INFLATION REPORT

December 2025

Recent trends and macroeconomic forecasts 2025-2027

CENTRAL RESERVE BANK OF PERU

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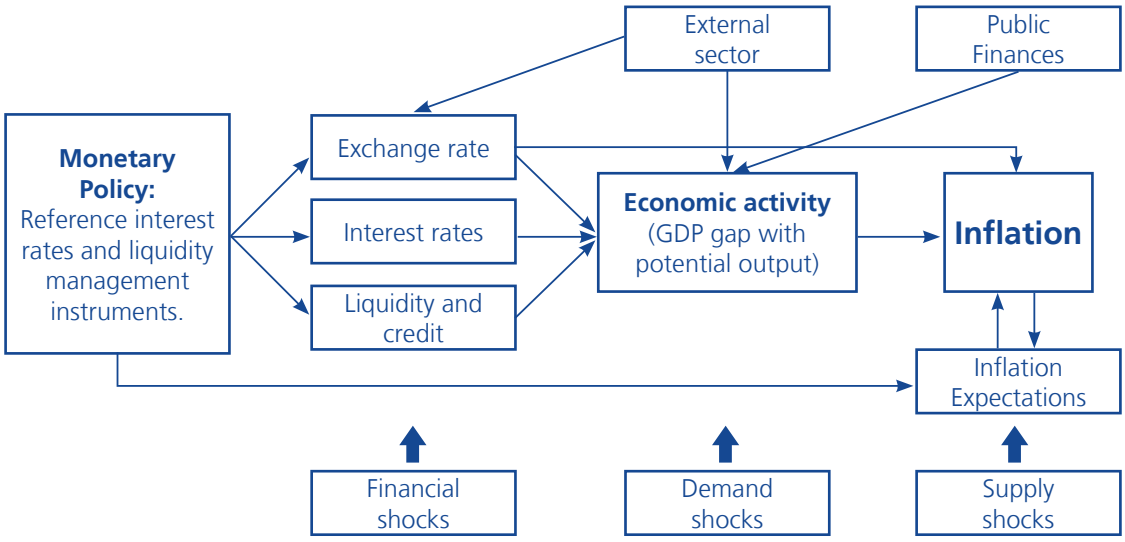

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CENTRAL RESERVE BANK OF PERU

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This **Inflation Report** has been prepared using information from the Balance of Payments and Gross Domestic Product for the third quarter of 2025; monthly GDP and monetary accounts for October 2025; and non-financial public sector operations, inflation, financial markets, and exchange rates for November 2025.

Foreword

- According to the Constitution of Peru, the Central Reserve Bank of Peru (BCRP) is a public autonomous entity with the role of preserving monetary stability. Its main functions are regulating the money supply and credit, managing international reserves, issuing banknotes and coins, and conducting reporting on the nation's finances.

- To fulfill this role, the Bank's monetary policy is based on an inflation targeting scheme. The inflation target (a range between 1 and 3 percent) seeks to anchor inflation expectations at a similar level to that of developed economies and establish a permanent commitment with monetary stability.

- Within an announced schedule, the Board of Directors of BCRP has decided every month since 2003 on the level of the benchmark rate for the interbank lending market. This interest rate is the monetary operational target, which affects the inflation rate with time lags and through different channels. Therefore, this interest rate is determined based on inflation forecasts and inflation determinants.

- Inflation may temporarily deviate from the target range due to shocks that can temporarily affect the supply of goods and services. It should be pointed out that the effectiveness of monetary policy is assessed in terms of its success in keeping inflation expectations within the target range and returning to that range within a reasonable timeframe if deviations from it have been recorded due to an economic shock.

- In addition, the BCRP implements preventive actions to preserve macrofinancial stability and thus preserve monetary policy transmission mechanisms. In this way, the benchmark rate is complemented by the use of other monetary policy instruments, such as injection and sterilization operations, reserve requirements, and interventions in the foreign exchange market, to ensure the proper functioning of markets, reduce excessive volatility in the exchange rate, and avoid significant variations in the volume and composition, by currency and maturity, of credit in the financial system.

- The Inflation Report was approved at the Board of Directors meeting on December 11, 2025, and includes macroeconomic projections for the period 2025-2027, which support the monetary policy decisions of BCRP, as well as risk factors that could cause these forecasts to deviate.

- The following Inflation Report will be released on Friday, March 20, 2026.

Summary

i. **Global economic activity** performed better than expected during the first half of the year, mainly due to higher private consumption in the United States (US) and a recovery in China. This favorable trend continued during the third quarter, which, combined with reduced trade uncertainty and lower international interest rates, has led to a revision on the upside for global growth for 2025, from 2.9 to 3.1 percent (3.3 percent in 2024). Growth for 2026 has also been revised upward, from 2.8 to 3.0 percent, due to stronger progress in the US economy, driven by higher investment in artificial intelligence (AI). Growth of 2.9 percent is estimated for 2027, which would be below the averages observed in the years prior to the pandemic (3.7 percent between 2010 and 2019).

Although **global inflation** has fallen, inflation in developed economies remains above the target set by their respective central banks in most cases, and in others, it is showing an upward trend.

ii. **Terms of trade** remained highly favorable, rising 14.2 percent year-on-year in the third quarter of 2025, due to the evolution of prices for exported metals (gold and copper), coffee, and non-traditional chemical and iron and steel products. Among the factors influencing this result were strong demand for metals for energy transition, intensified supply constraints on copper, expectations of interest rate cuts by the Fed, and the depreciation of the dollar.

The terms of trade for 2025 and 2026 are revised upward to growth of 17.0 and 6.4 percent, respectively. In both years, the revision is explained by a forecast of higher prices for the main export commodities, specifically copper, gold, zinc, and coffee. After reaching historically high levels, the terms of trade would decline slightly by 1.4 percent in 2027.

iii. **The current account balance** continued to record surpluses. Between mid-2024 and the third quarter of 2025, accumulated current account surpluses over the last four quarters remained at around 2.2 percent of GDP. This result was mainly explained by the dynamism of the terms of trade, on the one hand, and higher growth in domestic demand relative to output, on the other.

The dynamism of the terms of trade would increase the current account surplus in 2025 and 2026 (2.5 and 2.6 percent of GDP, respectively), before moderating in 2027 to 2.3 percent of GDP.

iv. **National economic activity** accelerated its year-on-year growth rate to 3.4 percent in the third quarter of 2025, driven by expansion in both primary activities —boosted by increased livestock production, favorable weather conditions for agriculture, higher anchovy catches, and the recovery of the oil sector— and non-primary sectors, whose dynamism responded to higher private spending.

Taking into account GDP performance and leading indicators, the growth forecast for 2025 has been revised upward from 3.2 percent to 3.3 percent. At the sectoral level the revision on the upside includes the agricultural sector, mining, primary manufacturing, construction, and trade sectors.

The expected Expenditure-side GDP growth for 2026 has also been revised upward, from 2.9 to 3.0 percent, due to an improved international environment and the momentum shown by private spending, which will favor non-primary activity, in addition to a recovery in fishing. The growth forecast for 2026 and 2027 will be mainly supported by the strong performance of non-primary sectors, in an environment of social stability, favorable weather conditions, and a stable macroeconomic and financial environment that will sustain the continued growth of private spending.

v. The **cumulative fiscal deficit over the last twelve months** fell from 3.4% to 2.3% of GDP between December 2024 and November 2025. This result is mainly due to the reduction in non-financial expenditure as a percentage of GDP, associated with lower national government spending and, to a lesser extent, the increase in current income as a percentage of GDP, as a result of higher export prices and dynamic economic activity.

The fiscal deficit is projected to fall from 3.4 percent of GDP in 2024 to 2.2 percent of GDP in 2025, and then continue to decline to 1.9 percent of GDP in 2026 and 1.6 percent in 2027. The forecast takes into account higher revenues in 2025, which include both income tax (IR) regularization payments and corporate income tax payments on account, associated with the impact of high export prices and GDP growth in 2024. A reduction in non-financial expenditure as a percentage of GDP is expected.

The **net** financial asset **debt** of the non-financial public sector is expected to increase from 23.4% to 24.6% of GDP between 2024 and 2027. Meanwhile, gross debt is projected to rise from 32.0% to 32.1% of GDP during the same period. The current forecast for net debt incorporates a lower balance of public sector financial assets as a percentage of GDP, which has been reaching minimum levels.

vi. The Board of **Directors** of BCRP decided to maintain the **benchmark rate** at 4.25 percent at its Monetary Program meetings in October, November, and December. Thus, the real reference rate has been hovering around the estimated neutral rate (2 percent). Monetary policy statements reiterated the message that future adjustments to the benchmark rate will be contingent on new information about inflation and its determinants.

vii. **Interest rates in domestic currency** continued to evolve in line with the benchmark rate, particularly in segments with lower credit risk and shorter maturities. As expected, the year- on-year growth rate of liquidity in domestic currency (currency in circulation plus domestic currency deposits) moderated from 12.9 percent in December 2024 to 4.6 percent in October 2025. For its part, in the same period and also in line with projections, the year- on-year growth rate of **credit to the private sector** increased from 0.4 percent in December 2024 to 5.6 percent in October 2025, supported by the medium-sized enterprise and micro and small enterprise segments, and by credit cards, in line with the recovery in economic activity. Looking ahead, credit to the private sector is expected to grow at rates of no less than 6 percent, in line with the forecasts for growth in economic activity and the reduction in non-performing loans.

viii. **Year-on-year inflation** remains at the lower end of the target range (1.37 percent in November) due to temporary supply factors (mainly energy). Inflation excluding food and energy (SAE) remained at 1.8 percent in recent months, close to the center of the target range.

Year-on-year inflation is projected to remain within the target range over the projection horizon, with rates of 1.5 percent per year in 2025, 2.0 percent per year in 2026, and 2.0 percent per year in 2027. In addition, this forecast considers the reversal of supply

shocks, economic activity around its potential level, and inflation expectations that gradually approach the midpoint of the target range.

ix. **The risks** to the inflation projection remain neutral, in line with the September Report. The main risks include: (i) a scenario of high financial volatility and capital flight, associated with international factors or domestic political uncertainty;(ii) weakening of domestic demand in the event of political and social instability, which would affect consumption and private investment; and (iii) lower external demand in the face of a global slowdown —including slower growth in China— and higher international financing costs, factors that could deteriorate terms of trade and reduce demand for our exports.

SUMMARY OF FORECASTS

	2024	2025*		2026*		2027*
		IR Sep.25	IR Dec.25	IR Sep.25	IR Dec.25	IR Dec.25
Real % change						
1. Gross domestic product	3.5	3.2	3.3	2.9	3.0	3.0
2. Domestic demand	4.0	5.1	5.4	3.0	3.5	3.2
a. Private consumption	*2.8*	*3.5*	*3.6*	*2.9*	*3.0*	*3.0*
b. Public consumption	*2.1*	*2.2*	*3.1*	*2.5*	*2.5*	*1.2*
c. Fixed private investment	*3.3*	*6.5*	*9.5*	*3.5*	*5.0*	*5.0*
d. Public investment	*14.7*	*6.5*	*5.5*	*1.0*	*1.0*	*1.0*
3. Exports of goods and services	6.6	3.3	4.1	2.6	2.5	2.1
4. Imports of goods and services	8.4	10.2	11.8	3.1	4.4	3.1
5. Global GDP growth	3.3	2.9	3.1	2.8	3.0	2.9
Note:						
Product gap[1/] (%)	-0.4	-0.5 ; 0.5	-0.5 ; 0.5	-0.5 ; 0.5	-0.5 ; 0.5	-0.5 ; 0.5
% change						
6. Inflation (end of period)	2.0	1.7	1.5	2.0	2.0	2.0
7. Expected inflation[2/]	2.5	2.1	1.8	2.3	2.2	2.2
8. Expected depreciation[2/]	0.1	-3.0	-9,1	2.1	2.9	1.4
9. Terms of trade	12.3	13.9	17.0	1.8	6.4	-1.4
a. Export prices	*7.6*	*11.1*	*14.3*	*2.4*	*6.3*	*0.8*
b. Import prices	*-4.2*	*-2.5*	*-2.4*	*0.5*	*-0.1*	*2.3*
Nominal % change						
10. Current assets	11.4	7.0	11.5	0.0	5.0	3.0
11. Credit to the private sector	0.4	5.0	6.5	4.0	6.0	6.0
% GDP						
12. Gross fixed investment	22.1	21.8	21.9	21.7	21.6	21.9
13. Current account balance of payments	2.2	1.9	2.5	2.0	2.6	2.3
14. Trade balance	8.2	9.2	9.7	9.2	10.3	9.8
15. Medium- and long-term private external debt[3/]	11.4	9.8	10.0	8.9	8.5	7.7
16. Current revenue of the General Government	18.7	19.2	19.2	19.2	19.2	19.2
17. Non-financial expenditure of the General Government	20.7	20.3	20.0	19.7	19.4	19.1
18. Economic result of the non-financial public sector	-3.4	-2.4	-2.2	-2.1	-1.9	-1.6
19. Total public debt balance	32.0	31.3	30.4	32.0	31.2	32.1
20. Net public debt balance	23.4	23.7	22.9	24.8	23.8	24.6

IR: Inflation Report
* Projection.
1/ Differential between GDP and potential GDP (as a percentage of potential GDP).
2/ Survey of expectations among analysts and financial institutions conducted at the time of publication of the respective Inflation Report. For 2024, the information observed in the case of depreciation and the average of expectations throughout the year in the case of inflation have been considered.
3/ Includes obligations in domestic currency with non-residents.

I. External sector

1. During the first half of this year, global growth was higher than expected, particularly in the US and China, countries that account for around one-third of global GDP. Part of this growth was explained by increased consumption in anticipation of higher tariffs being imposed by the US. Since then, evidence on global growth has been mixed and varied across sectors and countries.

2. On the one hand, economic activity has been affected by declining consumer and investor confidence, a less dynamic labor market, lower trade volumes, and persistent inflationary pressures in several developed economies, which limit the easing of monetary policy. On the other hand, particularly in the US, there has been an increase in investment in industries linked to artificial intelligence, a wealth effect due to the increase in market capitalization, and an increase in the fiscal deficit that would have a moderate impact on activity in 2026 and 2027.

3. In this context, growth rates have been revised slightly upward: from 2.9 to 3.1 percent in 2025 and from 2.8 to 3.0 percent in 2026. Growth of 2.9 percent is estimated for 2027. The projected growth rates remain below the averages observed in the years prior to the pandemic (3.7 percent between 2010 and 2019), and there is a high degree of uncertainty which, at the time of writing, is accentuated by the lack of statistical information on the U.S. economy due to the partial standstill of government activities.

4. **Inflation in developed economies** is mostly above the targets set by their respective central banks and, in some cases, shows an upward trend. Particularly noteworthy is the evolution of goods prices, which, in contrast with the beginning of the year, are now contributing positively to the inflation rate.

5. For its part, **emerging economies** have faced a relatively positive environment due to high metal prices—during the period outlined, copper and gold reached historical highs. Likewise, although with some volatility, capital flows to emerging economies have been mostly positive, both in fixed-income and equity markets.

6. The risks to this central scenario are mostly on the downside. There is a possibility that China's growth will be lower than expected if so-called green industries grow less than anticipated and domestic demand does not respond to recent stimulus measures. In the US, persistent inflation above target could moderate the Fed's easing of monetary policy. A less flexible monetary policy, coupled with lower-than-expected growth, could in turn trigger sharp corrections in both fixed income and equity markets.

Recent developments in global economic activity

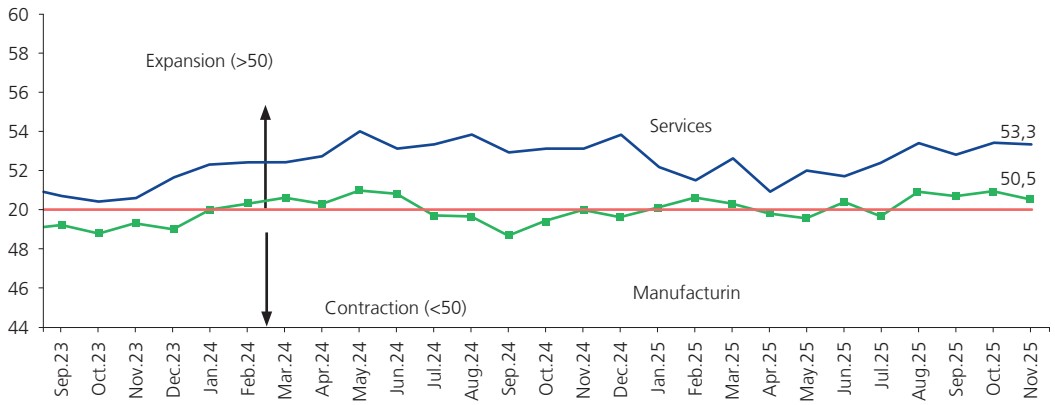
7. Economic activity in the first half of the year surprised on the upside, particularly in the US and China. Part of this growth may have reflected the advance consumption of goods in anticipation of the imposition of tariffs by the US. Since the third quarter of the year, global economic activity has been less dynamic due to the slowdown in some developing economies (Mexico and Russia) and developed economies (Japan and the

United Kingdom). At the sectoral level, the services sector, which is less affected by trade policies, continues to show the greatest dynamism.

