



# Summary Inflation Report

December 2024

This **Inflation Report** has been prepared with information as of the third quarter of 2024 on the Balance of Payments and Gross Domestic Product; as of October 2024 on monthly GDP and monetary accounts; as of November 2024 on Non-Financial Public Sector operations and inflation; and as of December 2024 on financial markets and exchange rates.

Since the previous Report, the overarching trends in global growth have persisted, underscoring the vigor of the United States economy, which offset the deceleration in other developed economies. Consequently, global growth projections have been adjusted upward from 3.0 to 3.1 percent for 2024. Global economic growth for 2025 has been lowered downward from 3.1 to 3.0 percent, mostly due to anticipated trade conflicts and vulnerabilities in China's real estate industry. A worldwide growth rate of 3.1 percent is projected for 2026, predicated on a scenario of managed inflation, reduced interest rates, and moderate protectionist policies.

Global inflation continued to slow down, although inflationary pressures persist in the services sector of advanced economies and in some emerging economies such as Brazil due to above-potential growth. Most central banks reduced their interest rates, although in the United States the new administration's measures could delay inflationary convergence, limiting the Fed's interest rate cuts.

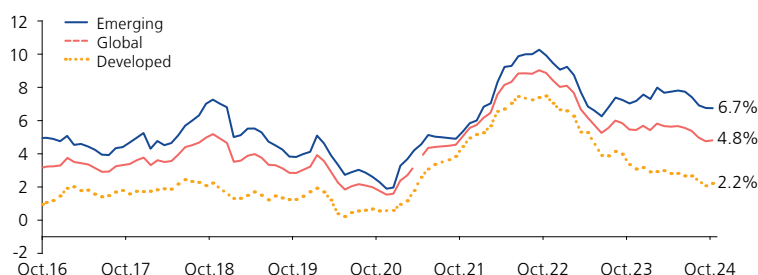
The **terms of trade** increased by 13.5 percent year-over-year in the third quarter of 2024, primarily due to the fluctuation of export metal prices, which were bolstered by favorable demand indicators from China, a beneficial economic environment in the United States, and escalating concerns

## WORLD GROWTH (Annual % chg.)

|                                    | PPP*         | 2023       | 2024       |            | 2025       |            | 2026       |
|------------------------------------|--------------|------------|------------|------------|------------|------------|------------|
|                                    |              |            | IR Sep.    | IR Dec.    | IR Sep.    | IR Dec.    | IR Dec.    |
| <b>Developed economies</b>         | <b>41.1</b>  | <b>1.6</b> | <b>1.6</b> | <b>1.7</b> | <b>1.7</b> | <b>1.7</b> | <b>1.8</b> |
| Of which                           |              |            |            |            |            |            |            |
| 1. United States                   | 15.4         | 2.5        | 2.4        | 2.8        | 1.7        | 1.9        | 2.0        |
| 2. Eurozone                        | 11.7         | 0.4        | 0.7        | 0.7        | 1.5        | 1.2        | 1.4        |
| 3. Japan                           | 3.7          | 1.9        | 0.2        | 0.2        | 1.1        | 1.1        | 0.8        |
| 4. United Kingdom                  | 2.2          | 0.1        | 0.8        | 1.0        | 1.2        | 1.2        | 1.5        |
| 5. Canada                          | 1.4          | 1.1        | 0.9        | 1.1        | 1.8        | 1.7        | 1.8        |
| <b>Developing economies</b>        | <b>58.9</b>  | <b>4.3</b> | <b>4.0</b> | <b>4.1</b> | <b>4.1</b> | <b>4.0</b> | <b>4.0</b> |
| Of which                           |              |            |            |            |            |            |            |
| 1. China                           | 18.8         | 5.2        | 4.8        | 4.8        | 4.4        | 4.1        | 4.0        |
| 2. India                           | 7.5          | 7.8        | 7.0        | 7.0        | 6.5        | 6.5        | 6.5        |
| 3. Russia                          | 2.9          | 3.6        | 1.3        | 3.2        | 1.0        | 1.6        | 1.3        |
| 4. Latin America and the Caribbean | 7.3          | 2.3        | 1.6        | 1.8        | 2.4        | 2.4        | 2.2        |
| <b>World Economy</b>               | <b>100.0</b> | <b>3.2</b> | <b>3.0</b> | <b>3.1</b> | <b>3.1</b> | <b>3.0</b> | <b>3.1</b> |

\* Base 2023.  
Source: FMI, Consensus Forecast.

## INFLATION: GLOBAL, DEVELOPED COUNTRIES AND EMERGING ECONOMIES (12-month % chg.)



Source: Bloomberg.

