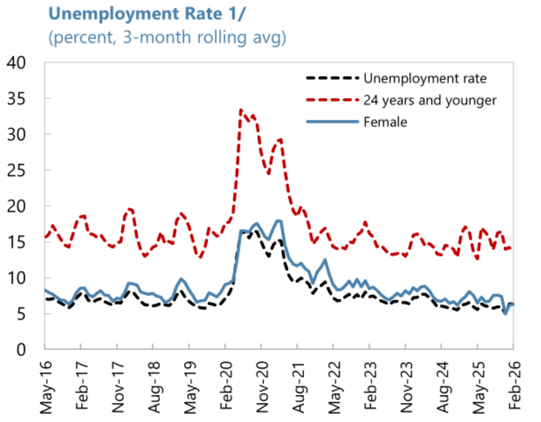
45. Staff recommends that the next Article IV consultation take place on the standard 12-month cycle.

Figure 1. Peru: Real Sector Developments

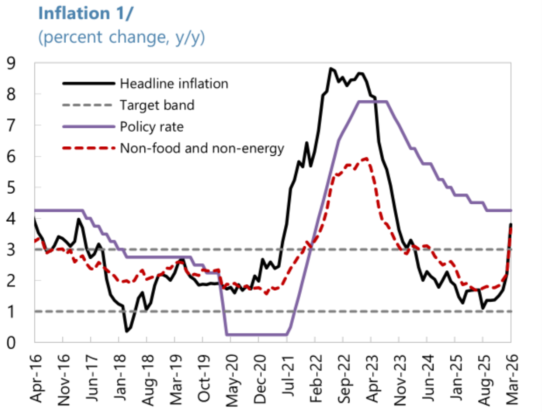
Growth in 2025 remained strong, underpinned by domestic demand.


Real GDP
(percent change, y/y)

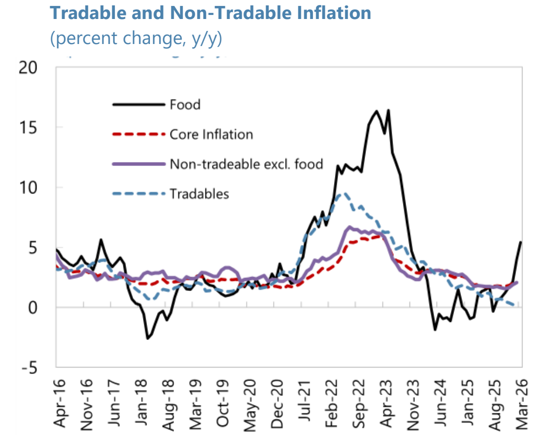
Labor markets were robust and unemployment declined.


Unemployment Rate 1/
(percent, 3-month rolling avg)

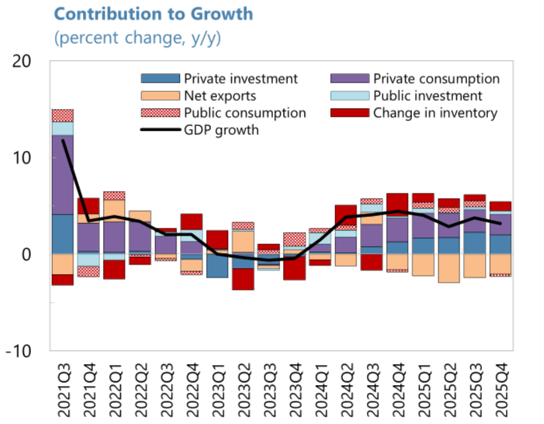
Inflation remained close to the midpoint of the target band…


Inflation 1/
(percent change, y/y)

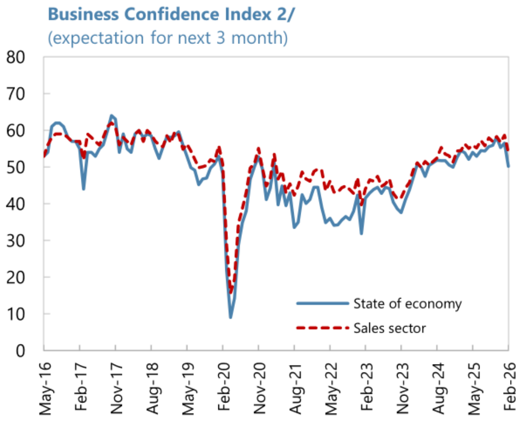
…due to low food and energy prices.


Tradable and Non-Tradable Inflation
(percent change, y/y)

Growth was supported by sustained private consumption and a rebound in private investment…


Contribution to Growth
(percent change, y/y)

…as business confidence reached its highest level since 2020.

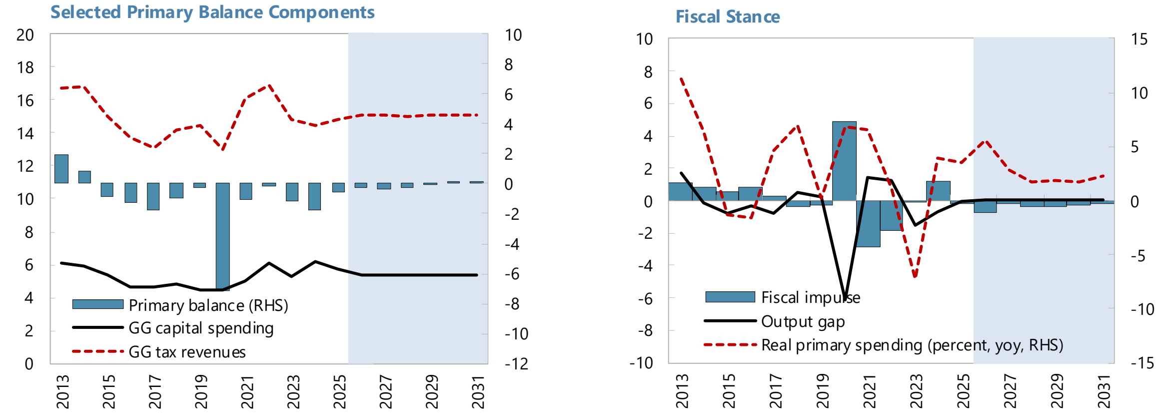

Business Confidence Index 2/
(expectation for next 3 month)

Sources: BCRP, INEI, Haver Analytics, IMF staff calculations.
1/ Data covers the Metropolitan Lima area.
2/ Index values of 50 and greater indicate positive growth expectations.

Figure 2. Peru: Fiscal Developments

In 2025, the fiscal deficit improved thanks to a recovery in tax revenues and resumed moderation in spending...

...resulting in a mildly contractionary fiscal stance as growth momentum continued and the output gap closed.

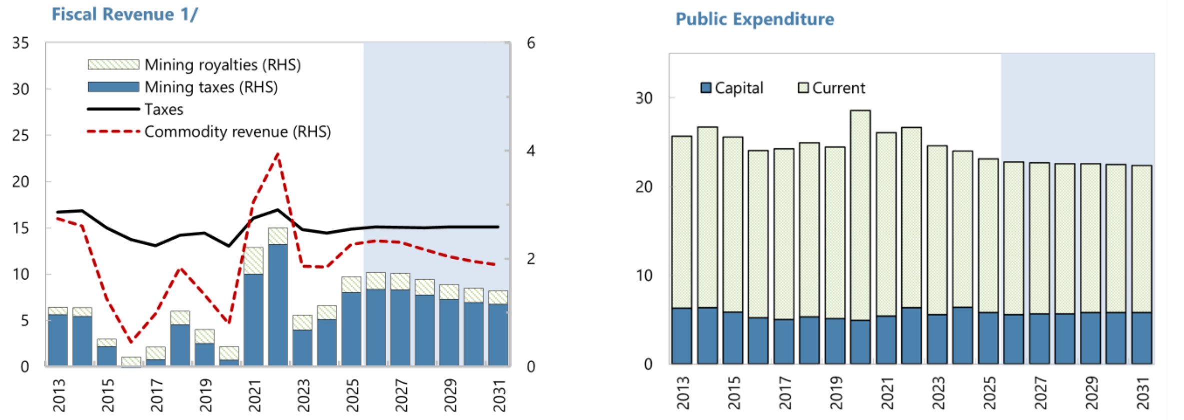


Selected Primary Balance Components

Fiscal Stance

High metal prices and terms of trade started to translate into higher mining revenues.

The 2026 electoral cycle and rising fiscal pressures could present challenges in decisively reducing public spending.

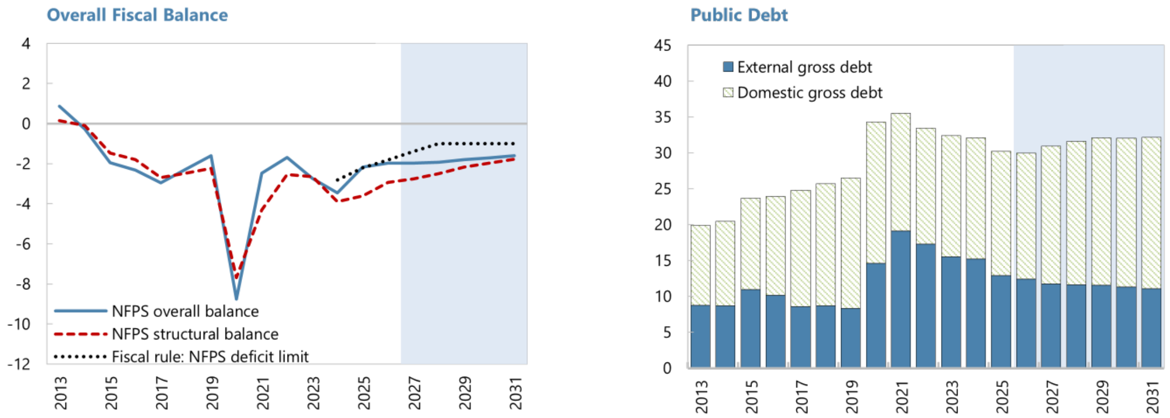


Fiscal Revenue 1/

Public Expenditure

As a result, the NFPS deficit could remain above the fiscal rule limits without structural measures...

...putting upward pressures on debt dynamics, despite an otherwise relatively low public debt-to-GDP ratio.



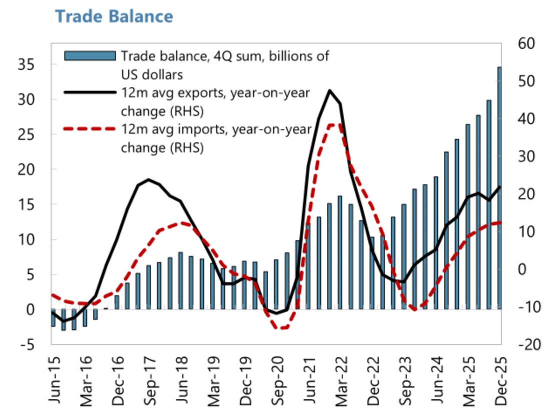
Overall Fiscal Balance

Public Debt

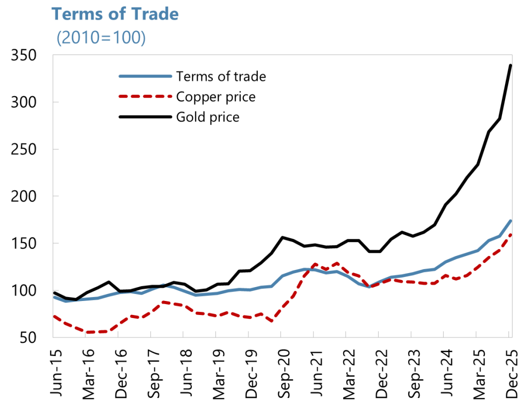
Sources: National Authorities and IMF staff estimates.
1/ Net of restitutions.

Figure 3. Peru: External Sector Developments

The trade balance continued to increase in 2025…

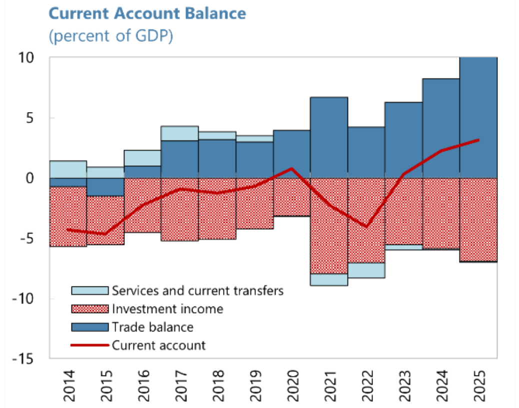


…as high metal prices underpinned extraordinary terms of trade…

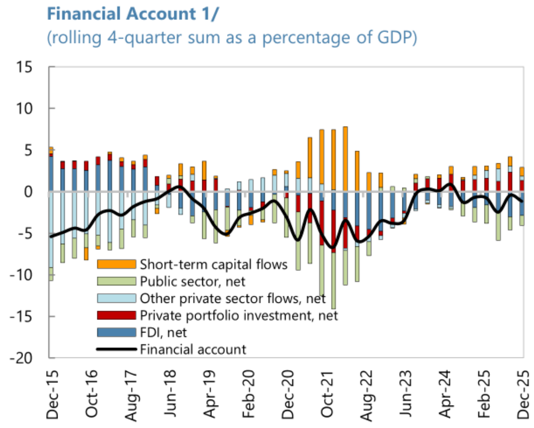


…which more than offset a rebound in import volumes.

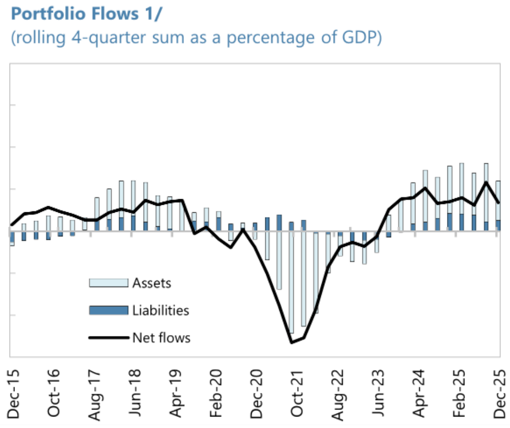
The current account surplus increased further, as a strong trade balance offset a wider deficit in investment income.



FDI inflows remained stable…



…and net portfolio outflows continued.

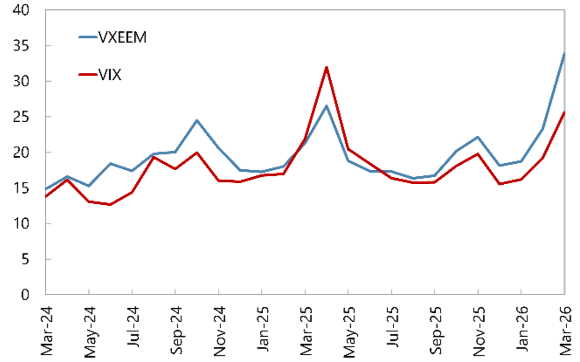


Sources: BCRP, Haver Analytics, and IMF staff estimates.
1/ Negative values indicate inflows.

Figure 4. Peru: Macrofinancial Developments

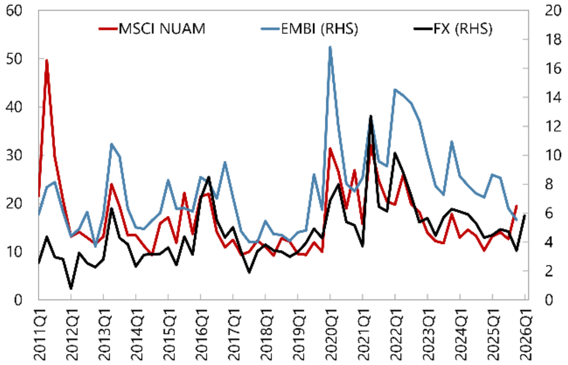
Global volatility spiked in early 2025 due to heightened trade tensions…

VIX and VXEEM
(index)



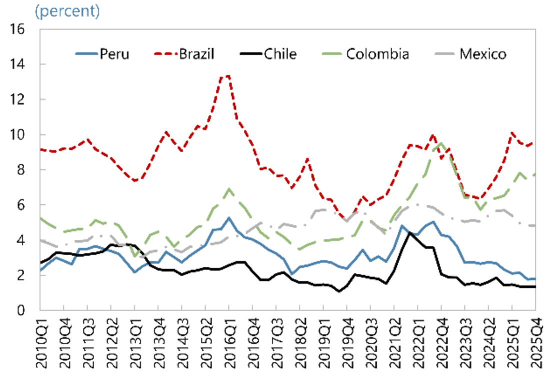
…leading to an increase in domestic volatility, which has receded since then.

Market Realized Volatility 1/
(percent)



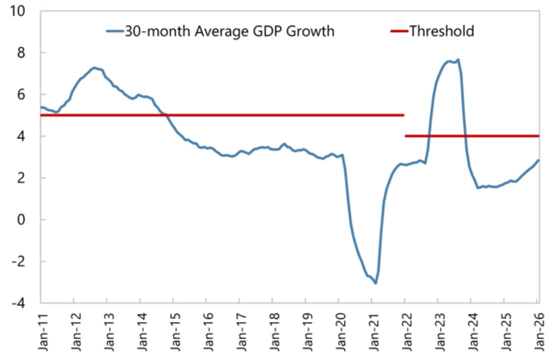
Sovereign bond spreads have continued to decline, remaining among the lowest in the region.

Long-Term Sovereign Bond Spread Against USD 2/
(percent)



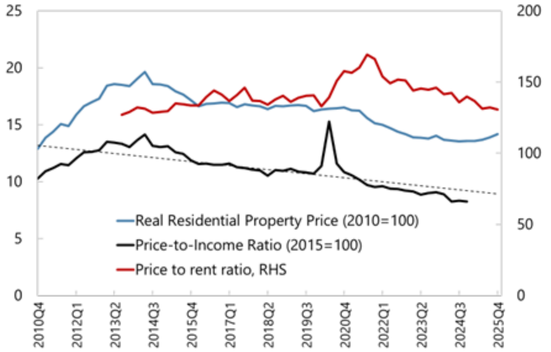
Counter-cyclical policy activation is unlikely to occur given the threshold is well above GDP growth projections.

Counter-cyclical Policy Threshold 3/
(percent)



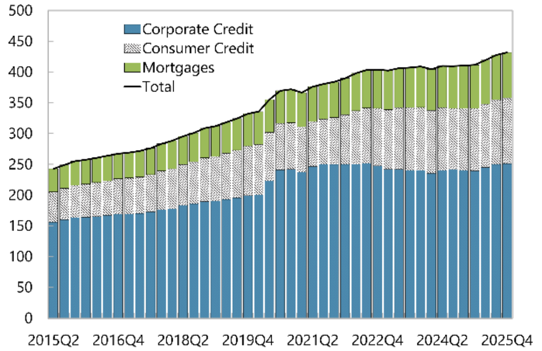
Despite economic growth, real property prices are stable and remain aligned to fundamentals…

Development of Real Residential Property Price
(index, 2015=100)



…and banks' mortgage exposures are limited, thus containing financial risks from the real estate sector.

Bank Credit Composition
(billion PEN)

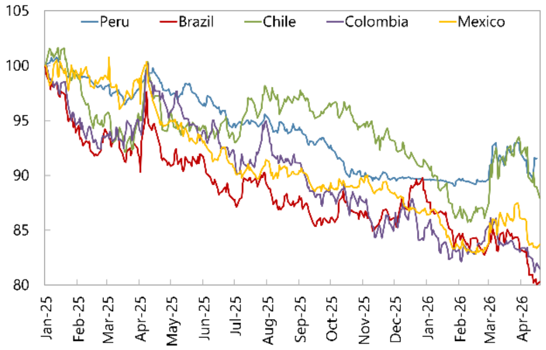


Sources: DataStream, BIS, BCRP, Banco Central de Chile, Haver Analytics, and IMF staff calculations.
1/ MSCI NUAM and J.P. Morgan EMBI (Peru) total return index. Realized volatility of daily returns by moving 30-days average (backward -14 days and forward +15 days).
2/ Sovereign bond spread calculated as the difference between 10 year sovereign bond yield minus that of the United States.
3/ Counter-cyclical policy is activated when (i) 30-month average of GDP growth crosses the threshold from below, or (ii) the same indicator is above the threshold and 12-month average GDP growth is 2 percent higher than the one in the previous year.

Figure 5. Peru: Exchange Rate Developments

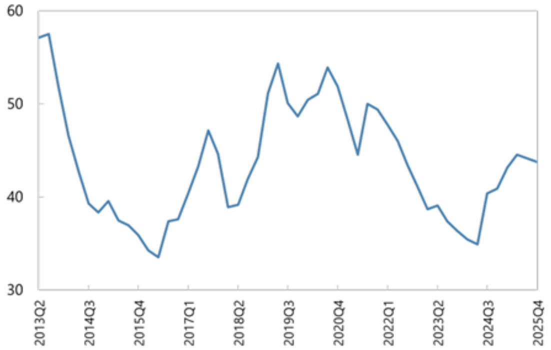
The PEN experienced strong appreciation pressures in 2025 amid global dollar weakness…

Exchange Rates, LC per USD
(index, start of 2025=100)



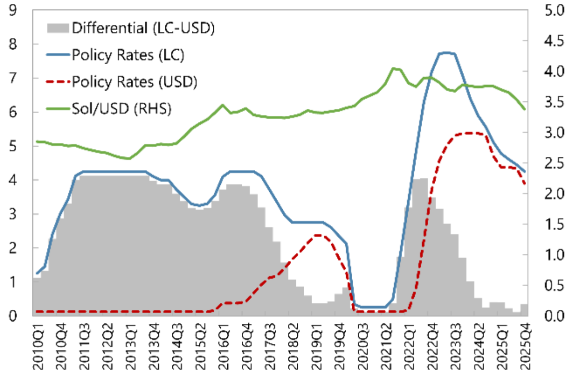
…and renewed interest from nonresidents for Peruvian debt…

Percent of Sovereign Bonds Held by Nonresidents
(percent)



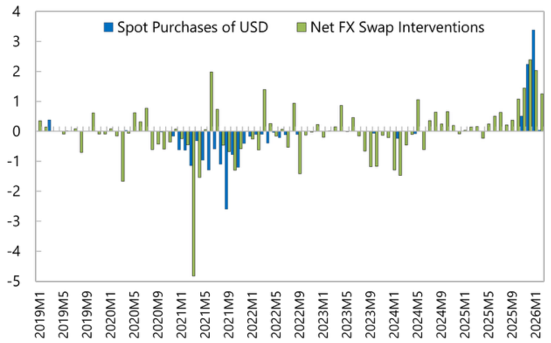
…despite narrowing interest differentials with respect to the USD.

Exchange Rate and Interest Rate Differential
(percent; S/US$)



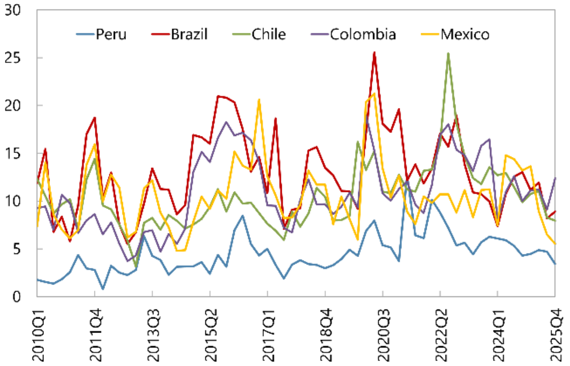
BCRP conducted spot and non-spot interventions to reduce volatility.

FX Interventions 1/
(US$ billions)



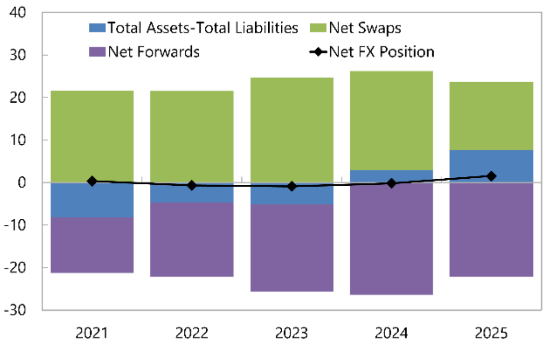
PEN continues to have lower volatility than other regional currencies.

Exchange Rate: Market Realized Volatility
(percentage points)



Commercial banks actively use derivatives to maintain a limited exposure to FX.

Commercial Bank: FX position
(percent of total assets)

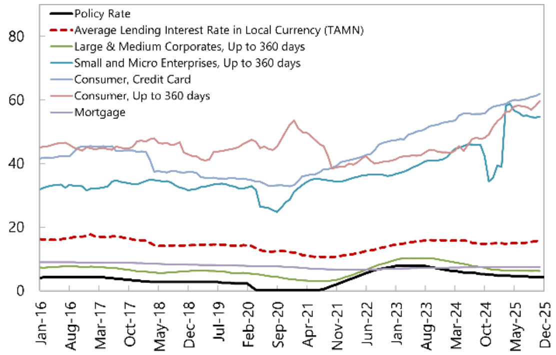


Sources: BCRP; Federal Regional Bank of New York; Haver Analytics; IMF Exchange Rate Database; SBS; and IMF staff calculations.
1/ The series of FX Swap interventions is calculated as the monthly decrease in the outstanding stock of FX Swap Sell minus the monthly decrease in the outstanding stock of FX Swap Purchase.

Figure 6. Peru: Financial Sector Developments

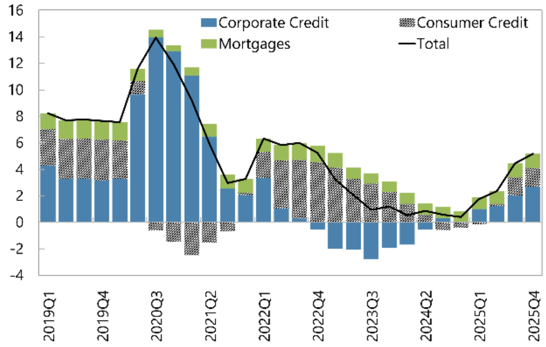
Lending rates in PEN to higher risk segments are structurally very high.

Lending Rates, in PEN
(percent)



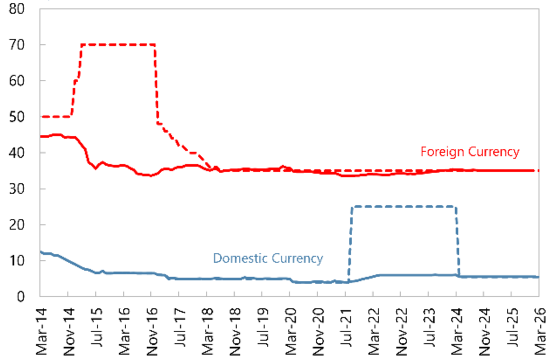
Credit to the private sector has shown some acceleration in recent quarters, with all segments displaying positive growth.

Contributions to Nominal Credit Growth
(percent, y/y)



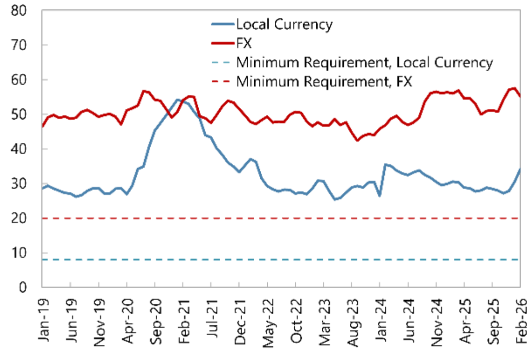
BCRP maintains high marginal reserve requirements in foreign currency of 35 percent.