Graph 1

GLOBAL PMI: WORLD ECONOMIC ACTIVITY INDEX FOR MANUFACTURING AND SERVICES SECTORS

(Diffusion index)



	Dec.22	Dec.23	Dec.24	May.25	Jun.25	Jul.25	Aug.25	Sep.25	Oct.25	Nov.25
PMI Manufacturing										
India	57.8	54.9	56.4	57.6	58.4	59.1	59.3	57.7	59.2	56.6
Japan	48.9	47.9	49.6	49.4	50.1	48.9	49.7	48.5	48.2	48.7
China (Caixin)	49.0	50.8	50.5	48.3	50.4	49.5	50.5	51.2	50.6	49.9
United States (S&P)	46.2	47.9	49.4	52.0	52.9	49.8	53.0	52.0	52.5	52.2
Brazil	44.2	48.4	50.4	49.4	48.3	48.2	47.7	46.5	48.2	48.8
Germany	47.1	43.3	42.5	48.3	49.0	49.1	49.8	49.5	49.6	48.2
France	49.2	42.1	41.9	49.8	48.1	48.2	50.4	48.2	48.8	47.8
United Kingdom	45.3	46.2	47.0	46.4	47.7	48.0	47.0	46.2	49.7	50.2
Australia	50.2	47.6	47.8	51.0	50.6	51.3	53.0	51.4	49.7	51.6
PMI Servicios										
India	58.5	59.0	59.3	58.8	60.4	60.5	62.9	60.9	58.9	59.5
Japan	51.1	51.5	50.9	51.0	51.7	53.6	53.1	53.3	53.1	53.1
China (Caixin)	48.0	52.9	52.2	51.1	50.6	52.6	53.0	52.9	52.6	52.1
United States (S&P)	44.7	51.4	56.8	53.7	52.9	55.7	54.5	54.2	54.8	55.0
Brazil	51.0	50.5	51.6	49.6	49.3	46.3	49.3	46.3	47.7	50.1
Germany	49.2	49.3	51.2	47.1	49.7	50.6	49.3	51.5	54.6	52.7
France	49.5	45.7	49.3	48.9	49.6	48.5	49.8	48.5	48.0	50.8
Australia	47.3	47.1	50.8	50.6	51.8	54.1	55.8	52.4	52.5	52.7

Expansion > 50 Contraction < 50

Source: PMI S&P.

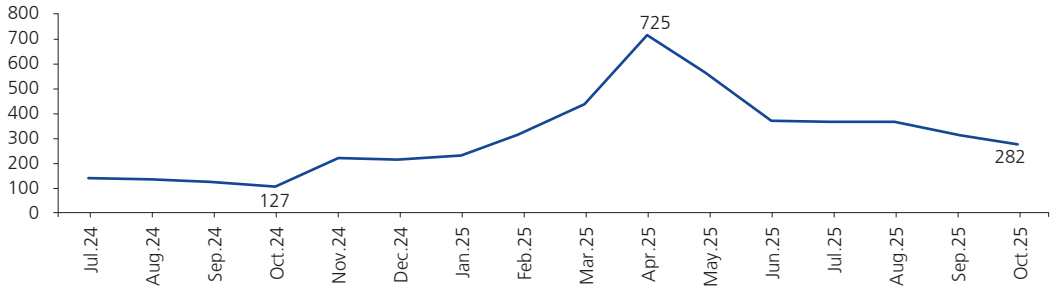
8. The US signed trade agreements with a number of countries, notably China. However, some issues remain to be defined, such as the treatment of minerals classified as critical, pharmaceutical producers, and microprocessors.

Table 1
NOVEMBER TRADE MEASURES

Countries	Dates	Agreements
US exempts certain global agricultural goods	Effective November 13	The US extended exemptions for 237 agricultural items. The main Peruvian exports benefiting are coffee, avocados, and cocoa products. Blueberries and grapes remain subject to a 10 percent tariff.
US and China	Effective as of November 10	The tariff on fentanyl decreases from 20 percent to 10 percent; reciprocal tariff of 10 percent remains in effect for one year. China suspends retaliatory tariffs imposed since March 4, 2025 (weighted tariff reduction of 1 percent). China will purchase 12 million metric tons of soybeans in the remainder of 2025 and 25 million metric tons annually in 2026–2028. China will eliminate global export controls on rare earths.
US with Argentina, Ecuador, El Salvador, and Guatemala	Preliminary announcement on November 13	The US reduced tariffs on some agricultural products. The four countries will eliminate tariffs on machinery, cars, medical devices, and agricultural products, and remove non-tariff barriers. El Salvador and Guatemala will get lower tariffs on textiles under CAFTA DR.
US and South Korea	Effective November 14	If the previous tariff is less than (greater than or equal to) 15 percent, the additional tariff is 15 percent minus the previous tariff (0 percent). The US reduced tariffs on cars and auto parts from 25 percent to 15 percent (retroactive to November 1, implying refunds). South Korea to invest USD 350 billion in the US.
US and Switzerland	Preliminary announcement on November 14	The US will reduce reciprocal tariffs from 39 percent to 15 percent. Switzerland will invest USD 200 billion in the US, of which USD 70 billion will be in the pharmaceutical and gold sectors.
US and Saudi Arabia	Effective November 18	Includes nuclear technology exchange, tank and aircraft purchases, and cooperation on critical minerals. Saudi Arabia will invest USD 600 billion in the US.
US and Brazil	Effective as of November 13	Agricultural items exempt from reciprocal tariffs are also exempt from the additional 40 percent tariff.

In addition, uncertainty about the time lags in the impacts of tariffs on growth and inflation has increased due to the lack of official data, whose publication has been delayed as a result of the partial shutdown of the US government. Furthermore, despite progress in trade policy, uncertainty regarding fiscal and monetary policy, among other issues, remains high and above the levels observed a year ago.

Graph 2
U.S. ECONOMIC POLICY UNCERTAINTY INDEX (EPU)



Categories	Sep.24	Dec.24	Mar.25	Apr.25	May.25	Jun.25	Jul.25	Aug.25	Sep.25	Oct.25
EPU	**127**	**219**	**446**	**725**	**564**	**376**	**372**	**371**	**321**	**282**
Monetary Policy	116	155	449	453	422	288	342	288	377	253
Fiscal Policy	75	183	626	689	619	494	447	322	376	401
Regulation	81	259	385	443	467	401	467	269	229	329
Financial Regulation	50	46	409	401	133	171	244	159	111	92
Trade Policy	95	1 319	5,912	7,956	5,780	3,537	3,372	2,727	3,775	2,689
Sovereign Debt, Currency Crisis	20	51	120	509	98	378	64	10	31	68

Source: Scott Baker, Nicholas Bloom, and Steven J, "Measuring Economic Policy Uncertainty."

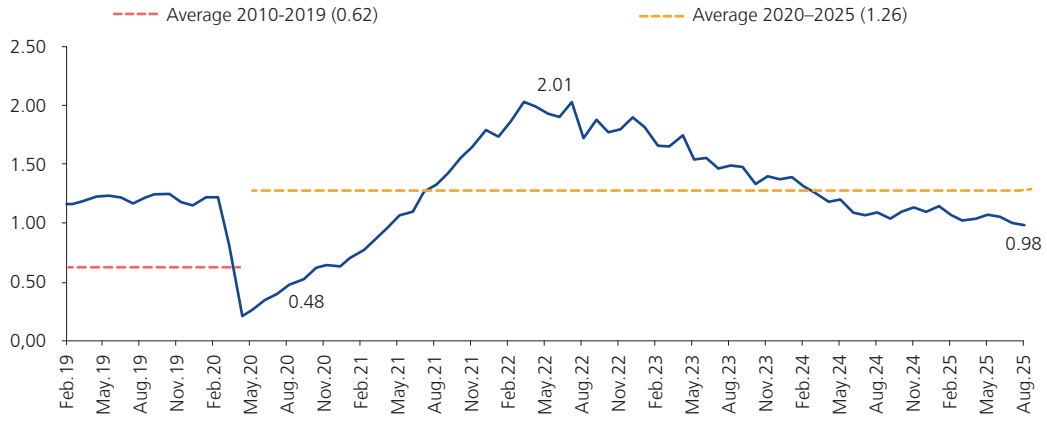
9. On the other hand, there are other factors that support growth and therefore reinforce the baseline scenario of a gradual and moderate slowdown in the global economy. The reduction in monetary policy interest rates in most developed countries has eased financing conditions in some developed economies (particularly the eurozone), supporting consumption. Also noteworthy is investment in technology industries linked

to AI and the somewhat slower growth of green industries, such as electric cars and solar panels.

10. The **US** GDP grew significantly in the second quarter after contracting in the first few months of the year. The US economy grew 3.8 percent on an annualized basis, well above the previous estimate of 3.3 percent, marking the strongest growth since the third quarter of 2023. This growth was driven by increased consumption and investment linked to technology companies.

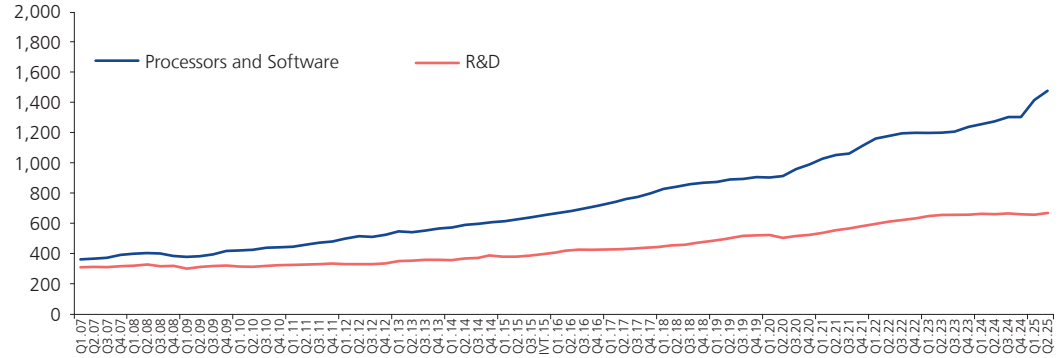
Although no data has been released for the third quarter, monthly indicators suggest a gradual slowdown in growth. On the one hand, the weaker labor market has affected consumption. Despite the lack of data, various sources suggest that job creation has slowed. This indicator is consistent with the increase in ongoing claims for unemployment benefits, suggesting that the market is less tight than observed in the previous report.

Graph 3
JOB VACANCY-UNEMPLOYMENT RATIO



On the other hand, there are two factors that have been supporting growth. First, the rise in stock markets in the US has generated a wealth effect and higher disposable income. Second, in line with company announcements, investment in AI-related technology industries is estimated to have remained dynamic. This is reflected in investment in equipment, intellectual property products, and infrastructure.

Graph 4
US: INVESTMENT IN R&D AND INVESTMENT IN PROCESSORS AND SOFTWARE
(In billions of USD)



USA: SEASONALLY ADJUSTED GROWTH

(Annualized quarterly rates)

	Q1.23	Q2.23	Q3.23	Q4.23	Q1.24	Q2.24	Q3.24	Q4.24	Q1.25	Q2.25
GDP	**2.8**	**2.4**	**4.4**	**3.2**	**0.8**	**3.6**	**3.1**	**1.9**	**-0.6**	**3.8**
Personal consumption	**4.9**	**1.0**	**2.5**	**3.5**	**1.7**	**3.9**	**3.7**	**3.9**	**0.6**	**2.5**
Durable	17.1	-0.3	4.2	2.9	-0.9	7.8	7.6	13.0	-3.4	2.3
Non-durable	2.5	-0.4	3.1	3.6	-1.6	4.3	4.6	3.8	2.2	2.2
Services	3.8	1.6	2.1	3.5	3.2	3.2	2.8	2.5	0.8	2.6
Gross investment	**-8.9**	**8.0**	**10.1**	**0.7**	**-1.6**	**8.2**	**0.8**	**-6.8**	**23.3**	**-13.8**
Fixed investment	3.1	8.6	2.6	3.5	3.0	1.4	2.1	-1.9	7.1	4.4
Non-residential	5.3	9.9	1.1	3.8	1.5	2.5	4.0	-3.7	9.5	7.3
Teams	-0.2	12.6	-2.6	3.3	0.5	8.9	8.2	-4.3	21.4	8.5
Intellectual Property Production	5.5	4.7	2.9	4.2	6.7	0.7	2.6	-0.6	6.5	15.0
Residential	-4.3	4.5	7.7	2.5	8.2	-2.0	-4.3	4.3	-1.0	-5.1
Exports	**2.0**	**-4.8**	**4.9**	**6.2**	**4.6**	**0.7**	**9.6**	**-0.9**	**0.2**	**-1.8**
Imports	**-0.8**	**-3.1**	**4.7**	**4.2**	**6.9**	**8.4**	**10.7**	**-0.2**	**38.0**	**-29.3**
Government spending	**5.1**	**2.9**	**5.7**	**3.6**	**2.3**	**3.3**	**5.1**	**3.3**	**-1.0**	**-0.1**
Memo										
Contribution from inventories	**-2.2**	**0.0**	**1.3**	**-0.5**	**-0.5**	**1.1**	**-0.2**	**-0.8**	**2.6**	**-3.4**

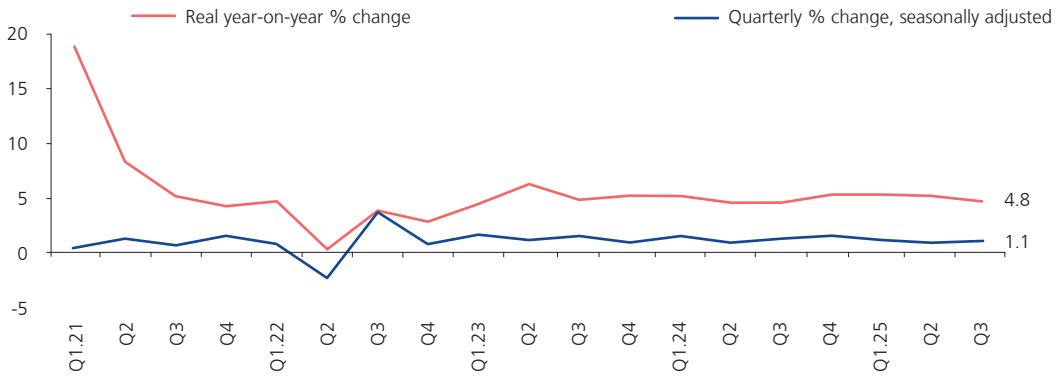
Source: BEA.

11. The **eurozone** economy recorded a growth rate of 0.2 percent in the third quarter of the year, following a slight increase of 0.1 percent in the previous period. The better-than- expected performance was due to an increase in exports in anticipation of tariffs, as well as a revival in investment in equipment and intangible assets. Resilience in the labor market, slowing inflation, and favorable financial conditions are expected to support the recovery. By country, Spain (0.6 percent) and France (0.5 percent) stood out, offsetting stagnation in Germany.

12. Among emerging economies, China's growth slowed to 4.8 percent year-on-year in the third quarter of 2025. However, compared to the previous quarter, the Chinese economy grew by 1.1 percent, exceeding expectations. The resilience of growth was supported by the expansion of exports which, together with emerging sectors, further boosted industrial production.

Graph 5

CHINA: QUARTERLY GROWTH RATE



Source: National Bureau of Statistics of China.

On the other hand, the external sector showed volatile results due to trade uncertainty. Despite this development, it is important to note that the destination of exports continues to diversify, with an increase in shipments to Asian countries, particularly those of the Association of Southeast Asian Nations (ASEAN), while shipments to the US accumulated eight consecutive months of decline.