## TERMS OF TRADE: 2023-2026

|                          | 2023  | 2024*   |           | 2025*     |           | 2026*     |
|--------------------------|-------|---------|-----------|-----------|-----------|-----------|
|                          |       | Jan-Sep | IR Sep.24 | IR Dec.24 | IR Sep.24 | IR Dec.24 |
| <b>Terms of trade</b>    |       |         |           |           |           |           |
| Annual % chg. (average)  | 4.8   | 10.2    | 7.8       | 10.2      | 0.5       | 0.0       |
| <b>Export Prices</b>     |       |         |           |           |           |           |
| Annual % chg. (average)  | -2.4  | 7.4     | 5.9       | 7.6       | 1.0       | 1.0       |
| Copper (ctv USD per lb)  | 385   | 414     | 412       | 416       | 419       | 423       |
| Zinc (ctv USD per lb)    | 120   | 122     | 121       | 126       | 124       | 134       |
| Lead (ctv USD per lb)    | 97    | 95      | 94        | 94        | 95        | 93        |
| Gold (USD per ounce)     | 1,943 | 2,297   | 2,327     | 2,384     | 2,533     | 2,660     |
| <b>Import prices</b>     |       |         |           |           |           |           |
| Annual % chg. (average)  | -6.9  | -2.5    | -1.7      | -2.4      | 0.5       | 1.0       |
| Oil (USD per barrel)     | 78    | 79      | 78        | 76        | 71        | 67        |
| Wheat (USD per MT)       | 303   | 230     | 223       | 222       | 211       | 205       |
| Maize (USD per MT)       | 226   | 164     | 162       | 163       | 170       | 173       |
| Soybean oil (USD per MT) | 1,336 | 992     | 972       | 996       | 903       | 1,020     |

\* Forecast.  
Source: BCRP.

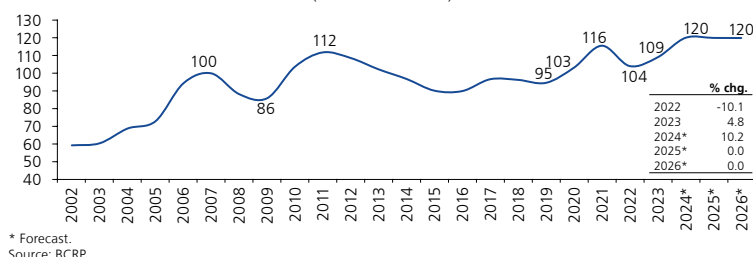
regarding copper supply. The anticipated growth in terms of trade for 2024 has been adjusted upward, attributed to the prediction of increased prices for primary exported metals, considering a constrained global market and shortages in concentrates. The projected rise of terms of trade for 2025 has been adjusted downward, attributed to increased projections for the prices of imported industrial inputs in that year. This projection indicates that **the terms of trade will remain stable in 2025 and 2026, reaching the highest level recorded this century.**

**Consequently, the balance of payments reinforced its robust position.** The annualized **current account** surplus rose from 0.8 percent of GDP in 2023 to 2.2 percent of GDP in the third quarter of 2024. This performance indicated: (i) improved terms of trade and export volumes, which augmented the goods trade surplus; (ii) a rise in remittance inflows, attributed to favorable employment abroad; and (iii) a resurgence in foreign tourist arrivals, which diminished the services deficit.

A current account surplus of 2.2 percent of GDP is anticipated for 2024, taking these factors into consideration. By 2025, the surplus is projected to decrease to 1.2 percent of GDP, primarily attributed to the resurgence of earnings from foreign enterprises' investments, corresponding with the recovery in domestic demand and the favorable terms of trade attained in 2024. In 2026, the surplus is projected to rise to 1.5 percent of GDP, propelled by the enhancement of foreign trade, the resurgence of inbound tourism, and reduced expenses related to international transport services.

**Domestic economic activity** increased its growth rate to 3.8 percent in the third quarter of 2024. The positive development of the labor market, reduced inflation, and the resurgence of corporate optimism stimulated private expenditure, subsequently benefiting non-primary sectors such as commerce and services. Public investment

**TERMS OF TRADE, 2002-2026**  
(Index 100=2007)



**BALANCE OF PAYMENTS**  
(Million USD)

|  | 2023          | 2024*         |               | 2025*         |              | 2026*        |              |
|--|---------------|---------------|---------------|---------------|--------------|--------------|--------------|
|  |               | IR Sep.24 3/  | IR Sep.24     | IR Dec.24     | IR Sep.24    | IR Dec.24    | IR Dec.24    |
| <b>I. CURRENT ACCOUNT BALANCE</b>        | <b>2,219</b>  | <b>6,243</b>  | <b>4,654</b>  | <b>6,243</b>  | <b>2,497</b> | <b>3,536</b> | <b>4,712</b> |
| % GDP                                    | 0.8           | 2.2           | 1.6           | 2.2           | 0.8          | 1.2          | 1.5          |
| <b>1. Trade balance</b>                  | 17,678        | 21,993        | 21,667        | 23,688        | 21,829       | 23,619       | 24,336       |
| a. Exports                               | 67,518        | 72,845        | 72,946        | 75,243        | 75,682       | 78,564       | 82,618       |
| Of which:                                |               |               |               |               |              |              |              |
| i) Traditional                           | 48,853        | 53,185        | 53,177        | 54,767        | 55,111       | 58,035       | 60,682       |
| ii) Non-Traditional                      | 18,448        | 19,446        | 19,552        | 20,280        | 20,401       | 20,371       | 21,782       |
| b. Imports                               | 49,840        | 50,852        | 51,279        | 51,555        | 53,853       | 54,945       | 58,283       |
| <b>2. Services</b>                       | -7,341        | -7,062        | -7,105        | -7,140        | -6,152       | -6,577       | -6,164       |
| <b>3. Primary income (factor income)</b> | -14,902       | -16,140       | -17,323       | -17,953       | -20,710      | -21,128      | -21,318      |
| <b>4. Secondary income (transfers)</b>   | 6,785         | 7,452         | 7,416         | 7,648         | 7,530        | 7,622        | 7,858        |
| Of which: Remittances                    | 4,446         | 4,872         | 4,828         | 4,909         | 4,973        | 5,056        | 5,208        |
| <b>II. FINANCIAL ACCOUNT 1/</b>          | <b>1,309</b>  | <b>-3,287</b> | <b>-5,246</b> | <b>-2,725</b> | <b>-342</b>  | <b>-171</b>  | <b>969</b>   |
| % GDP                                    | 0.5           | -1.2          | -1.8          | -0.9          | -0.1         | -0.1         | 0.3          |
| <b>1. Private Sector</b>                 | 593           | 1,356         | 199           | 2,244         | 1,756        | 1,852        | 2,709        |
| a. Long-term                             | 821           | -123          | -1,460        | 278           | 919          | 900          | 1,502        |
| b. Short-term                            | -227          | 1,479         | 1,659         | 1,966         | 837          | 952          | 1,207        |
| <b>2. Public Sector 2/</b>               | 716           | -4,644        | -5,445        | -4,969        | -2,098       | -2,024       | -1,740       |
| <b>III. NET ERRORS AND OMISSIONS</b>     | <b>-3,671</b> | <b>-3,422</b> | <b>0</b>      | <b>544</b>    | <b>0</b>     | <b>0</b>     | <b>0</b>     |
| <b>IV. BALANCE OF PAYMENTS</b>           | <b>-2,760</b> | <b>6,108</b>  | <b>9,900</b>  | <b>9,512</b>  | <b>2,839</b> | <b>3,707</b> | <b>3,743</b> |
| IV= (I+III) - II = (1-2)                 |               |               |               |               |              |              |              |
| <b>1. Change in NIR balance</b>          | -850          | 9,131         | 10,194        | 11,332        | 2,839        | 3,707        | 3,743        |
| <b>2. Valuation effect</b>               | 1,910         | 3,023         | 294           | 1,820         | 0            | 0            | 0            |