Centra Bank Reserve Requirement by Currency 1/
(percent)



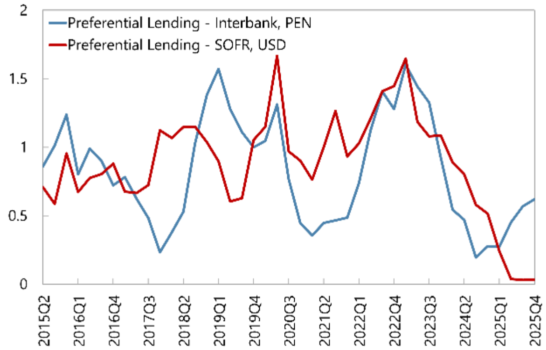
With ample USD liquidity in the banking sector…

Liquidity Ratio 2/
(percent)



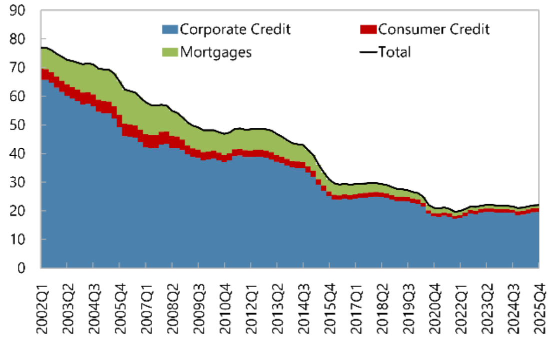
…the spread between the preferential lending rate and the SOFR has fallen to historic lows…

Spread between Preferential Lending Rate and Interbank Rate
(percentage points)



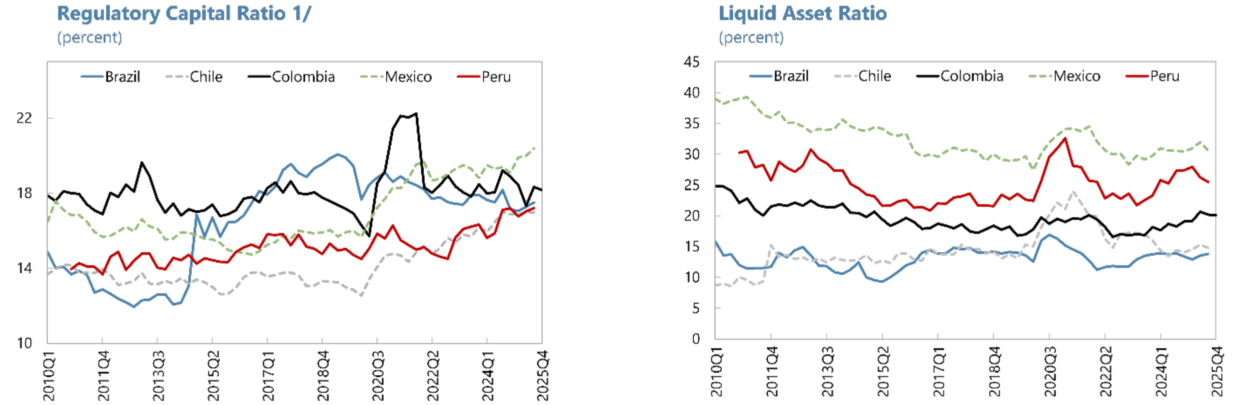
…and credit dollarization has slightly increased.

Credit Dollarization of Deposit-takers
(percentage)



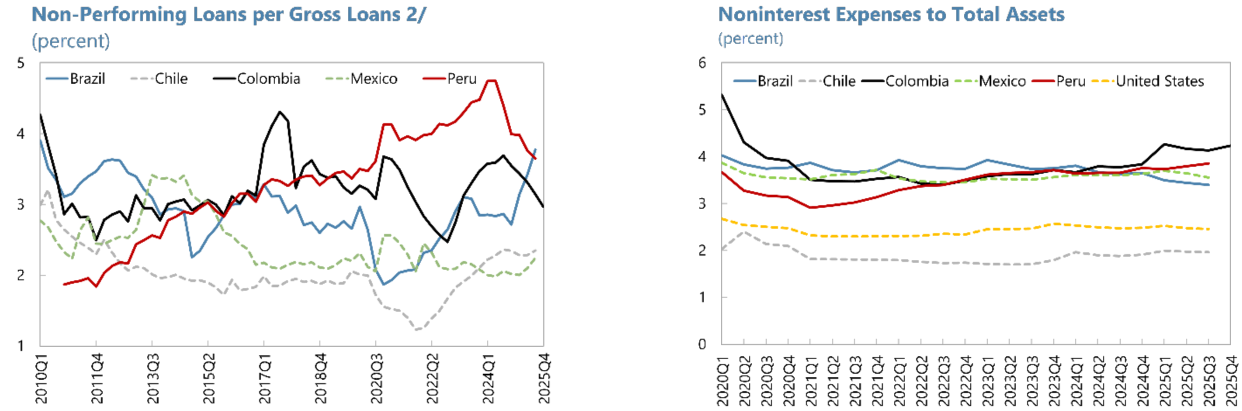
Sources: BCRP; Haver Analytics; and IMF staff calculations.
1/ Solid lines represent average reserve requirement rates for outstanding balance. Dotted lines represent marginal reserve requirement rates for new positions. BCRP abolished marginal requirements for local currency in April 2024.
2/ The liquidity ratio is defined as the ratio of liquid assets to short-term liabilities.

Figure 7. Peru: Banking Sector Indicators



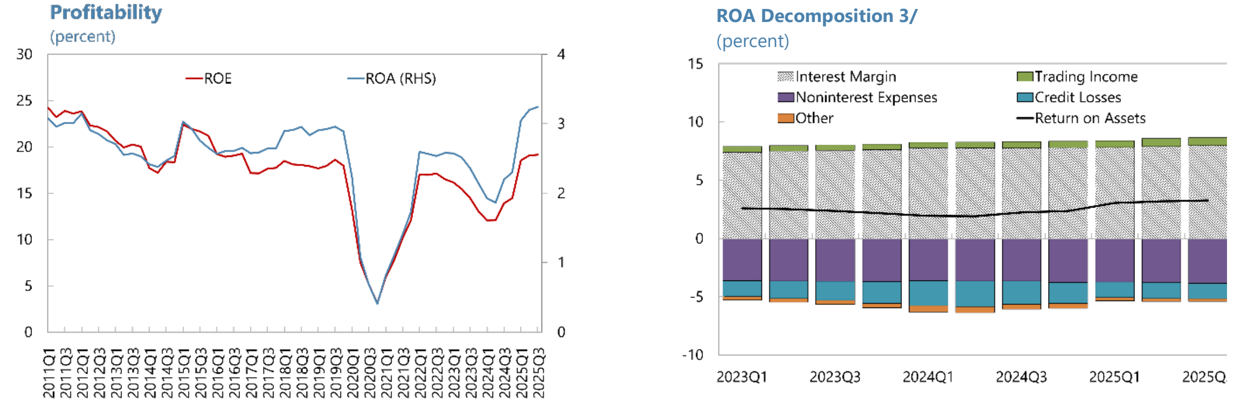
Banks maintain ample capital buffers, well above regulatory requirements…

…as well as high levels of liquidity.



The NPL ratio has come down from its 2024 peak.

Banks have structurally high operating costs.



Profitability has increased…

…due to lower credit losses and a slight recovery in interest margins.

Sources: Haver Analytics, IMF Financial Soundness Indicators; SBS; and IMF staff calculations.

1/ Under full implementation of SBS's Basel III-aligned capital requirements, financial institutions are required to satisfy the following minimum capital ratios: Tier1 ratio (8.5%) = CET1 (4.5%) + conservation buffer CET1 (2.5%) + AT1 (1.5%), and minimum required total capital ratio (12.5%) = minimum Tier1 ratio (8.5%) + Tier2 capital ratio (4%).

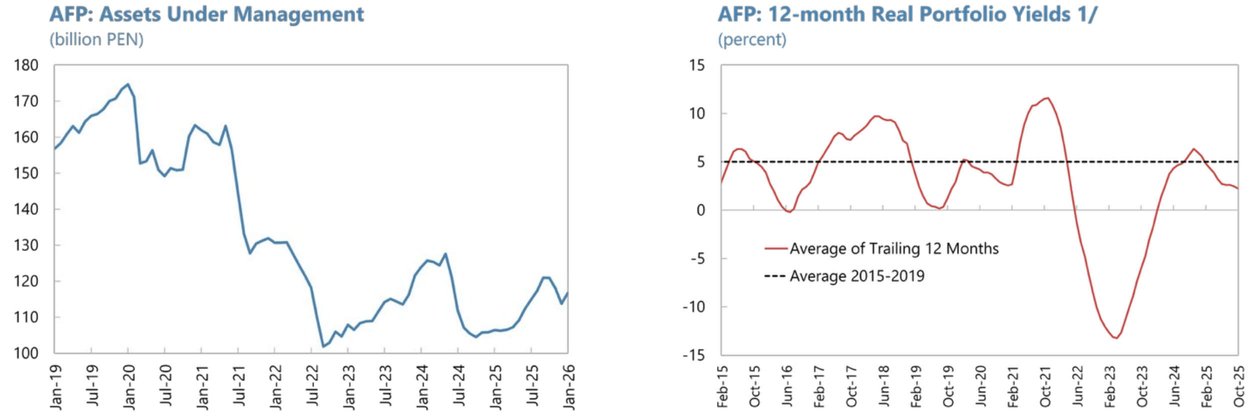
2/ Nonperforming loans are defined in each jurisdiction. For Peru, they are defined as overdue loans and after 30 days for small business loans. Mortgage, consumer, and leasing loans are considered overdue after 30 days since the due date for the non-paid portion and after 90 days for all the credit. The overdue loans include credits under judicial resolution.

3/ The credit losses series used in this chart only covers commercial banks, not the whole banking sector.

Figure 8. Peru: Private Pension Funds (AFPs)

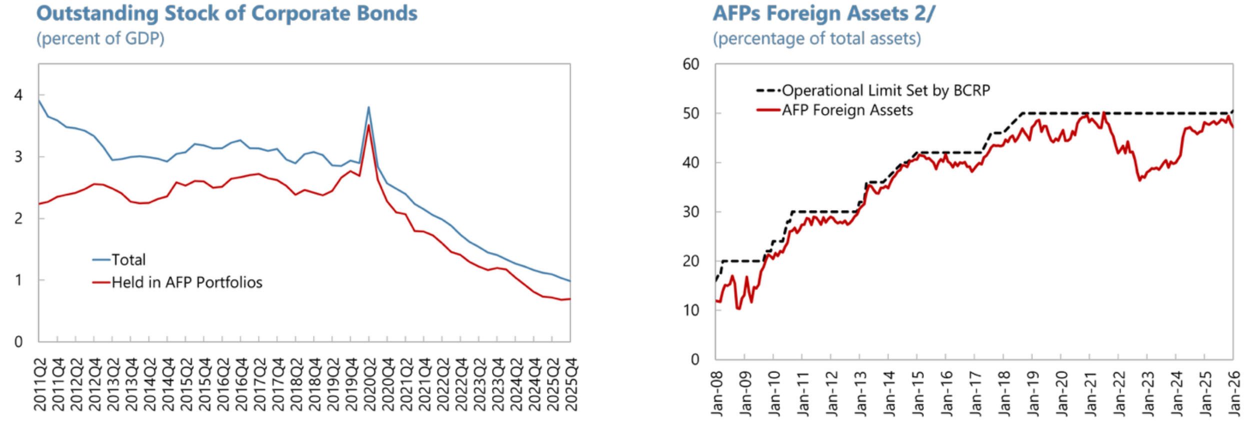
With recurrent withdrawals, assets under management have fallen sharply.

AFPs have reportedly reallocated their portfolios towards more liquid investments and liquidated assets at a discount, leading to a decline in yields.



The domestic corporate bond market has been severely affected.

An increase in the legal limit to AFPs foreign investments from 50 to 80 percent in August 2025 may lead to portfolio reallocation towards foreign assets.



Sources: BCRP; and IMF staff calculations.

1/ This chart uses the real year-on-year returns of the Type 2 funds, which have a moderate risk profile and hold about two thirds of total assets under management.

2/ Although the maximum legal limit has been increased by Congress to 80 percent, this measure only takes effect when BCRP increases the operational limit, which currently stands at 50.5 percent.

Table 1. Peru: Selected Economic Indicators, 2021–31

	2021	2022	2023	2024	2025	Projections					
						2026	2027	2028	2029	2030	2031
Social Indicators											
Poverty rate (total) 1/	25.9	27.5	29.0	27.6	...	...	...	...	...	...	
Unemployment rate for Metropolitan Lima (average)	10.7	7.8	6.8	6.4	5.9	6.3	6.3	6.5	6.5	6.5	6.5
(Annual percentage change; unless otherwise indicated)											
Production and Prices											
Real GDP	13.4	2.8	-0.4	3.5	3.4	2.8	2.8	2.8	2.8	2.8	2.8
Output gap (percent of potential GDP)	1.5	1.3	-1.5	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Consumer prices (end of period)	6.4	8.5	3.2	2.0	1.5	2.5	2.0	2.0	2.0	2.0	2.0
Consumer prices (period average)	4.0	7.9	6.3	2.4	1.5	2.5	1.8	2.0	2.0	2.0	2.0
Money and Credit 2/ 3/											
Broad money	2.4	-0.2	2.5	11.2	7.5	8.7	8.0	7.3	6.6	5.9	5.6
Net credit to the private sector	6.2	3.5	0.8	0.7	3.9	7.4	7.1	7.0	6.9	6.9	6.8
Credit-to-private-sector/GDP ratio (%)	44.9	43.5	41.0	37.9	36.1	35.4	36.1	37.0	37.9	38.8	39.5
External Sector											
Exports	47.4	5.1	1.2	13.8	21.8	18.6	1.6	-0.7	-0.9	0.7	2.1
Imports	38.2	16.7	-10.8	4.3	12.3	12.2	3.2	4.9	4.5	4.6	4.7
External current account balance (percent of GDP)	-2.3	-4.1	0.3	2.2	3.1	3.4	2.5	1.2	0.2	-0.4	-0.8
Gross reserves In billions of U.S. dollars	78.5	72.2	71.3	79.2	90.3	100.1	105.1	107.5	109.7	111.8	113.8
Percent of short-term external debt 4/	578	509	404	436	540	642	638	737	773	738	755
Percent of foreign currency deposits at banks	229	209	204	213	219	225	223	211	201	192	185
(In percent of GDP; unless otherwise indicated)											
Public Sector											
NFPS revenue	25.1	26.5	23.5	22.3	22.6	22.6	22.5	22.4	22.5	22.5	22.5
NFPS primary expenditure	26.1	26.7	24.6	24.0	23.1	22.9	22.8	22.6	22.6	22.4	22.3
NFPS primary balance	-1.0	-0.1	-1.1	-1.8	-0.6	-0.3	-0.3	-0.2	-0.1	0.1	0.1
NFPS overall balance	-2.5	-1.7	-2.7	-3.5	-2.2	-2.0	-2.0	-1.9	-1.8	-1.7	-1.6
NFPS structural balance 5/	-4.3	-2.5	-2.7	-3.9	-3.6	-2.9	-2.7	-2.5	-2.2	-2.0	-1.8
NFPS structural primary balance 5/	-2.8	-1.0	-1.0	-2.2	-2.0	-1.2	-1.1	-0.8	-0.4	-0.2	0.0
Debt											
Total external debt 6/	46.3	42.7	39.5	37.6	34.2	30.1	29.1	27.9	26.9	25.6	24.4
Gross non-financial public sector debt 7/	35.5	33.5	32.4	32.1	30.2	30.0	30.9	31.6	32.1	32.1	32.2
External	19.1	17.3	15.5	15.2	12.9	12.8	12.5	12.1	11.6	10.9	10.1
Domestic	16.4	16.2	16.9	16.9	17.3	17.2	18.5	19.5	20.5	21.2	22.1
Savings and Investment											
Gross domestic investment	22.0	22.0	19.3	19.6	20.2	20.4	20.8	21.7	22.2	22.4	22.4
Public sector (incl. repayment certificates)	4.6	4.9	4.9	5.2	5.1	4.7	4.8	4.9	4.9	5.0	5.0
Private sector	20.1	19.9	17.6	16.8	16.7	16.9	17.2	17.3	17.4	17.4	17.5
National savings	19.7	17.9	19.6	21.9	23.4	23.8	23.3	22.9	22.4	22.0	21.6
Public sector	2.8	4.2	2.9	2.4	3.4	3.3	3.4	3.5	3.7	3.8	3.9
Private sector	17.0	13.7	16.7	19.5	20.0	20.5	20.0	19.5	18.7	18.2	17.7
Memorandum Items											
Nominal GDP (S/. billion)	892	952	1,018	1,109	1,211	1,325	1,393	1,454	1,515	1,581	1,658
GDP per capita (in US$)	6,923	7,431	8,086	8,666	9,911	10,960	11,008	11,360	11,699	12,087	12,550

Sources: National authorities; UNDP Human Development Indicators; and IMF staff estimates/projections.

1/ Defined as the percentage of households with total spending below the cost of a basic consumption basket.

2/ Corresponds to depository corporations.

3/ Foreign currency stocks are valued at end-of-period exchange rates.

4/ Short-term debt is defined on a residual maturity basis and includes amortization of medium and long-term debt.

5/ Adjusted by the economic cycle and commodity prices, and for non-structural commodity revenue. The latter uses as equilibrium commodity prices a moving average estimate that takes 12 years of historical prices and 3 years of forward prices according to the IMF's World Economic Outlook.

6/ Includes local currency debt held by non-residents and excludes global bonds held by residents.

7/ Includes repayment certificates and government guaranteed debt.

Table 2. Peru: Nonfinancial Public Sector Main Fiscal Aggregates, 2021–31

	2021	2022	2023	2024	2025	Projections					
						2026	2027	2028	2029	2030	2031
						(In billions of soles; unless otherwise indicated)					
Revenues	**223.7**	**252.6**	**239.3**	**246.7**	**273.1**	**299.3**	**313.0**	**326.2**	**340.9**	**355.7**	**372.7**
Taxes	143.1	161.2	151.0	159.9	179.7	200.2	209.7	218.3	228.8	239.0	250.4
Other	80.5	91.4	88.3	86.9	93.3	99.2	103.3	107.8	112.1	116.8	122.2
Primary Expenditures 1/	**232.6**	**254.0**	**250.5**	**266.5**	**280.0**	**303.2**	**317.3**	**329.2**	**341.8**	**354.7**	**370.2**
Current	184.2	193.5	193.6	195.5	209.4	229.3	238.7	246.4	254.0	263.1	274.0
Capital	48.5	60.6	56.9	71.0	70.7	74.0	78.6	82.8	87.8	91.6	96.2
Primary Balance	**-8.9**	**-1.4**	**-11.3**	**-19.7**	**-7.0**	**-3.9**	**-4.4**	**-3.0**	**-0.9**	**1.0**	**2.4**
Interest	13.1	14.7	16.7	18.5	19.2	22.3	23.0	24.9	26.2	28.1	29.1
Overall Balance	**-22.0**	**-16.1**	**-28.0**	**-38.3**	**-26.2**	**-26.1**	**-27.4**	**-27.9**	**-27.1**	**-27.1**	**-26.7**
External financing	53.5	4.4	0.1	5.6	1.6	8.3	-0.6	5.2	6.2	3.6	5.1
Domestic financing	-31.4	11.6	27.9	32.7	24.6	17.9	28.0	22.7	20.9	23.5	21.6
Public Gross Debt 2/	**317.0**	**318.6**	**330.0**	**355.7**	**365.9**	**397.3**	**430.9**	**459.3**	**486.5**	**506.9**	**533.7**
External	170.4	164.5	158.3	168.4	156.1	169.6	173.8	175.9	176.4	172.2	167.2
Domestic	144.5	152.8	170.9	186.8	209.5	227.6	257.1	283.4	310.0	334.7	366.5
Repayment Certificates	2.1	1.3	0.7	0.5	0.3	0.1	0.0	0.0	0.0	0.0	0.0
Public Assets 3/	**107.9**	**104.6**	**87.8**	**78.9**	**72.2**	**80.9**	**89.2**	**91.6**	**93.6**	**89.0**	**91.2**
						(In percent of GDP; unless otherwise indicated)					
Revenues	**25.1**	**26.5**	**23.5**	**22.3**	**22.6**	**22.6**	**22.5**	**22.4**	**22.5**	**22.5**	**22.5**
Taxes	16.0	16.9	14.8	14.4	14.8	15.1	15.1	15.0	15.1	15.1	15.1
Other	9.0	9.6	8.7	7.8	7.7	7.5	7.4	7.4	7.4	7.4	7.4
Primary Expenditures 1/	**26.1**	**26.7**	**24.6**	**24.0**	**23.1**	**22.9**	**22.8**	**22.6**	**22.6**	**22.4**	**22.3**
Current	20.6	20.3	19.0	17.6	17.3	17.3	17.1	16.9	16.8	16.6	16.5
Capital	5.4	6.4	5.6	6.4	5.8	5.6	5.6	5.7	5.8	5.8	5.8
Primary Balance	**-1.0**	**-0.1**	**-1.1**	**-1.8**	**-0.6**	**-0.3**	**-0.3**	**-0.2**	**-0.1**	**0.1**	**0.1**
Interest	1.5	1.5	1.6	1.7	1.6	1.7	1.7	1.7	1.7	1.8	1.8
Overall Balance	**-2.5**	**-1.7**	**-2.7**	**-3.5**	**-2.2**	**-2.0**	**-2.0**	**-1.9**	**-1.8**	**-1.7**	**-1.6**
External financing	6.0	0.5	0.0	0.5	0.1	0.6	0.0	0.4	0.4	0.2	0.3
Domestic financing	-3.5	1.2	2.7	3.0	2.0	1.4	2.0	1.6	1.4	1.5	1.3
Public Gross Debt 2/	**35.5**	**33.5**	**32.4**	**32.1**	**30.2**	**30.0**	**30.9**	**31.6**	**32.1**	**32.1**	**32.2**
External	19.1	17.3	15.5	15.2	12.9	12.8	12.5	12.1	11.6	10.9	10.1
Domestic	16.2	16.0	16.8	16.8	17.3	17.2	18.5	19.5	20.5	21.2	22.1
Repayment Certificates	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public Assets 3/	**12.1**	**11.0**	**8.6**	**7.1**	**6.0**	**6.1**	**6.4**	**6.3**	**6.2**	**5.6**	**5.5**
Public Net Debt	**23.4**	**22.5**	**23.8**	**25.0**	**24.3**	**23.9**	**24.5**	**25.3**	**25.9**	**26.4**	**26.7**
Memorandum Items											
Commodity related revenues 4/	3.0	3.9	1.9	1.8	2.3	2.3	2.3	2.2	2.0	2.0	1.9
Output gap (percent of potential GDP)	1.5	1.3	-1.5	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NFPS non-commodity structural balance	-5.9	-6.0	-4.1	-5.1	-4.4	-4.3	-4.3	-4.1	-3.8	-3.7	-3.5
NFPS non-commodity primary structural balance	-4.5	-4.5	-2.5	-3.4	-2.8	-2.6	-2.6	-2.4	-2.1	-1.9	-1.7
NFPS structural balance 5/	-4.3	-2.5	-2.7	-3.9	-3.6	-2.9	-2.7	-2.5	-2.2	-2.0	-1.8
NFPS structural primary balance 5/	-2.8	-1.0	-1.0	-2.2	-2.0	-1.2	-1.1	-0.8	-0.4	-0.2	0.0
Fiscal impulse (+ = expansionary) 6/	-2.9	-1.9	0.0	1.2	-0.2	-0.8	-0.1	-0.3	-0.3	-0.3	-0.2

Sources: National Authorities and IMF staff estimates.

1/ Official data excludes expense accrued during the period by Repayment Certificates (CRPAOs) but includes cash payments.

2/ Official data excludes stock of debt accumulated and not paid during the period by CRPAOs.

3/ Obligations of depository corporations with the public sector.

4/ Net of tax restitutions. In 2014, excludes one-off revenue from the sale of a mine Las Bambas.

5/ Adjusted by the economic cycle and commodity prices, and for non-structural commodity revenue. The latter uses as equilibrium commodity prices a moving average estimate that takes 12 years of historical prices and 3 years of forward prices according to the IMF's World Economic Outlook.

6/ Percentage points of potential GDP.

Table 3. Peru: Statement of Operations of the General Government, 2021–31 1/

(percent of GDP, unless otherwise indicated)

	2021	2022	2023	2024	2025	Projections					
						2026	2027	2028	2029	2030	2031
Revenue	**20.6**	**21.7**	**19.3**	**18.7**	**19.1**	**19.4**	**19.3**	**19.3**	**19.3**	**19.3**	**19.3**
Taxes	16.0	16.9	14.8	14.4	14.8	15.1	15.1	15.0	15.1	15.1	15.1
Social Contributions	2.0	2.0	1.9	1.9	1.8	1.9	1.9	1.9	1.9	1.9	1.9
Grants	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other revenue	2.5	2.8	2.5	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Expense 2/	**18.2**	**17.1**	**16.9**	**16.1**	**15.8**	**16.0**	**15.8**	**15.7**	**15.6**	**15.5**	**15.4**
Compensation of employees	6.1	5.9	6.2	6.1	6.0	6.2	6.2	6.2	6.2	6.2	6.2
Use of goods and services	6.0	5.9	5.8	5.7	5.6	5.4	5.4	5.2	5.1	5.0	4.9
Interest	1.4	1.4	1.5	1.5	1.5	1.5	1.6	1.7	1.7	1.7	1.7
Social benefits	1.8	1.7	1.6	1.5	1.4	1.5	1.7	1.8	2.0	2.0	1.9
Other 3/	2.9	2.2	1.8	1.3	1.4	1.3	0.9	0.8	0.6	0.7	0.7
Net Acquisition of Nonfinancial Assets	**4.9**	**6.0**	**5.2**	**6.1**	**5.6**	**5.4**	**5.4**	**5.5**	**5.6**	**5.6**	**5.6**
Acquistion of nonfinancial assets	4.9	6.0	5.2	6.1	5.6	5.4	5.4	5.5	5.6	5.6	5.6
Gross Operating Balance	2.4	4.6	2.5	2.6	3.3	3.4	3.5	3.6	3.8	3.8	3.9
Net Lending (+) Borrowing (-) 4/	**-2.5**	**-1.4**	**-2.7**	**-3.5**	**-2.4**	**-2.0**	**-2.0**	**-1.9**	**-1.8**	**-1.8**	**-1.7**
Net Acquistion of Financial Assets 5/	**3.6**	**-0.9**	**-2.9**	**-2.4**	**-1.7**	**-1.1**	**-1.7**	**-1.3**	**-1.1**	**-1.2**	**-1.1**
By instrument											
Monetary gold and SDRs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits 6/	3.6	-0.9	-2.9	-2.4	-1.7	-1.1	-1.7	-1.3	-1.1	-1.2	-1.1
By residency											
Domestic	3.6	-0.9	-2.9	-2.4	-1.7	-1.1	-1.7	-1.3	-1.1	-1.2	-1.1
External	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Incurrence of Liabilities 7/	**6.1**	**0.4**	**-0.2**	**1.1**	**0.6**	**0.9**	**0.3**	**0.7**	**0.7**	**0.5**	**0.6**
By instrument											
Debt securities	0.4	0.1	0.1	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Loans	5.7	0.3	-0.3	0.8	0.4	0.6	0.0	0.4	0.4	0.2	0.3
By residency											
Domestic	0.4	0.1	0.1	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
External	5.7	0.3	-0.3	0.8	0.4	0.6	0.0	0.4	0.4	0.2	0.3
Memorandum Items											
Central Government Net lending (+) borrowing (-)	-3.7	-3.2	-3.9	-4.0	-3.1	-2.7	-2.4	-0.6	-0.7	-0.7	-0.7
Regional Governments Net lending (+) borrowing (-)	0.7	0.9	0.4	0.3	0.5	0.6	0.6	0.6	0.7	0.7	0.7
Local Governments Net lending (+) borrowing (-)	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0
General Government Primary Balance	-1.1	0.0	-1.2	-2.0	-0.9	-0.4	-0.4	-0.3	-0.1	0.0	0.0
General Government Overall Balance	-2.5	-1.4	-2.7	-3.5	-2.4	-2.0	-2.0	-1.9	-1.8	-1.8	-1.7
Gen. Gov. primary spending (real percentage change)	5.2	-1.4	-4.7	7.3	3.5	5.9	2.7	1.6	1.8	1.9	2.4
Of which: Current spending	-0.6	-7.7	-1.7	1.5	5.2	7.5	2.0	1.0	0.9	1.7	2.1
Capital spending	31.2	20.0	-12.5	24.5	-0.5	1.9	4.5	3.3	4.1	2.3	3.0
General Government non-financial expenditures	21.8	21.7	20.5	20.7	20.0	19.8	19.7	19.5	19.4	19.4	19.3

Sources: National authorities and IMF staff estimates.