Table 2
CHINA: SELECTED INDICATORS

Indicators	2024				2025						
	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.
PMI services - S&P[1/]	52.7	51.2	50.3	52.2	51.9	50.6	52.6	53.0	52.9	52.6	52.1
Non-manufacturing PMI - official[1/]	53.0	50.5	50.0	52.2	50.8	50.5	50.1	50.3	50.0	50.1	49.5
Manufacturing PMI - S&P[1/]	51.1	51.8	49.3	50.5	51.2	50.4	49.5	50.5	51.2	50.6	49.9
Manufacturing PMI - official[1/]	50.8	49.5	49.8	50.1	50.5	49.7	49.3	49.4	49.8	49.0	49.2
Industrial Production[2/]	4.5	5.3	5.4	6.2	7.7	6.8	5.7	5.2	6.5	4.9	4.8
Investment in fixed assets[3/]	4.5	3.9	3.4	3.2	4.2	2.8	1.6	0.5	-0.5	-1.7	-2.6
Retail sales[2/]	3.1	2.0	3.2	3.7	5.9	4.8	3.7	3.4	3.0	2.9	1.3
Exports[2/]	-7.5	8.6	2.4	10.7	12.4	5.8	7.2	4.4	8.3	-1.1	5.9
Imports[2/]	-1.9	-2.3	0.3	1.0	-4.3	1.1	4.1	1.3	7.4	1.0	1.9
Bank loans[2/]	9.6	8.8	8.1	7.6	7.4	7.1	6.9	6.8	6.6	6.5	6.4
Consumer price index[2/]	0.1	0.2	0.4	0.1	-0.1	0.1	0.0	-0.4	-0.3	0.2	0.7
Housing price index[2/]	-2.2	-4.5	-5.8	-5.3	-4.5	-3.2	-2.8	-2.5	-2.2	-2.2	-2.4
Producer price index[2/]	-2.8	-0.8	-2.8	-2.3	-2.5	-3.6	-3.6	-2.9	-2.3	-2.1	-2.2

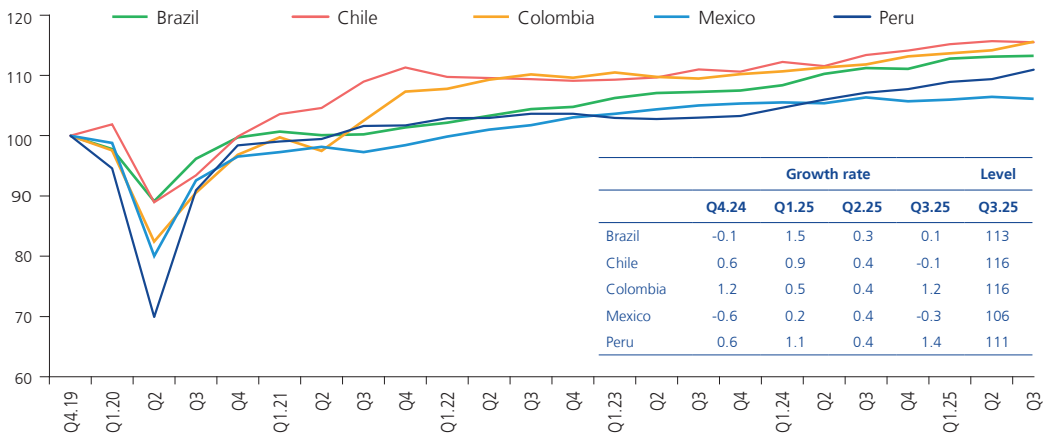
1/ Diffusion index: 50 = neutral level.
2/ Annual % change.
3/ Cumulative annual % change.
Source: Trading Economics.

13. In **Latin America**, economic activity showed mixed results at the country level. After Peru, Colombia recorded the highest sequential growth rate, with domestic demand remaining robust, characterized by renewed expansion in private consumption.

For its part, in Brazil, the slowdown in activity was mainly due to the services sector; however, according to central bank estimates, the country maintains a positive output gap.

In contrast, declines were recorded in the other countries. In Chile, activity was affected by a slowdown in domestic demand, despite ongoing growth in investment, and by a fall in exports, mainly mining exports, following the standstill of the El Teniente mine. In Mexico, the contraction was mainly due to a decline in construction and manufacturing, as well as a slowdown in services.

Graph 6
LATIN AMERICA: QUARTERLY GDP*
(Index 100 = Q4 2019)



	Growth rate				Level
	Q4.24	Q1.25	Q2.25	Q3.25	Q3.25
Brazil	-0.1	1.5	0.3	0.1	113
Chile	0.6	0.9	0.4	-0.1	116
Colombia	1.2	0.5	0.4	1.2	116
Mexico	-0.6	0.2	0.4	-0.3	106
Peru	0.6	1.1	0.4	1.4	111

* Seasonally adjusted series.
Source: Statistical institutes and central banks.

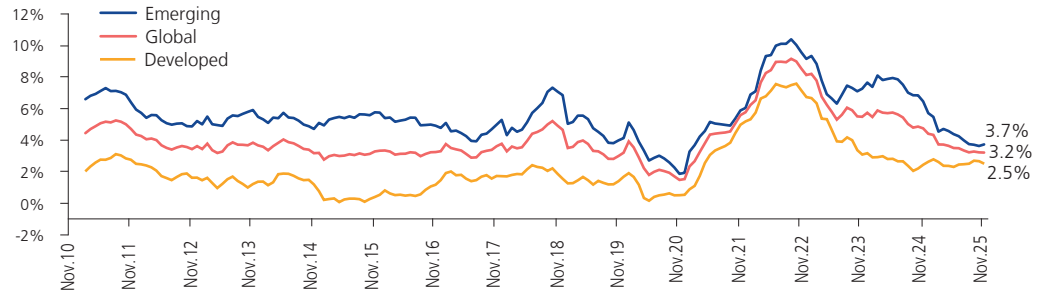
Recent developments in inflation

14. Global inflation fell from 3.3 percent in September to 3.2 percent in November, the lowest level since March 2021. In developed countries, inflation fell from 2.7 percent to 2.5 percent, but in most cases, it remains above the targets set by their central banks for both headline and core inflation. In emerging economies, inflation remained at 3.7 percent.

Graph 7

INFLATION: GLOBAL, DEVELOPED COUNTRIES, AND EMERGING ECONOMIES

(12-month % change))

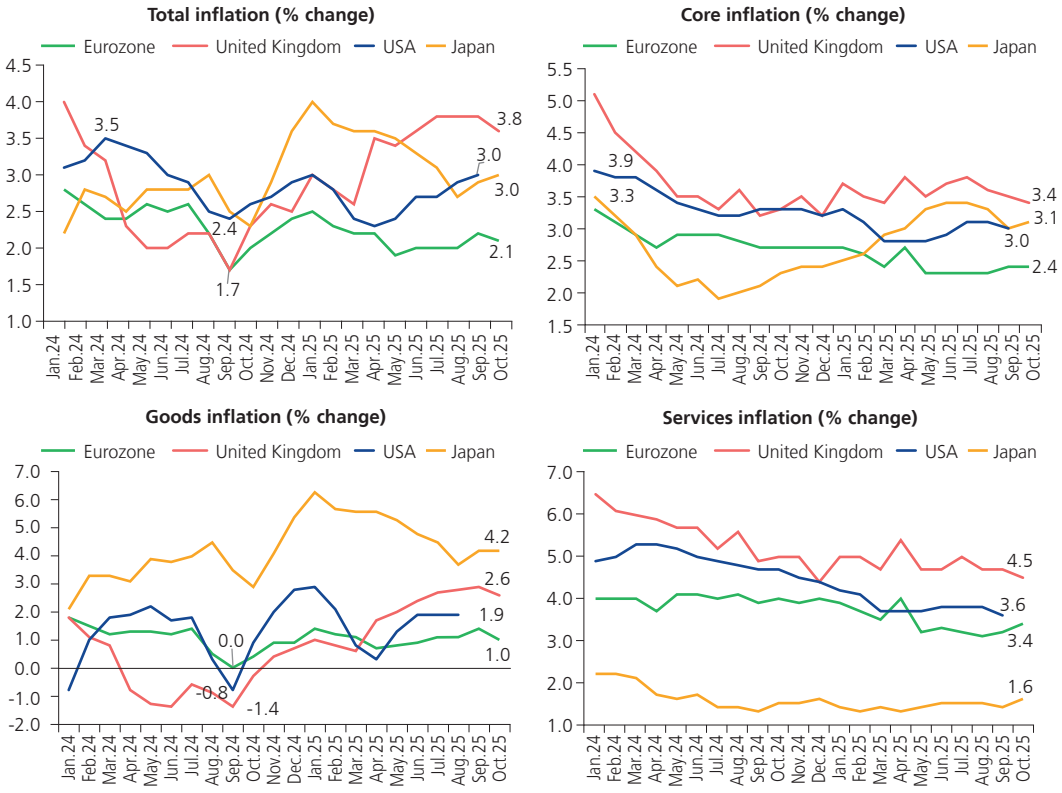


	Dec.22	Dec.23	Dec.24	Mar.25	Jun.25	Jul.25	Aug.25	Sep.25	Oct.25	Nov.25
Overall	8.1%	5.7%	4.4%	3.7%	3.5%	3.3%	3.2%	3.3%	3.2%	3.2%
Developed	6.7%	3.2%	2.6%	2.4%	2.5%	2.5%	2.5%	2.7%	2.7%	2.5%
Emerging	9.1%	7.6%	5.7%	4.7%	4.2%	4.0%	3.7%	3.7%	3.6%	3.7%
Developments without EUA	6.9%	3.0%	2.4%	2.4%	2.3%	2.3%	2.2%	2.4%	2.4%	2.3%
Emerging markets excluding China	14.2%	13.1%	9.5%	8.0%	7.0%	6.7%	6.5%	6.4%	5.9%	5.7%
Peru	8.5%	3.2%	2.0%	1.3%	1.7%	1.7%	1.1%	1.4%	1.4%	1.4%

Nota: Global inflation and inflation in developed countries repeat the US figures for September and October due to the lack of information available for that month.
Source: Reuters.

Graph 8

INFLATION IN DEVELOPED COUNTRIES



Source: Trading Economics.

15. In the case of **the United States**, inflation continued its moderate and gradual upward trend. From a low of 2.3 percent recorded in April, inflation rose to 3.0 percent in September. Due to the partial government shutdown, which affected the publication of various economic data, no data is available for the month of October.

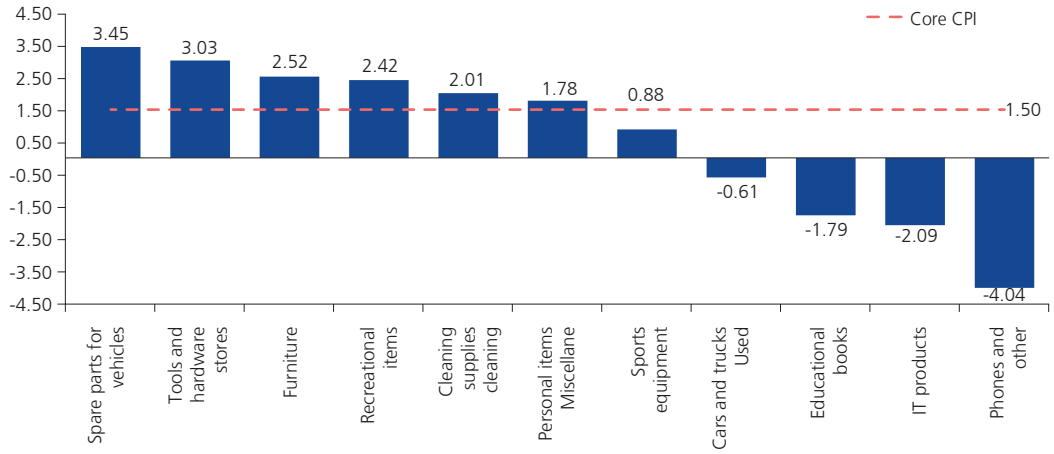
Table 3
US: INFLATION INDICATORS AND INFLATION EXPECTATIONS
(12-month % change)

	Dec. 2023	Dec. 2024	Jan. 2025	Feb. 2025	Mar. 2025	Apr. 2025	May. 2025	Jun. 2025	Jul. 2025	Aug. 2025	Sep. 2025	Oct. 2025	Nov. 2025
Total CPI	3.4	2.9	3.0	2.8	2.4	2.3	2.4	2.7	2.7	2.9	3.0	-	2.7
of which: food	*2.7*	*2.5*	*2.5*	*2.6*	*3.0*	*2.8*	*2.9*	*3.0*	*2.9*	*3.2*	*3.1*	-	*2.6*
of which: energy	*-2.0*	*-0.5*	*1.0*	*-0.2*	*-3.3*	*-3.7*	*-3.5*	*-0.8*	*-1.6*	*0.2*	*2.8*	-	*4.2*
Core CPI	3.9	3.2	3.3	3.1	2.8	2.8	2.8	2.9	3.1	3.1	3.0	-	2.6
Total PCE	2.7	2.6	2.6	2.7	2.4	2.3	2.5	2.6	2.6	2.7	2.8		
of which: goods	0.1	-0.1	0.5	0.3	-0.3	-0.3	0.1	0.6	0.6	0.9	1.4		
of which: services	4.0	3.9	3.6	3.8	3.6	3.5	3.6	3.5	3.5	3.6	3.4		
Core CPI	3.0	2.9	2.8	3.0	2.7	2.6	2.8	2.8	2.9	2.9	2.8		
12-month inflation expectations													
Consumer (Fed NY)	3.0	3.0	3.0	3.1	3.6	3.6	3.2	3.0	3.1	3.2	3.4	3.2	
Consumer (Michigan)	3.1	2.8	3.3	4.3	5.0	6.5	6.6	5.0	4.5	4.8	4.7	4.6	4.5
Consumer (Conference Board)	5.5	5.1	5.2	5.8	6.0	7.0	6.4	5.9	5.7	6.1	5.8	5.7	5.7

Source: BLS, Trading Economics.

During the cumulative period from April to September, only specific categories — such as vehicle parts, tools, and household equipment— recorded inflation above the cumulative core CPI (1.5 percent), while high-tech goods and used vehicles maintained a deflationary trend.

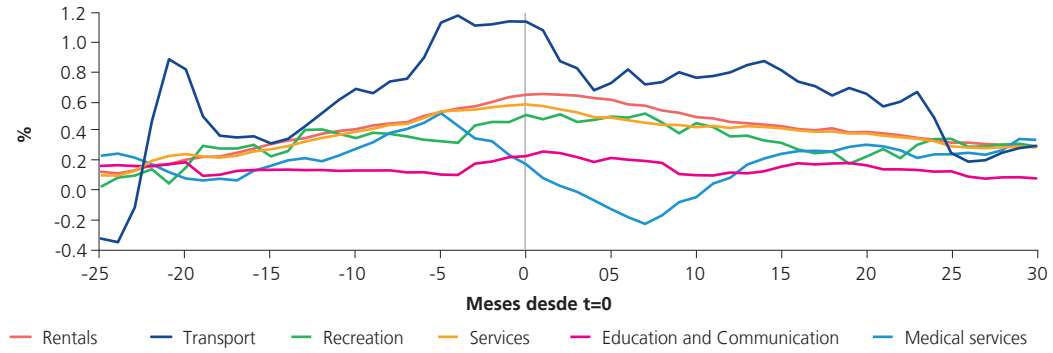
Graph 9
ACCUMULATED CPI INFLATION (APRIL–SEPTEMBER) FOR GOODS WITH HIGH EXPOSURE TO TARIFFS
(Percentage)



Source: BLS.

With regard to **services**, the graph shows that, after reaching a peak in February 2023, inflation in services recorded a sustained and widespread decline. However, since early 2025, rates by category have remained relatively stable and above the 2 percent target, which could suggest some downward resistance in a context of reduced labor supply linked to migrant labor.