1/ The financial account and its components (private and public sector) are expressed as assets net of liabilities. Therefore, a negative sign implies an inflow of external capital.

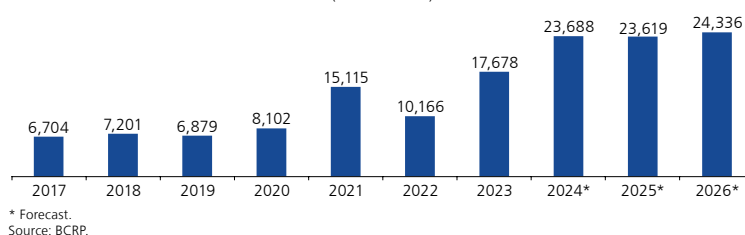
2/ Considers the purchase and sale between residents and non-residents of government bonds issued abroad or in the local market.

3/ Shows the cumulative last two semesters up to the first semester of 2024.

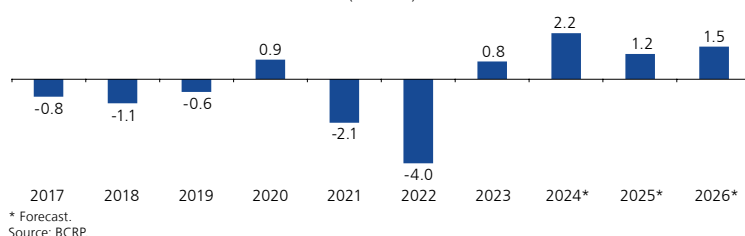
\* Forecast.

Source: BCRP.

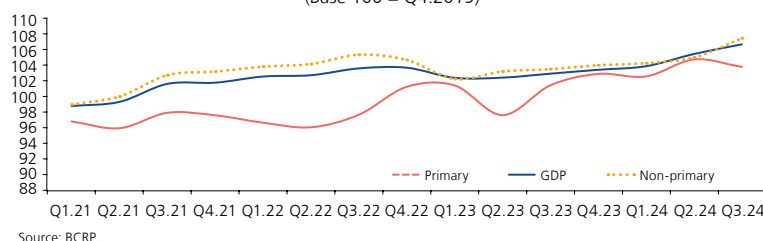
**BALANCE OF TRADE IN GOODS, 2017-2026**  
(Million USD)



**CURRENT ACCOUNT: 2017-2026**  
(% GDP)



**SEASONALLY ADJUSTED ECONOMIC ACTIVITY INDEXES**  
(Base 100 = Q4.2019)



persisted in its dynamism and continued to expand at double-digit rates. Consequently, over the January to September interval, GDP recorded a year-on-year gain of 3.0 percent.

GDP is projected to increase by 3.2 percent in 2024, indicating an upward revision from the last Inflation Report's estimate of 3.1 percent. The amendment is bolstered by increased output in the main sectors, notably metal mining, fishing, and related industries, as evidenced by elevated exports of goods. Similarly, elevated growth is anticipated in construction due to the substantial rise in public investment.

Output is projected to increase by 3.0 percent in 2025, based on typical meteorological conditions, the initiation of some mining and infrastructure projects, and an environment conducive to the sustained recovery of private expenditure. Most of these variables are anticipated to persist in 2026, yielding an output growth of 2.9 percent.

The cumulative **fiscal deficit** increased from 2.8 to 3.9 percent of GDP from December 2023 to November 2024, primarily attributed to a decline in current income and significant growth in public investment, along with, to a lesser degree, elevated compensation expenditures and increased interest payments on debt.