1/ Fiscal data is not fully compiled on an accrual basis.

2/ Official data excludes expense accrued during the period by Repayment Certificates (CRPAOs) and Petroleum Price Stabilization Fund (FEPC) but includes cash payments.

3/ Includes other transfers.

4/ Net lending (+)/ borrowing (-) is equal to gross operating balance minus net acquistions of nonfinancial assets.

5/ (+) corresponds to increase in financial assets; (-) to a decrease in financial assets.

6/ Includes Fiscal Stabilization Fund (FEF).

7/ (+) corresponds to increase in liabilities (disbursement and/or issuance); (-) to decrease in liabilities (amortizations).

Table 4. Peru: Monetary Survey, 2021–31 1/

(billions of soles; unless otherwise noted)

	2021	2022	2023	2024	2025	Projections 2026	2027	2028	2029	2030	2031
						Central Bank					
Net Foreign Assets	**236**	**211**	**210**	**224**	**227**	**251**	**278**	**285**	**291**	**295**	**296**
Net international reserves 2/	312	274	264	298	303	348	379	388	396	404	411
(In billions of U.S. dollars)	78	72	71	79	90	100	105	107	110	112	114
Long-term net external assets	-10	-10	-9	-9	-9	-9	-9	-9	-9	-9	-9
Foreign currency liabilities	-65	-53	-44	-65	-67	-88	-92	-94	-96	-100	-106
Net Domestic Assets	**-139**	**-118**	**-120**	**-125**	**-115**	**-135**	**-153**	**-152**	**-150**	**-146**	**-140**
Net credit to nonfinancial public sector	-71	-66	-47	-38	-25	-21	-21	-21	-21	-21	-21
Credit to the financial sector 3/	30	11	4	1	1	-11	-11	-11	-11	-11	-11
Securities issued	-42	-29	-41	-43	-49	-48	-52	-56	-61	-65	-70
Other assets (net)	-56	-36	-35	-45	-42	-54	-68	-63	-57	-48	-37
Monetary Base	**97**	**93**	**90**	**98**	**112**	**116**	**125**	**133**	**141**	**149**	**157**
Currency	83	80	75	84	96	103	110	117	125	132	138
Reserve	14	13	15	14	16	14	15	16	16	17	18
						Depository Corporations 4/					
Net Foreign Assets	**274**	**237**	**227**	**269**	**276**	**318**	**348**	**359**	**368**	**377**	**385**
Net Domestic Assets	**171**	**208**	**229**	**238**	**269**	**274**	**291**	**327**	**363**	**397**	**432**
Net credit to the public sector	-74	-58	-29	-6	4	-23	-40	-39	-40	-46	-52
Credit to the private sector	400	414	417	420	437	469	502	538	575	614	656
Other assets (net)	-155	-148	-159	-177	-172	-172	-172	-172	-172	-172	-172
Broad Money	**446**	**445**	**456**	**507**	**545**	**592**	**639**	**686**	**731**	**774**	**817**
Domestic currency	310	312	325	367	406	437	470	502	533	563	594
Foreign currency	135	132	131	140	139	155	170	184	197	210	223
						Financial System 5/					
Net Foreign Assets	**359**	**316**	**304**	**351**	**350**	**387**	**421**	**432**	**441**	**450**	**458**
Net Domestic Assets	**265**	**291**	**327**	**321**	**353**	**407**	**430**	**476**	**527**	**583**	**643**
Net credit to the public sector	-43	-27	13	30	45	19	2	2	1	-4	-11
Credit to the private sector	469	478	481	481	498	534	572	612	653	696	745
Other assets (net)	-160	-160	-167	-190	-191	-145	-144	-138	-127	-109	-92
Liabilities to the Private Sector	**622**	**591**	**625**	**679**	**738**	**794**	**851**	**908**	**968**	**1,032**	**1,100**
Domestic currency	461	434	465	498	551	593	639	686	734	785	839
Foreign currency	162	157	160	181	188	201	211	222	234	247	261
Monetary base	13.1	-4.4	-3.2	9.2	14.5	8.4	7.3	6.7	6.1	5.4	5.2
Broad money	2.4	-0.2	2.5	11.2	7.5	8.7	8.0	7.3	6.6	5.9	5.6
Domestic currency	-0.8	0.6	4.0	12.9	10.6	7.8	7.4	6.8	6.3	5.7	5.5
Foreign currency	10.6	-2.1	-0.9	6.9	-0.8	11.2	9.7	8.4	7.4	6.4	6.0
Liabilities to the private sector	-4.8	-5.0	5.7	8.6	8.7	7.6	7.1	6.7	6.6	6.6	6.6
Domestic currency	-8.0	-5.8	7.2	7.1	10.5	7.8	7.7	7.3	7.0	7.0	6.9
Foreign currency	5.5	-2.8	1.7	12.8	3.9	7.1	5.1	5.1	5.3	5.6	5.8
Depository corp credit to the private sector	6.2	3.5	0.8	0.7	3.9	7.4	7.1	7.0	6.9	6.9	6.8
Domestic currency	5.6	2.3	0.8	1.2	5.0	7.9	7.5	7.4	7.2	7.1	6.9
Foreign currency	10.0	6.4	0.4	-2.0	0.0	5.5	5.6	5.8	5.9	6.1	6.1

Sources: BCRP, and IMF staff estimates.

1/ Stocks in foreign currency are valued at the end-of-period exchange rate.

2/ Excludes subscriptions to the IMF and the Latin American Reserve Fund, Pesos Andinos, credit lines to other central banks, Andean Development Corporation bonds, and foreign assets temporarily held by the Central Bank as part of swap operations.

3/ Including the National Bank.

4/ Depository corporations comprise the Central Bank, the National Bank, commercial banks, the Agricultural Bank, financial firms, municipal banks, rural banks and credit unions.

5/ Financial system comprises depository corporations and other financial corporations. Other financial companies include mutual funds, COFIDE, insurance companies, leasing companies, pension funds, the Financing Agency for SMEs and the Fund for Financing Housing.

Table 5. Peru: Financial Soundness Indicators

(percent)

	2021	2022	2023	2024	2025Q1	2025Q2	2025Q3	2025Q4
Capital Adequacy								
Regulatory capital to risk-weighted assets	15.0	14.5	16.3	17.2	16.8	17.0	17.2	17.9
Regulatory Tier 1 capital to risk-weighted assets	11.0	11.0	13.1	13.6	13.0	13.5	13.6	14.1
Capital (net worth) to assets	9.4	10.3	11.7	11.7	11.2	11.9	12.2	12.4
Asset Quality and Distribution								
Provisions to nonperforming loans	106.8	98.6	102.4	107.9	107.2	109.7	110.5	112.0
Gross loans to assets	68.0	71.3	70.8	67.9	66.1	67.4	68.0	68.3
Nonperforming loans to total loans	3.9	4.1	4.5	4.0	4.0	3.8	3.6	3.5
Earnings and Profitability								
ROAA	1.7	2.5	2.2	2.4	3.0	3.2	3.3	3.3
ROAE	12.1	16.5	13.0	14.5	18.5	19.1	19.1	18.8
Interest margin to gross income	90.2	90.7	91.7	91.6	91.1	90.1	90.4	90.3
Noninterest expenses to gross income	51.2	46.6	44.8	44.1	43.5	43.4	43.7	44.4
Liquidity								
Liquid assets to total assets	25.7	22.7	23.3	27.4	27.9	26.2	25.5	27.0
Liquid assets to short-term liabilities	40.4	35.2	35.1	38.9	39.8	36.7	36.2	37.6
Deposit to loan ratio	91.5	89.1	92.4	102.8	102.4	100.9	100.7	104.2
Other								
Foreign-currency-denominated loans to total loans	23.2	24.2	24.6	24.0	23.7	23.8	23.6	23.1
Foreign-currency-denominated liabilities to total liabilities	37.7	36.6	35.9	36.2	36.0	35.4	35.6	33.5
Net open position in foreign exchange to capital	2.1	1.3	1.4	1.9	1.7	1.4	1.2	2.2

Sources: Superintendencia de Banca, Seguros y AFP: and IMF’s Financial Soundness Indicators (FSI).

Table 6. Peru: Balance of Payments

(billion US$; unless otherwise noted)

	2021	2022	2023	2024	2025	Projections 2026	2027	2028	2029	2030	2031
Current Account	**-5.1**	**-10.0**	**0.9**	**6.6**	**10.7**	**13.0**	**9.8**	**4.9**	**1.0**	**-1.8**	**-3.8**
Merchandise trade	15.1	10.3	17.1	24.3	34.6	44.7	44.3	40.2	36.1	33.5	32.2
Exports	63.1	66.3	67.1	76.4	93.1	110.3	112.1	111.3	110.3	111.1	113.4
Traditional	46.8	47.9	48.4	55.7	69.4	83.6	84.1	82.3	80.6	80.6	82.1
Mining	39.9	38.3	42.4	48.4	61.8	75.7	76.0	74.1	72.3	72.1	73.5
Nontraditional and others	16.3	18.4	18.7	20.7	23.7	26.7	28.0	29.0	29.8	30.5	31.3
Imports	48.0	56.0	50.0	52.1	58.5	65.7	67.8	71.1	74.2	77.6	81.3
Services, income, and current transfers (net)	-20.2	-20.3	-16.3	-17.7	-23.9	-31.7	-34.5	-35.4	-35.1	-35.3	-36.0
Services	-8.0	-8.9	-8.0	-7.9	-8.2	-10.0	-10.6	-11.2	-11.8	-12.4	-13.1
Investment income	-18.0	-17.2	-15.1	-17.4	-23.6	-29.9	-32.2	-32.8	-32.4	-32.4	-33.1
Current transfers	5.8	5.8	6.8	7.6	7.9	8.2	8.3	8.7	9.1	9.5	10.2
Capital and Financial Account Balance	**-15.3**	**-8.8**	**0.9**	**-2.0**	**-4.3**	**3.2**	**4.8**	**2.5**	**-1.2**	**-3.9**	**-5.8**
Public sector MLT flows	-15.6	1.2	0.7	-5.3	-4.6	-4.6	-2.1	-3.2	-3.7	-2.5	-2.9
Assets	0.1	0.1	0.0	0.0	0.2	0.2	0.2	0.2	0.0	0.0	0.0
Liabilities	15.6	-1.1	-0.8	5.2	4.8	4.9	2.3	3.4	3.7	2.5	2.9
Portfolio investment	11.2	-0.1	-1.8	1.0	2.0	2.7	0.9	2.4	2.4	1.3	1.3
Other transactions involving Treasury bonds	0.3	-1.8	0.1	3.3	3.7	2.5	2.5	2.0	2.0	1.5	1.5
Medium-term loans 1/	2.4	0.8	0.9	0.9	-0.9	-0.3	-1.0	-1.0	-0.7	-0.3	0.2
Disbursements	2.8	1.8	2.0	2.0	0.5	0.8	0.8	1.0	0.9	0.9	1.0
Amortization	-0.4	-1.1	-1.1	-1.1	-1.4	-1.1	-1.8	-1.9	-1.6	-1.3	-0.8
BCRP: other transactions	1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Private sector MLT flows	-16.2	-14.3	0.4	0.2	-3.3	-0.5	-2.4	-2.8	-2.7	-2.9	-2.9
Assets	-8.5	-3.0	5.5	7.9	8.5	9.5	9.6	10.0	10.4	10.9	11.4
FDI	2.0	-0.6	1.5	1.2	2.1	2.3	2.4	2.5	2.6	2.7	2.8
Portfolio investment	-10.4	-2.5	4.1	6.7	6.4	7.1	7.3	7.6	7.9	8.2	8.6
Liabilities	7.8	11.3	5.2	7.7	11.8	10.0	12.0	12.8	13.1	13.8	14.3
FDI 2/	7.1	11.2	4.3	6.8	11.8	11.7	13.7	14.3	14.6	15.2	15.6
Portfolio investment	1.2	-1.2	-0.1	2.5	1.8	0.1	0.1	0.3	0.3	0.3	0.3
Medium- and long-term loans (net)	-0.6	1.2	1.0	-1.6	-1.8	-1.7	-1.8	-1.8	-1.7	-1.7	-1.6
Short-term capital 3/	16.6	4.3	-0.2	3.1	3.5	8.4	9.3	8.5	5.2	1.5	0.0
Assets	16.4	4.1	1.9	1.0	1.1	8.3	9.2	8.4	5.1	1.4	-0.1
Liabilities	-0.2	-0.2	2.1	-2.2	-2.4	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Errors and Omissions	**-5.9**	**-3.9**	**-2.8**	**-1.6**	**-7.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Overall Balance	**4.4**	**-5.1**	**-2.8**	**7.1**	**7.9**	**9.8**	**5.0**	**2.4**	**2.2**	**2.1**	**2.0**
Financing	**-4.4**	**5.1**	**2.8**	**-7.1**	**-7.9**	**-9.8**	**-5.0**	**-2.4**	**-2.2**	**-2.1**	**-2.0**
NIR flow (increase -)	-4.4	5.1	2.8	-7.1	-7.9	-9.8	-5.0	-2.4	-2.2	-2.1	-2.0
Change in NIR (increase -)	-3.8	6.6	0.9	-8.0	-11.2	-9.8	-5.0	-2.4	-2.2	-2.1	-2.0
Valuation change	-0.6	-1.5	1.9	0.9	3.4	0.0	0.0	0.0	0.0	0.0	0.0
						(In percent of GDP)					
Current Account Balance	**-2.3**	**-4.1**	**0.3**	**2.2**	**3.1**	**3.4**	**2.5**	**1.2**	**0.2**	**-0.4**	**-0.8**
Capital and Financial Account Balance	**-6.8**	**-3.6**	**0.3**	**-0.7**	**-1.3**	**0.8**	**1.2**	**0.6**	**-0.3**	**-0.9**	**-1.3**
Foreign direct investment (net)	-2.3	-4.8	-1.0	-1.9	-2.8	-2.5	-2.9	-2.9	-2.9	-2.9	-2.8
Overall Balance	**2.0**	**-2.1**	**-1.0**	**2.4**	**2.3**	**2.6**	**1.3**	**0.6**	**0.5**	**0.5**	**0.4**
Memorandum Items						(Annual percentage change)					
Export value	47.4	5.1	1.2	13.8	21.8	18.6	1.6	-0.7	-0.9	0.7	2.1
Volume growth	12.1	2.5	3.9	5.8	4.4	3.0	2.8	2.6	2.2	2.2	2.2
Price growth	31.5	2.5	-2.6	7.6	16.7	15.1	-1.2	-3.2	-3.0	-1.4	-0.1
Import value	38.2	16.7	-10.8	4.3	12.3	12.2	3.2	4.9	4.5	4.6	4.7
Volume growth	14.7	2.4	-1.4	8.9	14.7	8.8	4.4	4.5	3.9	3.8	3.6
Price growth	20.5	13.9	-9.6	-4.3	-2.0	3.2	-1.2	0.4	0.6	0.7	1.0
Terms of trade	9.2	-10.0	7.7	12.4	19.2	11.6	0.0	-3.6	-3.5	-2.2	-1.1
Gross international reserves (in billions of US$)	78.5	72.2	71.3	79.2	90.3	100.1	105.1	107.5	109.7	111.8	113.8
Average exchange rate (S/. per US$)	3.90	3.84	3.73	3.76	3.55	3.48	3.61	3.61	3.62	3.62	3.62

Sources: BCRP and IMF staff estimates and projections.

1/ Includes financial public sector.

2/ Excluding privatizations.

3/ Includes Financial Corporation for Development (COFIDE) and the National Bank.

Table 7. Peru: Financial and External Vulnerability Indicators

	2021	2022	2023	2024	2025	Projections					
						2026	2027	2028	2029	2030	2031
Financial Indicators											
Public sector debt/GDP	35.5	33.5	32.4	32.1	30.2	30.0	30.9	31.6	32.1	32.1	32.2
Of which: in domestic currency (percent of GDP)	16.4	16.2	16.9	16.9	17.3	17.2	18.5	19.5	20.5	21.2	22.1
90-day prime lending rate, domestic currency (end of period)	2.9	8.7	7.7	5.2							
90-day prime lending rate, foreign currency (end of period)	1.0	5.5	6.3	5.0							
Velocity of money 1/	2.0	2.1	2.2	2.2	2.2	2.2	2.2	2.1	2.1	2.0	2.0
Net credit to the private sector/GDP 2/	44.9	43.5	41.0	37.9	36.1	35.4	36.1	37.0	37.9	38.8	39.5
External Indicators											
Exports, U.S. dollars (percent change)	47.4	5.1	1.2	13.8	21.8	18.6	1.6	-0.7	-0.9	0.7	2.1
Imports, U.S. dollars (percent change)	38.2	16.7	-10.8	4.3	12.3	12.2	3.2	4.9	4.5	4.6	4.7
Terms of trade (percent change) (deterioration -) 3/	9.2	-10.0	7.7	12.4	19.2	11.6	0.0	-3.6	-3.5	-2.2	-1.1
Current account balance (percent of GDP)	-2.3	-4.1	0.3	2.2	3.1	3.4	2.5	1.2	0.2	-0.4	-0.8
Capital and financial account balance (percent of GDP)	-6.8	-3.6	0.3	-0.7	-1.3	0.8	1.2	0.6	-0.3	-0.9	-1.3
Total external debt (percent of GDP)	46.3	42.7	39.5	37.6	34.2	30.1	29.1	27.9	26.9	25.6	24.4
Medium- and long-term public debt (in percent of GDP) 4/	26.8	24.6	22.2	22.1	21.5	19.9	19.5	19.1	18.8	18.2	17.7
Medium- and long-term private debt (in percent of GDP)	15.3	14.1	13.0	12.3	10.6	9.1	8.5	7.8	7.1	6.5	5.9
Short-term public and private debt (in percent of GDP)	4.3	4.0	4.3	3.2	2.0	1.8	1.8	1.7	1.6	1.5	1.4
Total external debt (in percent of exports of goods and services) 4/	158.5	146.4	147.7	133.0	115.5	96.8	93.4	93.3	93.8	92.3	90.1
Total debt service (in percent of exports of goods and services) 5/	25.4	24.7	28.1	30.4	23.8	17.7	18.1	16.3	15.9	16.4	15.8
Gross official reserves											
In millions of U.S. dollars	78,539	72,246	71,319	79,200	90,262	100,062	105,062	107,462	109,662	111,762	113,762
In percent of short-term external debt 6/	578	509	404	436	540	642	638	737	773	738	755
In percent of short-term external debt, foreign currency deposits, and adjusted CA balance 6/ 7/	160	145	136	143	156	167	165	164	159	153	148
In percent of broad money 8/	71	62	58	58	56	59	59	57	54	52	50
In percent of foreign currency deposits at banks	229	209	204	213	219	225	223	211	201	192	185
In months of next year's imports of goods and services	13.5	13.6	12.7	12.8	13.0	14.4	14.5	14.1	13.8	13.4	13.0
Net international reserves (in millions of U.S. dollars)	78,495	71,883	71,033	78,987	90,214	100,014	105,014	107,414	109,614	111,714	113,714
Central Bank's Foreign Exchange Position	57,345	52,040	51,571	53,555	61,501	71,301	76,301	78,701	80,901	83,001	85,001

Sources: National authorities; IMF's Information Notice System (INS); and IMF staff estimates/projections.

1/ Defined as of the ratio of annual GDP to end-period broad money.

2/ Corresponds to depository corporations.

3/ End of period; data from INS.

4/ Includes Central Bank's debt.

5/ Includes debt service to the Fund.

6/ Short-term debt includes amortization of medium- and long-term loans falling due over the following year, including debt swaps.

7/ Current Account deficit adjusted for 0.75*net FDI inflows; if adjusted CA balance>0, set to 0.

8/ At end-period exchange rates.

Table 8. Peru: Medium-Term Macroeconomic Framework

	2021	2022	2023	2024	2025	Projections					
						2026	2027	2028	2029	2030	2031
						(Annual percentage change)					
Production											
GDP at constant prices	13.4	2.8	-0.4	3.5	3.4	2.8	2.8	2.8	2.8	2.8	2.8
Domestic demand at constant prices	13.9	2.4	-1.0	4.0	5.8	4.5	3.3	3.4	3.3	3.3	3.2
Consumption	11.1	2.9	0.9	2.7	3.5	3.5	3.1	2.8	2.9	2.9	3.1
Private	12.5	3.5	0.1	2.8	3.6	3.3	3.1	3.1	3.1	3.0	3.2
Public	4.8	-0.2	4.9	2.1	2.8	4.6	3.2	1.5	1.7	2.2	2.7
Investment	33.2	1.1	-4.5	5.6	9.1	6.5	4.1	3.3	3.1	3.1	3.1
Of which: Private	35.2	0.0	-6.1	3.3	10.0	7.5	4.0	3.0	2.9	2.9	2.9
Of which: Public	24.7	6.0	2.4	14.7	5.7	2.7	4.7	4.6	4.0	3.8	3.9
Net exports (contribution to GDP growth)	-0.7	0.4	0.7	-0.5	-2.4	-1.9	-0.7	-0.8	-0.7	-0.7	-0.7
Exports	12.7	5.5	4.1	6.6	4.4	3.0	2.8	2.6	2.2	2.2	2.2
Imports	14.8	3.6	1.3	8.4	12.8	8.8	4.4	4.5	3.9	3.8	3.6
Consumer prices (end of period)	6.4	8.5	3.2	2.0	1.5	2.5	2.0	2.0	2.0	2.0	2.0
GDP deflator	7.2	3.8	7.3	5.2	5.5	6.5	2.3	1.5	1.3	1.5	2.0
Trade											
Exports, f.o.b.	47.4	5.1	1.2	13.8	21.8	18.6	1.6	-0.7	-0.9	0.7	2.1
Imports, f.o.b.	38.2	16.7	-10.8	4.3	12.3	12.2	3.2	4.9	4.5	4.6	4.7
Terms of trade (deterioration -)	9.2	-10.0	7.7	12.4	19.2	11.6	0.0	-3.6	-3.5	-2.2	-1.1
						(In percent of GDP; unless otherwise indicated)					
External Current Account Balance	-2.3	-4.1	0.3	2.2	3.1	3.4	2.5	1.2	0.2	-0.4	-0.8
Total External Debt Service 1/	7.4	7.2	7.5	8.6	7.0	5.5	5.6	4.9	4.6	4.5	4.3
Medium- and long-term	2.9	3.1	3.7	4.4	4.1	3.6	3.8	3.1	2.9	3.0	2.8
Nonfinancial public sector	0.8	1.4	1.8	1.9	1.6	1.4	1.7	1.3	1.2	1.5	1.5
Private sector	2.1	1.7	1.8	2.5	2.4	2.2	2.0	1.8	1.6	1.5	1.3
Short-term 2/	0.1	0.1	0.3	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Nonfinancial public sector	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Private sector	0.1	0.1	0.3	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Interest	1.3	1.5	1.8	1.7	1.4	1.4	1.4	1.2	1.1	1.1	1.0
Amortization (medium-and long-term)	1.7	1.8	2.1	2.9	2.9	2.3	2.5	2.0	1.8	2.0	1.9
Public Sector											
NFPS primary balance 3/	-1.0	-0.1	-1.1	-1.8	-0.6	-0.3	-0.3	-0.2	-0.1	0.1	0.1
NFPS interest due	1.5	1.5	1.6	1.7	1.6	1.7	1.7	1.7	1.7	1.8	1.8
NFPS overall balance 3/	-2.5	-1.7	-2.7	-3.5	-2.2	-2.0	-2.0	-1.9	-1.8	-1.7	-1.6
Public sector debt 3/	35.5	33.5	32.4	32.1	30.2	30.0	30.9	31.6	32.1	32.1	32.2
Savings and Investment											
Gross domestic investment	22.0	22.0	19.3	19.6	20.2	20.4	20.8	21.7	22.2	22.4	22.4
Public sector 3/	4.6	4.9	4.9	5.2	5.1	4.7	4.8	4.9	4.9	5.0	5.0
Private sector	17.4	17.0	14.4	14.4	15.2	15.6	16.0	16.8	17.2	17.4	17.4
Private sector (excluding inventories)	20.1	19.9	17.6	16.8	16.7	16.9	17.2	17.3	17.4	17.4	17.5
Inventory changes	-2.7	-2.9	-3.2	-2.4	-1.5	-1.3	-1.2	-0.4	-0.1	-0.1	0.0
National savings	19.7	17.9	19.6	21.9	23.4	23.8	23.3	22.9	22.4	22.0	21.6
Public sector 4/	2.8	4.2	2.9	2.4	3.4	3.3	3.4	3.5	3.7	3.8	3.9
Private sector	17.0	13.7	16.7	19.5	20.0	20.5	20.0	19.5	18.7	18.2	17.7
External savings	2.3	4.1	-0.3	-2.2	-3.1	-3.4	-2.5	-1.2	-0.2	0.4	0.8
Memorandum Items											
Nominal GDP (billions of nuevos soles)	892.2	952.2	1018.4	1108.8	1,210.6	1,325.2	1,393.2	1,454.2	1,515.0	1581.1	1658.5
Gross international reserves (billions of U.S. dollars)	78.5	72.2	71.3	79.2	90.3	100.1	105.1	107.5	109.7	111.8	113.8
External debt service (percent of exports of GNFS)	25.4	24.7	28.1	30.4	23.8	17.7	18.1	16.3	15.9	16.4	15.8
Short-term external debt service (percent of exports of GNFS)	0.3	0.5	1.0	0.8	0.5	0.3	0.3	0.3	0.3	0.3	0.2
Public external debt service (percent of exports of GNFS)	2.8	4.7	6.9	6.7	5.5	4.5	5.5	4.3	4.4	5.4	5.5

Sources: National authorities and IMF staff estimates.