Graph 10
COMPARATIVE EVOLUTION OF PRICES FOR SERVICE ITEMS: 12-MONTH MOVING AVERAGE
(Monthly change, seasonally adjusted series)

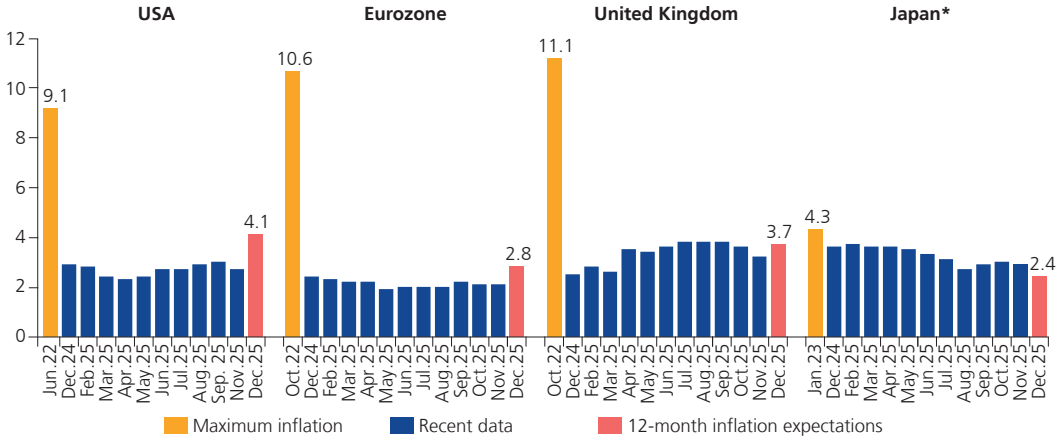


Note: On the x-axis, the value 0 represents February 2023, the maximum value of inflation for services excluding energy (12-month moving average).

In **other developed countries**, inflation behaved differently. Inflation rates in the eurozone, Canada, and the United Kingdom declined in October, while inflation in Japan accelerated. In the eurozone, inflation stood at 2.1 percent, very close to the ECB's inflation target; however, services inflation accelerated to a similar level to that recorded in April. In Japan, inflation has been trending upward in recent months, rising from 2.7 percent in August to 3.0 percent in October, an increase explained by higher energy, housing, and clothing costs.

16. In most developed economies, **inflation expectations** have moderated, in line with developments in trade. However, in the case of the US, one-year expectations have risen again, influenced by the downward resistance in actual inflation and the possible impact of tariffs on the price of tradable goods and of reduced migrant labor on the price of some services.

Graph 11
INFLATION IN DEVELOPED COUNTRIES: RECENT PEAKS AND EXPECTATIONS
(In percentage)

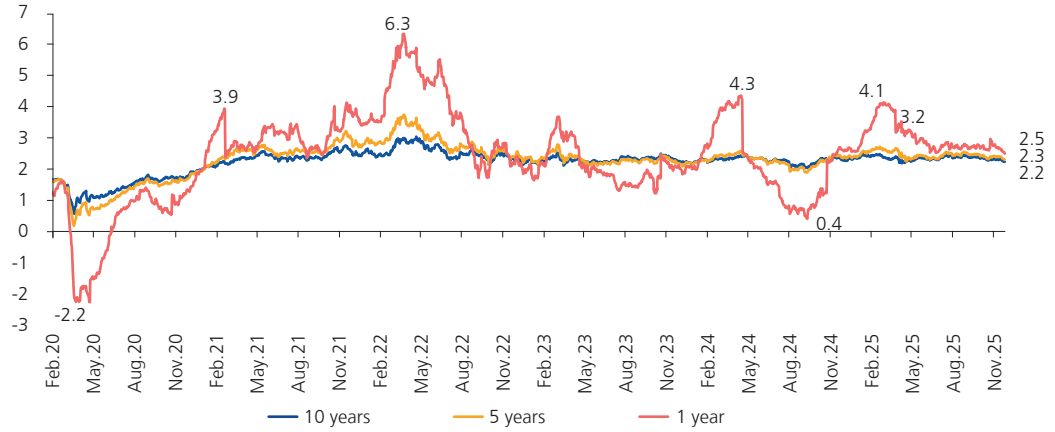


Source: Trading Economics.
*The 12-month expectations correspond to the fourth quarter of 2025.

These inflation expectations are also reflected in breakeven inflation, an indicator that estimates expected inflation based on the difference between Treasury bond yields and Treasury Inflation Protected Securities (TIPS). In the case of the US, the inflation expectation for the next twelve months fell to 2.5 percent at the end of November

(from 2.7 percent in September), although it still remains above the target (2 percent). For its part, 5- and 10-year breakeven rates also declined, but to a lesser extent, and are approaching the 2 percent target.

Graph 12
U.S. BREAKEVEN INFLATION RATES
(Percentage)

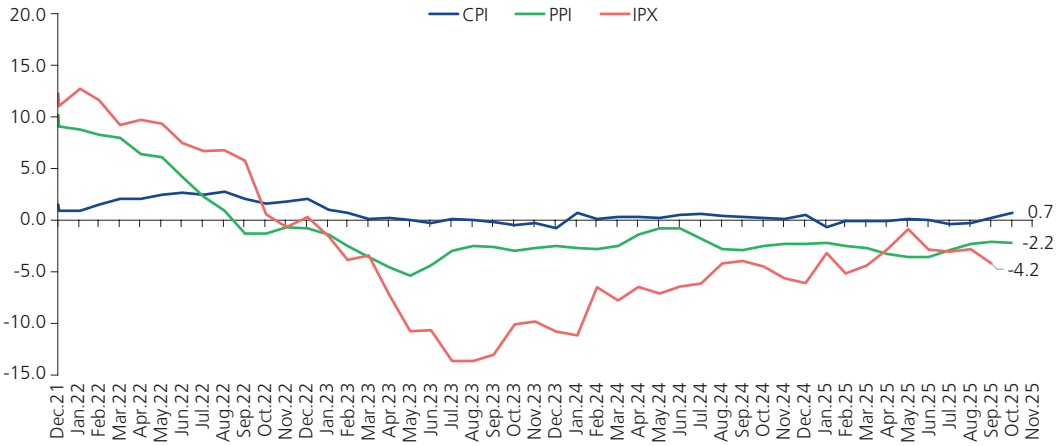


Source: Reuters.

17. In the case of **emerging economies**, deflationary pressures have eased in **China**, in line with the "anti-recession" policy. In October, the consumer price index recorded its first positive change since June, also influenced by higher spending in a holiday context. For its part, the producer price index continued to reduce its contraction, while the variation in export prices, although in negative territory, has remained relatively stable.

Despite these favorable developments, high levels of household and corporate debt, as well as a possible oversupply of high-tech products, are factors that could continue to exert downward pressure over the forecast horizon.

Graph 13
INFLATION IN CHINA
(Percentage change)



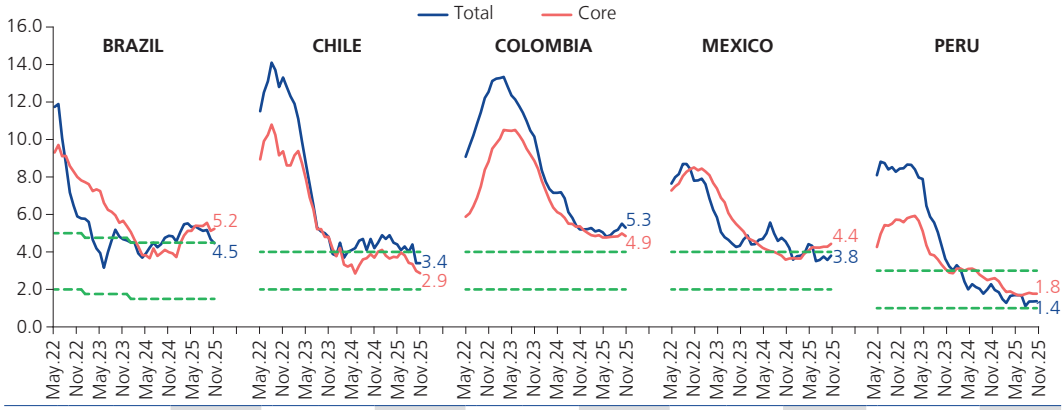
CPI: Consumer Price Index. PPI: Producer Price Index. EPI: Export Price Index (in USD).
Source: Trading Economics.

In **Latin America**, inflation in most countries in the region, with the exception of Colombia, was within the target range (Brazil is at the upper limit). Core inflation varied among countries in November: it declined in Brazil and Colombia, remained relatively stable in Chile and Peru, and increased in Mexico.

Graph 14

INFLATION IN LATIN AMERICA

(Percentage change, last 12 months)



	Oct.25	Nov.25	Maximum	Oct.25	Nov.25	Maximum	Oct.25	Nov.25	Maximum	Oct.25	Nov.25	Maximum	Oct.25	Nov.25	Maximum
Total	4.7	4.5	12.1 (apr.22)	3.4	3.4	14.1 (aug.22)	5.5	5.3	13.3 (mar.23)	3.6	3.8	8.7 (sep.22)	1.4	1.4	8.8 (jun.22)
Suby.	5.1	5.2	9.7 (jun.22)	3.0	2.9	10.9 (aug.22)	5.0	4.9	10.5 (mar.23)	4.3	4.4	8.5 (nov.22)	1.8	1.8	5.9 (mar.23)

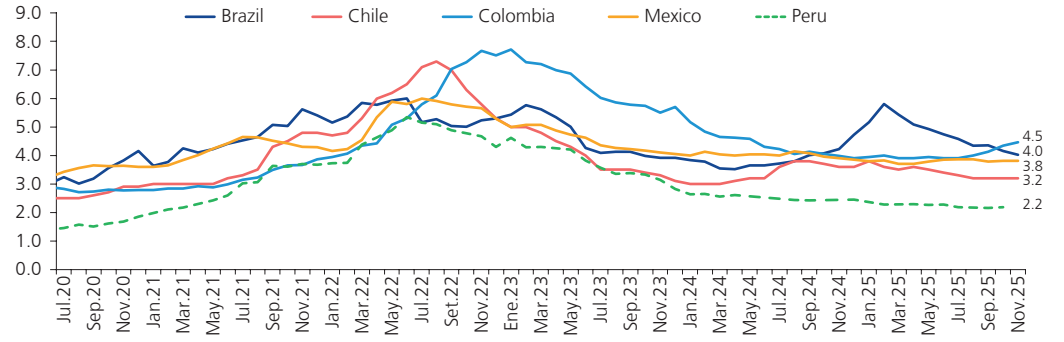
Note: The graph shows the latest data (November 2025). Source: Statistical institutes and central banks.

In recent months, expectations have remained relatively stable or have declined in the case of Brazil. In contrast, inflation expectations in Colombia have been rising steadily, driven by the increase in headline inflation, persistent core inflation —supported by strong domestic demand— and forecasts of a significant adjustment in the minimum wage for next year. As a result, Colombia is the only country where inflation expectations are outside the target range.

Graph 15

12-MONTH INFLATION EXPECTATIONS IN LATIN AMERICA

(Percentage)



Note: For Brazil, this corresponds to the average 12-month inflation expectation recorded in the reference month. For Mexico, it is obtained by interpolation based on expectations for December of the current year and the following year.
Source: Central banks of each country.

Monetary policy responses and fiscal policy

18. In general terms, monetary policy maintained the overall trends observed so far this year. In a context of high uncertainty, most central banks have kept their rates unchanged or, failing that, have made smaller adjustments than in previous years.

In developed economies, central banks have not acted uniformly. On the one hand, the Fed cut its rate again in the month of October, adding to the 25 basis point reduction made in September. It also announced that, starting in December, it would keep the size of its assets stable, which means a pause in its policy of net sales of Treasury bonds and other securities. In December, the Fed cut rates again by 25 basis points, the third reduction of the year. It also revised its inflation forecasts for 2026 slightly down and its growth forecasts for 2026-2027 slightly up. These forecasts foresee inflation converging toward its 2 percent target in 2028, while the interest rate is close to its long-term rate (3.0 percent).

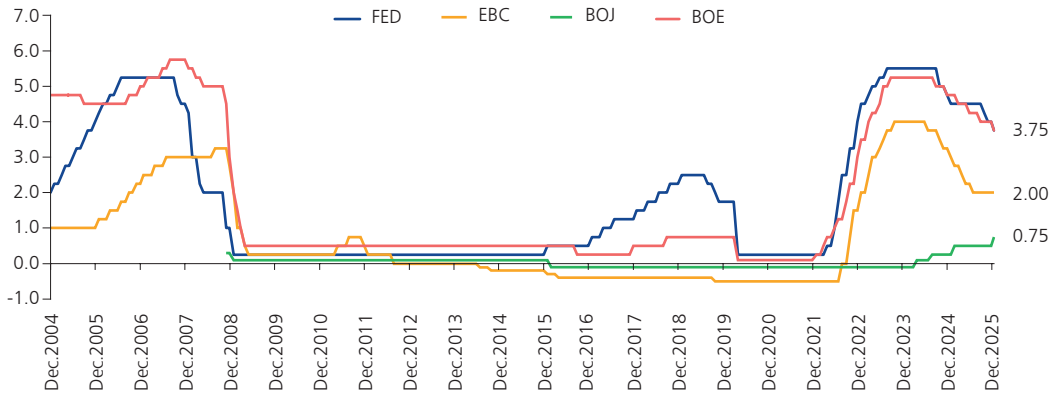
Table 4
PFED FORECASTS*

	2025		2026		2027		2028		Long term	
	Sep.25	Dec.25	Sep.25	Dec.25	Sep.25	Dec.25	Sep.25	Dec.25	Sep.25	Dec.25
Growth**	1.6	1.7	1.8	2.3	1.9	2.0	1.8	1.9	1.8	1.8
Unemployment rate**	4.5	4.5	4.4	4.4	4.3	4.2	4.2	4.2	4.2	4.2
Inflation (PCE)**	3.0	2.9	2.6	2.4	2.1	2.1	2.0	2.0	2.0	2.0
Core inflation (core PCE)**	3.1	3.0	2.6	2.5	2.1	2.1	2.0	2.0	-	-
Note: The core CPI excludes food and energy.										
Interest rate (%)***	3.6	3.6	3.4	3.4	3.1	3.1	3.1	3.1	3.0	3.0
Interest rate range (%)	2.9-4.4	3.4-3.9	2.6-3.9	2.1-3.9	2.4-3.9	2.4-3.9	2.6-3.9	2.6-3.9	2.6-3.9	2.6-3.9

* Incorporates 19 data points from individual forecasts by Fed members at the end of the period.
** Forecasts for growth and inflation correspond to the fourth quarter of the indicated year compared to the same period of the previous year. The unemployment rate forecast is the average for the fourth quarter of the indicated year.
*** The interest rate corresponds to the midpoint of the Fed's benchmark rates.

For its part, the ECB, after reducing rates by 50 basis points in the first half of the year, maintained its interest rate and indicated that current growth and inflation conditions, and the level of the rate, do not suggest further reductions. Meanwhile, the Bank of England continued its cycle of easing of rates and reduced the interest rate by 25 basis points to 3.75 percent following developments in the labor market. In contrast, the Bank of Japan (BoJ) raised its interest rate by 25 basis points to 0.75 percent, its highest level since 1995. This is the first time that the Bank of Japan and the Fed have moved their interest rates in opposite directions in the same month (December) since the Bank of Japan's independence reform came into effect in 1998, based on the fact that the disinflation process was underway and that upside risks to inflation had continued to decline.

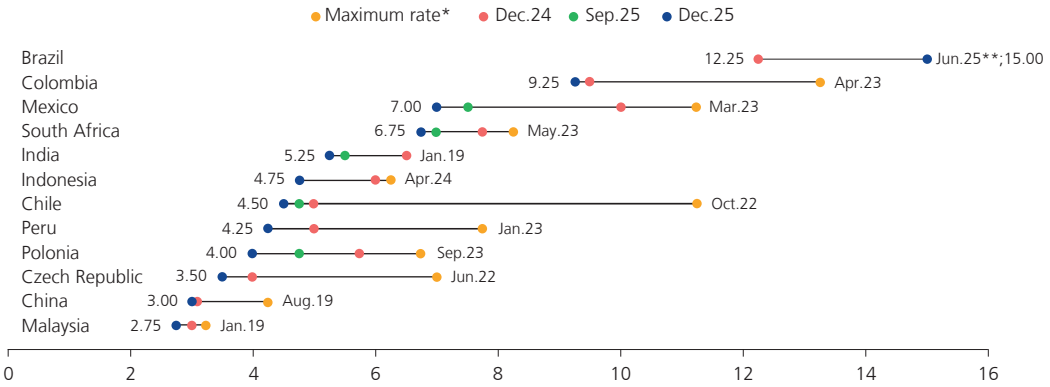
Graph 16
POLICY INTEREST RATE*
(Percentage)



* Fed = Federal Reserve, ECB = European Central Bank, BOJ = Bank of Japan, BOE = Bank of England. For the Fed, the upper limit of the interest rate range is included. For the ECB, it is the deposit interest rate.
Source: Central banks.

19. In the case of **emerging economies**, most central banks opted to pause, considering, among other factors, the uncertainty posed by the international environment.