The fiscal deficit is projected to reach 3.7 percent of GDP in 2024. The requisite fiscal consolidation is anticipated to commence next year, taking into account: (i) increased fiscal revenues resulting from the resurgence of economic activity, elevated mineral prices (including the lagged impact of both variables), and augmented imports; (ii) enhanced extraordinary revenues, particularly from income tax in 2025 due to capital gains from the divestiture of enterprises in the electricity sector; (iii) judicious administration of tax policy and public expenditure; and (iv) effective oversight of public enterprises, chiefly Petroperú. Based on these assumptions, the fiscal deficit is projected to be 2.2 percent of GDP in 2025 and 1.8

## GDP BY ECONOMIC SECTORS

(Real % change)

|                           | 2023        | 2024*      |            |            | 2025*      |            | 2026*      |
|---------------------------|-------------|------------|------------|------------|------------|------------|------------|
|                           |             | Jan.-Oct.  | IR Sep.24  | IR Dec.24  | IR Sep.24  | IR Dec.24  | IR Dec.24  |
| <b>Primary GDP</b>        | <b>2.9</b>  | <b>3.3</b> | <b>2.9</b> | <b>3.4</b> | <b>3.0</b> | <b>3.0</b> | <b>2.0</b> |
| Agriculture and livestock | -2.4        | 3.7        | 3.5        | 3.5        | 3.5        | 3.0        | 3.0        |
| Fishing                   | -21.2       | 19.7       | 22.4       | 25.3       | 4.9        | 2.7        | 2.4        |
| Metallic mining           | 9.3         | 2.6        | 1.2        | 1.8        | 1.9        | 2.5        | 1.5        |
| Hydrocarbons              | 0.7         | 1.3        | 3.7        | 2.6        | 7.1        | 7.7        | 0.2        |
| Manufacturing             | -2.3        | 4.4        | 5.2        | 6.6        | 3.4        | 2.8        | 3.0        |
| <b>Non-Primary GDP</b>    | <b>-1.3</b> | <b>2.9</b> | <b>3.2</b> | <b>3.1</b> | <b>3.0</b> | <b>3.0</b> | <b>3.1</b> |
| Manufacturing             | -8.0        | 2.1        | 2.3        | 2.3        | 3.0        | 3.0        | 2.9        |
| Electricity and water     | 3.7         | 2.3        | 3.1        | 2.6        | 3.0        | 3.0        | 2.7        |
| Construction              | -7.8        | 4.3        | 3.2        | 3.5        | 3.4        | 3.2        | 2.0        |
| Commerce                  | 2.4         | 2.8        | 3.2        | 3.1        | 2.7        | 2.7        | 2.8        |
| Services                  | -0.1        | 3.0        | 3.3        | 3.2        | 3.0        | 3.0        | 3.3        |
| <b>GDP</b>                | <b>-0.4</b> | <b>3.0</b> | <b>3.1</b> | <b>3.2</b> | <b>3.0</b> | <b>3.0</b> | <b>2.9</b> |

IR: Inflation Report.

\* Forecast.

Source: BCRP.

## DOMESTIC DEMAND AND GDP

(Real % change)

|                                      | 2023        | 2024*      |            |            | 2025*      |            | 2026*      |
|--------------------------------------|-------------|------------|------------|------------|------------|------------|------------|
|                                      |             | Jan.-Sep.  | IR Sep.24  | IR Dec.24  | IR Sep.24  | IR Dec.24  | IR Dec.24  |
| <b>Domestic demand</b>               | <b>-2.0</b> | <b>3.3</b> | <b>3.6</b> | <b>3.5</b> | <b>3.2</b> | <b>3.2</b> | <b>3.0</b> |
| Private consumption                  | 0.1         | 2.4        | 2.8        | 2.8        | 2.8        | 2.8        | 2.9        |
| Public consumption                   | 4.6         | 3.9        | 2.0        | 1.7        | 2.0        | 2.2        | 2.5        |
| Private investment                   | -7.3        | 1.4        | 2.3        | 2.3        | 4.1        | 4.1        | 3.5        |
| Public investment                    | 2.8         | 22.8       | 13.7       | 15.1       | 4.5        | 4.5        | 1.0        |
| Change on inventories (contribution) | -1.3        | -0.1       | 0.3        | 0.1        | 0.0        | 0.0        | 0.0        |
| <b>Exports</b>                       | <b>4.9</b>  | <b>4.3</b> | <b>2.9</b> | <b>4.5</b> | <b>3.3</b> | <b>3.9</b> | <b>3.3</b> |
| <b>Imports</b>                       | <b>-1.4</b> | <b>5.5</b> | <b>4.7</b> | <b>5.8</b> | <b>4.1</b> | <b>5.0</b> | <b>3.8</b> |
| <b>Gross Domestic Product</b>        | <b>-0.4</b> | <b>3.0</b> | <b>3.1</b> | <b>3.2</b> | <b>3.0</b> | <b>3.0</b> | <b>2.9</b> |

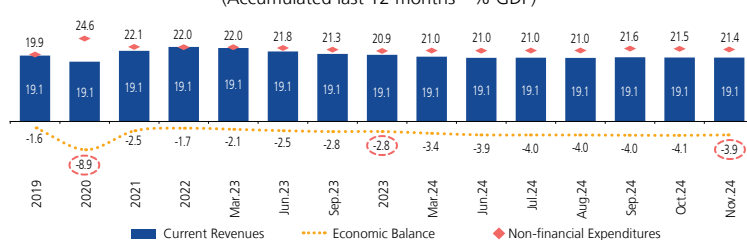
IR: Inflation Report.