1/ Includes interest payments only.

2/ Includes the financial public sector.

3/ Includes Repayment Certificates (CRPAOs).

4/ Excludes privatization receipts.

Annex I. Implementation of Staff's 2025 Article IV Recommendations

Recommendations	Policy Action
Fiscal Policies	
Fiscal stance. Implement additional spending measures to comply with the 2025 fiscal target of 2.2 percent. The fiscal adjustment path over the medium term to achieve the fiscal target of a deficit of 1 percent of GDP is necessary.	**Partially implemented.** The NFPS deficit dropped to 2.2 percent of GDP in 2025, reflecting both spending control measures by the authorities and a significant rebound in revenues. While the authorities remain committed to a gradual fiscal consolidation consistent with the fiscal rule and expect the deficit to reach 1 percent of GDP by 2028, they still need to identify the underlying consolidation measures.
Fiscal consolidation. Revenue mobilization measures are needed, including curtailing sectoral tax benefits, special regimes, and tax expenditures; strengthening tax administration; and promoting formalization to expand the tax base. Spending measures could include lowering the wage bill and discretionary transfers; increasing efficiency of public investment; and improving governance at SOEs.	**Partially implemented**. The government implemented spending control measures in November 2025 and in January 2026. In December 2025, it also established the "Fiscal Agreement for Sustainable Growth." Recent initiatives by Congress that reduce the tax base and entail unfunded spending risk complicating future fiscal consolidation efforts. An Emergency Decree adopted in December 2025 outlines structural reforms to be implemented at Petroperú.
Fiscal pressures. Legislative initiatives with fiscal costs should be assessed by the MEF with rigorous costing. The MEF should retain its gatekeeper role in assessing and managing the fiscal implications of PPP projects.	**Partially implemented**. There are several proposals in Congress with potential fiscal costs. The recent PPP reform retained the governing role for MEF, while also expanding the role of the PPP promotion entity (ProInversión).
Monetary and Exchange Rate Policies	
Monetary stance. A broadly neutral monetary policy stance is appropriate.	**Implemented**. The BCRP continued its easing cycle, lowering the policy rate from 5 percent in December 2024 to 4.25 percent in February 2026. The ex-ante real rate stands at 2.1 percent, slightly above the estimated neutral rate.
Foreign exchange interventions (FXI). With the potential for higher exchange rate volatility due to heightened global policy uncertainty, the BCRP should continue to allow for greater ER flexibility.	**Partially implemented**. The authorities continue to allow the exchange rate to act as a shock absorber, while intervening during periods of perceived excessive volatility or disorderly market conditions. The BCRP intervened in the spot market between November 2025 and February 2026, purchasing a cumulative US$6.2 billion, and continued to reduce its outstanding FX derivative positions by about US$12.3 billion between 2025 and February 2026,

Recommendations	Policy Action
	bringing the stock down to US$607 million as of February 2026.
Financial Sector Policies	
Macroprudential. Maintain liquidity cushions against private pension withdrawals. Reduce financial sector vulnerabilities from remaining dollarized credit with focused macroprudential policies.	**Implemented**. The repo facility for private pension funds is ready for use when necessary. New regulation to standardize the definition of unhedged FX borrowers will take effect in June 2026.
Domestic capital markets. Maintain the prohibition of future pension withdrawals to protect the functioning of the domestic capital market. Expand the investor base of securities markets.	**Partially implemented.** An eighth pension withdrawal was approved in 2025. Sovereign ETFs were launched in early April 2025 to expand the investor base.
Regulation. Close key regulatory and supervisory gaps in line with the recommendations of the 2018 FSAP. Revise the activation threshold for counter-cyclical policies, given the low growth environment.	**In progress**. See Annex VI. The capital conservation buffer will be fully phased in by end-2026. The counter-cyclical framework was reinstated in June 2024, but the activation threshold uses a growth rate much higher than current potential growth estimates. The authorities plan to review this activation criteria.
Real Sector and Structural Policies	
Productivity. Boost productivity by reforming labor and tax regulations that create barriers for formalizing or growing a business, fully embracing the digital and artificial intelligence revolution by facilitating technological diffusion and job transition, boost the business climate, reduce informality, and reform the civil service.	**Partially implemented.** Progress has been made in advancing large infrastructure projects. The government has introduced a package of measures to counteract overregulation and excessive red tape. The informality rate declined from levels in 2023 but remains elevated.
Climate. Scale up investments in climate adaptation and resilience.	**Partially implemented**. Progress has been made in enhancing public infrastructure, diversifying the energy matrix, and improving climate change statistics.
Governance and financial integrity. Improve the effectiveness of governance institutions to end corruption impunity, including prioritizing implementation of anti-corruption frameworks and supporting these with adequate resources; enhancing the independence and effectiveness of judicial bodies; and effective use of AML tools.	**In progress.** The National Board of Justice, which appoints judges and prosecutors, remains operational. Recent hiring of additional staff at the Comptroller General's Office supports verification of asset declarations of public officials. Digitalization efforts are in progress. Judicial reform is pending. The authorities are updating their fourth Anti-Money Laundering National Risk Assessment, which includes an action plan to mitigate ML/TF risks, with illegal mining identified as the primary ML risk in Peru. AML/CFT supervisors are applying a risk-based approach to classify suspicious transaction

Recommendations	Policy Action
	reports and prioritize those related to illegal mining. The SBS is also developing related early warning ML typologies and employing AI-based supervisory tools. The UIF-Peru started a joint investigation and case work with Peru's police on illegal mining and is actively cooperating with neighboring countries to detect illicit cross-border operations.
Infrastructure and public investment. Strengthen the capacity to execute public investment to reduce the large infrastructure gap. Improve spending efficiency, including updating the decentralization framework and redesigning natural resource revenue-sharing formulas.	**Partially implemented.** The government has advanced work on large infrastructure projects, continued to expand the PPP investment portfolio, and adopted reforms to expand funding for local investment (FONCOMUN reform) and encourage private participation in public investment, including reforming PPP and works-for-taxes legislation and raising the local cap for works-for-taxes. Execution of public investment by local governments improved in 2025. However, the infrastructure gap remains large amid capacity challenges.

Annex II. External Sector Assessment

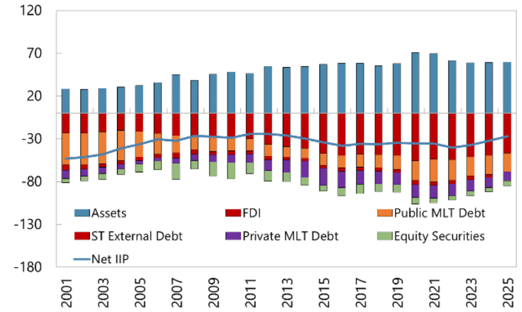
Overall Assessment: *Peru's external position in 2025 was stronger than the level implied by medium-term fundamentals and desirable policies. Strong terms of trade (TOT) underpinned an increase in the current account (CA) surplus. Continued appreciation of the real effective exchange rate (REER) could cause a loss in competitiveness. Despite a volatile external environment and political turbulence, the reserve coverage remained strong and adequate even after considering the dependence on commodity prices and the existence of substantial domestic FX liabilities.*

Potential Policy Responses: *A data-dependent and broadly neutral monetary policy stance and continued exchange rate (ER) flexibility amid limited foreign exchange (FX) interventions would create a strong macroeconomic policy mix to support the external position. A medium-term fiscal consolidation to attain the fiscal rule targets and tackling structural impediments, including insecurity and illegal mining, would ensure a stable environment for private investment and help rebalance the savings-investment balance to bring the CA closer to its norm. An acceleration of structural reforms, including amending the fiscal decentralization framework to unlock mining investment and facilitate growth-enhancing public investment, and measures to improve productivity and reduce informality, could durably lift potential growth, increase competitiveness, and support a balanced external position in the medium term.*

Foreign Assets and Liabilities: Position and Trajectory

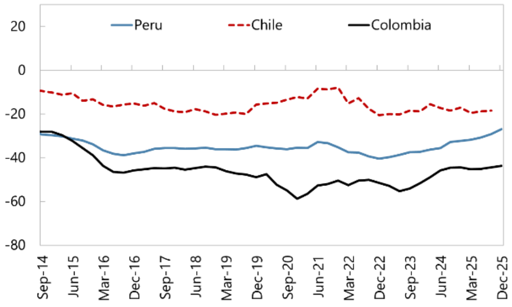
Background. Peru's IIP is characterized by large foreign reserves, moderate external debt, and large FDI liabilities. After increasing from -53 percent of GDP in 2000 to -24 percent of GDP in 2011, Peru's net IIP has been on a declining trend due to CA deficits, driven by the accumulation of FDI liabilities. In 2025, net IIP increased to -27 percent of GDP from -32 percent of GDP in 2024. External assets (59 percent of GDP) include sizeable central bank foreign assets holdings (27 percent of GDP). These are offset by large FDI liabilities (46 percent of GDP), moderate external indebtedness (public and private external debt of about 34 percent of GDP), and equity securities (6 percent of GDP). With the CA projected to remain in surplus for several years before gradually returning to a deficit, the net IIP is projected to increase in the medium term to about -8 percent of GDP.

Net International Investment Position
(percent of GDP)



Sources: BCRP; and Haver Analytics.

Net International Investment Position
(percent of GDP)



Sources: BCRP; and Haver Analytics.

Assessment. Gross external financing needs declined, due to the higher CA balance, to an estimated 2.5 percent of GDP in 2025. While a negative NIIP could pose risks, including those arising from the structure of debt and valuation changes in reserve assets, Peru's NIIP is dominated by FDI liabilities. These increased in 2025 due to an increase in investment by foreign-owned enterprises, and are envisaged to continue to increase with the start of new mining projects. The external stability (ES) approach does not suggest a need for external adjustment. The estimated medium-term CA balance required to stabilize the NIIP at its end-2025 level is -1.5 percent of GDP, below the medium-term CA balance projections in the baseline.

2025 (% GDP)	NIIP: -27	Gross Assets: 59	Reserve Assets: 27	Gross Liab.: 86	Debt Liab.: 34

Current Account

Background. Despite global policy uncertainty and new trade barriers, strong TOT sustained a CA surplus. The surplus increased to 3.1 percent of GDP in 2025, from 2.2 percent of GDP in 2024, as a higher trade balance (TB) and services balance offset a wider primary income deficit. The TB increased to 10.1 percent of GDP in 2025 from an already-high 8.2 percent of GDP in 2024, as a 19.2 percent increase in the TOT offset higher import volumes. Exports of goods increased by about 22 percent, due to growth in both volumes (about 4 percent, primarily fishing and agriculture) and prices (about 17 percent, primarily copper and gold). Imports of goods increased by about 12 percent, as volumes rebounded (about 15 percent) while price growth was negative (about -2 percent, primarily oil). The services deficit narrowed by 0.3 pp of GDP, as freight costs increased in tandem with the continued recovery in tourism-related revenues. Investment income outflows increased by 1 pp of GDP, due to higher foreign repatriation of profits in line with high metal prices. A lower fiscal deficit in 2025 led to increased public savings, reducing the negative public savings-investment (SI) balance. The private SI balance declined in 2025, due to increasing private consumption and a rebound in private investment. The CA is expected to return to a deficit only gradually, given slow commodity price normalization. Over the medium term, the CA is expected to stabilize at a deficit of about 0.8 percent of GDP.

Current Account and REER Gaps

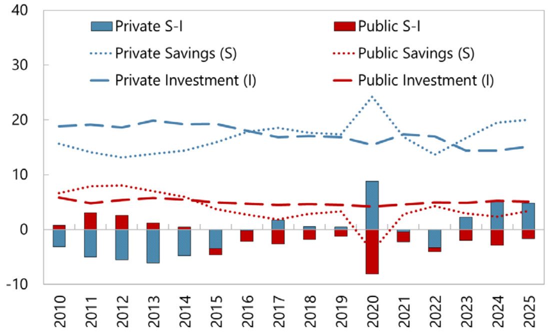
(percent of GDP, unless otherwise stated)

	EBA CA regression	EBA REER (index)	EBA REER (level)
2025 CA actual	**3.1**		
Cyclical contributions (from model) (-)	0.8		
Cyclically Adjusted CA	**2.4**		
CA Norm (from model) 1/	**-1.0**		
CA Gap 2/	**3.4**		
o/w Policy gaps	0.4		
Elasticity	-0.2		
REER Gap (in percent) 3/	**-17.7**	**17.4**	**25.7**

Source: IMF staff estimates.
1/ Cyclically adjusted.
2/ The CA gap is the cyclically adjusted CA minus the CA norm.
3/ Positive value indicates overvaluation.

Savings-Investment Balance

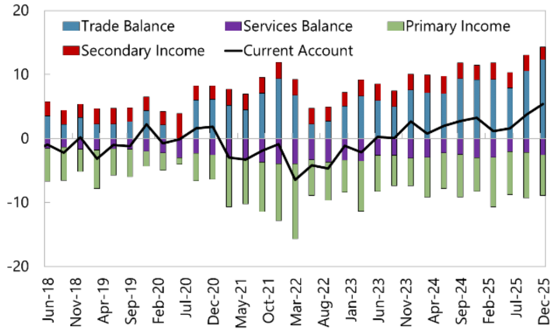
(percent of GDP)



Sources: BRCP; Haver Analytics; and INEI.

Current Account Balance

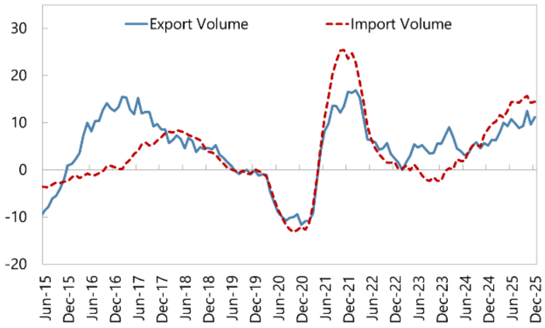
(percent of GDP)



Sources: BCRP; and Haver Analytics.

Trade Volumes

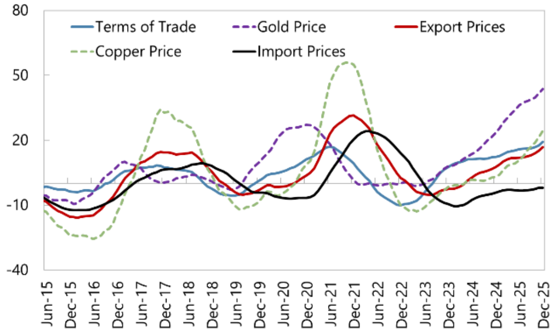
(12-month moving average, y/y percent change)



Sources: BCRP; and Haver Analytics.

Terms of Trade

(index, 12-month moving average, y/y percent change



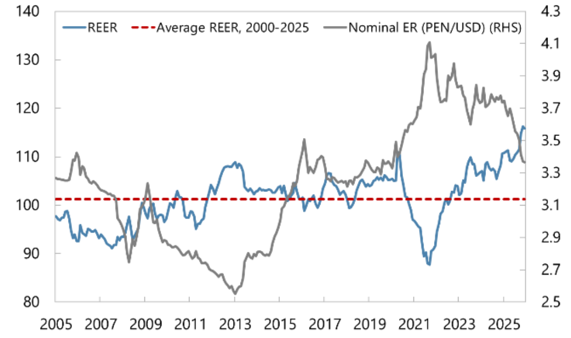
Sources: BCRP; and Haver Analytics.

Assessment. The External Balance Assessment (EBA) CA model estimates a CA norm of -1.0 percent of GDP. After accounting for the temporary impact of cyclical factors such as TOT and business cycle, staff estimates the 2025 cyclically adjusted CA balance to be 2.4 percent of GDP, based on the estimated 2025 CA balance of 3.1 percent of GDP. The CA gap is 3.4 percent of GDP, indicating that Peru's external position in 2025 was stronger than the level implied by medium-term fundamentals and desirable policy settings. Stronger fiscal balances compared to the rest of the world (the contribution of the relative fiscal policy gap to the overall CA gap was estimated at 0.5 percent of GDP) counterbalanced a public health expenditures gap (contribution estimated at -0.1 percent of GDP), resulting in a 0.4 percent policy gap.

Real Exchange Rate

Background. A global weakening of the US dollar, historically high terms of trade, and strong interest from nonresident investors for Peruvian securities created appreciation pressures on the PEN, especially during the second half of 2025. In 2025, the nominal ER appreciated 5 percent (average) and 10 percent (eop), while the REER appreciated 3.9 percent (average) and 4.7 percent (eop). The REER has been steadily appreciating since 2022, and now stands 10.4 percent above a 25-year average.

Exchange Rates
(index)



Sources: IFS; and Haver Analytics..

Assessment. The EBA CA model, with an estimated elasticity of 0.2, implies a REER undervaluation of about 18 percent. The EBA REER approaches estimate an overvaluation of 17 percent (index method) and an overvaluation of 26 percent (level method) in 2025. We base our assessment on the EBA CA model. However, the strength of the REER highlighted by the REER models—which is explained by a weaker US dollar, capital inflows, and high TOT—raises competitiveness issues that are aggravated by structural impediments that constrain investment and potential growth, including rising insecurity and illegal mining, negative TFP growth, and a high degree of informality.

Capital and Financial Accounts: Flows and Policy Measures

Background. Net inflows into the capital and financial accounts are estimated to have increased in 2025 to 1.3 percent of GDP, from 0.7 percent of GDP in 2024. Inflows were dominated by public sector liabilities (about US$5 billion, due to an increase in sovereign bond holdings by nonresidents and sovereign bond issuances) and FDI liabilities (about US$12 billion, driven by higher reinvested earnings of foreign-owned enterprises). These inflows were offset by short-term capital outflows, which increased to US$3.5 billion from US$3.1 billion.

Assessment. Strong economic fundamentals and diversification of creditors have underpinned strong capital inflows, despite political turbulence. FDI inflows have benefitted from capital contributions and earned profits in critical economic sectors, such as mining and infrastructure. Investments in new mining projects should contribute to higher FDI liabilities and high metal prices could support additional investments in the medium term. Lower commodity prices and an intensification of political uncertainty are the key risks for FDI.

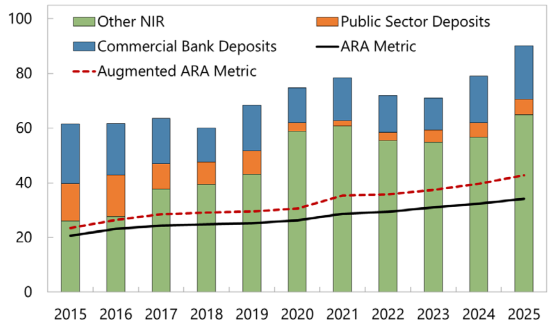
FX Intervention and Reserves Level

Background. The BCRP intervenes in the FX market to smooth ER volatility caused by various shocks without targeting a specific level. The BCRP increased interventions in 2021 to contain volatility and relieve market pressure from political uncertainty, selling US$17.5 billion (8.1 percent of GDP), including US$11.6 billion on the spot market (5.1 percent of GDP). Interventions subsided thereafter and, in 2023, were conducted primarily through FX swaps to maintain the BCRP's stock of derivative positions. The BCRP intervened in the spot FX markets between November 2025 and January 2026 (purchasing US$6.1 billion, 1.8 percent of GDP) in response to appreciation pressures.

Assessment. The flexible ER has long served as the primary mechanism of adjustment to external shocks. Peru's international reserve coverage exceeds adequacy metrics. Gross international reserves were US$90.3 billion (27 percent of GDP) at the end of 2025, about 268 percent of the ARA metric, well above the 100–150 percent adequacy range. Reserves also exceed an augmented ARA metric that incorporates Peru's heavy reliance on commodity exports and the volatility of copper and gold prices.

Components of NIR and ARA Metric

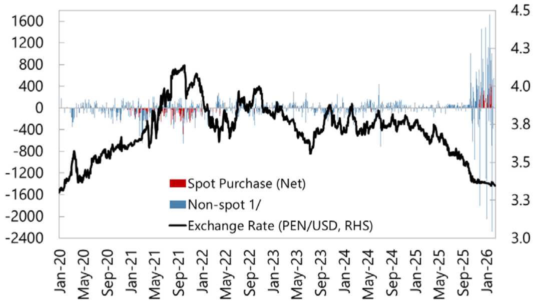
(US$ billion)



Sources: BCRP; and Haver Analytics.

Foreign Exchange Intervention by BCRP

(LHS = US$ million, RHS = PEN/USD)



Sources: BCRP; and IMF staff estimates.

1/ Net maturity of CDR BCRP, net maturity of FX (sell) swaps, net issuance of CDLD, and net purchases of FX (buy) swaps.

Annex III. Sovereign Risk and Debt Sustainability Analysis

The overall risk of sovereign stress in Peru is low and public debt is expected to stabilize, although at a higher level than in 2025. The assessment reflects Peru's history of fiscal discipline, its low debt-to-GDP ratio, existing market access at favorable conditions, relatively safe debt composition, and public assets which serve as buffers.

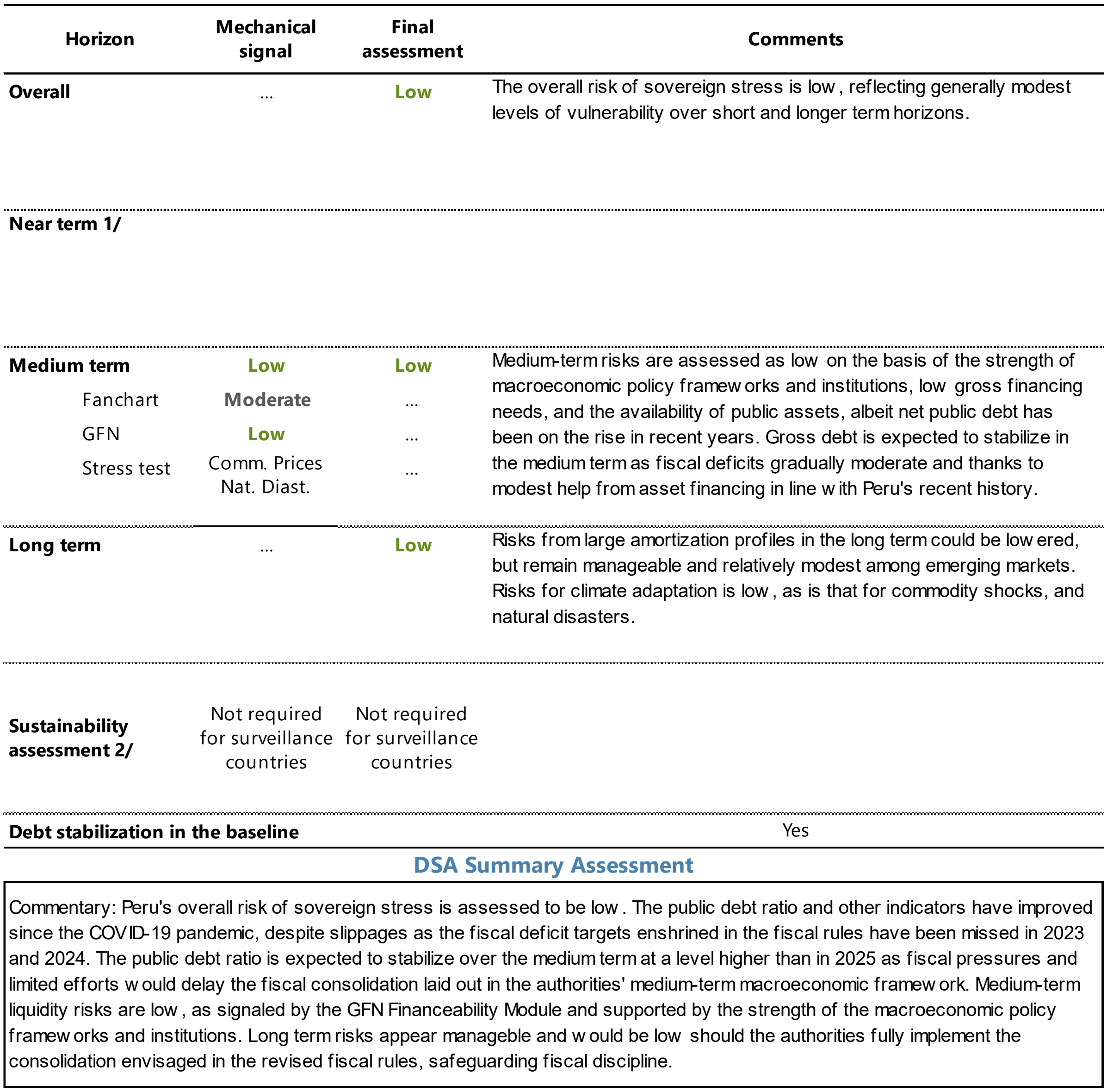
1. The low but growing public debt ratio is expected to stabilize over the medium term. In the baseline scenario, debt grows slowly in the near term from its low starting level (30.2 percent of GDP at end-2025), due to primary deficits assumed above the debt stabilizing balance, and stabilizes around 32 percent of GDP in the medium term. Implementing additional consolidation to meet the fiscal rule limits would otherwise allow Peru to also meet gradually its long-run debt target (30 percent of GDP in 2035). The shares of marketable debt, foreign and domestic currency denominated debt, and the residual maturity profile of public debt would remain broadly stable over the forecast horizon.

2. The Non-Financial Public Sector is the statistical coverage of Peru's public debt statistics. The investor base is well diversified, and the debt's issuing law is equally distributed between local and foreign. Most of the public debt is marketable, with about twelve years of residual maturity.

3. The realism assessment of the baseline scenario does not currently point to major concerns. The track record for forecasting the main debt drivers does not highlight any systematic bias, and the projected fiscal consolidation is well within norms. The growth forecast for real GDP in the baseline is consistent with reasonable estimates of the fiscal multiplier.

4. Medium-term liquidity risks are low. The results are robust for the GFN Financeability Module, supported by low gross financing needs and the strength of the macroeconomic policy frameworks and institutions. The Fanchart module points to only moderate levels of risk. In turn, staff assesses long-term risks to also remain low, with mechanical triggers on long-run amortization pressures mostly reflecting Peru's own history of low amortization needs. Gross financing needs in GDP terms are expected to stay among the lowest in emerging markets. Feasible fiscal consolidation can help to address the moderate financing pressures that could stem from realistic risk scenarios, including climate change adaptation and natural resource scenarios.

Figure 1. Peru: Public Debt Sustainability Analysis—Risk of Sovereign Stress



Horizon	Mechanical signal	Final assessment	Comments
Overall	...	**Low**	The overall risk of sovereign stress is low, reflecting generally modest levels of vulnerability over short and longer term horizons.
Near term 1/			
Medium term	**Low**	**Low**	Medium-term risks are assessed as low on the basis of the strength of macroeconomic policy frameworks and institutions, low gross financing needs, and the availability of public assets, albeit net public debt has been on the rise in recent years. Gross debt is expected to stabilize in the medium term as fiscal deficits gradually moderate and thanks to modest help from asset financing in line with Peru's recent history.
Fanchart	**Moderate**	...	
GFN	**Low**	...	
Stress test	Comm. Prices Nat. Diast.	...	
Long term	...	**Low**	Risks from large amortization profiles in the long term could be lowered, but remain manageable and relatively modest among emerging markets. Risks for climate adaptation is low, as is that for commodity shocks, and natural disasters.
Sustainability assessment 2/	Not required for surveillance countries	Not required for surveillance countries	
Debt stabilization in the baseline			Yes

DSA Summary Assessment

Commentary: Peru's overall risk of sovereign stress is assessed to be low. The public debt ratio and other indicators have improved since the COVID-19 pandemic, despite slippages as the fiscal deficit targets enshrined in the fiscal rules have been missed in 2023 and 2024. The public debt ratio is expected to stabilize over the medium term at a level higher than in 2025 as fiscal pressures and limited efforts would delay the fiscal consolidation laid out in the authorities' medium-term macroeconomic framework. Medium-term liquidity risks are low, as signaled by the GFN Financeability Module and supported by the strength of the macroeconomic policy frameworks and institutions. Long term risks appear manageble and would be low should the authorities fully implement the consolidation envisaged in the revised fiscal rules, safeguarding fiscal discipline.