Graph 17
MONETARY POLICY INTEREST RATES: 2019-2025
(Percentage)

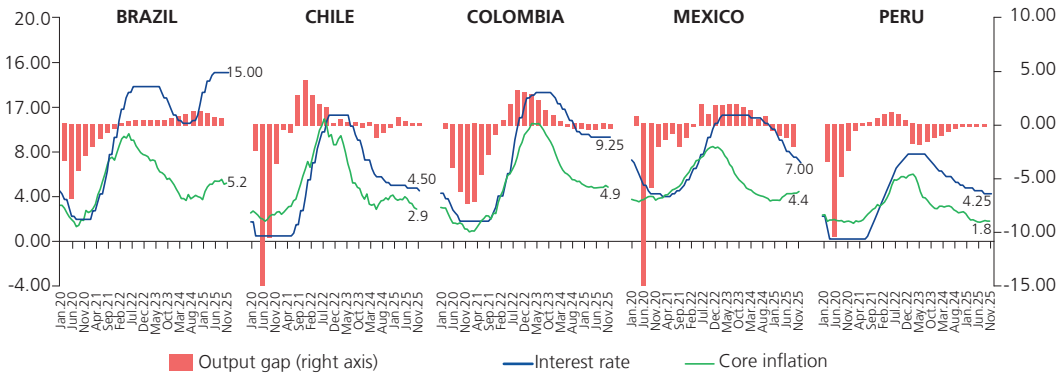


* The dates shown correspond to the highest policy rate for the period 2019-2025.
** In the case of Brazil, the maximum rate corresponds to the current rate.
Source: Central banks of each country.

In Latin America, **Peru** and **Colombia** maintained their rates after a cycle of reductions. In Colombia, there is caution due to inflationary pressures, the high fiscal deficit, and expectations of rising inflation. The exception was **Brazil**, where the rate of 15 percent (the highest level in 19 years) reflects the response to inflationary pressures associated with a persistently positive output gap and an expansionary fiscal policy.

In contrast, **Mexico** reduced its rate by 50 basis points, continuing the easing of conditions that began in March 2024, while **Chile** cut its rate by 25 basis points, in line with the gradual decline in inflation and slower economic activity.

Graph 18
LATIN AMERICA: OUTPUT GAP, POLICY RATE, AND CORE INFLATION 2020-2025
(Percentage)



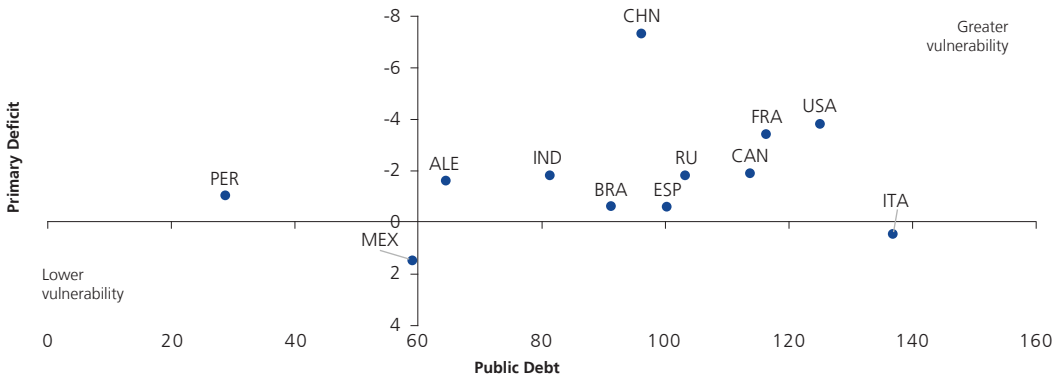
The date of the latest inflation and interest rate data corresponds to October and November, respectively.
Source: Statistical institutes and central banks of each country.

On the other hand, **China's** central bank (PBoC) kept rates at minimum levels, although its stance has become less accommodative. According to its latest quarterly report, the entity seeks effective implementation of policy adjustments and financial stability, prioritizing improved monetary policy transmission and opting for targeted credit support

over generalized easing of monetary policy. Likewise, low net interest margins continue to be the biggest constraint on further easing of monetary policy.

20. In terms of **fiscal policy**, several developed economies have faced difficulties in passing their budgets or adopting measures conducive to fiscal consolidation. Against a backdrop of rising public debt forecasts and commitments to increase defense spending, this impasse increased uncertainty about medium-term fiscal sustainability.

Graph 19
PRIMARY DEFICIT AND PUBLIC DEBT 2025
(As a percentage of GDP))



Source: IMF.

In the **United States**, the failure to pass the bill led to a partial standstill of the federal government for 43 days, making it the longest standstill in the country's history. Through a congressional agreement, priority was given to reopening the government and ensuring essential services, but decisions on health and social spending have been postponed.

In **Europe**, high levels of debt and deficit are compounded by the commitment to increase defense spending within the framework of NATO. In **France**, Congress rejected the proposal, which included measures to cut spending, reduce public holidays, and impose a temporary contribution on large companies and high-income individuals. In **the United Kingdom**, Congress has also failed to approve measures to finance the public investment plan—oriented to infrastructure, health, and education—through gradual tax increases, spending cuts, and pension reform.

In **Japan**, the new Liberal Democratic Party (LDP) government approved a stimulus package worth 21.3 trillion yen (USD 135 billion), the largest since the pandemic began. The package includes tax cuts and an increase in the general state budget of USD 112 billion. To finance this, it plans to issue additional bonds worth at least JPY 11.5 trillion (USD 73.5 billion, equivalent to 1.7 percent of GDP), outweighing last year's issuance of JPY 6.7 trillion.

Global Economic Outlook

21. By 2025, the global economy showed remarkable resilience in the second half of the year, with better-than-expected data and leading indicators suggesting that this trend will continue. In this context, the global growth forecast for this year was revised upward from 2.9 to 3.1 percent, thanks to momentum in both major developed and developing economies. This is explained by developments in the first half of the year and reduced trade uncertainty.

Table 5
GLOBAL GROWTH
(Annual percentage changes)

	PPP*	2024	2025		2026		2027
			IR Sep.	IR Dec.	IR Sep.	IR Dec.	IR Dec.
Developed economies	**39.9**	**1.8**	**1.4**	**1.5**	**1.2**	**1.5**	**1.6**
Of which							
1. United States	14.9	2.8	1.6	1.9	1.1	1.8	1.8
2. Eurozone	11.6	0.9	1.1	1.2	1.1	1.2	1.4
3. Japan	3.3	0.1	0.8	1.0	0.7	0.7	0.8
4. United Kingdom	2.2	1.1	1.0	1.3	1.1	1.1	1.3
5. Canada	1.3	1.5	1.0	1.2	1.0	1.0	1.5
Developing economies	**60.1**	**4.3**	**4.0**	**4.2**	**3.9**	**4.0**	**3.9**
Of which							
1. China	19.5	5.0	4.5	5.0	4.2	4.5	4.2
2. India	8.3	6.5	6.2	6.5	6.3	6.3	6.3
3. Russia	3.5	4.1	1.7	1.7	1.1	1.1	1.1
4. Latin America and the Caribbean	7.2	2.4	2.2	2.2	2.2	2.2	2.4
World Economy	**100.0**	**3.3**	**2.9**	**3.1**	**2.8**	**3.0**	**2.9**

* Base 2024.
Source: IMF, Consensus Forecast, and BCRP (Peru).

For the coming years, growth is projected to slow down from last year's levels. Thus, growth of 3.0 percent and 2.9 percent is forecast for 2026 and 2027, respectively.

By 2026, the rate is projected to be lower than in the previous year, although higher than estimated in the September Inflation Report. Of particular note is the revision on the upside for US growth, due to AI-related investment, resilient consumption in a context of improved financial conditions resulting from expectations of future rate cuts and a positive wealth effect, and reduced trade uncertainty. In the eurozone, domestic demand is expected to recover as financial conditions improve (as a result of lower inflation and a reduction in policy rates) and, in some cases such as Germany, greater fiscal stimulus.

In the case of China, in addition to the improved performance observed in 2025, there will be less uncertainty in relations with the US and the consolidation of new supply chains in the commercial sphere; and, in the domestic sphere, greater momentum in domestic demand as a result of stimulus measures.

22. As in the previous report, the projected growth presents **downside risks**.

(i) The recent trade agreement between the US and China has substantially reduced uncertainty surrounding trade tensions. However, there are still issues to be resolved both within the agreement itself (e.g., the final treatment of rare earths) and in other areas, particularly trade policy on critical minerals, pharmaceuticals, semiconductors, among others.

(ii) The possibility of slower growth in China persists. Domestic spending has not recovered in line with the stimulus measures implemented. On the other hand, doubts remain as to whether the deterioration of the real estate sector, which has come to represent almost a third of GDP, can be fully offset by the dynamism of the technology industries that have received support through the reorientation of credit, but in turn face greater barriers to entry due to trade policy and possible overproduction.

(iii) The evolution of inflation in the US could delay the easing of monetary policy. Lower interest rates, coupled with lower-than-expected growth, could lead to sharp corrections in financial markets.

As noted above, there are risks of overvaluation, both in equity markets, particularly in those where the technology sector has recorded significant price increases, and in fixed-income securities and other assets.

A scenario of less expansionary policy, combined with current levels of public debt and fiscal deficits in major economies, reduces the scope for countercyclical policies.

(iv) With regard to geopolitical tensions, at the time of writing these persist, particularly between Ukraine and Russia, and could worsen. This poses risks to the balance of grain and fuel markets.

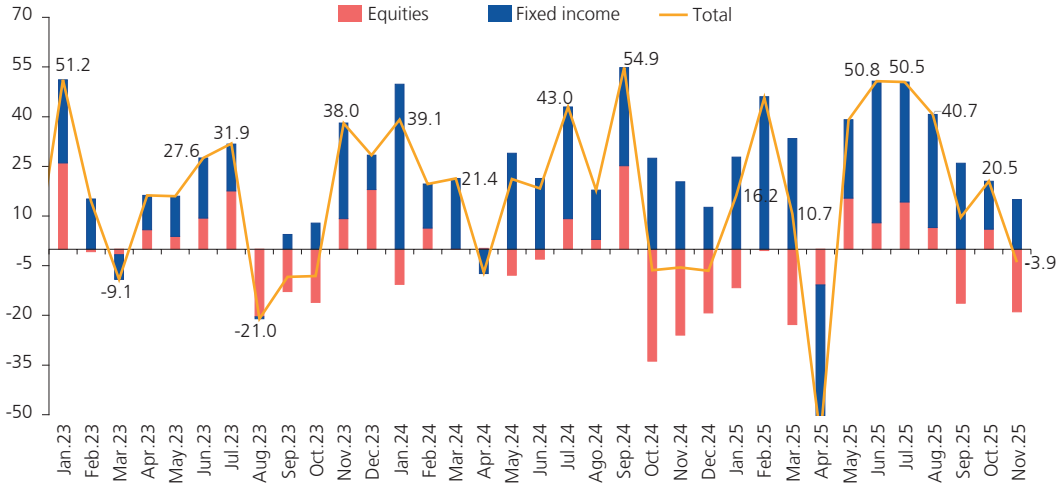
International financial markets

23. Since the last Inflation Report, financial markets have shown two marked trends.

In the month of **October**, the deterioration of the US labor market increased expectations of a more flexible monetary policy. In line with this, the Fed cut interest rates in the month and announced that it would keep its asset holdings stable starting in December. This was compounded by progress in US trade negotiations with other countries, specifically the agreement reached with China, which helped reduce global risk aversion.

In this context, the dollar initially weakened against most emerging market currencies; most stock markets continued the upward trend of previous months, led by technology companies; and sovereign bond yields in developed economies declined. Lower risk aversion also contributed to higher prices for major commodities: in October, copper and gold reached historical highs. Capital flows to emerging economies remained positive, with fixed income markets standing out.

Graph 20
NON-RESIDENT CAPITAL FLOWS TO EMERGING MARKETS
(Billions of USD)

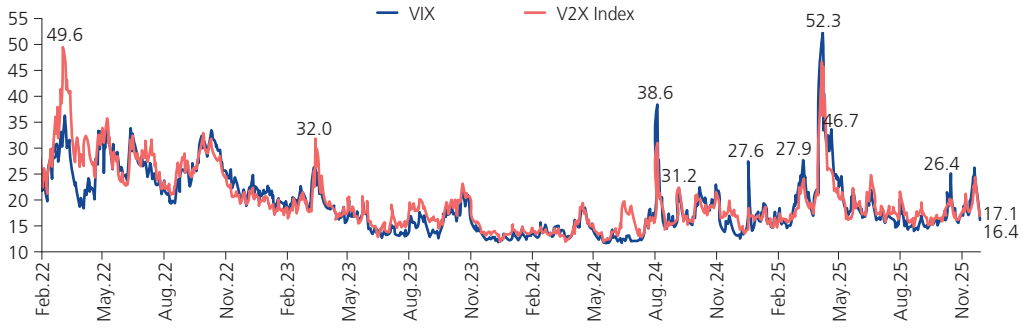


Note: Positive (negative) figures imply a net inflow (outflow) of capital to emerging markets.
Source: IIF.

However, during **November**, a series of factors affected the markets and partially reversed the trend of the dollar, stock markets, and bond yields. First, the partial shutdown of the US government, which lasted until November 12, interrupted the publication of a series of economic statistics and accentuated the perception of difficulties in the US Congress to reach agreements on fiscal policy. Second, the previous increase in the price of technology stocks and the significant increase in their capitalization generated fears of an overvaluation of these assets, in a context of announcements of large investment projects.

Graph 21

VOLATILITY INDICES: VIX (US STOCK MARKET) AND V2XI (EUROZONE STOCK MARKET)



Source: Reuters.

24. With regard to **foreign exchange markets**, the dollar appreciated across the board during the fourth quarter, albeit with marked volatility. Among the factors that exerted upward pressure during this period were the temporary increase in risk aversion resulting from the shutdown and the initial uncertainty surrounding trade negotiations with China, and episodes in which the Fed showed greater concern about inflationary pressures, raising the possibility of a slower easing of monetary policy. The interruption in the regular release of economic indicators in the US, as a result of the shutdown, has made it difficult to anticipate future monetary policy actions.

Among **developed currencies**, the yen depreciated by more than 5 percent, against a backdrop of a wider economic growth differential with the US and, consequently, an increase in interest rate differentials. This is compounded by concerns about further fiscal deterioration, as mentioned above.

Graph 22

DXY DOLLAR INDEX*

* An increase (decrease) in the DXY index implies an appreciation (depreciation) of the US dollar against other currencies.
Source: Reuters.

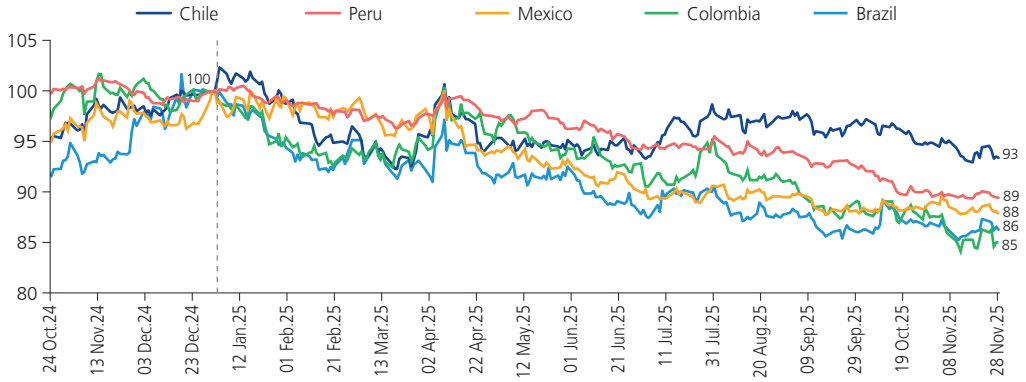
With regard to **emerging currencies**, the vast majority appreciated, favored by the international environment of high commodity prices and capital inflows in October. Among the exceptions were the official Argentine peso and the Korean won. In the case of the peso, high uncertainty was recorded prior to Argentina's parliamentary elections, and concerns persisted about the Central Bank's low reserve levels, even after receiving funds as part of an agreement with the US Treasury. After the November legislative elections, this trend partially reversed. With regard to the won, uncertainty remained high due to trade tensions with the US and political instability.