\* Forecast.

Source: BCRP.

## ECONOMIC BALANCE OF THE NON-FINANCIAL PUBLIC SECTOR: 2019-2024

(Accumulated last 12 months - % GDP)



Memo: The economic result is calculated as current income of the General Government - Non-financial expenditures of the General Government + other (capital income of the General Government and primary result of state-owned enterprises) - interest payment on debt of the Non-Financial Public Sector.  
Source: MEF, SUNAT and BCRP.

## NON-FINANCIAL PUBLIC SECTOR

(% GDP)

|  | 2023        | 2024*                 |             |             | 2025*       |             | 2026*       |
|--|-------------|-----------------------|-------------|-------------|-------------|-------------|-------------|
|  |             | November <sup>1</sup> | IR Sep.24   | IR Dec.24   | IR Sep.24   | IR Dec.24   | IR Dec.24   |
| <b>1. General government current revenues</b>          | <b>19.8</b> | <b>18.9</b>           | <b>19.4</b> | <b>19.2</b> | <b>20.6</b> | <b>20.5</b> | <b>20.3</b> |
| Real % change  | -10.2%      | 0.2%                  | 2.9%        | 2.3%        | 9.5%        | 10.8%       | 2.3%        |
| <b>2. General government non-financial expenditure</b> | <b>20.9</b> | <b>21.4</b>           | <b>21.4</b> | <b>21.4</b> | <b>20.8</b> | <b>21.0</b> | <b>20.4</b> |
| Real % change  | -4.1%       | 7.0%                  | 7.0%        | 7.9%        | 0.8%        | 1.5%        | 0.6%        |
| Of which:  |             |                       |             |             |             |             |             |
| Current expenditure                                    | 15.6        | 15.1                  | 15.2        | 15.1        | 15.0        | 15.1        | 14.8        |
| Real % change  | -1.4%       | 1.5%                  | 1.8%        | 2.1%        | 2.6%        | 3.6%        | 1.0%        |
| Gross capital formation                                | 4.6         | 5.1                   | 5.0         | 5.1         | 5.2         | 5.2         | 5.1         |
| Real % change  | 0.2%        | 18.9%                 | 14.4%       | 17.2%       | 5.7%        | 4.7%        | 1.1%        |
| <b>3. Others 2/</b>                                    | <b>0.0</b>  | <b>0.2</b>            | <b>0.4</b>  | <b>0.2</b>  | <b>0.0</b>  | <b>0.0</b>  | <b>0.1</b>  |
| <b>4. Primary balance (1-2+3)</b>                      | <b>-1.1</b> | <b>-2.2</b>           | <b>-1.6</b> | <b>-2.0</b> | <b>-0.3</b> | <b>-0.4</b> | <b>0.0</b>  |
| <b>5. Interests</b>                                    | <b>1.7</b>  | <b>1.7</b>            | <b>1.7</b>  | <b>1.7</b>  | <b>1.7</b>  | <b>1.8</b>  | <b>1.8</b>  |
| <b>6. Economic Balance</b>                             | <b>-2.8</b> | <b>-3.9</b>           | <b>-3.3</b> | <b>-3.7</b> | <b>-2.0</b> | <b>-2.2</b> | <b>-1.8</b> |

1 / Ratios on % of GDP and real % changes represent accumulated in the last 12 months as of May.

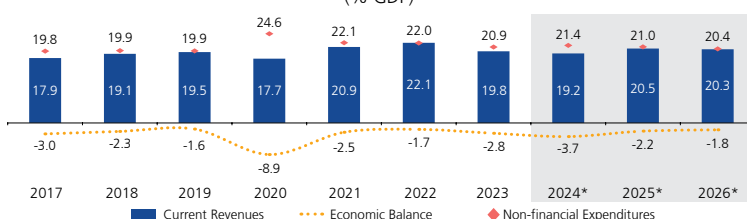
2 / Includes capital income of the general government and primary balance from state-owned companies.

\* Forecast.

IR: Inflation Report.

## ECONOMIC BALANCE OF THE NON-FINANCIAL PUBLIC SECTOR: 2017 - 2026

(% GDP)



Memo: The economic result is calculated as current income of the General Government - Non-financial expenditures of the General Government + other (capital income of the General Government and primary result of state-owned enterprises) - interest payment on debt of the Non-Financial Public Sector.

\* Forecast.

Source: BCRP.

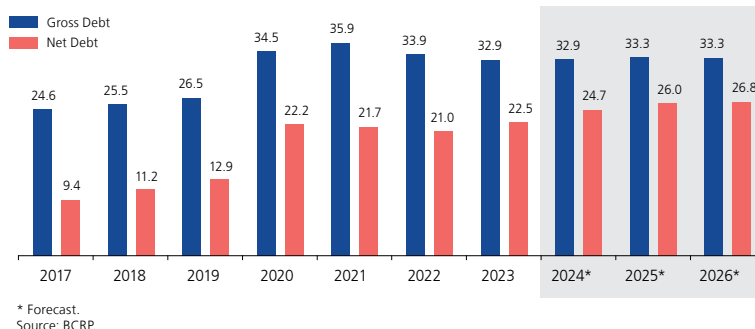
percent in 2026. Fiscal consolidation is crucial for preserving the investment grade, so ensuring the nation's access to some of the lowest interest rates for external funding in the region.