Source: Fund staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Figure 2. Peru: Public Debt Sustainability Analysis — Debt Coverage and Disclosures

Comments: Not applicable

1. Debt coverage in the DSA: 1/

CG	GG	[✓ NFPS]	CPS	Other

1a. If central government, are non-central government entities insignificant? n.a.

2. Subsectors included in the chosen coverage in (1) above:

CPS	NFPS	GG: expected	CG		Subsectors captured in the baseline	Inclusion
CPS	NFPS	GG: expected	CG	1	Budgetary central government	Yes
				2	Extra budgetary funds (EBFs)	Yes
				3	Social security funds (SSFs)	Yes
				4	State governments	Yes
				5	Local governments	Yes
				6	Public nonfinancial corporations	Yes
				7	Central bank	No
				8	Other public financial corporations	No

3. Instrument coverage:

[✓ Currency & deposits]	[✓ Loans]	[✓ Debt securities]	[✓ Oth acct. payable 2/]	[✓ **IPSGSs 3/**]

4. Accounting principles:

Basis of recording		Valuation of debt stock		
Non-cash basis 4/	[✓ Cash basis]	[✓ Nominal value 5/]	Face value 6/	Market value 7/

5. Debt consolidation across sectors: [✓ Consolidated] Non-consolidated

Color code: 🟩 chosen coverage 🟥 Missing from recommended coverage ▨ Not applicable

Reporting on Intra-Government Debt Holdings

			Issuer \ Holder	Budget. central govt	Extra-budget. funds (EBFs)	Social security funds (SSFs)	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
CPS	NFPS	GG: expected	CG 1	Budget. central govt		5.3	0.6	0	0	0.1	18.7	7.4	32.0
			2	Extra-budget. funds									0
			3	Social security funds									0
			4	State govt.									0
			5	Local govt.									0
			6	Nonfin pub. corp.									0
			7	Central bank									0
			8	Oth. pub. fin. corp									0
				Total	0	5.3	0.6	0	0	0.1	18.7	7.4	32.0

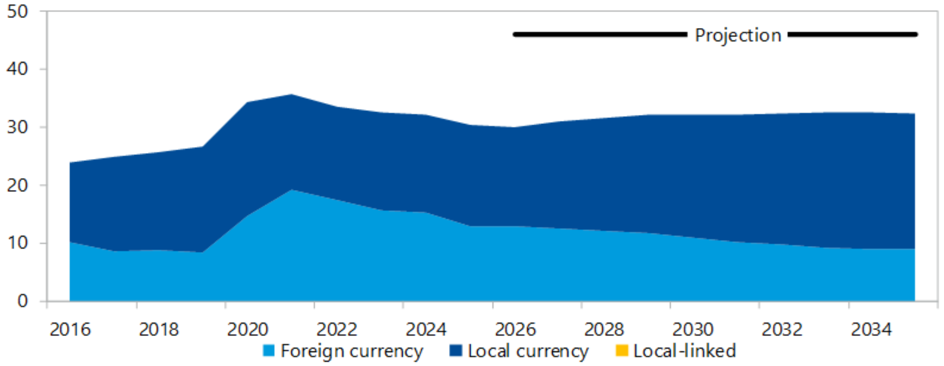
1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.
4/ Includes accrual recording, commitment basis, due for payment, etc.
5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

Commentary: Billions of PEN. Only includes debt securities issued by the BCG and held by the rest of the public sector.

Source: Fund staff.

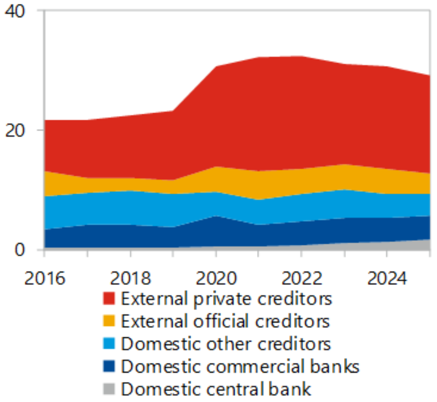
Figure 3. Peru: Public Debt Sustainability Analysis — Public Debt Structure Indicators

Debt by Currency (Percent of GDP)



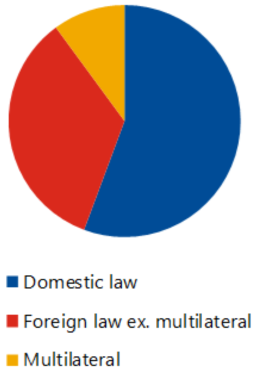
Note: The perimeter shown is nonfinancial public sector.

Public Debt by Holder (Percent of GDP)



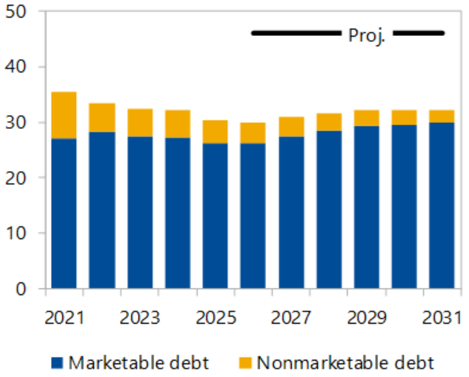
Note: The perimeter shown is nonfinancial public sector.

Public Debt by Governing Law, 2025 (Percent)



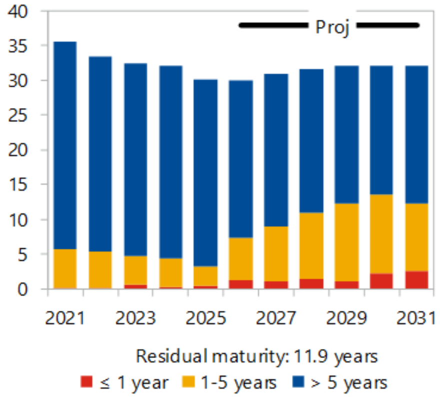
Note: The perimeter shown is nonfinancial public sector.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is nonfinancial public sector.

Public Debt by Maturity (Percent of GDP)



Note: The perimeter shown is nonfinancial public sector.

Commentary: The share of domestic and foreign-currency denominated public debt is expected to remain broadly stable over the forecast horizon. The lion's share of public debt is expected to remain marketable, and with a residual maturity longer than 10 years. The investor base is well diversified, and the governing law of the debt is distributed in a balanced manner between local and foreign.

Source: Fund Staff.

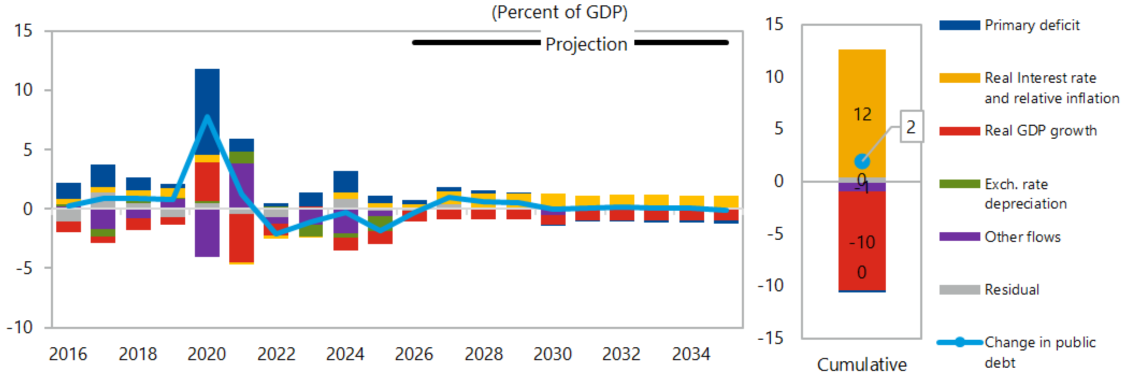
Figure 4. Peru: Public Debt Sustainability Analysis—Baseline Scenario

(percent of GDP, unless otherwise indicated)

	Actual	Medium-term projection						Extended projection			
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Public debt	30.2	30.0	30.9	31.6	32.1	32.1	32.2	32.3	32.4	32.4	32.3
Change in public debt	-1.8	-0.2	0.9	0.7	0.5	0.0	0.1	0.1	0.1	0.0	-0.1
Contribution of identified flows	-1.7	-0.1	0.6	0.6	0.5	-0.1	0.1	0.1	0.1	0.0	-0.1
Primary deficit	0.6	0.4	0.4	0.3	0.1	0.0	-0.1	-0.1	-0.2	-0.2	-0.3
Noninterest revenues	22.5	22.5	22.4	22.4	22.5	22.5	22.4	22.4	22.5	22.5	22.7
Noninterest expenditures	23.1	22.9	22.8	22.6	22.6	22.4	22.3	22.3	22.3	22.3	22.4
Automatic debt dynamics	-1.9	-0.4	0.2	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3
Real interest rate and relative inflation	0.5	0.4	1.1	1.2	1.3	1.3	1.2	1.2	1.2	1.2	1.1
Real interest rate	0.0	-0.1	1.0	1.3	1.3	1.3	1.1	1.2	1.2	1.2	1.1
Relative inflation	0.5	0.5	0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Real growth rate	-1.1	-0.8	-0.8	-0.8	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9
Real exchange rate	-1.3	…	…	…	…	…	…	…	…	…	…
Other identified flows	-0.4	-0.1	-0.1	-0.1	0.0	-0.5	0.0	0.0	0.0	0.0	0.0
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(minus) Interest Revenues	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	-0.4	0.0	0.0	0.0	0.0	-0.4	0.0	0.0	0.0	0.0	0.0
Contribution of residual	-0.2	-0.1	0.4	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Gross financing needs	4.7	2.8	3.2	3.3	3.7	3.7	4.9	5.3	5.9	6.0	6.1
of which: debt service	4.1	2.5	2.9	3.1	3.7	3.8	5.1	5.5	6.1	6.2	6.4
Local currency	2.7	1.3	1.2	1.7	2.2	2.0	3.2	3.8	4.2	4.5	4.8
Foreign currency	1.4	1.2	1.6	1.4	1.4	1.8	1.9	1.7	1.9	1.7	1.7
Memo:											
Real GDP growth (percent)	3.4	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Inflation (GDP deflator; percent)	5.5	6.5	2.3	1.5	1.3	1.5	2.0	1.9	1.8	1.9	2.0
Nominal GDP growth (percent)	9.2	9.5	5.1	4.4	4.2	4.4	4.9	4.8	4.7	4.8	4.8
Effective interest rate (percent)	5.4	6.1	5.8	5.8	5.7	5.8	5.7	5.8	5.8	5.6	5.6

Contribution to Change in Public Debt

(Percent of GDP)



Commentary: Public debt is expected to stabilize over the medium term at a level higher than in 2025 owing to delays in implementing the fiscal consolidation envisioned in the revised fiscal rules. Real growth and interest dynamics underscore the importance of maintaining fiscal discipline in the future.

Source: Fund staff.

Figure 5. Peru: Public Debt Sustainability Analysis — Realism of Baseline Assumptions

Forecast Track Record 1/

	t+1	t+3	t+5
Public debt to GDP	🟩	🟩	🟩
Primary deficit	🟩	🟩	🟩
r - g	🟩	🟩	🟧
Exchange rate depreciaton	🟩	🟩	🟩
SFA	🟩	🟩	

Historical Output Gap Revisions 2/

	real-time	t+3	t+5
	🟩	🟩	🟩

Comparator Group:

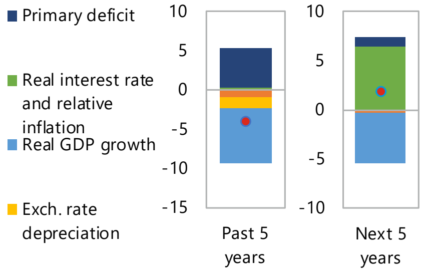
Emerging Markets, Commodity Exporter, Surveillance

Color Code:

Optimistic	🟥	> 75th percentile
	🟧	50-75th percentile
Pessimistic	🟩	25-50th percentile
	■	< 25th percentile

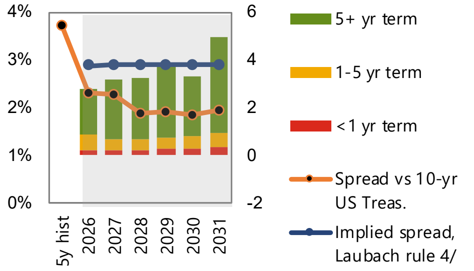
Public Debt Creating Flows

(Percent of GDP)



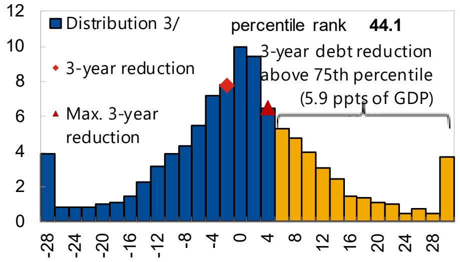
Bond Issuances

(Bars, debt issuances (RHS, %GDP); lines, average marginal interest rates (LHS, percent))



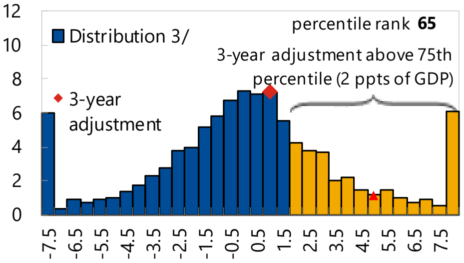
3-Year Debt Reduction

(Percent of GDP)



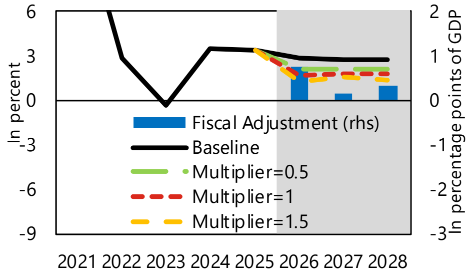
3-Year Adjustment in Cyclically-Adjusted Primary Balance

(Percent of GDP)

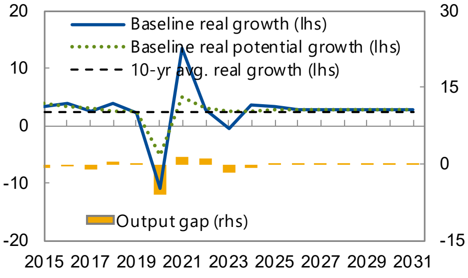


Fiscal Adjustment and Possible Growth Paths

(Lines, real growth using multiplier (LHS); bars, fiscal adj. (RHS) (In percent)



Real GDP Growth



Commentary: The realism analysis does not point to major concerns. The forecast track record for the main drivers does not reveal any systematic bias, and the projected fiscal consolidation is within norms. The real GDP growth forecast in the baseline is consistent with reasonable estimates of the fiscal multiplier, and converges to potential GDP growth over the forecast horizon.

Source: IMF staff calculations.

1/ Projections made in the October and April WEO vintage.

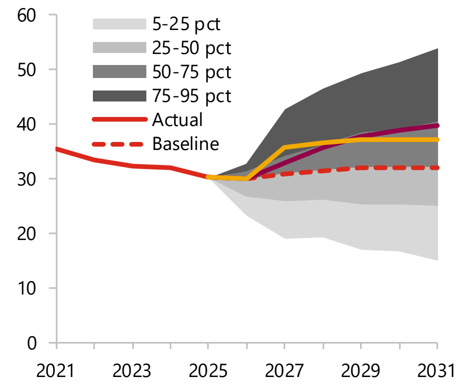
2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates).

3/ Data cover annual obervations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

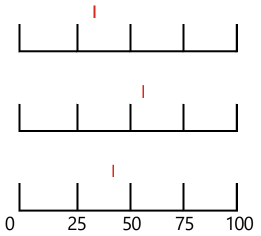
Figure 6. Peru: Public Debt Sustainability Analysis—Medium-Term Risk Assessment

Final Fanchart (Percent of GDP)

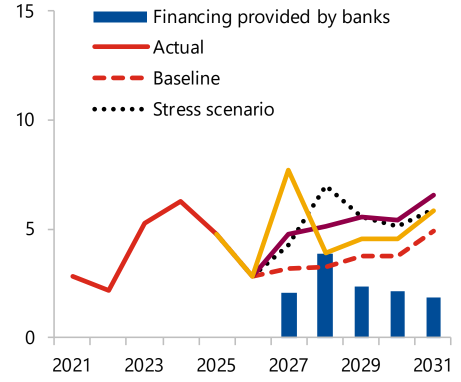


	Value	Contrib 1/
Debt fanchart module		
Fanchart width *(percent of GDP)*	38.9	0.6
Probability of debt non-stabilizaiton *(percent)*	58.7	0.5
Terminal debt-to-GDP x institutions index	19.9	0.4
Debt fanchart index (DFI)		1.5
Risk signal: 3/		**Moderate**

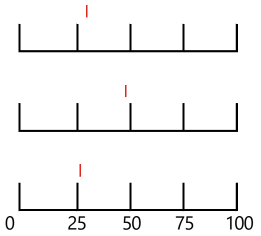
Percentile in peer group 2/



Gross Financing Needs (Percent of GDP)



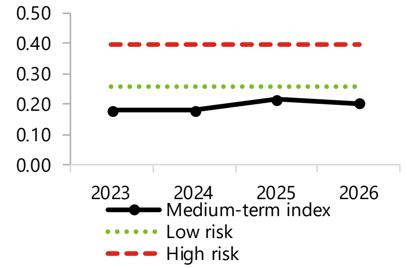
	Value	Contrib 1/
Gross financing needs (GFN) module		
Average baseline GFN *(percent of GDP)*	3.6	1.2
Initial Banks' claims on the gen. govt *(pct bank assets)*	5.0	1.6
Chg. In banks' claims in stress *(pct banks' assets)*	3.5	1.2
GFN financeability index (GFI)		4.0
Risk signal: 4/		**Low**



Triggered stress tests (stress tests not activated in gray)

Banking crisis ▇ Commodity prices Exchange rate Contingent liab. ▇ Natural disaster

Medium-Term Index (Index Number)



Medium-term risk analysis

	Value	Normalized value	Weight	Contribution
Debt fanchart index	1.5	0.3	0.5	0.2
GFN finaceability index	4.0	0.1	0.5	0.0
Medium-term index		0.2		
Risk signal: 5/		**Low**		
Final assessment:		**Low**		

Prob. of missed crisis, 2026-2031, if stress not predicted: 9.1 pct.
Prob. of false alarms, 2026-2031, if stress predicted: 52.3 pct.

Commentary: Of the two medium-term tools, the Debt Fanchart Module is pointing to a moderate level of risk, while the GFN Financeability Module suggests a low risk level, supported by low gross financing needs. Even under risk scenarios featuring adverse commodity price and natural disaster conditions, gross financing needs are expected to stay below or at levels comparable to those experienced during 2020.

Source: IMF staff estimates and projections.

1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.
2/ The comparison group is emerging markets, commodity exporter, surveillance.
3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.
4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.
5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

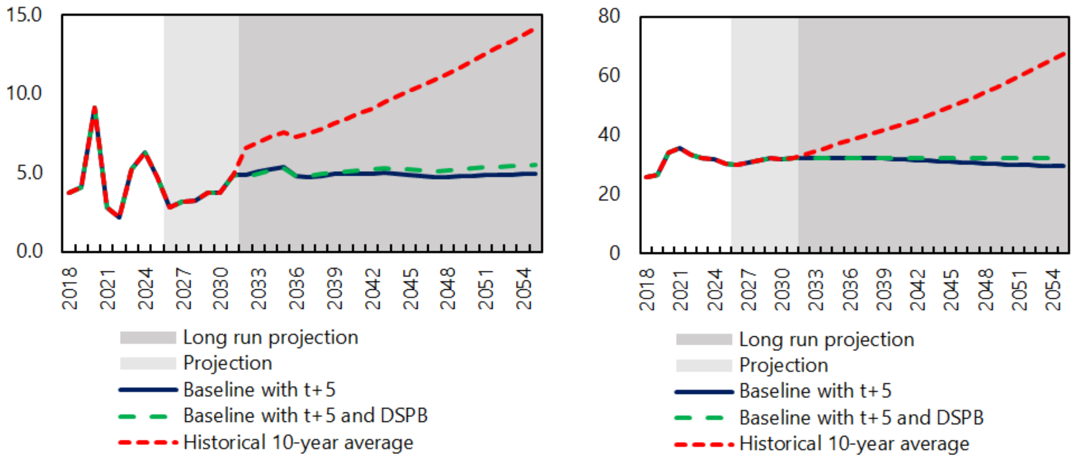
Figure 7. Peru: Public Debt Sustainability Analysis – Long-Term Risk Assessment – Large Amortization

Triggered Modules

Large amortizations	Pensions	**Climate change: Adaptation**	Natural Resources
	Health	Climate change: Mitigation	

Long-Term Risk Assessment: Large Amortization

Projection	Variable	Risk Indication
Medium-term extrapolation	GFN-to-GDP ratio	🟩
	Amortization-to-GDP ratio	🟥
	Amortization	🟥
Medium-term extrapolation with debt stabilizing primary balance	GFN-to-GDP ratio	🟩
	Amortization-to-GDP ratio	🟥
	Amortization	🟥
Historical average assumptions	GFN-to-GDP ratio	🟥
	Amortization-to-GDP ratio	🟥
	Amortization	🟥
Overall Risk Indication		🟥



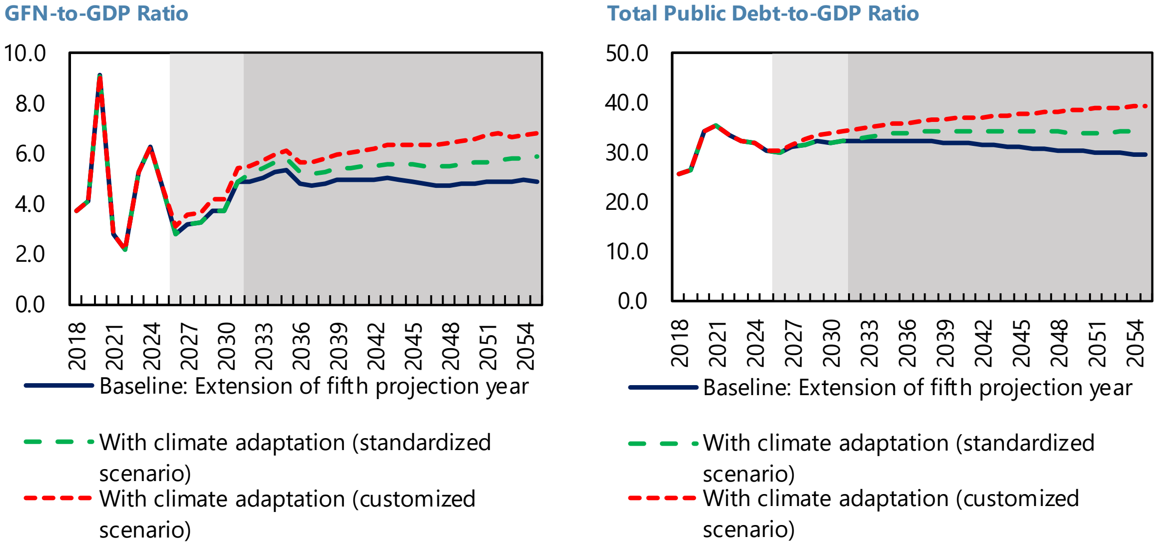
GFN-to-GDP Ratio

Total Public Debt-to-GDP Ratio

Commentary: Peru's low long-term risks reflect manageable gross financing needs, with average GFN ratios over the next 25 years below the 30th percentile of the 2025 distribution across market access countries, typically associated with low liquidity risks. Long-run amortizations, while high relative to Peru's own amortization history, will remain equally well manageable in GDP terms.

Source: Fund staff.

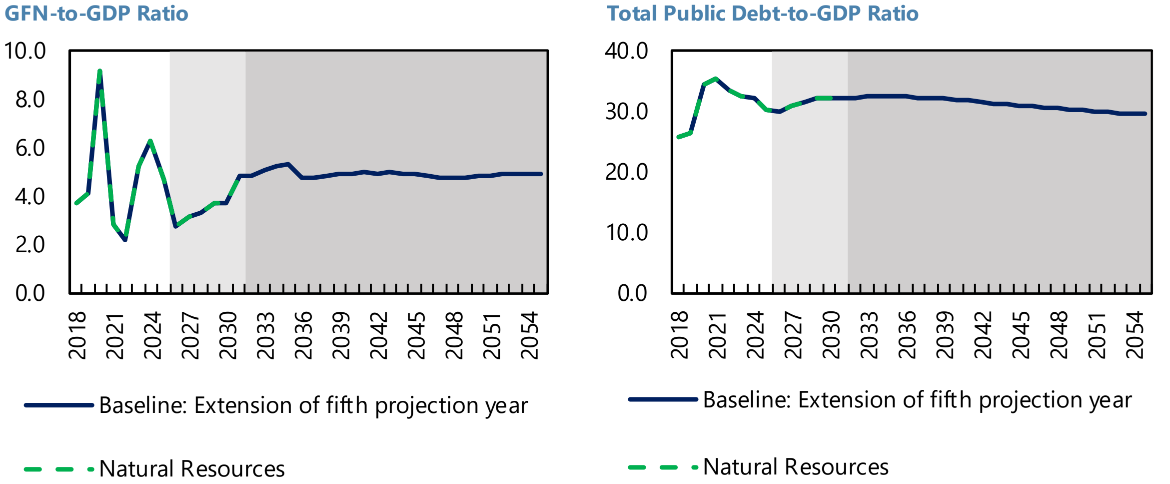
Figure 8. Peru: Public Debt Sustainability Analysis – Long-Term Risk Assessment – Climate Change: Adaptation



Commentary: Debt in the long run is expected to remain sustainable in light of climate adaptation risks, including in a custom scenario with more conservative assumptions on the impact on primary balances based the World Bank's CCDR model. Consolidation in line with the fiscal rules would help to secure fiscal buffers and prevent debt growth.

Source: Fund staff.

Figure 9. Peru: Public Debt Sustainability Analysis – Long-Term Risk Assessment – Natural Resources



Commentary: Debt in the long run is expected to remain sustainable in light of natural resource discovery and depletion risks. Consolidation in line with the fiscal rules would further help to secure fiscal buffers and prevent debt growth.

Source: Fund staff.