Table 6
EXCHANGE RATES*
(IN CURRENCY UNITS PER DOLLAR, EXCEPT EURO AND POUND)

		Dec.24 (a)	Sep.25 (b)	Nov.25 (c)	% change** (c) / (b)	% change** (c) / (a)
DXY Dollar Index***	US Dollar Index	108.49	97.78	99.44	1.7	-8.3
Euro	Euro	1.035	1.173	1.160	-1.2	12.0
United Kingdom	Pound	1.251	1.344	1.324	-1.5	5.8
Japan	Yen	157.18	147.90	156.15	5.6	-0.7
Brazil	Real	6.184	5.322	5.336	0.3	-13.7
Colombia	Peso	4,402	3,921	3,745	-4.5	-14.9
Chile	Peso	993	962	927	-3.6	-6.6
Mexico	Peso	20.82	18.31	18.29	-0.1	-12.2
Argentina	Peso	1,030	1,380	1,449	5.0	40.7
Peru	Sol	3.761	3.473	3.365	-3.1	-10.5
South Africa	Rand	18.85	17.25	17.10	-0.8	-9.3
India	Rupee	85.55	88.81	89.35	0.6	4.4
Turkey	Lira	35.34	41.57	42.47	2.2	20.2
Russia	Ruble	113.50	82.90	77.50	-6.5	-31.7
China	Yuan (onshore)	7.299	7.119	7.075	-0.6	-3.1
South Korea	Won	1,477	1,404	1,467	4.5	-0.6
Indonesia	Rupiah	16,090	16,660	16,650	-0.1	3.5
Thailand	Bath	34.26	32.44	32.10	-1.0	-6.3
Malaysia	Ringgit	4.468	4.206	4.130	-1.8	-7.6
Philippines	Peso	58.08	58.28	58.57	0.5	0.9

* Prepared as of November 28, 2025.
** An increase (decrease) implies an appreciation (depreciation) of the dollar, except for the euro and the pound.
*** An increase (decrease) in the index implies an appreciation (depreciation) of the dollar against the basket of currencies consisting of the euro, yen, pound, Canadian dollar, Swedish krona, and Swiss franc.
Source: Reuters.

Graph 23
PERFORMANCE OF THE LAC5 CURRENCIES
(Base 100 = Dec.31, 2024)

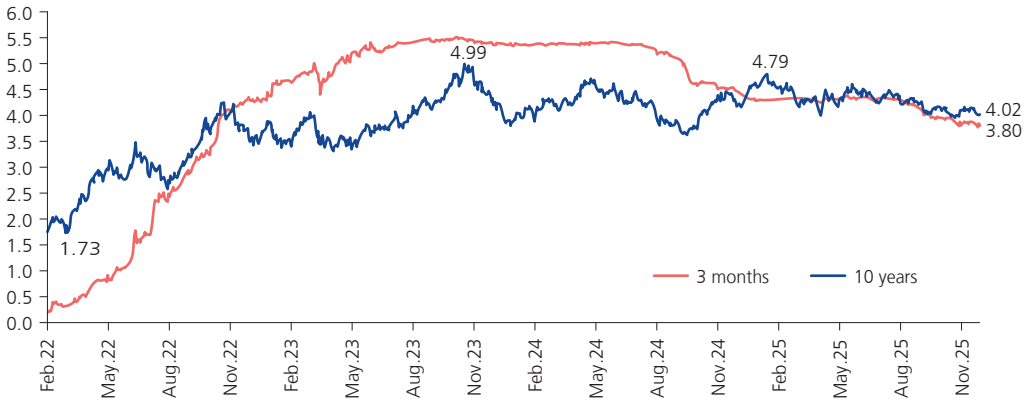


Source: Reuters.

25. In **fixed income markets**, US sovereign yields fell due to easing trade tensions, which alleviated inflationary pressures, and the Fed's interest rate cut.

However, this trend moderated in early November. Uncertainty increased due to the prolonged US government shutdown, which delayed the release of relevant economic data. In addition to this, there was a change in the Fed's rhetoric following its meeting in late October, in which it showed greater caution regarding further interest rate cuts in light of the upside risk to inflation. At that meeting, Powell noted that there is no guarantee of a further rate cut in December due to persistent inflation, which led to a slight correction in market rates.

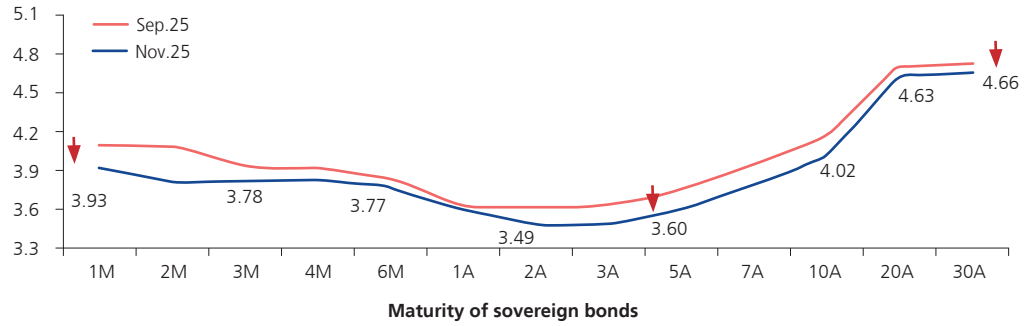
Graph 24
US SOVEREIGN YIELDS
(Percentage)



Source: Reuters.

As a result, all segments of the yield curve fell. The largest changes were observed in short-term interest rates (1 to 3 months), which fell by up to 25 basis points. Similarly, medium-term interest rates (3 to 7 years) fell by between 13 and 15 basis points.

Graph 25
U.S. SOVEREIGN YIELD CURVE
(Percentage)



Source: Reuters.

Sovereign bond yields **in other developed economies**, such as the eurozone, followed the trend of their US counterparts and recorded widespread declines in October and November.

On the other hand, Japan saw an increase in yields amid higher inflation and concerns about fiscal sustainability, following the announcement of a stimulus package by the administration of new Prime Minister Sanae Takaichi. Thus, the 30-year yield reached an historical high, while the 20-year yield stood at its highest level since 1999.

Table 7
10-YEAR SOVEREIGN BOND YIELDS*
(En porcentaje)

	Dec.24 (a)	Sep.25 (b)	Nov.25 (c)	Difference (bps)	
				(c) - (b)	(c) - (a)
United States	4.57	4.15	4.02	-14	-56
Germany	2.36	2.71	2.69	-2	32
France	3.19	3.53	3.41	-13	21
Italy	3.52	3.53	3.40	-13	-12
Spain	3.06	3.26	3.16	-9	11
Greece	3.22	3.38	3.29	-9	7
United Kingdom	4.56	4.70	4.44	-26	-13
Japan	1.09	1.64	1.81	16	72
Brazil	15.16	13.72	13.41	-31	-175
Colombia	11.88	11.34	12.52	118	64
Chile	6.00	5.66	5.36	-31	-64
Mexico	10.42	8.82	8.91	9	-151
Peru	6.63	6.07	5.92	-16	-71
South Africa	10.31	9.16	8.49	-67	-183
India	6.76	6.58	6.51	-7	-25
Turkey	26.81	28.86	29.29	43	248
China	1.68	1.87	1.83	-4	16
South Korea	2.87	2.94	3.35	41	47
Indonesia	6.97	6.35	6.30	-5	-67
Thailand	2.25	1.42	1.74	32	-52
Malaysia	3.81	3.45	3.46	1	-36
Philippines	6.05	5.80	5.50	-30	-55

* Prepared on November 28, 2025.
Source: Reuters.

In Latin America, Colombia's yields stand out due to rising inflation, an overheated economy, new debt issues, a high fiscal deficit, and diplomatic tensions with the US.

26. In **equity markets**, global stocks showed mixed performance toward the end of the period. Throughout October, risk appetite remained high, driven by easing trade tensions, positive third-quarter corporate earnings, and announcements of investments in AI. This optimism led U.S. indices to reach new historical highs.

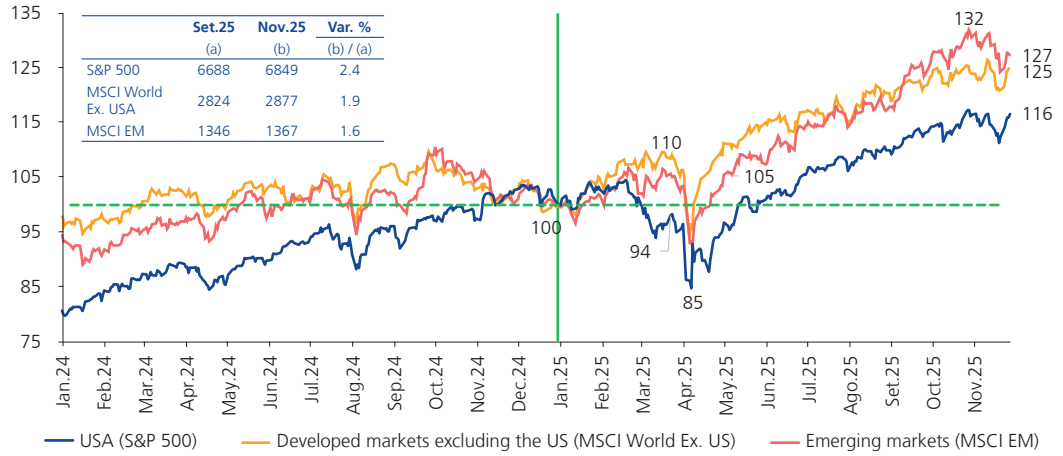
However, this trend partially reversed in early November, when profit-taking and a sell-off occurred amid growing concerns about tech stock valuations. This was due, in part, to the prolonged U.S. government shutdown, which delayed the release of key economic data, and the Fed's more restrictive stance.

Thus, although the S&P 500 index managed to accumulate a 2.4 percent gain between September and November, other stock markets recorded larger increases, reflecting greater appeal for foreign assets.

Graph 26

STOCK MARKET PERFORMANCE INDEX

(100 = 12/31/2024



Source: Reuters.

At the sector level in the US, there was a dispersion in cumulative returns between September and November. The healthcare and communications sectors led the stock market advance, with gains of 12.9% and 8.2%, respectively. This performance was in line with positive corporate results for the third quarter.

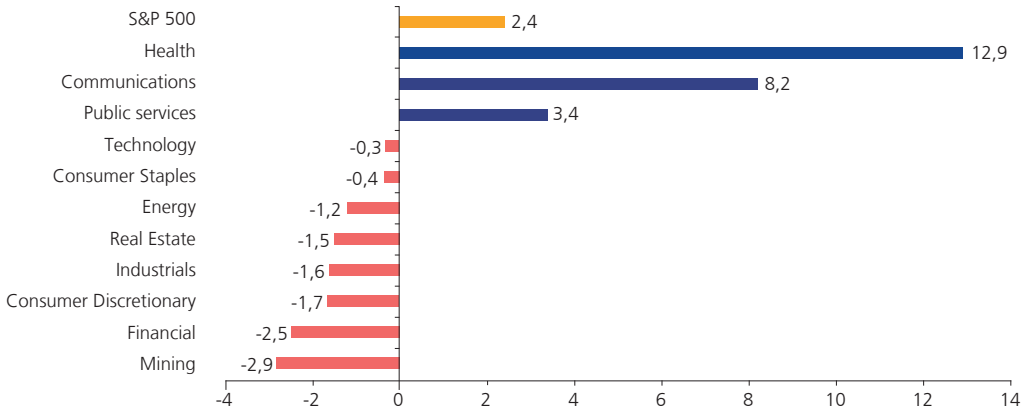
In contrast, various cyclical sectors performed the worst. Despite reaching overall historical highs in October, the mining and financial sectors recorded declines of 2.9 percent and 2.5 percent, respectively. Similarly, the luxury and industrial consumer sectors declined amid uncertainty in early November and the potential impact of tariffs.

As for technology companies, their shares rose in October, driven by announcements of major investment projects in AI. However, they then reversed their upward trend in November amid concerns about the profitability of such infrastructure spending, which added to doubts about their high valuations.

Graph 27

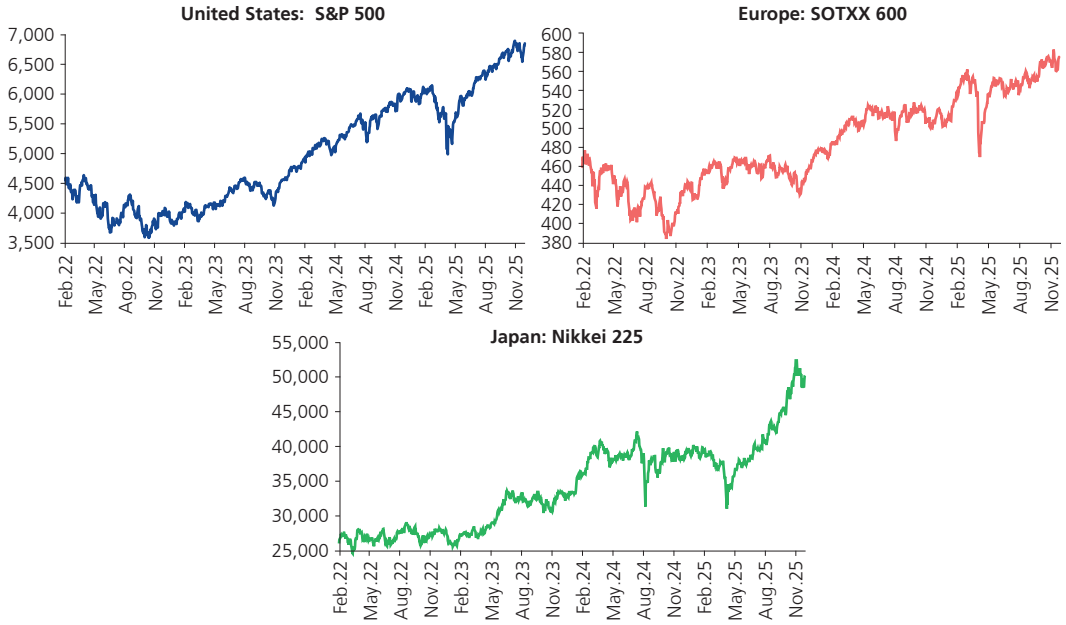
PERFORMANCE OF THE S&P 500 STOCK INDEX SECTORS: NOV.25 / SEP.25

(Percentage)



Source: Reuters.

Graph 28
STOCK MARKET INDICES



Source: Reuters.

In the region, the Chilean and Argentine stock markets led the gains following the recent election results. In the former case, higher metal prices and the first-round election results contributed to the stock market's gains. In the latter case, the depreciation of the Argentine peso partly boosted export companies listed on the stock exchange. The favorable result obtained by the ruling party in the November legislative elections also contributed to the rise.

Table 8
WORLD STOCK MARKETS*
(In indices)

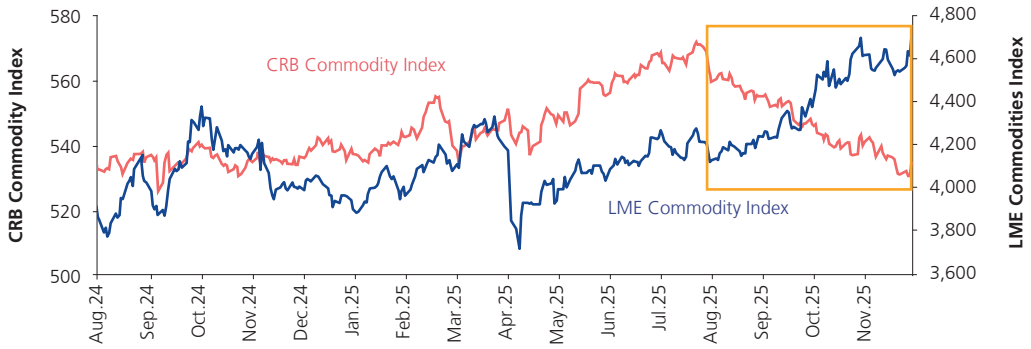
		Dec.24 (a)	Sep.25 (b)	Nov.25 (c)	% change (c) / (b)	% change (c) / (a)
VIX**	S&P 500	17.35	16.28	16.35	0.1	-1.0
United States	Dow Jones	42,544	46,398	47,716	2.8	12.2
United States	S&P 500	5,882	6,688	6,849	2.4	16.4
United States	Nasdaq	19,311	22,660	23,366	3.1	21.0
Germany	DAX	19,909	23,881	23,837	-0.2	19.7
France	CAC 40	7,381	7,896	8,123	2.9	10.1
Italy	FTSE MIB	34,186	42,725	43,357	1.5	26.8
Spain	IBEX 35	11,595	15,475	16,372	5.8	41.2
Greece	ASE	1,470	2,034	2,083	2.4	41.7
United Kingdom	FTSE 100	8,173	9,350	9,721	4.0	18.9
Japan	Nikkei 225	39,895	44,933	50,254	11.8	26.0
Brazil	Ibovespa	120,283	146,237	159,072	8.8	32.2
Colombia	COLCAP	1,380	1,872	2,073	10.7	50.3
Chile	IPSA	6,710	8,971	10,129	12.9	50.9
Mexico	CPI	49,513	62,916	63,597	1.1	28.4
Argentina	Merval	2,533,635	1,773,440	3,026,470	70.7	19.5
Peru	MSCI Nuam Ind. Gral.***	28,961	38,055	38,979	2.4	34.6
South Africa	JSE	84,095	107,941	110,959	2.8	31.9
India	Nifty 50	23,645	24,611	26,203	6.5	10.8
Turkey	XU100	9,831	11,012	10,899	-1.0	10.9
China	Shanghai C.	3,352	3,883	3,889	0.1	16.0
South Korea	KOSPI	2,399	3,425	3,927	14.7	63.6
Indonesia	JCI	7,080	8,061	8,509	5.6	20.2
Thailand	SET	1,400	1,274	1,257	-1.4	-10.2
Malaysia	KLCI	1,642	1,612	1,604	-0.5	-2.3
Philippines	Psei	6,529	5,953	6,022	1.2	-7.8

* Prepared as of November 28, 2025.
** Data and variations are expressed in points.
*** The MSCI NUAM Peru General is the new general benchmark index of the BVL, in the context of the integration of the stock markets of Chile, Colombia, and Peru (NUAM).
Source: Reuters.