**Debt** -net of Non-Financial Public Sector financial assets- is projected to increase from 22.5 to 26.8 percent of GDP between 2023 and 2026. Meanwhile, **gross debt** is projected to increase from 32.9 to 33.3 percent of GDP during the same period. The difference between the increase in gross and net debt is due to the assumed lower balance of public sector financial assets as a percentage of GDP.

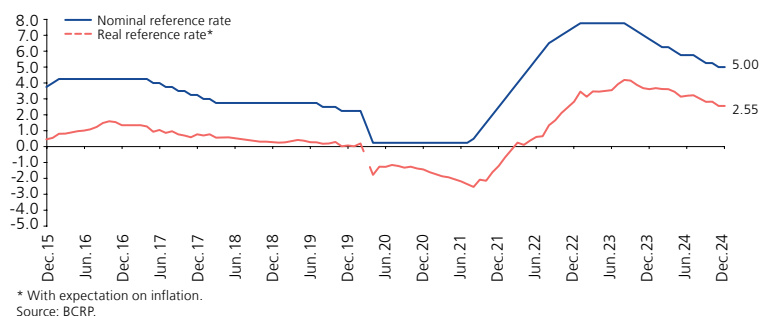
In 2024, the Board of Directors of BCRP decreased the **benchmark rate** by 25 basis points during seven monthly Monetary Program meetings, while opting to keep the benchmark rate in the meetings held in March, June, July, October, and December. Consequently, the benchmark rate is established at 5.00 percent. In the monetary policy communiqués for October, November, and December, the Bank reaffirmed that future modifications to the benchmark rate will depend on fresh data regarding inflation and its drivers. The November communiqué indicated that the 25 basis points drop that month did not inherently suggest subsequent interest rate decreases.

**Interest rates in domestic currency** continued to align with the benchmark rate, especially in the lower credit risk and shorter-term segments. **Liquidity in domestic currency** (currency in circulation plus deposits) exhibited substantial recovery, with its year-on-year growth rate increasing from 3.0 percent in 2023 to 13.9 percent in October 2024. During the same period, the growth rate of **lending to the private sector** declined from 1.3 to 0.3 percent, mostly attributable to diminished demand and a prudent stance adopted by financial intermediaries. Going forward, an increase in credit growth to the private sector is anticipated due to heightened funding demand to support economic recovery

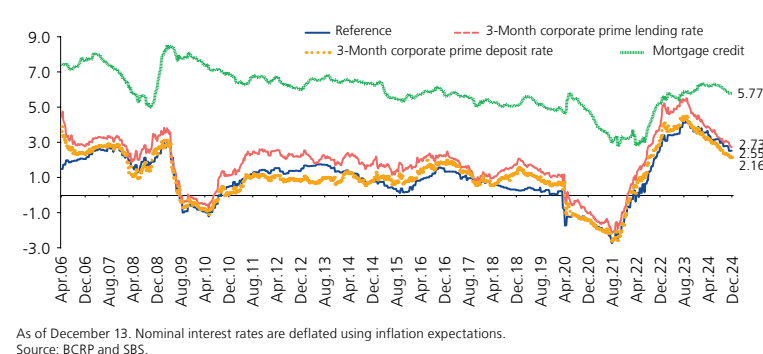
**NON-FINANCIAL PUBLIC SECTOR DEBT: 2017-2026**  
(% GDP)



**REFERENCE INTEREST RATE**  
(%)



**REAL EX-ANTE INTEREST RATES IN SOLES**  
(%)



**MONETARY AND CREDIT ACCOUNTS OF THE DEPOSITORY CORPORATIONS**  
(END-OF-PERIOD)  
(Annual % change)

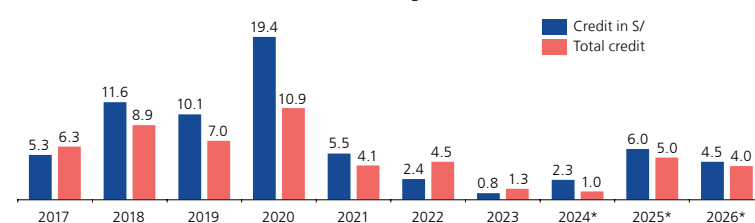
|   | Dec.19 | Dec.20 | Dec.21 | Dec.22 | Dec.23 | Oct.24 | Dec.24 * | Dec.25 * | Dec.26 * |
|---|--------|--------|--------|--------|--------|--------|----------|----------|----------|
| Currency in circulation (End-of-period)                               | 4.7    | 37.3   | 16.0   | -3.8   | -5.6   | 10.7   | 11.0     | 0.0      | 0.0      |
| Deposits in domestic currency   | 12.2   | 33.0   | -5.6   | 1.6    | 5.2    | 16.8   | 10.0     | 6.0      | 5.5      |
| Total deposits 1/   | 10.1   | 23.8   | -3.8   | 1.5    | 3.8    | 14.1   | 8.6      | 4.2      | 3.7      |
| Broad money in domestic currency                                      | 10.5   | 32.2   | -0.9   | 0.5    | 3.9    | 15.4   | 14.3     | 8.5      | 6.5      |
| Total broad money 1/  | 9.6    | 25.2   | -0.4   | 0.9    | 3.0    | 13.9   | 12.2     | 6.3      | 4.8      |
| Credit to the private sector in domestic currency                     | 10.1   | 19.4   | 5.5    | 2.4    | 0.8    | 1.4    | 2.3      | 6.0      | 4.5      |
| Total credit to the private sector 1/                                 | 7.0    | 10.9   | 4.1    | 4.5    | 1.3    | 0.3    | 1.0      | 5.0      | 4.0      |
| Total credit to the private sector (without Reactiva Peru Program) 1/ | 7.0    | -5.5   | 8.9    | 11.2   | 5.0    | 1.5    | 2.1      | 5.5      | 4.0      |

1/ The December 2023 constant exchange rate is maintained.