Annex IV. Risk Assessment Matrix

Risks	Likelihood	Expected Impact if Risk Materializes	Policy Response and Recommendations
Global Risks			
Protracted war in the Middle East. Energy prices substantially increase and remain at high levels in 2026 and 2027, impacting inflation expectations and leading to a significant risk-off episode.	**High**	**High**. Higher energy prices increase inflation, while second-round effects lead to higher inflation expectations, lower global growth, and tighter financial conditions, which reduce domestic demand and create volatility in the exchange rate.	Adjust monetary policy according to the assessed impact on inflation and inflation expectations. Allow the ER to play its role as a shock absorber. Provide fiscal support that is targeted to the most vulnerable, features clear sunset clauses, and avoids distorting hydrocarbon prices.
Protectionism and Trade Disruptions. Tariff and nontariff measures disrupt global supply chains, weighing on activity while increasing inflation. Trade diversion triggers broader protectionism.	**High**	**Medium.** Tariff and nontariff measures erode profit margins and distort investment decisions, which lower potential growth. Less diversified trading partners and supply-chain networks increase vulnerability to external shocks.	Advance structural reform agenda to boost investment and growth. Work with international community to foster cooperation on global issues. Engage with major trading partners to maintain open trade policies.
Commodity Price Volatility. Supply and demand imbalances—triggered by geopolitical tensions, coordinated production decisions, shifts in investor preferences, or structural changes in demand—fuel commodity price swings, amplifying external and fiscal pressures, social unrest, and macro instability.	**High**	**Medium.** Volatile import prices increase inflation and weaken private consumption. While higher commodity prices can strengthen exports, excessive volatility reduces confidence and adversely affects investment.	Adjust monetary policy according to the assessed impact on inflation and inflation expectations. Allow the ER to play its role as a shock absorber. Provide targeted fiscal support to the most vulnerable.
Disorderly AI Correction. An abrupt revision in expectations of strong AI-led productivity gains causes a sharp market correction, investment decline, and wealth loss, which suppress demand and tighten financial conditions globally.	**High**	**High.** Tight financial conditions and large capital outflows exert downward pressure on the ER.	Allow the ER to play its role as a shock absorber. ER interventions can be used to prevent excessive volatility. Accelerate efforts to support de-dollarization.
Policy Uncertainty. Elevated and wide-ranging policy uncertainty weighs on sentiment and holds back consumption and investment. Political interference in independent economic institutions erodes public confidence and trust and raises the risk of policy mistakes.	**High**	**High.** Depressed consumption and investment lower potential growth. Eroded public confidence and trust increase political fragmentation and reduce appetite for needed reforms.	Utilize the current favorable outlook to undertake needed reforms. Continue political reform to reduce political polarization and increase stability. Strengthen governance and enhance anti-corruption enforcement efforts to build public confidence and trust.

Risks	Likelihood	Expected Impact if Risk Materializes	Policy Response and Recommendations
Regional Geopolitical Tensions. Internal instability, including deterioration of the economic, political, and humanitarian crisis in Venezuela, may trigger commodity price and market volatility, increase migration pressures, reignite inflation, and weigh on growth by undermining confidence, investment, tourism, trade, and supply chains.	**High**	**Medium.** Migration flows create pressures on labor markets. Supply chain disruptions and volatility in import prices increases inflation and weakens private consumption.	Adjust monetary policy according to the assessed impact on inflation and inflation expectations. Allow the ER to play its role as a shock absorber. Provide targeted fiscal support to affected local populations and implement policies to integrate migrants into the formal labor force.
Domestic Risks			
Social unrest. Slowing economic growth and worsening citizen security amplify risks of social unrest. Political polarization and instability weaken policymaking.	**Medium**	**High.** Political uncertainty and social conflict erode confidence, stifle investment, and generate capital outflows. Low government effectiveness further erodes trust in key institutions and entrenches low growth.	Advance structural reform agenda to boost investment and growth. Continue political reform to reduce political polarization and increase stability. Strengthen governance and enhance anti-corruption enforcement efforts.
Extreme climate events. Extreme climate events driven by rising temperatures cause loss of human lives, severe damage to infrastructure, supply disruptions, lower growth, and financial instability.	**Medium**	**High.** Peru is highly vulnerable to natural disasters related to climate change. Damage to infrastructure, agriculture, and other producing sectors results in economic, social, and fiscal costs.	Promptly deploy resources to promote timely reconstruction and employ countercyclical policies as needed. Invest in resilient infrastructure and implement effective adaptation measures.
Insecurity and illegal mining. Persistently high levels of insecurity and illegal mining weaken the business environment.	**Medium**	**High.** A weaker business environment weighs on confidence and depresses private investment.	Implement a coordinated policy response to address illegal mining and insecurity to ensure a stable environment for investments.
Acceleration in private investment. Recent government initiatives revive private investment. High commodity prices accelerate and unblock large mining projects and reignite new investment.	**Medium**	**High.** Higher private investment accelerates potential growth.	Reform decentralization framework to increase spending efficiency of resource-based fiscal revenues. Advance structural reform agenda to secure a permanent increase in potential growth.

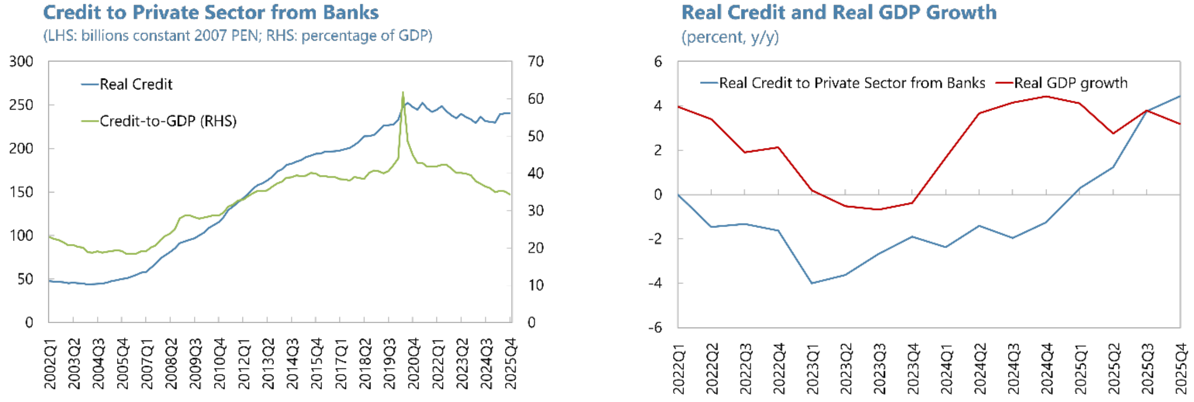
Note: The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly.

Annex V. Credit-less Growth?[1]

In recent years, credit to the private sector has been stagnant or decreasing. This development follows a period of sustained financial deepening extending until the mid-2010s, during which growth in credit and domestic demand had been closely correlated. The stalling of the long-term trend is possibly related to structural challenges to credit expansion, including high informality, low financial literacy, and limited usage and access to financial services. From a cyclical perspective, credit is estimated to be on a downturn. A structural VAR analysis indicates that several shocks have contributed to the cyclical decline since 2023, with demand for credit being the main driver; monetary policy tightening, stricter lending standards during a period of loan quality deterioration, and high business profitability in a context of favorable terms of trade are also estimated to contribute to the decline. The financial sector appears well poised to increase credit supply.

1. **In the recent context of historically high terms of trade and strong GDP and investment growth, credit to the private sector has remained stagnant.** Measured in real terms, bank credit to the private sector has remained mostly flat since the start of the pandemic, although some acceleration is observed in the last quarters of 2025. As a ratio to GDP, it has declined from 42 percent at end-2019 to 35 percent at end-2025 (Figure 1).

Figure 1.Peru: Credit to the Private Sector



Credit to Private Sector from Banks

(LHS: billions constant 2007 PEN; RHS: percentage of GDP)

Real Credit and Real GDP Growth

(percent, y/y)

Sources: BCRP, and IMF staff calculations.

2. **Other sources of funding, both domestic and foreign, have also been declining relative to GDP, indicating that there is no substitution away from domestic banks.** While domestic banks are the main credit providers in Peru, the private sector also obtains funds from other sources, including loans from other domestic financial institutions, issuance of corporate bonds, public stock

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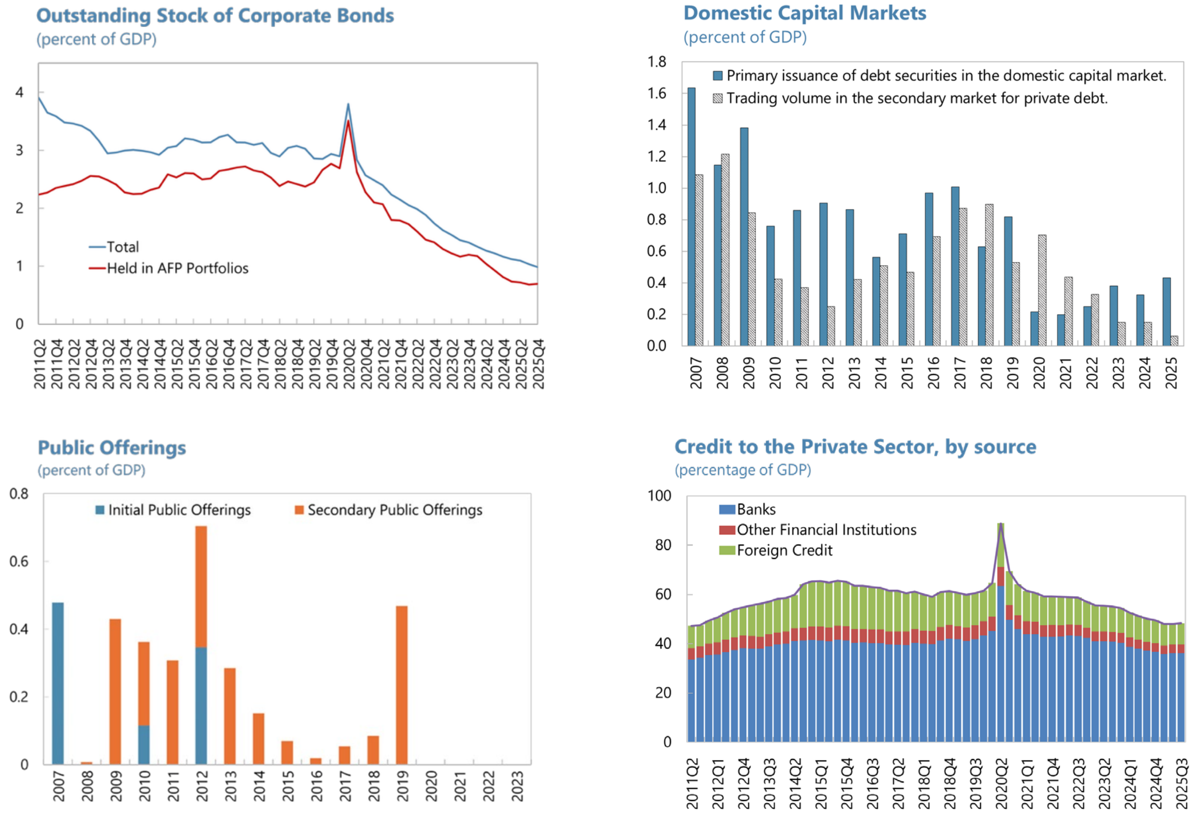
[1] Prepared by Mariano Spector (MCM).

offerings, and foreign funding.[2,3] The domestic market for corporate bonds has displayed a sharp decline in recent years as a result of the successive rounds of AFP withdrawals, given that AFPs hold the vast majority of domestic corporate bonds and AFP overall portfolios have declined from 22 to 10 percent of GDP between end-2019 and end-2025. Initial and secondary public stock offerings represent only a minor source of funds for Peruvian corporates. Meanwhile, credit from non-banks and credit from foreign sources have declined, respectively, from 6 to 3 percent of GDP and from 12 to 9 percent of GDP between end-2019 and end-2025. The remainder of this Annex focuses only on bank credit.

Figure 2. Peru: Other Sources of Funding



Outstanding Stock of Corporate Bonds (percent of GDP)

Domestic Capital Markets (percent of GDP)

Public Offerings (percent of GDP)

Credit to the Private Sector, by source (percentage of GDP)

Sources: BCRP, SMV, OECD Economic Surveys Peru 2025, and IMF staff calculations.

3. In order to analyze the long-term trend and the shorter-term cyclical position of credit in Peru, the credit-to-GDP ratio is decomposed using a two-sided HP filter, with sample

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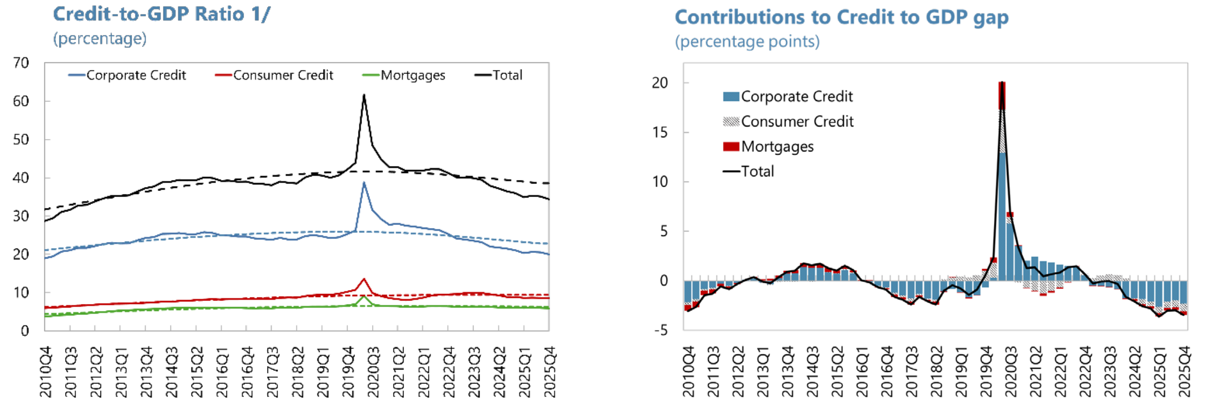
[2] The largest corporates in Peru can obtain foreign credit by issuing corporate bonds in foreign capital markets or through loans obtained directly from foreign banks abroad. These sources would typically not be available for smaller businesses, but these may still obtain funding from local branches of foreign banks.

[3] There is also an informal credit market in Peru, but a study from private sector analysts indicates that it is small relative to the formal sector, with about 2bn PEN of informal loans issued per year (IPE, *Créditos informales mueven al menos S/1,780 millones al año*).

window 2011-2025 and a smoothing parameter of 16,000.[4] While BIS recommends taking the HP trend with a 400,000 smoothing parameter—which would result in an almost linear trend—this calibration may not be adequate in the presence of sustained financial deepening in the early years of the sample. Therefore, the analysis in this Annex adopts a smaller smoothing parameter to better capture the credit cycle in Peru.

Figure 3. Peru: Credit-to-GDP: Trend and Cycle



Credit-to-GDP Ratio 1/
(percentage)

Contributions to Credit to GDP gap
(percentage points)

Sources: BCRP, and IMF staff calculations.
1/ Dotted lines represent the HP trend with smoothing parameter 16,000.

4. **The trend component displays sustained growth until 2015, subsequently stalling and becoming decreasing in the latter years of the sample.** The trend credit-to-GDP increased from 30 to 40 percent between 2011 and 2015. Since then, this process of financial deepening has stalled, possibly related to structural challenges to credit expansion such as the high level of informality in labor and real estate markets, limited financial literacy, and limited usage and access to financial services. In a cross-country comparison, Peru lags behind the global distribution of commercial bank loans-to-GDP in the household and SME credit segments—the segments that tend to be most affected by these structural challenges—while it is close to the median of the distribution in other types of commercial bank loans (Figure 4).

5. **Digital finance has increased access to financial services.** The share of the population with financial accounts has grown considerably over the last decade as a result of the rapid adoption of mobile money accounts. Thus, digital finance may be helping to ease some of the structural challenges to financial access in Peru (2024 Selected Issues Paper). However, the conversion from account ownership into credit issuance appears incipient, as banks are exploring how to use the transactional data generated by digital payments to provide micro and small loans (Figure 4).

6. **From a cyclical perspective, credit is on a downturn, with the credit-to-GDP gap at - 3.5 percentage points in 2025Q4.** At the onset of the pandemic, the credit-to-GDP gap sharply increased mainly due to a decline in the denominator (i.e., GDP) but also due to an increase in corporate credit as a result of various government programs such as Reactiva Peru. Since then, the credit-to-GDP gap has declined, reaching a trough of -3.6 percentage points in 2025Q1 and

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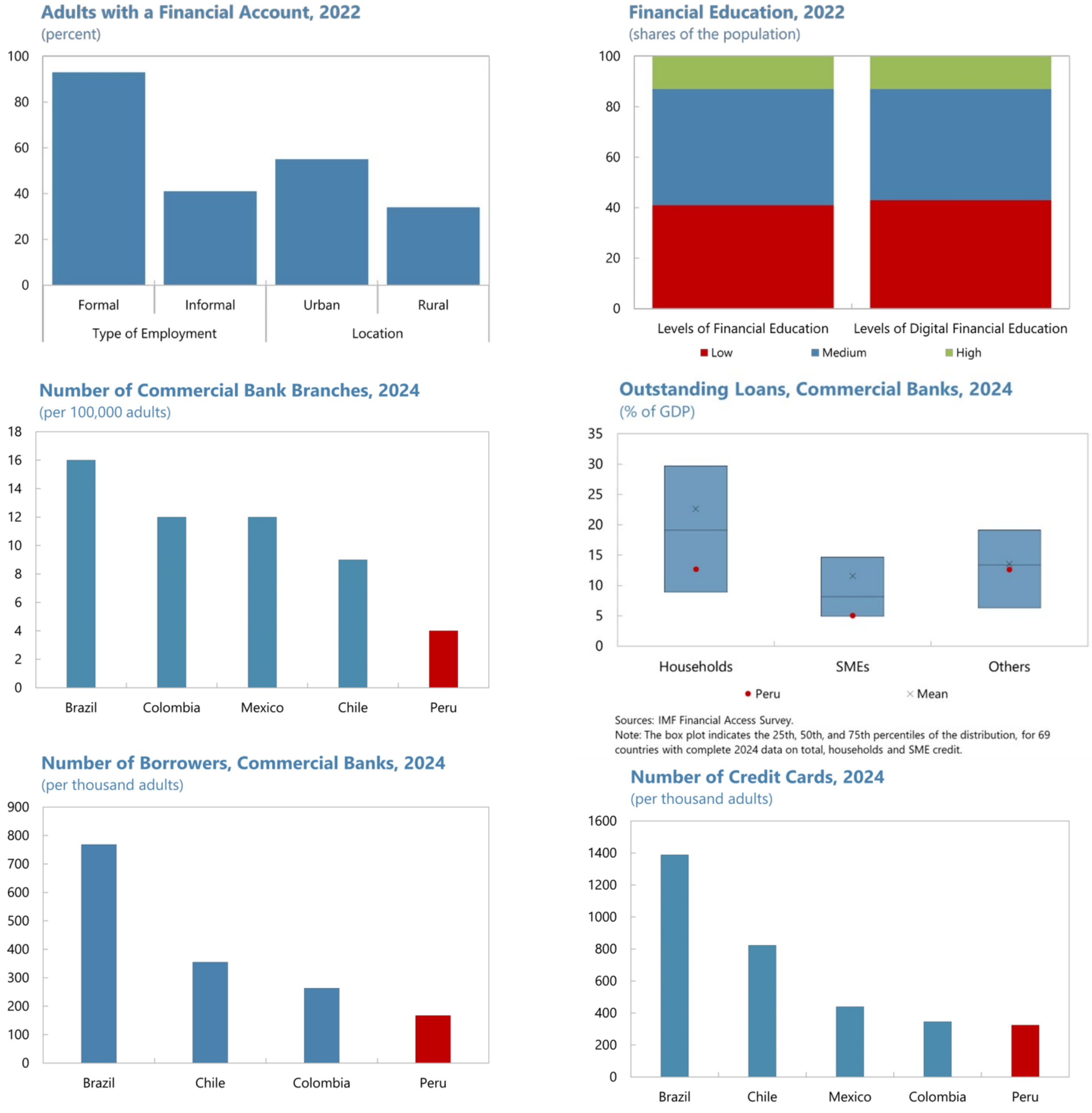
[4] If the outlier observation in 2020Q2 were removed, the overall picture would be mostly unchanged.

displaying a mild rebound thereafter. While all the three segments of the loan portfolio (corporate, consumer, and mortgage) contribute negatively to the credit gap in 2025, the vast majority of this gap is explained by corporate credit.[5]

Figure 4. Peru: Structural Challenges to Financial Deepening



Adults with a Financial Account, 2022
(percent)

Financial Education, 2022
(shares of the population)

Number of Commercial Bank Branches, 2024
(per 100,000 adults)

Outstanding Loans, Commercial Banks, 2024
(% of GDP)

Sources: IMF Financial Access Survey.
Note: The box plot indicates the 25th, 50th, and 75th percentiles of the distribution, for 69 countries with complete 2024 data on total, households and SME credit.

Number of Borrowers, Commercial Banks, 2024
(per thousand adults)

Number of Credit Cards, 2024
(per thousand adults)

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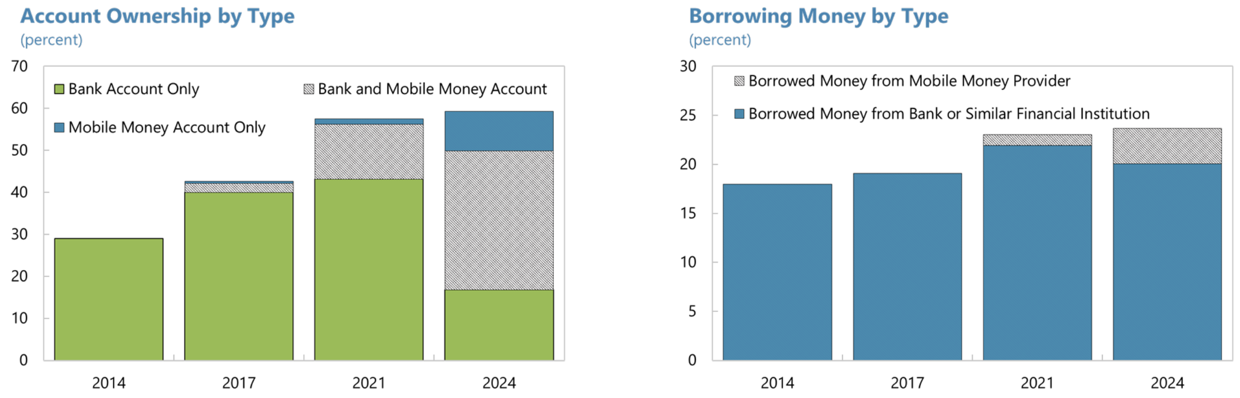
[5] In this Staff Report, corporate credit refers to credit to NFCs of any size. This is a different terminology than the one used by SBS, which uses the term "*credito corporativo*" to refer only to credit to the largest NFCs.

Figure 4. Peru: Structural Challenges to Financial Deepening (Concluded)



Account Ownership by Type
(percent)

Borrowing Money by Type
(percent)

Sources: SBS; CAF; IMF Financial Access Survey; and WB Findex.

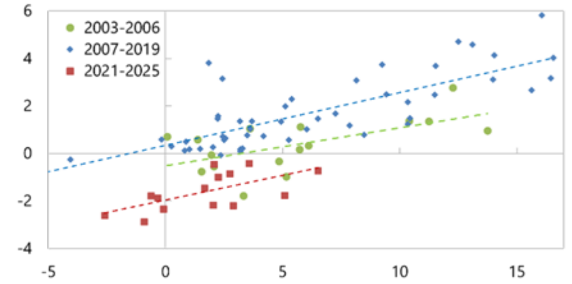
Credit-less Growth?

7. **The econometric analysis in the remainder of this Annex uses domestic demand (DD), instead of GDP, as a measure of aggregate activity.** The motivation for this modeling choice is that GDP may have additional volatility due to changes in net exports in response to global commodity prices. However, the overall results of the analysis do not change significantly when using GDP.

8. **A regression analysis is conducted to examine whether the recent stagnation of credit in a context of strong growth in economic activity represents a deviation from historical patterns.** The dependent variable in the simple regression analysis is the change in the credit-to-DD ratio, while the independent variable is the DD growth. Two dummies are added for the pre-Global Financial Crisis (GFC) and post-pandemic periods, both on their own and interacted with DD growth. The results of the regression are displayed in Table 1.

Domestic Demand and Credit-to-Domestic Demand

(x-axis: percent; y-axis: percentage points)



Sources: BCRP; and IMF staff calculations.
Note: The scatter plot uses quarterly observations. The x-axis shows the growth rate of domestic demand between periods t and t-4. The y-axis shows the change in percentage points of the credit-to-DD ratio between t+4 and t. Observations corresponding to 2020Q2 and 2020Q3 are excluded.

Table 1. Peru: Regression Results

	Change in Credit-to-DD Ratio
Domestic Demand Growth	0.222***
Pre-2007 x Domestic Demand Growth	-0.0624
Post-2020 x Domestic Demand Growth	-0.0136
Constant	0.345*
Pre-2007	-0.858*
Post-2020	-2.307***
R-squared	0.768
N	80

* p<0.10, ** p<0.05, *** p<0.01

Source: IMF staff calculations.

9. Historically, higher growth rates in domestic demand have been associated with an increase in the credit-to-DD ratio. After the pandemic, however, the statistical relation has shifted downwards, indicating a period of "credit-less" growth. One additional percentage point of growth in DD has been associated with a 0.22 percentage point increase in the credit-to-DD ratio.[6] However, the constant of the regression has shifted by -2.3 percentage points in the post-pandemic period. In this sense, despite the strong growth in economic activity, we observe a "credit-less" growth after the pandemic. The constant of the regression is also lower than in the pre-GFC period, when Peru also experienced booming TOT.

Drivers of the Cyclical Downturn of Credit

10. A sign-restricted Structural VAR (SVAR) model was used to identify the structural shocks driving the recent cyclical decline in corporate credit. The analysis focuses on corporate credit from domestic banks, taking into consideration data availability and given that this segment is the main driver of the credit-to-DD gap (Figure 3) and that we do not observe a substitution towards other sources of credit. The SVAR includes five endogenous domestic variables and one exogenous global variable:

i. **Real credit from banks to non-financial corporates:** The series is expressed in logs and detrended using an HP filter with smoothing parameter 16,000. Outstanding volumes of credit denominated in domestic and foreign currency are summed using a constant exchange rate (chain-linked). Credit is expressed in real terms by dividing nominal credit by the DD deflator.

ii. **Real domestic demand:** The series is expressed in logs and detrended using an HP filter with smoothing parameter 16,000.

iii. **Inflation:** The series is defined as the year-on-year growth rate of the DD deflator.

iv. **Policy interest rate:** The series corresponds to the reference rate determined by the BCRP.

v. **Interest spread:** The series corresponds to the difference between the preferential lending rate for corporates with 90-day maturity and the interbank rate. The preferential rate is the lending rate for NFCs with the highest creditworthiness and is chosen as a proxy for a "risk free" rate for corporate loans. The interest spreads for PEN and USD are combined into a single variable using an exposure-weighted average.

vi. **Copper price:** This variable is included as exogenous in the SVAR as Peru can be considered a small open economy, and it is chosen due to the importance of copper for Peru as the main export commodity.

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[6] The interaction terms between the slope and the dummies for the pre-Global Financial Crisis and the post-pandemic periods are statistically insignificant.