Commodity prices

27. **The commodities market has shown differentiated behavior at the product level**. The **LMEX metals index** rebounded due to widespread supply constraints, the depreciation of the dollar, and the revival of Chinese manufacturing[1]. In contrast with the Commodity Research Bureau (CRB) index, whose basket also includes agricultural products and energy, the downward trend began in August continues. The decline in the CRB is mainly due to downward pressure on oil prices, given the evident oversupply, and on agricultural products, which are benefiting from improved crops at the global level.

Graph 29
LME AND CRB COMMODITY INDICES



Source: Reuters.

For the projection horizon, the **base metals** market is expected to consolidate a moderately bullish outlook, supported mainly by persistent supply constraints and moderate demand growth.

In the energy sector, **oil** prices are expected to remain at current levels, given ample supply. However, shale oil production costs in the US, the world's leading producer, would limit any significant drop from current levels. In the case of **natural gas**, the expected increase in liquefied natural gas production in the US for export purposes would reduce availability in the domestic market and, in contrast, increase available supply in Europe. This would lead to a narrower spread between the European market price and the US market price (Henry Hub).

Copper

28. The average price of **copper** rose 9 percent in the last two months of the year, from USD/lb. 4.51 in September to an historical high (monthly average) of USD/lb. 4.90 in November 2025. As a result, the price of copper has accumulated a 21 percent increase so far in 2025.

This increase reflects a significant change in market expectations, marked by a rapid deterioration in supply and a growing perception of future shortages. In the short term, supply issues associated with multiple disruptions stand out, such as the standstill of the Grasberg company (Indonesia), operational cuts and adjustments at Quebrada Blanca (Chile), Highland Valley (Canada), and Antofagasta (Chile), as well as a high probability of further cuts in the Democratic Republic of Congo and Indonesia.

1 The CRB is a broad index that measures the performance of various commodities, while the LMEX focuses solely on LME base metals and acts as a benchmark for industrial activity and demand for metal inputs.

On the demand side, the slowdown was mitigated by the build-up of US inventories (following the government's inclusion of copper as a critical mineral) and demand from China for industries linked to energy, transportation, and household appliances.

These changes are putting upward pressure on prices, which is reflected in the revision of the global balance sheet by the International Copper Study Group. This institution has gone from projecting a comfortable market to forecasting a structural shortage in 2026, due to lower than expected supply growth (from 2.3 percent to 1.4 percent) and relatively inelastic demand, driven by the energy, transportation, and appliance sectors in China, as well as the energy transition and digitalization.

Table 9

SUPPLY AND DEMAND FOR REFINED COPPER[1/]

(Thousands of metric tons of copper)

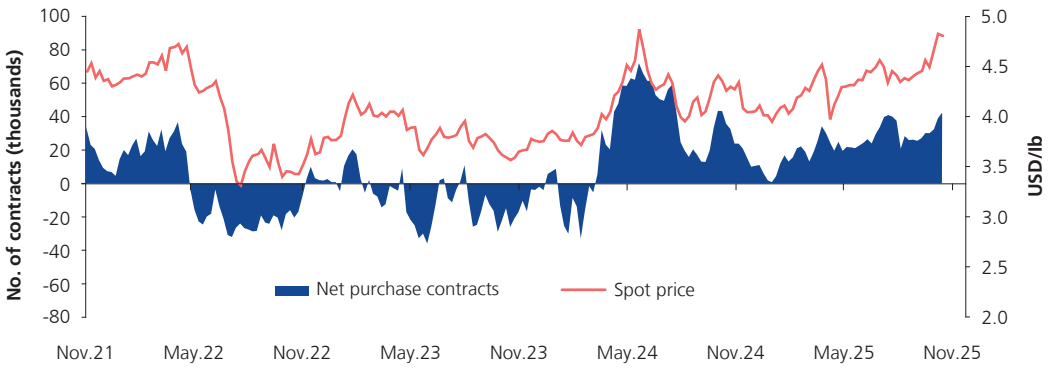
	2021	2022	2023	2024	2025	2026
Global Mining Production	21,227	21,917	22,364	22,981	23,317	23,860
Total Refined Production (Primary and Secondary)	24,897	25,278	26,508	27,397	28,321	28,579
Global Refined Oil Consumption	25,259	25,857	26,604	27,328	28,143	28,729
Refined Balance[2/]	-362	-579	-96	69	178	-150

1/ Monthly ICSG report and ICSG forecasts for October 2025.
2/ The refined balance is calculated as the difference between global refined production (supply) and refined use (demand).
Source: ICSG.

The recent upturn in copper prices was accompanied by an increase in non-commercial positions in the futures market, which reacted to the change in the expected market balance due to the factors mentioned above. All this, combined with the weakness of the dollar, the Fed's rate cuts, and signs of recovery in China, acted as the definitive financial catalyst for the price recovery in the analyzed period.

Graph 30

COPPER: NON-COMMERCIAL CONTRACTS

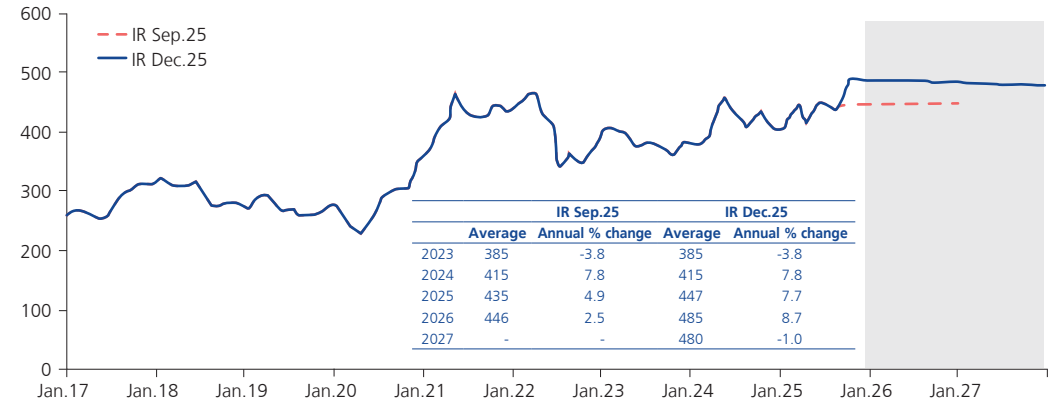


Note: The Commodity Futures Trading Commission's Net Speculative Positions in Copper is a weekly report that reflects the difference between the total volume of long (or buy) and short (or sell) copper positions in the market opened by non-commercial (speculative) traders. The report only includes U.S. futures markets (Chicago and New York exchanges).
Source: Comex.

In this context, the copper price forecast was revised upward from the estimate in the September Inflation Report. This adjustment responds to the factors mentioned above, including supply disruptions, misaligned global inventories, and structurally resilient demand.

In addition, the possible implementation of new tariffs on refined copper by the US would widen the spread between COMEX and LME prices once again and lead to a new global redistribution of inventories.

Graph 31
COPPER: JANUARY 2017 - DECEMBER 2027
(Ctv. USD/lb.)



	IR Sep.25		IR Dec.25	
	Average	Annual % change	Average	Annual % change
2023	385	-3.8	385	-3.8
2024	415	7.8	415	7.8
2025	435	4.9	447	7.7
2026	446	2.5	485	8.7
2027	-	-	480	-1.0

Source: Reuters and BCRP.

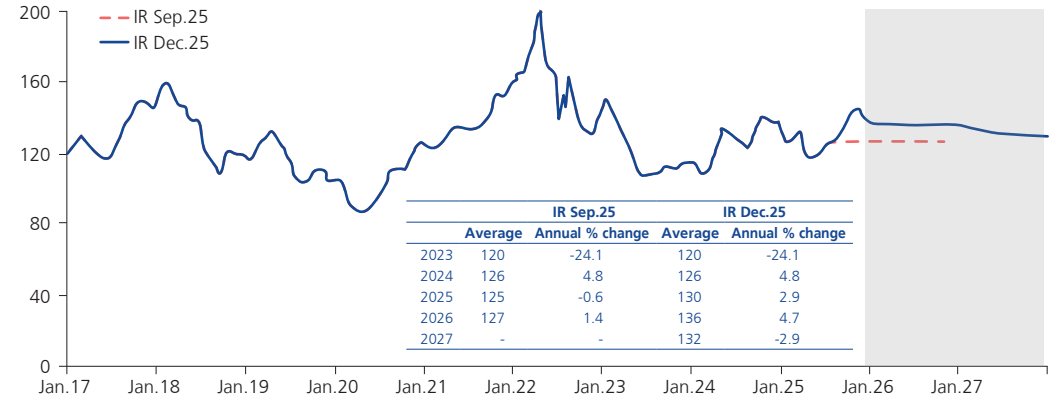
Zinc

29. The average international price of **zinc** rose by 9 percent in the last two months, from USD/lb. 1.33 in September to USD/lb. 1.45 in November 2025. As a result, the price of zinc has accumulated a 5 percent increase since the beginning of the year.

The price of zinc has risen over the last two months, driven by short-term supply constraints. Supply issues in 2025 persist: refined production outside China (in economies such as the US, Italy, Japan, and South Korea) continues to experience time lags, partly due to concentrate shortages and uncertainty surrounding the entry of new projects in Europe, China, and Australia. This shortage has been reflected in a sharp drop in LME inventories, which have fallen 8 percent since the end of August and are down more than 78 percent so far this year.

In line with these developments, a revision on the upside in prices is expected for the projection horizon compared to the September Inflation Report. It is assumed that a significant portion of the supply constraints mentioned above would be reversed and that the market would show an overall surplus. The normalization of production would be accompanied by weak demand, affected by the persistent fragility of the Chinese real estate sector and a gradual recovery in Western economies.

Graph 32
ZINC: JANUARY 2017 - DECEMBER 2027
(Ctv. USD/lb.)



	IR Sep.25		IR Dec.25	
	Average	Annual % change	Average	Annual % change
2023	120	-24.1	120	-24.1
2024	126	4.8	126	4.8
2025	125	-0.6	130	2.9
2026	127	1.4	136	4.7
2027	-	-	132	-2.9

Source: Reuters and BCRP.

Gold

30. The average **gold** price rose 11 percent in the last two months, reaching an historical high of USD/oz.tr. 4,087 in November 2025. As a result, the price of gold has accumulated a 55 percent increase since the beginning of the year.

In the last two months, the price of gold climbed to a daily record high of USD/oz.tr. 4,356 on October 20. Demand from some central banks (such as Brazil, Kazakhstan, Guatemala, and, to a lesser extent, China) was compounded by an increase in private investor participation in anticipation of rate cuts by the Fed.

Demand for gold has been bolstered during 2025 by the public debt sustainability issues in several developed economies, as noted above. This has reduced confidence in sovereign bonds and, therefore, diminished their appeal as a safe-haven asset.

Despite a correction in early November and economic data in the US that temporarily reduced expectations of rate cuts, gold remained at high levels during the last two months, stabilizing at around USD/oz.tr. 4,000.

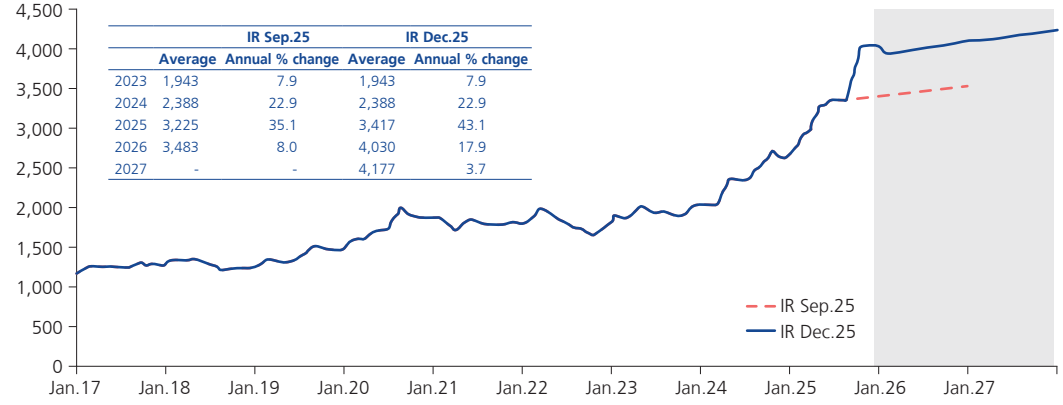
In line with the data, the gold price forecast has been revised upward from the September Inflation Report. This price outlook is based on the reduced attractiveness of sovereign bonds in developed economies and the gold accumulation policy pursued by China and some emerging economies.

Graph 33

GOLD: JANUARY 2017 - DECEMBER 2027

(USD/tr. ounce)

	IR Sep.25		IR Dec.25	
	Average	Annual % change	Average	Annual % change
2023	1,943	7.9	1,943	7.9
2024	2,388	22.9	2,388	22.9
2025	3,225	35.1	3,417	43.1
2026	3,483	8.0	4,030	17.9
2027	-	-	4,177	3.7



Source: Reuters and BCRP.

Gas

31. In the last two months, the average price of **Henry Hub natural gas** rose 48 percent. As a result, the price of gas has accumulated a 31 percent price increase so far in 2025. In contrast with previous Inflation Reports, the price on the European market (UK NBP) fell by 10 percent in the last two months, accumulating a 22 percent drop so far in 2025. It should be pointed out that, as indicated in previous Inflation Reports, prices on the European market remain above the **Henry Hub** natural gas price.

In the **United States**, the price of natural gas rose over the last two months, mainly due to an increase in exports of liquefied natural gas (LNG), which reduce the availability of natural gas supply in the US domestic market. LNG exports increased by 25 percent in the

last twelve months, leading to supply constraints in the domestic market. On the demand side, upward pressures were associated with strong demand from the electricity sector during the summer.

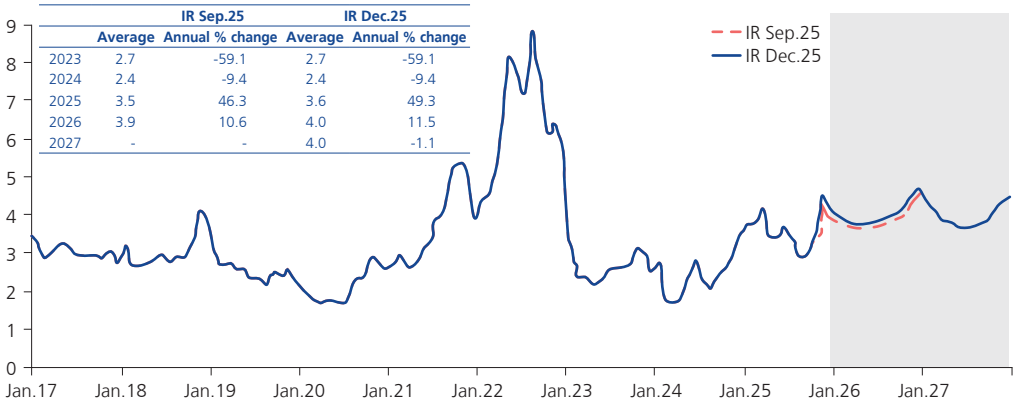
For its part, the fall in natural gas prices in Europe is due to a comfortable supply situation, where the growing availability of LNG, particularly from the US, has allowed high storage levels to be maintained, offsetting the loss of Russian supplies. This was accompanied by subdued demand, resulting from moderate economic growth and the gradual displacement of gas by renewable and nuclear energy sources.