\* Forecast.

Source: BCRP.

**CREDIT TO THE PRIVATE SECTOR**  
(% change)



Note: calculated at constant exchange rate (December 2023).

\* Forecast.

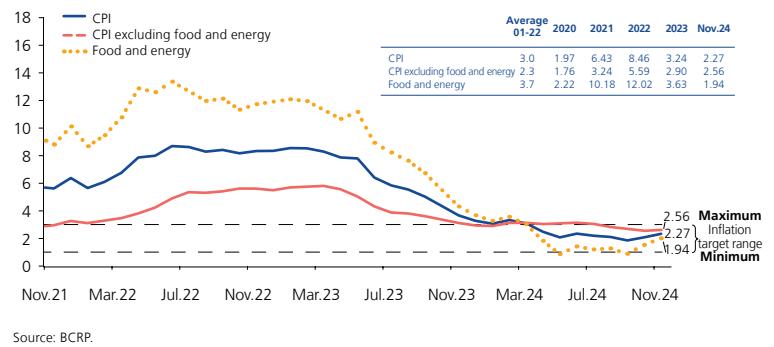
Source: BCRP.

and an increased propensity to lend, following the decline in non-performing loan ratios. Consequently, credit expansion rates of 5.0 percent and 4.0 percent are anticipated for 2025 and 2026, respectively.

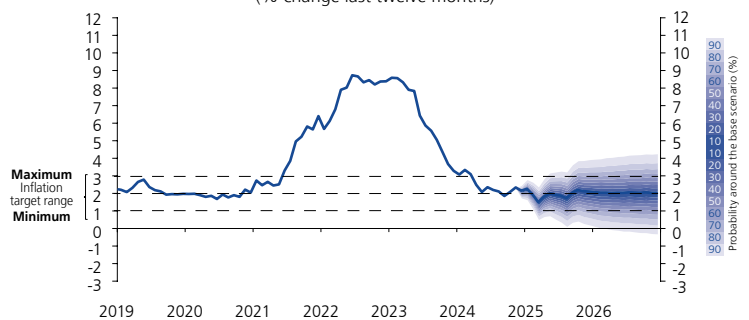
Year-on-year **inflation** has remained consistently within the target range since April 2024, and close to the band's middle value. Inflation excluding food and energy (FES) decreased from 2.78 percent in August to 2.56 percent in November, with a slower pace of increase in items such as motor vehicles, local transportation, and international air transportation.

The projection of an inflation rate around the middle of the target range over the 2024-2026 horizon is maintained with annual rates of 2.1 percent per year in 2024 and 2.0 percent in 2025 and 2026. The forecast assumes a continued reversal of the effects of supply shocks and a gradual reduction in inflation expectations toward the middle of the target range with an economy growing without inflationary demand pressures.

### INFLATION (Last 12-month % change)



### INFLATION FORECAST: 2024 - 2026 (% change last twelve months)



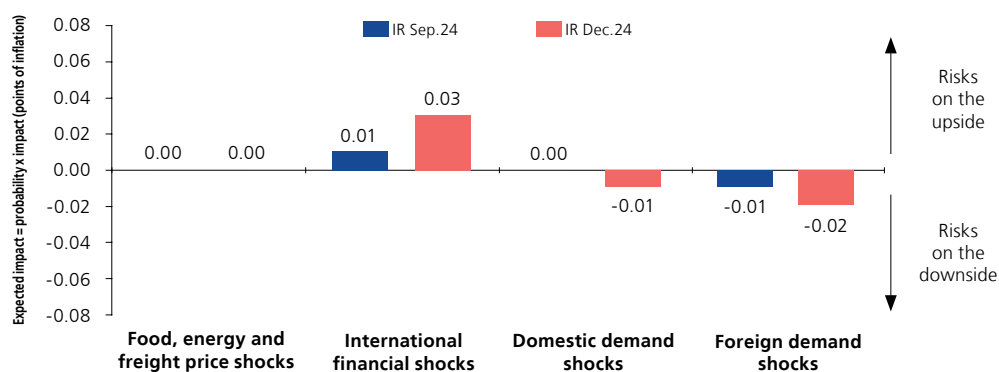
Note: This Fanchart presents the distribution of possible inflation projection values over the projection horizon. Its central line is the mode of the distribution and shows the baseline scenario projection presented in this Inflation Report. Each pair of Fanchart bands (each shade) accumulates a 10% probability and indicates the possible values for the evolution of inflation over the projection horizon associated with this confidence level.

Source: BCRP.