The following specification was used for the SVAR: estimated at quarterly frequency with sample period 2011Q1-2025Q3, only aggregate variables were used (i.e., no institution-level data), with stochastic volatility, and allowing for up to two quarterly lags.

Figure 5. Peru: Variables Included in the SVAR

Real Credit
(log deviation from HP trend)

Real Domestic Demand
(log deviation from HP trend)

Inflation
(percent, y/y)

Policy Rate
(percent)

Interest Spread
(percentage points)

Copper Price
(log deviation from HP trend)

Sources: BCRP; and IMF staff calculations.

11. Sign restrictions were used to identify four structural shocks:[7] a credit supply shock, an aggregate demand shock, an aggregate supply shock and a monetary policy shock. Table 2 displays the sign restrictions, which are motivated by previous papers in the literature of sign-restricted VARs and standard macro models.

Table 2. Peru: SVAR Sign Restrictions

	Shocks			
	Credit Supply	**Aggregate Demand**	**Aggregate Supply**	**Monetary Policy**
Real Credit	+	+	+	+
Real Domestic Demand	+	+	+	+
Inflation		+	-	+
Policy rate	+	+		-
Interest Spread	-	+		

Source: IMF staff calculations.

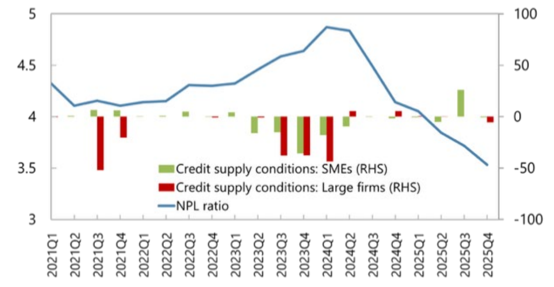
12. The Historical Decomposition (HD) indicates that various factors have contributed to the cyclical decline in corporate credit, with subdued credit demand being the main driver (Figure 6):

- Aggregate demand and aggregate supply shocks have the largest negative contribution in 2024 and 2025. This indicates that demand for credit has been subdued in recent years as aggregate output has been affected by various shocks, such as heightened political uncertainty, adverse climate events, geopolitical tensions, increasing insecurity, and worsening illegal mining which discourages private investment (staff's selected analytical work). Abundant liquidity from AFP withdrawals may also contribute to subdued demand for credit, although this effect may be more prominent in household than corporate segments.

- Credit supply shocks had a positive contribution to corporate credit during 2020-2022, as various government programs were implemented to stimulate credit, especially to medium-sized businesses (e.g., Reactiva). During 2023-2025, the contribution has turned negative, which is consistent with the more conservative credit standards set by banks due to a deterioration in credit quality, as reflected in SBS's banking surveys (text figure). However, the magnitude of the negative contribution during 2023-2025 is small, which suggests that credit supply has not displayed a sizeable contraction, possibly because the banking sector

Banking Survey: Credit Supply Conditions

(LHS: percentage; RHS: index)



Source: SBS.

Note: The credit supply conditions index is obtained from the banking survey EPEMEC. It is a weighted average of favorable, neutral, and unfavorable survey responses (which are assigned values of 100, 0, -100 respectively).

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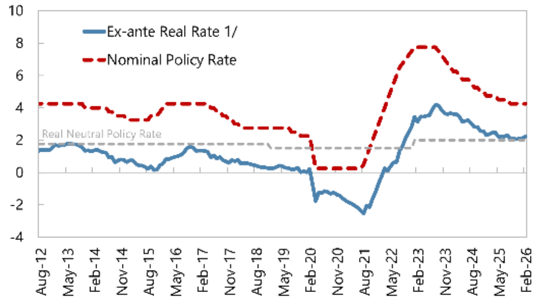
[7] Sign-restrictions are imposed for quarters 0 through 3 after the shock.

has maintained ample capital buffers even during a period of low profitability during the pandemic.

- Monetary policy was supportive of credit growth during 2020-2021, as the BCRP decreased the policy rate during the pandemic. However, monetary policy became contractive during the subsequent years during the BCRP's hiking cycle. The contribution of the monetary shock in the HD becomes close to zero in 2025 as the policy rate approaches its neutral rate.

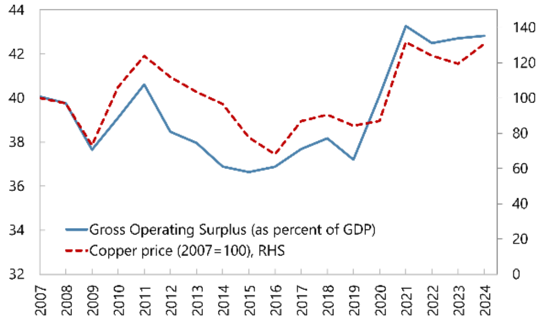
- The boom in copper prices is estimated to have a negative contribution to corporate credit during 2023-2025: as shown by the Impulse Response Function (Figure 7), credit declines in the quarters following an increase in copper prices. From national accounts, it can be observed that copper prices have a high positive correlation with the gross operating surplus of firms (text figure). This suggests that firms may need to borrow less in a context of higher profitability because they can fund their expenditure from retained earnings.[8]

Monetary Policy Rate
(percent)



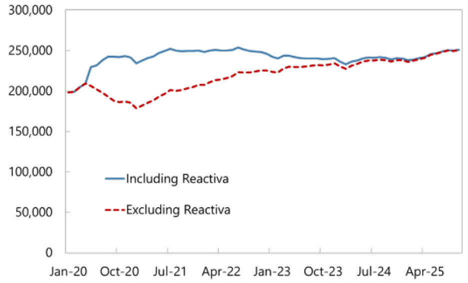
Source: BCRP; and Haver Analytics.
1/ Calculated using 12m-ahead headline inflation expectations.

Business Profits and Copper Price
(left: percent of GDP; RHS: 2007=100)



Sources: Haver; INEI; and IMF staff calculations.

Bank Corporate Credit
(million PEN)



Source: BCRP; and IMF staff calculations..

Robustness of Results

13. The HD for the credit-to-DD ratio yields similar conclusions as the HD for real credit. Since real credit and real DD enter the SVAR in logs, the difference of their respective HDs immediately provides a HD for the log of the credit-to-DD ratio (Figure 6). The overall picture is the same as before, with all shocks having a negative contribution in late-2024 and 2025. However, in this case there is a larger unexplained component, suggesting that the SVAR model performs better at explaining credit than it does at explaining aggregate output.

14. The main conclusions of the analysis are also robust to excluding credit from the Reactiva program. Excluding Reactiva, corporate credit declines sharply at the beginning of the

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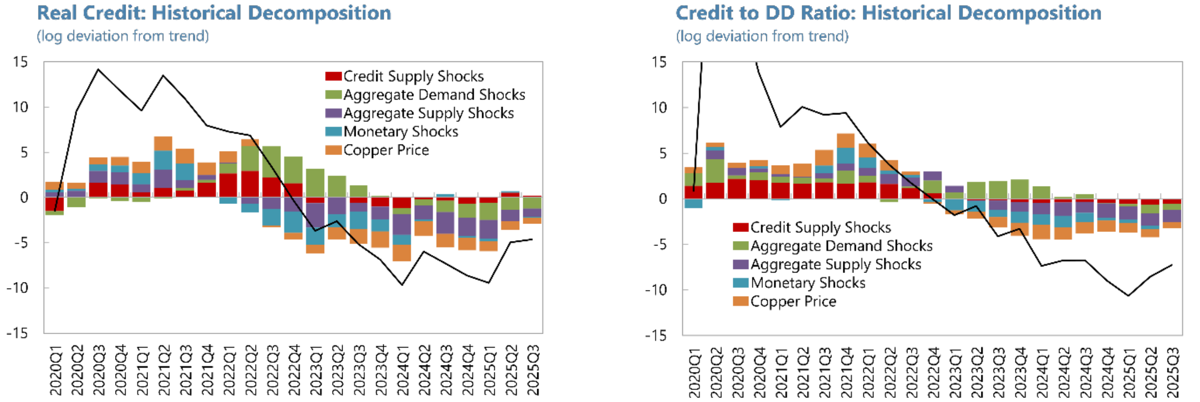
[8] It should be noted, however, that other studies have found a positive correlation between credit growth and terms of trade in Peru (see, for example, Box 7 of BCRP's March 2026 "*Reporte de Inflación*"). While the evidence presented here is suggestive of a connection between copper prices and the self-financing of investment, future research could further explore this link.

pandemic (text figure), suggesting some substitution, i.e., credit that would have been granted regardless of the program migrated to Reactiva. Therefore, by excluding this program, the post-pandemic period tends to display additional credit growth as Reactiva loans are unwound. Yet, the main conclusions are unchanged: the long-term trend of bank credit behaves similarly, and bank credit is still estimated to be on a cyclical downturn, although with a quantitatively smaller gap (credit-to-GDP gap of -1pp by end-2025). Moreover, the HD from the SVAR still points to credit demand as the main driver of the cyclical decline.

Figure 6. Peru: Credit to the Private Sector



Real Credit: Historical Decomposition
(log deviation from trend)

Credit to DD Ratio: Historical Decomposition
(log deviation from trend)

Source: IMF staff calculations.

Conclusion

15. There are several policy implications from the analysis conducted in this Annex:

- **Addressing structural challenges, such as labor informality and low financial literacy, could help restart the process of financial deepening.** The trend component of the credit-to-GDP ratio, which displayed sustained growth until around 2015, subsequently stalled and later turned decreasing. Authorities should continue to promote competition and innovation, while maintaining appropriate risk-based regulation, for example by promoting Open Banking and Finance frameworks.

- **Policymakers can promote the diversification of funding sources by avoiding further rounds of AFP withdrawals and easing firms' access to capital markets.** Other sources of funding beyond credit from domestic banks have displayed a decline in recent years. In this sense, the roadmap presented by the SMV in March 2025 is a welcome development.

- **Maintaining a neutral position in terms of counter-cyclical policies for the banking sector remains appropriate.**[9] As shown by the SVAR analysis, credit supply shocks have a minor contribution to the cyclical decline in credit.

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[9] Notwithstanding the current downturn, authorities should revise the activation criteria for counter-cyclical policies ahead of potential future upswings in the credit cycle (see paragraph 24).

- **Finally, structural policies to increase GDP growth could also boost credit demand.** For instance, addressing issues of insecurity and illegal mining would boost investment and possibly increase demand for domestic financing.

Annex VI. Implementation of FSAP Recommendations

FSAP Key Recommendations	
Recommendations	**Update on Progress**
Systemic Risk and Macroprudential Policy	
Increase capital surcharges for systemic banks to levels in line with Basel III framework; increase countercyclical provisioning for smaller banks. (SBS) (ST)	New regulations were issued in June 2024 for countercyclical provisions and capital surcharges in line with Basel III framework. In addition, a new methodology was established by the SBS for determining buffers for concentration (single debtor, economic sector, and geographic area). A more risk sensitive provisioning scheme has been developed, requiring higher countercyclical provisions for SME portfolio. In March 2022, the General Law was changed to align the composition of regulatory capital to Basel III. All the related regulation was issued in December 2022 and is active as of January 2023. Systemic risk buffers will be completely phased in 2024 and conservation buffers in 2026.
Enhance the monitoring of off-balance-sheet exposures of banks. (SBS) (IT)	SBS monitors the development of deposit institutions including their off-balance-sheet exposures. SBS issued in 2023 rules for a standardized report of credit commitments.
Increase foreign currency lending risk weights in line with Basel III guidelines. (SBS) (ST)	An 8-percent increase in capital surcharges is currently applied to exposures subject to unhedged credit risk. The SBS has also introduced a resolution, to take effect in June 2026, standardizing the definition of unhedged credit exposures.
Introduce new risk-monitoring tools, such as growth-at-risk, systemic risk analysis, and corporate sector stress testing; give enhanced mandate for macroprudential policy to BCRP and SBS; implement Memorandum of Understanding between BCRP and SBS to strengthen coordination. (BCRP/SBS) (ST/MT)	The growth at risk methodology and a granular risk model for corporate debtors have been incorporated in the stress test model. BCRP and SBS hold a quarterly meeting for information sharing. A systemic risk monitoring framework was implemented to timely identify vulnerabilities and systemic risks in the Peruvian financial system, aligning this identification and monitoring process with the recommendations of the International Monetary Fund and the World Bank.
Financial Sector Oversight	
Banks	
Amend legal framework to grant SBS powers to exercise full consolidated supervision. (SBS) (MT)	A draft law amendment for holding companies has been prepared. It needs to be approved by Congress.
Enhance financial group supervisory and regulatory approach regarding (i) group governance and risk-management requirements; (ii) consolidated capital adequacy and liquidity risk-management	The SBS requires and assesses detailed group-wide risk management reports; additionally, these reports have been reviewed, and governance topics have been assessed in on-site inspections during 2025; likewise, the SBS is working on modifying the Risk Management Regulations so that the scope

FSAP Key Recommendations	
Recommendations	**Update on Progress**
assessment; (iii) establishing a lead supervisor; and (iv) establishing a supervisory group rating. (SBS) (ST)	also applies to groups (i). The SBS requires and assesses capitalization plans when group capital is below the regulatory minimum as well as liquidity stress tests and contingency plans at group level (ii). The SBS leads consolidated supervision because of the largest supervised firm within a financial group ("lead firm") is effectively responsible for submitting consolidated information to the SBS (iii). A methodology for classifying groups is being developed (iv).
Implement requirements for recovery and resolution planning for D-SIBs, as well as for financial groups. (SBS) (MT)	The SBS has received the recovery plans from D-SIBs (approved by the Board of Directors) and has conducted a general review of their compliance. However, the strategies for implementing the requirement and assessing the recovery plan are still under evaluation. Requirements for resolution planning are still in progress.
Strengthen legal protection of all SBS staff in line with international best practice. (MEF) (MT)	A draft law amendment including SBS staff legal protection had been prepared. In 2025, however, SBS adopted the view that the current legal framework provides an adequate level of legal protection for supervisors. Nevertheless, SBS considers that the regulatory framework regarding legal defense could be improved and is currently evaluating some improvements by internal resolutions: (i) including more proceedings, such as arbitration proceedings and police investigations. (ii) clarifying exclusions: legal defense shall not apply in cases of willful misconduct, gross negligence, or when the SBS itself is the plaintiff; and (iii) expanding the scope of coverage: to include third parties involved in companies' exit schemes and members of the Deposit Insurance Fund.
Strengthen the SBS's internal governance and control framework by enhancing the Internal Audit Function, including the establishment of an Internal Audit Committee. (SBS) (ST/MT)	The functions of the Internal Control, Risk and Compliance Committee at SBS were expanded to include internal risk management, information security, and compliance with regulations. The Ethics Tribunal was conformed. A good governance model with appropriate levels of authority, responsibility, accountability and control mechanisms was established and formally approved in 2021.
Finalize the review of the current methodology for the calculation of the additional capital requirements as planned; enhance the activation trigger of the countercyclical buffer and enhance the systemic and single name risk buffers. (SBS) (ST)	Regulatory changes have been completed on: (i) regulatory capital requirement for systemic risk, (ii) reduction of the trigger that activates the rule for countercyclical provisioning and capital requirement (from 5 to 4 percent) and (iii) capital requirements for additional risks. The capital conservation buffer (CCoB) was implemented in 2023, with an adjustment schedule aiming to reach 2.5 percent by December 2026. A review of the cyclical rule based on the credit-to-GDP gap indicator is in place to better align with international standards.

FSAP Key Recommendations	
Recommendations	**Update on Progress**
Insurance	
Implement risk-based supervision for all insurers and brokers. (SBS) (ST)	Risk-based supervision model for insurance companies is applied since 2019-2020. For insurance brokers, a pilot risk-based supervision model was implemented in 2022, and the final framework was approved in February 2024.
Cooperatives	
Design a deposit-insurance system after passage of law to bring financial cooperatives under supervisory umbrella of SBS. (BCRP, MEF and SBS) (MT)	The regulation for a deposit-insurance system has been approved and the premiums began to be collected. The insurance started to provide coverage in January 2025 to those cooperatives that have complied with 24 contributions (2 years of premiums).

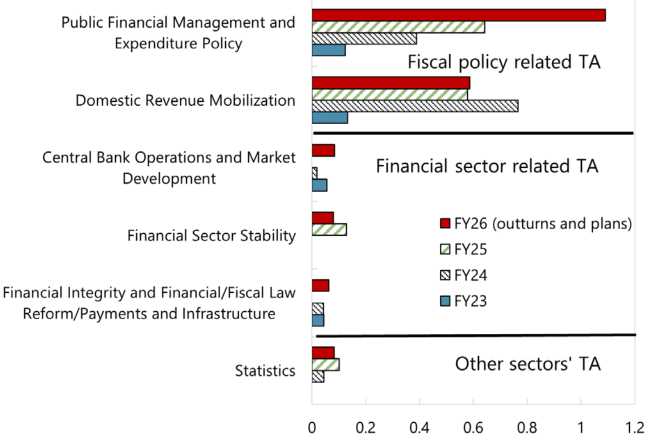
Annex VII. Update on Peru's Capacity Development Strategy

1. Peru's policy frameworks and institutions continue to strengthen thanks to Fund's CD. Despite political uncertainties and technical staff turnover, institutional engagement remains strong. Delivery combines frequent on-the-ground technical assistance (TA) short-term visits and online meetings, along with long-term expert (LTX) engagement. In line with previous AIV recommendations and the authorities' priorities, CD has focused on revenue and customs administration, public financial management, financial technology, cybersecurity, and AML/CFT risks. Special attention has been devoted to statistical reporting, with collaborative efforts to update Peru's public sector accounting and address its climate challenges.

1. Partner collaboration has been equally strong, with detailed policy analysis and reform advice provided by the World Bank, the IDB, and the OECD as Peru progresses towards OECD membership.

Key Areas of Focus for Fund CD

CD Delivery by Workstream, FY23–FY26
(US$ millions)



Source: CDMAP; and IMF staff calculations..

- *Revenue and Customs Administration:* Ample CD activity and funding over the past decade and especially in the post-pandemic period align with the authorities' commitment to fiscal consolidation and an efficient and fair tax enforcement system. SUNAT's institutional maturity has played a pivotal role in its modernization efforts, even amid ongoing political instability, and has allowed the administration to support other revenue agencies in AFR and WHD. The 2022-2026 SECO funding program has been instrumental in embedding compliance risk management (CRM) into SUNAT's daily operations. Compliance Improvement Plans (CIPs) now address most priority areas, with risk analyses incorporated across various tax types and market segments. SUNAT is also working to publish service standards and its compliance program as part of CRM, while accelerating the development of metrics to assess taxpayer satisfaction and trust. On the customs side, CD has helped to make clearance more efficient and reduced corruption opportunities without compromising revenue collection and security. New CD-inspired tools help SUNAT to segment importers by size and risk, enabling targeted analysis of high-risk sectors. As a result, less than 10% of shipments are selected for inspection based on risk analysis, aligning with international best practices. The SECO project will conclude with a TADAT mission in the spring of 2026 to assess CD results.

- *Public Financial Management (PFM*): With more than ten missions over the last decade, FAD continues to provide CD on PFM reforms to support Peru's track record of sustainable fiscal policy and the authorities' commitment to disciplined fiscal management. The 2022-2027 SECO project builds on previous SECO-supported PFM projects since 2010. Most recently, CD has devoted special attention to strengthening MEF's institutional capacity in five areas: (i) strengthening the budget department's organizational structure; (ii) better integration of the medium-term and annual budgets; (iii) the roll-out of a Public Investment Management Assessment (PIMA) mission in 2025, including its climate change module (C-PIMA), providing further encouragement for the introduction of green budgeting and climate considerations in PFM; (iv) the implementation of FAD 2018 Fiscal Governance recommendations to enhance fiscal transparency and efficiency across levels of government; and (v) reinforcing performance budgeting with SDG budgeting and a gender lens through the budget cycle. Support was also provided on fiscal risk management, including at the policymaking and budget formulation stages and with special focus on subnational governments and Public-Private Partnerships (PPPs), as well as on assets and liabilities management at the Treasury with the aim of achieving better integrated cash and debt management and digitalization. A long-term PFM expert has been deployed in Lima since February 2024.

- *Tax and Expenditure Policies:* CD on tax policy (TP) has advised the Peruvian authorities on how to establish a sustainable and efficient taxation of economic activities, addressing the presence of several tax regimes and the importance of natural resource extraction. Recent support has been provided on mining TP, the distribution of mining revenues to subnational governments, the taxation of capital gains, and the taxation of digital services, which anticipated the extension of the VAT to digital services at end-2024. Expenditure policy (EP) TA has most recently focused on pension system analysis, accompanying the adoption and implementation of the 2024 pension reform. An extension to April 2027 of the EP-related SECO funding is currently under evaluation.

- *Financial Supervision, Central Bank Operations, and Financial Market Development*: MCM has supported Peru with several TA initiatives responding to the authorities' desire to modernize central banking operations and to better manage risks in the financial sector. Most recently, CD focus has been on the appropriate development of financial technologies, including cyber-risk management and digital payments. In 2024, a technical assistance mission advised the SBS on developing a comprehensive cybersecurity strategy for the financial sector. A follow-up mission in 2025 presented the findings and recommendations to senior officials, provided training on cyber risk supervision, and conducted a cyber crisis simulation exercise. Peru has also received support in its efforts to improve its digital payments landscape. While the IMF has been providing Technical Assistance to BCRP on CBDC since 2021, the mission conducted in 2025 took a broader approach by including both CBDC and Fast Payment Systems. The topics covered included the interaction between these platforms and key governance and organizational issues. Furthermore, at the request of the SBS, the IMF conducted in 2025 a targeted desk review of its new organizational structure against international good practices and selected international standards.

- *Climate Statistics*: STA, with SECO support, has been assisting Peru under a two-year program launched in 2023 to strengthen environmental and climate change statistics, focusing on developing internationally comparable energy and air emissions accounts that can inform climate-conscious policymaking. Following a series of TA missions over the last two years and Peru's participation in a UN training workshop, INEI has begun compiling these accounts with broad collaboration across government bodies. CD emphasized improved data sharing, coordination mechanisms, and alignment with national accounts concepts such as the residence principle. Experimental 2019 energy flow and air emissions accounts were released in July 2025, including detailed methodology and indicators. Subsequent missions supported data validation, dissemination strategies, and the preparation of metadata, as well as preliminary accounts for the 2020-2022 period. Final adjustments—particularly on fuel allocation and sectoral consistency—are underway, with full publication of updated accounts and metadata planned for March 2026.

- *Government Finance Statistics*: STA continues to provide CD to strengthen Peru's GFS and align it with GFSM 2014. Recent CD focused on completing the transactional coverage of general government financing and equity transactions to address above- and below-the-line discrepancies, as well as review financial asset and liability positions to develop financial equity time series. Ongoing efforts aim to provide practical guidance on recording PPPs, valuing non-produced assets, and quantifying contingencies.

CD Priorities Going Forward

2. In the near term, Fund CD will continue to support the Peruvian authorities in strengthening their frameworks and administrative infrastructure in several of the previously addressed domains. CD to the revenue administration will continue to focus on CRM, taxpayer trust, the development of mining CIPs, and tackling VAT fraud. PFM assistance will continue in the areas of public investment management, fiscal risks, asset and liability operations, mainstreaming climate, and digitization. Tax and expenditure policy CD will cover an assessment of the fiscal regime for mining and the smooth functioning of social security systems, respectively. TA in the monetary and financial domain will include a follow-up mission on cyber risks in 2026. Statistical assistance will continue to support the GFSM 2014 and public sector debt statistics (PSDS) compilation, while also helping Peru to develop its environmental accounts and macro-relevant indicators that can address climate change in a timely manner.

Annex VIII. Data Issues

(As of March 2, 2026)

Table 1. Peru: Data Adequacy Assessment for Surveillance

Data Adequacy Assessment Rating 1/

B

Questionnaire Results 2/

Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral	Median Rating
	A	B	B	B	B	B	B
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	B	B	B	A	B		
Granularity 3/	A		A	B	B		
			B		B		
Consistency			B	B		B	
Frequency and Timeliness	A	A	A	A	A		

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.

1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.

2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF Review of the Framework for Data Adequacy Assessment for Surveillance, January 2024, Appendix I).

3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

A	The data provided to the Fund are adequate for surveillance.
B	The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.
C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.

Table 1. Peru: Data Adequacy Assessment for Surveillance (Concluded)

Rationale for staff assessment. Data provided to the Fund for surveillance are timely, comprehensive, and adequate for macroeconomic and financial analysis. Data coverage, frequency, and timeliness are generally in line with expectations and requirements set in the IMF Data Standards Initiatives. Improving the granularity and coverage of go-vernment finance statistics, public debt statistics, and financial soundness indicators would further strengthen the adequacy of data for surveillance.

Changes since the last Article IV consultation. There have been no major changes since the last Article IV Consultation.

Corrective actions and capacity development priorities.

Efforts are underway to reduce public sector statistical discrepancies, improve coverage and granularity, and migrate government finance statistics to the GFSM 2014 Manual. Efforts should continue to harmonize data between the Ministry of Finance and BCRP.

Financial soundness indicators should provide data on Liquidity Coverage Ratio and related indicators (e.g., HQLA) to evaluate the regulatory compliance to recently implemented Basel III based rules.

Coordination among agencies that compile official statistics should be enhanced to avoid duplication of efforts and enhance consistency of data across sectors.

Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. Staff do not use data and/or estimates different from official statistics.

Other data gaps. Coverage and timeliness of statistics of the informal sector could be improved. Foreign exchange intervention (FXI) data is published daily, but could include average maturity of derivative positions.

Table 2. Peru: Data Standards Initiatives

Peru subscribes to the Special Data Dissemination Standard (SDDS) since August 1996 and publishes the data on its National Summary Data Page. The latest SDDS Annual Observance Report is available on the Dissemination Standards Bulletin Board (https://dsbb.imf.org/).

Table 3. Peru: Table of Common Indicators Required for Surveillance

As of March 2, 2026

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data[6]	Frequency of Reporting[6]	Expected Frequency[6,7]	Peru[8]	Expected Timeliness[6,7]	Peru[8]
Exchange Rates	1/2026	2/2026	M	M	D	D	...	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	1/2026	2/2026	M	M	M	W	1W	1W
Reserve/Base Money	1/2026	2/2026	M	M	M	W	2W	1W
Broad Money	1/2026	2/2026	M	M	M	M	1M	NLT 3-4W
Central Bank Balance Sheet	1/2026	2/2026	M	M	M	W	2W	1W
Consolidated Balance Sheet of the Banking System	1/2026	2/2026	M	M	M	M	1M	NLT 3-4W
Banks' Financial Soundness Indicators	Q3/2025	1/2026	Q	Q	Q	...	1Q	NLT 3-4W
Residential Real Estate Prices[2]	Q3/2025	12/2025	Q	Q	Q	...	1Q	...
Total Assets of Other Depository Corporations[3]	1/2026	2/2026	M	M	M	M	1M	NLT 3-4W
Total Credit from Other Depository Corporations[3]	1/2026	2/2026	M	M	M	M	1M	NLT 3-4W
Sectoral Breakdown of Credit from Other Depository Corporations[3]	1/2026	2/2026	M	M	M	M	1M	NLT 3-4W
Currency Breakdown (domestic vs. foreign currency) of Other Depository Corporations' Total Assets and Credit Indicators (total and sectoral breakdowns)[3]	1/2026	2/2026	M	M	M	M	1M	NLT 3-4W
Interest Rates[4]	1/2026	2/2026	M	M	D	D	...	1D
Consumer Price Index	2/2026	3/2026	M	M	M	M	1M	1D
Revenue, Expenditure, Balance and Composition of Financing[5]–General Government[6]	Q4/2025	2/2026	Q	Q	A	Q	2Q	8W
Revenue, Expenditure, Balance and Composition of Financing[5]–Central Government	1/2026	2/2026	M	M	M	M	1M	4W
Stocks of Central Government and Central Government-Guaranteed Debt[7]	Q4/2025	2/2026	Q	Q	Q	Q	1Q	NLT 8W
Total Stock of General Government Debt[6]	Q4/2025	2/2026	Q	Q	Q	...	4M	...
External Current Account Balance	Q4/2025	2/2026	Q	Q	Q	Q	1Q	8W
Exports and Imports of Goods and Services	Q4/2025	2/2026	Q	Q	M	M	8W	5-6W
GDP/GNP	Q4/2025	2/2026	Q	Q	Q	Q	1Q	8W
Gross External Debt	Q4/2025	2/2026	Q	Q	Q	Q	1Q	8W
International Investment Position	Q4/2025	2/2026	Q	Q	Q	Q	1Q	8W

[1] Includes net market value of derivative positions.