## Balance of Risk

**Risks to the inflation projection** consider a greater expected impact of the shocks that affect it with respect to the September forecast; however, the neutral bias is maintained. The risks for the forecasts include mainly the following contingencies: (i) financial shocks with capital outflows and upward pressures on the exchange rate due to increased volatility in financial markets resulting from geopolitical tensions or political uncertainty during the electoral period; (ii) domestic demand shocks due to political uncertainty in the face of new elections that could deteriorate the growth outlook for consumption and private investment; and (iii) external demand shocks due to lower global growth generated by trade tensions and geopolitical conflicts, which would imply lower demand for our export products.

### INFLATION RISKS BALANCE SHEET



Source: BCRP.

## SUMMARY OF INFLATION REPORT FORECAST

|                  |  | 2023 | 2024*      |            | 2025*      |            | 2026*      |
|------------------|--|------|------------|------------|------------|------------|------------|
|                  |  |      | IR Sep.24  | IR Dec.24  | IR Sep.24  | IR Dec.24  | IR Dec.24  |
| Real % chg.      |  |      |            |            |            |            |            |
| 1.               | Gross Domestic Product   | -0.4 | 3.1        | 3.2        | 3.0        | 3.0        | 2.9        |
| 2.               | Domestic demand  | -2.0 | 3.6        | 3.5        | 3.2        | 3.2        | 3.0        |
|                  | a. Private consumption   | 0.1  | 2.8        | 2.8        | 2.8        | 2.8        | 2.9        |
|                  | b. Public consumption  | 4.6  | 2.0        | 1.7        | 2.0        | 2.2        | 2.5        |
|                  | c. Fixed private investment                                      | -7.3 | 2.3        | 2.3        | 4.1        | 4.1        | 3.5        |
|                  | d. Public investment   | 2.8  | 13.7       | 15.1       | 4.5        | 4.5        | 1.0        |
| 3.               | Exports of goods and services                                    | 4.9  | 2.9        | 4.5        | 3.3        | 3.9        | 3.3        |
| 4.               | Imports of goods and services                                    | -1.4 | 4.7        | 5.8        | 4.1        | 5.0        | 3.8        |
| 5.               | World GDP growth   | 3.2  | 3.0        | 3.1        | 3.1        | 3.0        | 3.1        |
| Memo:            |  |      |            |            |            |            |            |
|                  | Output gap <sup>1/</sup> (%)                                     | -1.5 | -1.0 ; 0.0 | -1.0 ; 0.0 | -0.5 ; 0.5 | -0.5 ; 0.5 | -0.5 ; 0.5 |
|                  |  |      |            |            |            |            |            |
| % chg.           |  |      |            |            |            |            |            |
| 6.               | Inflation (end of period)  | 3.2  | 2.3        | 2.1        | 2.0        | 2.0        | 2.0        |
| 7.               | Expected inflation <sup>2/</sup>                                 | 4.4  | 2.5        | 2.4        | 2.4        | 2.5        | 2.5        |
| 8.               | Expected depreciation <sup>2/</sup>                              | -2.5 | 0.7        | 0.3        | 0.4        | 1.3        | 0.0        |
| 9.               | Terms of trade   | 4.8  | 7.8        | 10.2       | 0.5        | 0.0        | 0.0        |
|                  | a. Export prices   | -2.4 | 5.9        | 7.6        | 1.0        | 1.0        | 1.8        |
|                  | b. Import prices   | -6.9 | -1.7       | -2.4       | 0.5        | 1.0        | 1.8        |
|                  |  |      |            |            |            |            |            |
| Nominal % change |  |      |            |            |            |            |            |
| 10.              | Currency   | -5.6 | 4.0        | 11.0       | 0.0        | 0.0        | 0.0        |
| 11.              | Credit to the private sector                                     | 1.3  | 3.0        | 1.0        | 5.0        | 5.0        | 4.0        |
|                  |  |      |            |            |            |            |            |
| % GDP            |  |      |            |            |            |            |            |
| 12.              | Gross fixed investment   | 22.9 | 22.8       | 22.6       | 23.0       | 23.0       | 23.0       |
| 13.              | Current account of the balance of payments                       | 0.8  | 1.6        | 2.2        | 0.8        | 1.2        | 1.5        |
| 14.              | Trade balance  | 6.6  | 7.6        | 8.2        | 7.3        | 7.9        | 7.9        |
| 15.              | Long-term external financing of the private sector <sup>3/</sup> | 12.3 | 12.0       | 12.8       | 11.0       | 12.1       | 11.1       |
| 16.              | Current revenue of the general government                        | 19.8 | 19.4       | 19.2       | 20.6       | 20.5       | 20.3       |
| 17.              | Non-financial expenditure of the general government              | 20.9 | 21.4       | 21.4       | 20.8       | 21.0       | 20.4       |
| 18.              | Overall balance of the non-financial public sector               | -2.8 | -3.3       | -3.7       | -2.0       | -2.2       | -1.8       |
| 19.              | Balance of total public debt                                     | 32.9 | 33.4       | 32.9       | 33.1       | 33.3       | 33.3       |
| 20.              | Balance of net public debt                                       | 22.5 | 24.6       | 24.7       | 25.5       | 26.0       | 26.8       |

RI: Reporte de Inflation

\* Forecast.

<sup>1/</sup> Differential between GDP and potential GDP (as a percentage of potential GDP).

<sup>2/</sup> Expectations survey to analysts and financial entities carried out at the time of publication of the respective Report on Inflation. For 2023, the information observed in the case of depreciation and the average of the expectations to throughout the year in the case of inflation.

<sup>3/</sup> Includes obligations in local currency with non-residents.