[2] Required only from Members with Systemically Important Financial Sectors.

[3] Other depository corporations include all deposit-taking corporations (except for the central bank) and money market funds.

[4] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

[5] Foreign, domestic bank, and domestic nonbank financing.

[6] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

[7] Including currency and maturity composition.

[8] Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual.; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.

[9] Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.

[10] Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (https://dsbb.imf.org/). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "..."

INTERNATIONAL MONETARY FUND

PERU

April 28, 2026

STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By	The Western Hemisphere Department (In consultation with other departments)

CONTENTS

FUND RELATIONS

(As of March 31, 2026)

Membership Status: Joined 12/31/1945; accepted the obligations of Article VIII, Sections 2(a), 3, and 4 on 2/15/1961.

General Resources Account:	**SDR Million**	**Percent of Quota**
Quota	1334.50	100.00
Fund holdings of currency	997.18	74.72
Reserve Tranche Position	337.36	25.28

SDR Department:	**SDR Million**	**Percent of Allocation**
Net cumulative allocation	1888.95	100.00
Holdings	1797.20	95.14

Outstanding Purchases and Loans: None

Latest Financial Arrangements:

Type	**Date of Arrangement**	**Expiration Date**	**Amount Approved (SDR Million)**	**Amount Drawn (SDR Million)**
FCL	May 27, 2022	May 26, 2024	4,003.50	0.00
FCL	May 28, 2020	May 26, 2022	8,007.00	0.00
Stand-By	Jan. 26, 2007	Feb. 28, 2009	172.37	0.00
Stand-By	Jun. 09, 2004	Aug. 16, 2006	287.28	0.00

Projected Payments to the Fund:

	2026	2027	2028	2029	2030
Principal	0.00	0.00	0.00	0.00	0.00
Charges/Interest	1.90	2.55	2.55	2.55	2.55
Total	1.90	2.55	2.55	2.55	2.55

Exchange Arrangement

Peru has a floating exchange rate arrangement. Peru accepted the obligations under Article VIII, Sections 2(a), 3, and 4 of the IMF's Articles of Agreement, and maintains an exchange system free of multiple currency practices and restrictions on the making of payments and transfers for current international transactions, except for those maintained solely for the preservation of national or international security, and which have been notified to the Fund pursuant to Executive Board Decision No. 144–(52/51).

Last Article IV Consultation
The 2025 Article IV consultation was concluded on June 10, 2025 (IMF Country Report No. 25/125).

FSAP and ROSCs
Several joint Fund-Bank missions visited Lima in the period September 2000–January 2001 to conduct an FSAP for Peru. The corresponding Financial System Stability Assessment (FSSA) report was discussed by the Executive Board on March 12, 2001. A follow-up FSAP mission was concluded in February 2005. In April 2011, the Executive Board took note of the staff's analysis and recommendations in the report on Peru's FSAP Update. More recently, Fund-Bank missions visited Lima in the period July 2017—February 2018 to conduct another FSAP Update. Regarding ROSCs, In October 2002, an FAD mission conducted a Fiscal ROSC for Peru (IMF Country Report No. 04/109, 4/16/04), while an STA mission conducted a Data ROSC for Peru in February 2003 (IMF Country Report No. 03/332, 10/24/03).

Technical Assistance

FAD		
Year	**Purpose**	
2014	Follow-up Macro-fiscal	7/30/2014
2014	Treasury Management	11/23/2014
2015	Follow-up on Tax and Customs Administration	1/19/2015
2015	Local Government Revenues and BEPS in Natural Resource Sector	12/1/2015
2015	RA-GAP	7/7/2015
2016	Budget Management	2/15/2016
2017	Fiscal Reporting and Budgeting	1/16/2017
2017	Follow-up on Tax and Customs Administration - TADAT	3/7/2017
2017	Tax Administration	6/7/2017
2017	Public Investment Management	8/17/2017
2018	Treasury Management	2/20/2018
2018	Governance Pilot	9/23/2018
2019	Budgeting Investment and PIMA	4/29/2019
2019	Tax Regimes	08/12/2019
2019	Revenue Administration	11/13/2019
2019	Public Financial Management (PFM) - MTBF	12/6/2019
2020	Large Taxpayer Units	1/20/2020
2020	PFM - MTBF	5/15/2020
2020	PFM/Budget - MTBF	7/16/2020
2020	Customs – Risk Management	8/9/2020
2020	PFM/Treasury Management and Payments Digitalization	10/14/2020
2020	PFM/Treasury Management: Cash Flow Plans	11/24/2020
2021	Tax Administration – Risk Management	4/20/2021

2021	Tax and Customs Administration – Risk Management and Research	3/14/2021
2021	Tax and Customs Administration – Risk Management and Exchange of Information	3/13/2021
2021	Tax Policy – Mining Sector, Digital Services and Capital Gains Taxation	11/15/2021
2022	Debt Management – Debt Servicing Payment Process	2/15/2022
2022	Public Financial Management - Fiscal Risks Assessment Tool	11/18/2022
2023	Revenue Administration – Compliance Improvement Plan	3/6/2023
2023	Revenue Administration – Compliance Plan Finalization	8/28/2023
2023	Revenue Administration – Customs Compliance	10/02/2023
2023	Public Financial Management - Digitization Modernization	10/10/2023
2023	Revenue Administration - Corporate Income Tax Gap Analysis Evaluation	11/13/2023
2024	Expenditure Policy - Pension Reform	1/12/2024
2024	Revenue Administration - Compliance Risk Management framework	1/17/2024
2024	Revenue Administration - Compliance Risk Management	6/12/2024
2024	Revenue Administration - Compliance Risk Management	8/12/2024
2024	Fiscal Policy Frameworks - Updating the Fiscal Rule	8/13/2024
2024	Public Financial Management	9/23/2024
2024	Revenue Administration - Compliance Risk Management	11/10/2024
2024	Public Financial Management - Reform Priorities	11/18/2024
2024	Revenue Administration – Compliance Risk Management	12/9/2024
2025	Revenue Administration – Compliance Risk Management	2/3/2025
2025	Public Financial Management – Digital PFM	2/11/2025
2025	Public Financial Management – Planning	2/26/2025
2025	Public Financial Management – Fiscal Risks	6/12/2025
2025	Revenue Administration – Compliance Risk Management	9/9/2025
2025	Public Financial Management – Accounting	10/6/2025
2025	Government Finance Statistics	10/21/2025
2025	Public Financial Management – PIM	11/12/2025
2025	Public Spending Efficiency – Pensions	12/1/2025
2026	Mining Taxation	2/18/2026
2026	Revenue Administration – Compliance Risk Management	3/17/2026
MCM		
2021	CBDC Feasibility	08/27/2021
2022	Back Office Processes	02/15/2022
2022	CBDC Design Phase 1/3	08/01/2022
2022	CBDC Design Phase 2/3	12/20/2022
2023	CBDC Design Phase 3/3	6/19/2023
2024	Cyber Strategy for the Financial Sector	8/13/2024

2025	Cyber Strategy for the Financial Sector	6/23/2025
2025	CBDC and Fast Payment System	6/23/2025
2025	Desk Review of SBS Institutional Reorganization	9/1/2025
LEG		
2017	Strengthening AML/CFT Supervision of the SMV	2/7/2017
STA		
2018	Monetary and Financial Sector Statistics	10/22/2018
2019	Sectoral Accounts	7/15/2019
2020	National accounts (sectoral balance sheets, GDP statistics)	1/16/2020
2020	Follow-up National accounts (sectoral balance sheets, GDP statistics)	4/27/2020
2020	CPI Weights	10/19/2020
2020	Follow-up Sectoral Accounts	11/23/2020
2021	Sectoral Accounts	6/21/2021
2023	Government Finance Statistics and Public Sector Debt Statistics	7/10/2023
2024	Government Finance Statistics	4/8/2024
2024	Environment and Climate Change Statistics	5/27/2024
2025	Environment and Climate Change Statistics	2/3/2025
2025	Environment and Climate Change Statistics	10/6/2025

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

World Bank Group:

- Country page: http://www.worldbank.org/en/country/peru
- Overview of World Bank Group lending to Peru: http://financesapp.worldbank.org/en/countries/Peru/
- IBRD-IDA project operations: http://projects.worldbank.org/search?lang=en&searchTerm=&countrycode_exact=PE

Inter-American Development Bank:

- Country page: https://www.iadb.org/en/countries/peru/overview
- IADB's lending portfolio: https://www.iadb.org/en/countries/peru/projects-glance

Statement by Mr. Óscar A Hendrick and Mr. Alan Ledesma on Peru

May 15, 2026

Key Points

- Peru remains one of the best performing economies in Latin America and among emerging markets, maintaining a sustained period of economic growth, low inflation, and fiscal prudence for more than two decades.

- Overall, macroeconomic indicators are very good. Real GDP grew 3.4 percent in 2025, headline inflation was 1.5 percent, and the fiscal deficit lowered from 3.5 percent of GDP in 2024 to 2.2 percent of GDP in 2025, in line with the fiscal rule.

- Years of fiscal discipline have translated into one of the lowest public debts among emerging market economies at 30 percent of GDP.

- The external position is strong with a current account surplus of 3.4 percent of GDP in 2025 and around US$100 billion of international reserves, equivalent to about 29 percent of GDP. This buffer, together with access to the precautionary FCL arrangement, provides additional insurance against tail risks.

- Peru's track record of very strong macroeconomic policies and institutional frameworks has played a crucial role in building substantial buffers and mitigating the impact of the current external shocks and elevated global uncertainty.

- The main challenges ahead are how to boost potential growth in the medium term and how to implement second and third generation structural reforms to increase productivity, long-term inclusive growth, and higher and better quality of public services.

INTRODUCTION

1. **Our Peruvian authorities thank Mrs. Muñoz and her team for the constructive and candid dialogue during the 2026 Article IV consultation.** The staff report provides a comprehensive and well-balanced assessment of recent macroeconomic developments, key policy challenges, and medium-term priorities. The accompanying analytical work offers valuable insights, notably on fiscal structural issues and financial deepening. Our authorities broadly concur with staff's assessment and policy recommendations.

2. **Peru continues to benefit from very strong macroeconomic policy frameworks and institutional credibility**, which have supported stability and market confidence amid elevated global uncertainty, political fragmentation, and multiple supply-side shocks. Exceptionally favorable terms of trade have underpinned growth and strengthened fiscal and external positions, helping preserve ample buffers. At the same time, the authorities recognize that this benign conjuncture should be used proactively to address long-standing structural constraints and safeguard policy space.

3. **Importantly, the authorities underscore that Peru's strong buffers are the result of sustained policy discipline rather than favorable circumstances alone.** Prudent fiscal management, a credible inflation-targeting framework, and institutional continuity have allowed buffers to be built over time. These buffers are intended to absorb shocks and preserve stability, while avoiding complacency or gradual erosion. Preserving and strengthening buffers through disciplined policies remains a central objective of the authorities' macroeconomic strategy.

RECENT DEVELOPMENTS AND OUTLOOK

4. **Economic activity remained robust in 2025, with low unemployment, despite global uncertainty and external shocks.** Growth reached 3.4 percent, supported by strong domestic demand, rising real incomes, improved consumer and business confidence, and a solid increase of 10 percent in private investment, its fastest pace since 2013, excluding the post pandemic rebound—particularly in mining and infrastructure. Labor market conditions continued to improve, with declining unemployment and sustained real wage growth, although informality and participation gaps remain structural challenges.

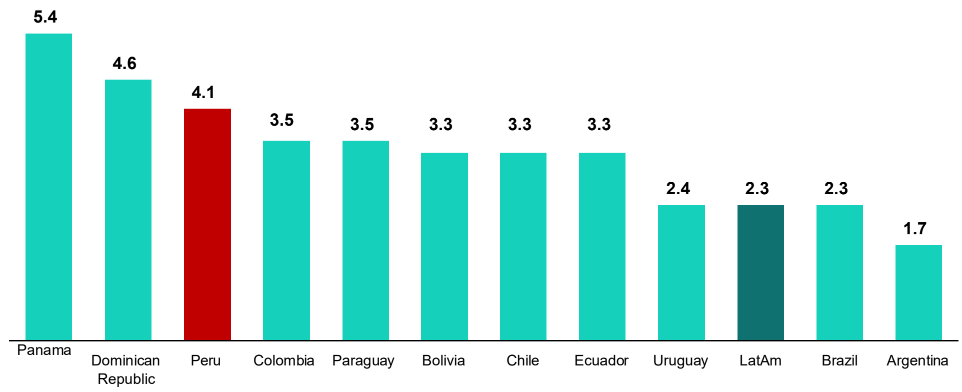
5. **Growth is expected to moderate in 2026 as the output gap closes and temporary electoral-cycle headwinds emerge.** Staff projects growth of about 2.8 percent, while the authorities see some scope for a stronger performance. Both the Central Bank March Inflation Report and the Ministry of Finance 2026–29 Multiannual Macroeconomic Framework project growth of around 3.2 percent in 2026–27, supported by record-high terms of trade, stronger momentum in primary sectors, and recent gains in investment and employment, sustaining the expansion of non-primary activity. Moreover, major private sector consultant companies like Macroconsult or private financial sector companies like Scotiabank increased the 2026 GDP forecast from 2.7 percent to 3.2 percent in 2026. High-frequency indicators remain resilient, and business confidence indicators continue to signal optimism, supported by record-high metal prices. In all scenarios, Peru's ample buffers provide meaningful protection against downside risks.

6. **Inflation in Peru has been among the lowest and least volatile in LAC since 2001, averaging 2.9 percent between 2001 and 2025.** Inflation remained near the midpoint of the target

band throughout 2025, with headline, core, and inflation expectations firmly anchored**.** In early 2026, inflation temporarily moved above the upper bound of the target range following two one-off shocks in March: a spike in international energy prices linked to heightened geopolitical tensions and the disruption of natural gas supply after the Camisea pipeline incident, which led to rationing and higher domestic fuel prices. Monthly inflation surged to 2.38 percent in March—the highest March reading in over three decades—pushing year-on-year inflation from 2.2 percent in February to 3.8 percent in March and around 4.0 percent in April. Price pressures were concentrated in energy-related components, particularly transportation and fuels, while expectations rose modestly but remained within the target range. The authorities expect these pressures to be temporary, with inflation easing over the course of the year and closing 2026 within the 1–3 percent target band of the inflation-targeting regime, absent second-round effects.

Since the beginning of this century, Peru's economy has expanded at nearly twice the rate of the Latin American average.

REAL GDP ANNUAL AVERAGE GROWTH, 2001-2025 (%)

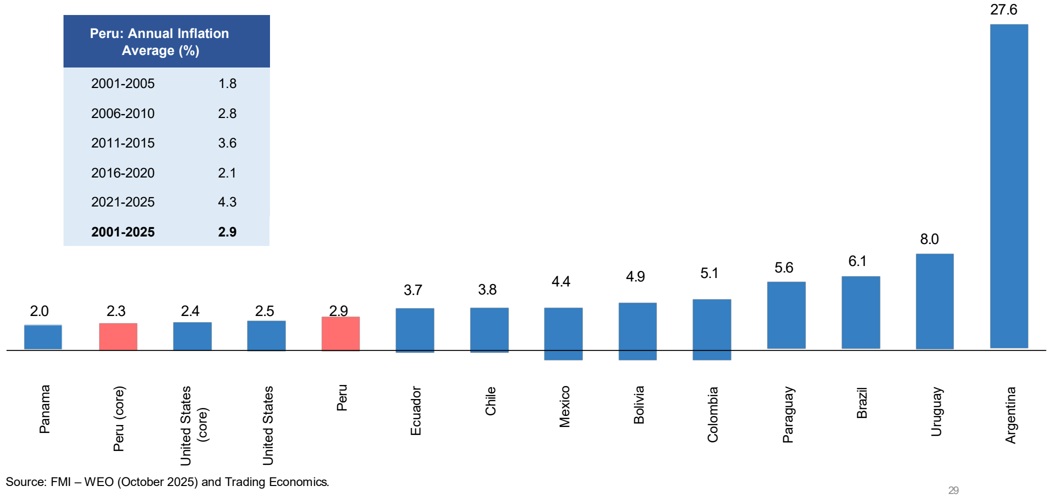


Source: IMF – WEO (October 2025) and Consensus Forecast.

Peru is one of the economies in the region that recorded the lowest annual average inflation rate throughout this century.

ANNUAL AVERAGE INFLATION, 2001-2025

(In % change)



Source: FMI – WEO (October 2025) and Trading Economics.

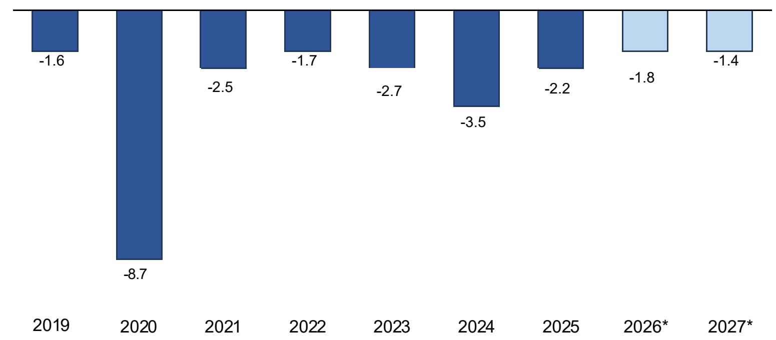
7. **The Central Reserve Bank of Peru (BCRP) has continued to conduct a credible and data-dependent monetary policy.** In its April meeting, the BCRP maintained the policy rate at 4.25 percent, opting for prudence in the face of supply-side shocks that it assesses as transitory. Inflation expectations remain well anchored, twelve-month inflation expectations stand at 2.5 percent, and market-based projections point to convergence toward the policy target range by end-2026, underscoring the credibility of the monetary framework. The authorities agree that a broadly neutral stance is appropriate at this juncture, while remaining ready to adjust policy should inflation expectations become persistently elevated or risks to the inflation outlook materialize.

8. **Exchange rate flexibility remains a cornerstone of the macroeconomic framework.** The sol (PEN) has appreciated in the context of strong terms of trade, capital inflows, and global dollar weakness. Foreign exchange intervention has been limited to smoothing excessive volatility and remains fully consistent with the inflation-targeting regime. Net international reserves reached historic highs, about US$100 billion in April 2026—more than 29 percent of GDP—well above adequacy metrics and providing a strong buffer against external shocks.

9. **The fiscal deficit narrowed in 2025 to 2.2 percent of GDP, down from 3.5 percent of GDP in 2024, in line with the fiscal rule and supported by a recovery in revenues and expenditure restraint.** Public debt declined further to about 30 percent of GDP, remaining among the lowest in the region and well below levels observed in peer emerging markets. These outcomes underscore Peru's long-standing fiscal discipline and credibility.

The fiscal deficit is projected to decline to 1.8 percent of GDP in 2026 and continue decreasing to 1.4 percent of GDP in 2027.

NON-FINANCIAL PUBLIC SECTOR OVERALL BALANCE (% of GDP)



* Forecast.
Source: BCRP.

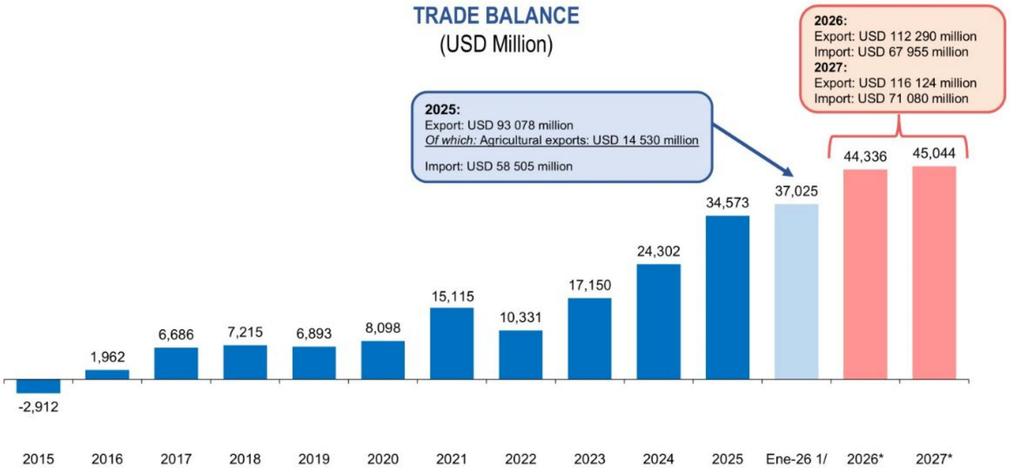
Fiscal deficit (% of GDP)	2024	2025*	2026**
Argentina	0.5	0.4	0.3
Ecuador	-1.3	-1.2	0.0
Paraguay	-2.1	-1.7	-1.3
Chile	-2.8	-2.1	-1.5
Peru	**-3.5**	**-2.2**	**-1.8**
Uruguay	-3.2	-3.3	-3.8
Mexico	-5.7	-4.3	-4.1
Colombia	-6.2	-6.9	-5.7
Brazil	-6.2	-8.4	-7.5

* Forecast, except for Peru. ** Forecast.
Source: Fiscal Monitor (October 2025) and BCRP (Peru).

10. **The authorities reaffirm their commitment to fiscal sustainability and the fiscal rule framework.** They concur that further consolidation based on durable measures will be needed to meet medium-term targets while preserving space for priority social and infrastructure spending. Improving spending efficiency, strengthening public investment management, and addressing budget rigidities remain key priorities. The recent *Acuerdo Fiscal* is viewed as a valuable platform to foster consensus on fiscal sustainability, efficiency, and revenue mobilization.

11. **Revenue reforms will be essential to close Peru's sizable social and infrastructure gaps.** The authorities place high priority on continued modernization of the tax administration (SUNAT), reducing informality, improving incentives for tax compliance, rationalizing tax expenditures, simplifying the tax system and increasing its progressivity, while carefully assessing distributional impacts. They value the Fund's continued technical assistance in these areas.

12. **Peru's external position remains very strong.** The current account surplus widened from 2.2 percent of GDP in 2024 to 3.1 percent of GDP in 2025, reflecting exceptionally favorable terms of trade. The balance of payment is expected to remain sustainable and continue to be financed by long-term capital inflows. International reserves reached around 29 percent of GDP, and external financing risks remain low. Over the medium term, the current account is expected to gradually return to moderate deficits as terms of trade normalize and private investment strengthens.



The trade surplus in 2026 and 2027 will be supported by historically favorable terms of trade and a recovery of the traditional product volumes.

TRADE BALANCE
(USD Million)

2025:
Export: USD 93 078 million
Of which: Agricultural exports: USD 14 530 million
Import: USD 58 505 million

2026:
Export: USD 112 290 million
Import: USD 67 955 million
2027:
Export: USD 116 124 million
Import: USD 71 080 million

1/ Sum of the last 12 months up to January 2026.
* Forecast.
Source: BCRP.

13. **The financial system remains sound, well capitalized, and liquid.** Banks continue to exhibit strong profitability, declining non-performing loans, and capital ratios well above regulatory requirements. Stress tests confirm resilience even under severe adverse scenarios. The authorities remain committed to fully implementing Basel III-aligned regulations and closing remaining supervisory gaps in line with FSAP recommendations.

14. **The authorities share staff's concerns regarding repeated private pension withdrawals.** These withdrawals have weakened domestic capital markets, reduced long-term savings, and constrained financial deepening. The authorities agree that further withdrawals should be avoided to safeguard financial stability and support long-term investment financing.

15. **Promoting financial deepening remains a medium-term priority.** While recent growth has not been credit-intensive, the authorities emphasize that this does not constitute a binding constraint on economic activity, noting the coexistence of both supply- and demand-side factors and recent signs of stabilization, or a gradual shift, in credit dynamics. At the same time, addressing structural impediments—including informality and limited financial literacy—remains essential. Initiatives to promote digital finance, open banking, and competition are expected to support more inclusive access to financial services and foster deeper financial intermediation over time.

STRUCTURAL REFORMS AND GOVERNANCE

16. **The authorities concur that the current favorable terms of trade present a critical opportunity to reinvigorate the structural reform agenda.** Productivity-enhancing reforms, policies to strengthen the fiscal position and better use of natural resources revenues, improvements in the business climate, and stronger public sector efficiency are essential to durably raise potential growth.

17. **Addressing insecurity and illegal mining has become a priority.** The authorities acknowledge staff's analysis highlighting the adverse effects of illegal mining on investment, governance, financial integrity, and long-term growth. They are committed to a coordinated response that strengthens enforcement along the supply chain, closes legal gaps, enhances inter-agency cooperation, and preserves legal certainty for legitimate investment. Efforts to strengthen AML/CFT supervision and combat illicit financial flows are ongoing.

18. **Climate resilience and adaptation remain central policy challenges.** While Peru is not a major carbon emitter, it is highly vulnerable to climate-related shocks. The authorities value staff's analytical work on climate adaptation and are committed to integrating climate risks into macroeconomic planning and public investment decisions, with continued support from Fund capacity development.

19. **Strengthening governance and state capacity remains a central pillar of the authorities' reform agenda.** In this context, they recently approved the National Artificial Intelligence Strategy 2026–2030, led by the Presidency of the Council of Ministers, which establishes a comprehensive governance framework for the ethical, transparent, and secure use of artificial intelligence across the public sector. The strategy provides clear institutional leadership, coordination mechanisms, and accountability standards—requiring public entities to develop AI action plans, designate responsible officials, and ensure compliance with data protection and digital trust frameworks. By improving regulatory coordination and public-sector efficiency, the authorities view this initiative as an important step to support productivity-enhancing digital transformation while safeguarding fundamental rights.

FINAL REMARKS

20. **Peru enters the period ahead with strong macroeconomic fundamentals, ample buffers, and a credible policy framework.** The authorities remain committed to prudent, data-driven policymaking and to advancing reforms that strengthen resilience, promote inclusive growth, and safeguard long-term stability. They stand ready to respond decisively to emerging risks and to use the current favorable environment to address structural constraints.

21. **On behalf of the Peruvian authorities, we reiterate our appreciation to Management, Executive Directors, and staff for their continued engagement and valuable policy advice.**