In line with the data presented, and with the prospects of increased LNG export capacity in the US[2], the average price of Henry Hub natural gas has been revised slightly up. In contrast, this increased supply of LNG would put downward pressure on prices in the European market, where inventories are also high. It should be pointed out that, within the framework of trade negotiations between the US and the EU, there is a commitment to increase imports from the US during the forecast horizon, which would add to the supply from Qatar and Africa.

Graph 34

HENRY HUB NATURAL GAS: JANUARY 2017 - DECEMBER 2027

(USD/MBTU)



	IR Sep.25		IR Dec.25	
	Average	Annual % change	Average	Annual % change
2023	2.7	-59.1	2.7	-59.1
2024	2.4	-9.4	2.4	-9.4
2025	3.5	46.3	3.6	49.3
2026	3.9	10.6	4.0	11.5
2027	-	-	4.0	-1.1

Source: Reuters and BCRP.

Oil

32. In the last two months, the average price of WTI **oil** fell 6 percent, from USD/bl. 64 in September to USD/bl. 60 in November 2025. This represents a cumulative decline of 14 percent compared to December 2024

The fall in oil prices over the last two months is due to excess supply in a market where demand is growing at a slower pace. The expansion of US production, together with the planned increase by OPEC+, has generated a surplus that is expected to continue in the coming years. This excess crude oil has resulted in five consecutive months of inventory increases, reaching four-year highs.

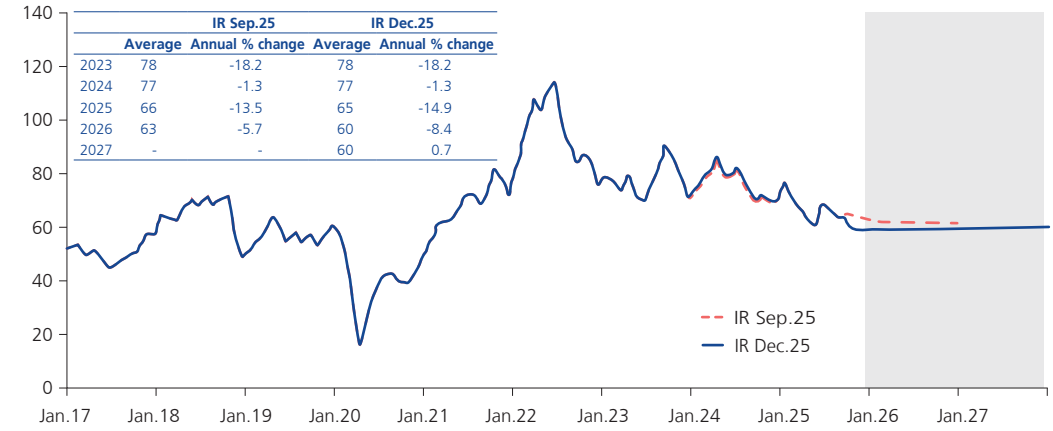
Adding to this pressure from excess supply is a structural slowdown in demand, particularly in advanced economies, as well as more moderate growth in China due to the real estate

2 This includes plants such as Plaquemines and Corpus Christi Stage 3.

crisis. In addition, the energy transition is beginning to impose a limit on crude oil consumption.

For the projection horizon, the average oil price has been revised slightly down compared to the September Inflation Report, in line with the growing surplus during the period. The balance of risks to the inflation projection is slightly skewed downward, although there are also high-impact upside risks. The downside risk scenario is dominated by higher-than-expected oversupply, mainly from the US. In contrast, the main upside risks lie in the possibility of geopolitical escalation in the Middle East, disruptions to energy infrastructure, or an eventual exhaustion of US shale oil growth capacity from 2026 onwards.

Graph 35
WTI CRUDE OIL: JANUARY 2017 - DECEMBER 2027
(USD/bl)



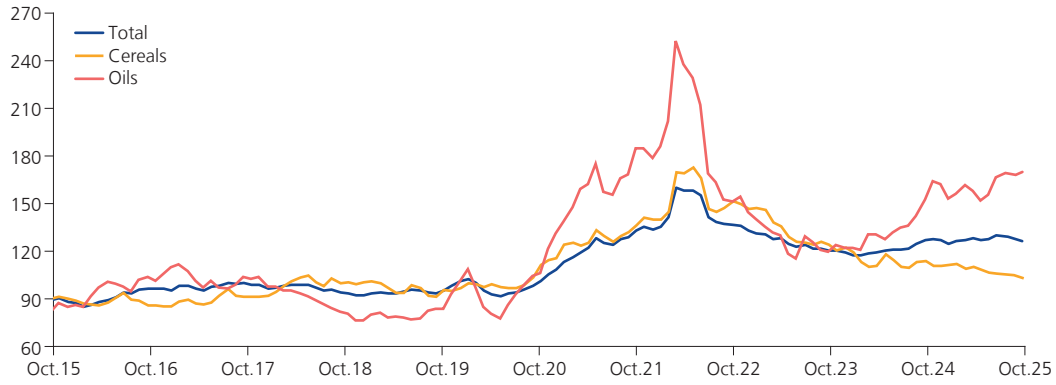
	IR Sep.25		IR Dec.25	
	Average	Annual % change	Average	Annual % change
2023	78	-18.2	78	-18.2
2024	77	-1.3	77	-1.3
2025	66	-13.5	65	-14.9
2026	63	-5.7	60	-8.4
2027	-	-	60	0.7

Source: Reuters and BCRP.

Food

33. Prices of agricultural products, particularly cereals, rose slightly in the last two months of the year due to a partial reversal of expectations of a market with abundant surpluses.

Graph 36
FAO FOOD PRICE INDEX
(Base 2014-2016 = 100)



Source: FAO.

La Niña conditions were active during the period, although at a weak intensity. The US National Oceanic and Atmospheric Administration (NOAA) forecasts that this event will persist during the boreal winter (between December and February) and that the transition to neutral conditions will occur between January and March 2026, with a probability of 61 percent.

This new climate scenario, if it reaches a high magnitude and prolonged duration, poses a risk to the global cereal market, especially for maize, by increasing the likelihood of significant disruptions to agricultural production in the southern hemisphere. In countries such as Brazil and Argentina, La Niña is expected to cause below-average rainfall and high temperatures in vulnerable areas, which could damage crop development in Brazil's safrinha planting season and reduce crop yields.

On the other hand, over the last two months, global fertilizer prices have recorded a moderate correction, with notable declines in inputs such as urea and phosphates, reversing part of the sharp increases seen at the beginning of the year. This adjustment, although uneven in local markets due to logistical factors, has significantly improved the input-output ratio, allowing farmers to purchase more fertilizers with less grain, even though the price of maize and wheat remains below previous years' levels. Although the effect on food prices is not immediate, this reduction in costs is crucial, as it encourages greater investment in fertilizers for the 2025/2026 season.

Graph 37
GREEN MARKETS NORTH AMERICA FERTILIZER PRICE INDEX
(Index, Jan. 7, 2002 = 100)

Source: Reuters.

By 2026, prices for grains and oilseeds (maize, wheat, soybeans, and their by-products) are revised downward due to improved crop prospects, relief in the supply chain, and moderation in global demand.

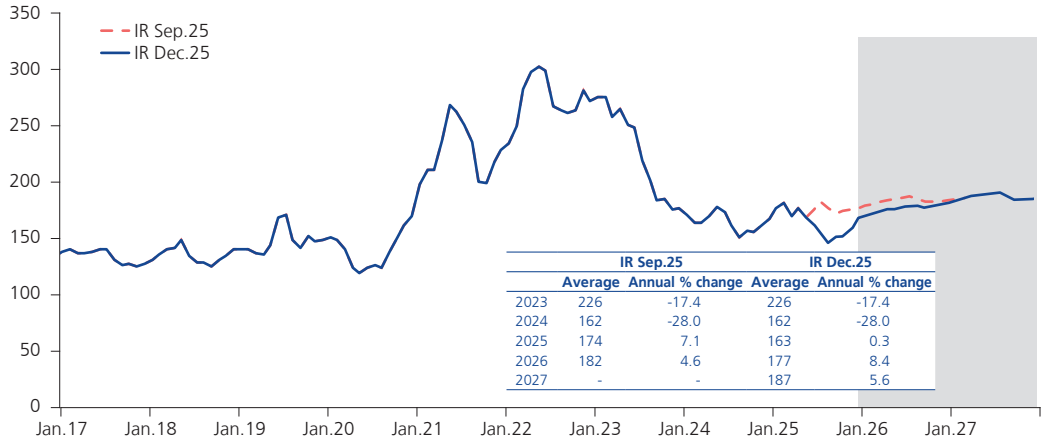
(a) The price of **maize** increased by 5 percent in the last two months of the year, reaching an average monthly price of USD/MT 160 in November 2025. As a result, the decline in maize prices slowed to 3 percent for the year.

The rise in the price of maize over the last two months is mainly due to exceptionally high export demand and more limited supply in the short term. In addition, international buyers such as Mexico and Taiwan, together with the US ethanol

industry, sustained demand. On the supply side, Brazilian farmers holding back sales due to weather risks led buyers to redirect their demand toward US maize.

Despite the slight price increase in maize in recent months, the price forecast has been revised slightly down compared to the September Inflation Report. This revision is based on estimates of a historic global oversupply during the projection horizon, due to high yields and the expansion of the area allocated to crops in the US.

Graph 38
MAIZE: JANUARY 2017 - DECEMBER 2027
(USD/TM)



	IR Sep.25		IR Dec.25	
	Average	Annual % change	Average	Annual % change
2023	226	-17.4	226	-17.4
2024	162	-28.0	162	-28.0
2025	174	7.1	163	0.3
2026	182	4.6	177	8.4
2027	-	-	187	5.6

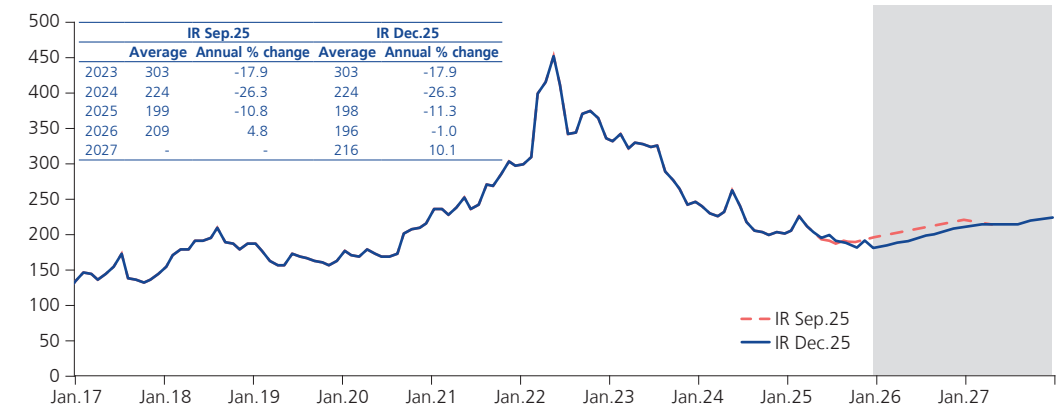
Source: Reuters and BCRP.

(b) The price of **wheat** rose 2 percent in the last two months of the year, from USD/MT 185 in September to USD/MT 190 in November 2025. Despite the increase, the price of wheat fell 7 percent compared to December 2024.

Wheat prices rose over the last two months, initially driven by a shift in market fundamentals. This shift was associated with the release of stronger-than-expected US export data, coupled with unexpected cuts in global inventories reported by the USDA, which weakened the prevailing narrative of oversupply. In addition, upward pressure was reinforced by a notable moderation in exportable supply from the Black Sea region and by weather factors in Europe and Australia.

During the projection horizon, wheat prices are expected to continue their upward trend, albeit at lower levels than those projected in the September Inflation Report. This revision is based on expectations of a faster-than-expected recovery in global production and a gradual return to more favorable weather conditions. Export volumes from Russia and Canada are projected to increase. At the same time, demand is showing signs of a structural slowdown, especially in Asian markets, which are substituting imports in response to regional economic weakness.

Graph 39
WHEAT: JANUARY 2017 - DECEMBER 2027
(USD/TM)



	IR Sep.25		IR Dec.25	
	Average	Annual % change	Average	Annual % change
2023	303	-17.9	303	-17.9
2024	224	-26.3	224	-26.3
2025	199	-10.8	198	-11.3
2026	209	4.8	196	-1.0
2027	-	-	216	10.1

Source: Reuters and BCRP.

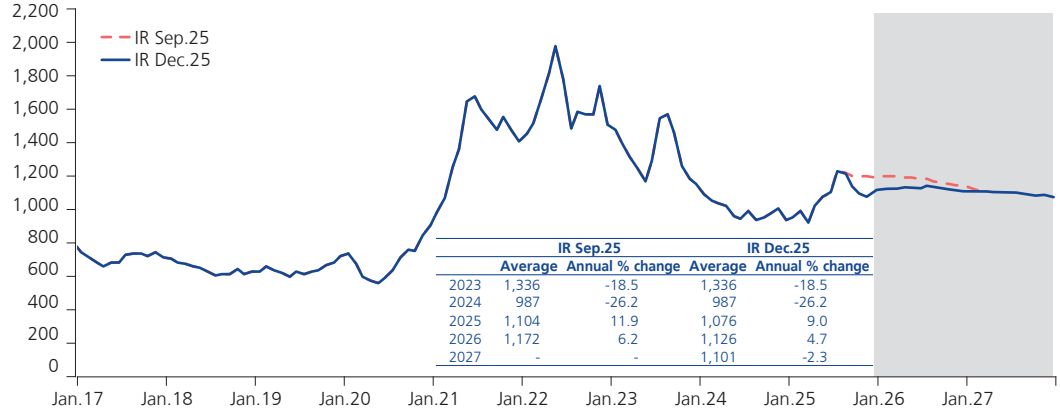
(c) The price of **soybean oil** averaged USD/MT 1,100 in November 2025, 3 percent lower than the value of USD/MT 1,138 recorded in September 2025. As a result, the price of soybean oil accumulated an increase of 18 percent compared to December 2024.

The drop in soybean oil prices over the last two months is mainly due to regulatory uncertainty in the US and, to a lesser extent, falling oil prices. In the US, the government has postponed decisions regarding the proportion of soybean oil used in the diesel industry. This paralysis slowed purchases of raw materials for biodiesel and halted the upward trend of previous months.

The price decline was amplified by the drop in palm oil prices, which reached their lowest level in four months due to increased inventories in Malaysia.

Considering these recent developments, prices are projected to be below the estimate in the previous Inflation Report. The outlook presents significant risks in both directions, linked to the regulatory policy in the biofuel market.

Graph 40
SOYBEAN OIL: JANUARY 2017 - DECEMBER 2027
(USD/MT)



	IR Sep.25		IR Dec.25	
	Average	Annual % change	Average	Annual % change
2023	1,336	-18.5	1,336	-18.5
2024	987	-26.2	987	-26.2
2025	1,104	11.9	1,076	9.0
2026	1,172	6.2	1,126	4.7
2027	-	-	1,101	-2.3

Source: Reuters and BCRP.

Box 1
US STOCK MARKET CYCLE IN 2025

The stock market recovery since April has been driven by optimism about developments in artificial intelligence, the moderation of the trade war, and the Fed's easing of monetary policy. This rise —which has led various markets to reach successive historic highs— has raised the question of whether this trend could be followed by a sharp correction.

On the one hand, the rise has been concentrated in technology companies linked to the artificial intelligence boom, which would support the view that the rise in share prices is based on future earnings fundamentals. However, the sharp and significant increase in the valuation of these technology companies, the deterioration of cash flows due to mega-investments, and the uncertainty surrounding competition from China in the sector are factors that contribute to uncertainty.

At the macroeconomic level, there are also risk factors. In past corrections, a restrictive stance by the Federal Reserve (Fed) or a sharp economic slowdown have been important factors.

The optimism that characterized the US stock market in recent years was interrupted in February 2025 following increased trade tensions. Until that date, the main US stock index, the S&P 500, had risen 49 percent in the previous seventeen months. However, tariffs were imposed in April, causing a 19 percent drop in the stock market in the same month.

However, the market began a new cycle of gains, the "AI Rally," after achieving a sustained recovery thanks to three catalysts: the easing of global trade tensions, the rise of artificial intelligence, and the Fed's rate cuts in response to signs of an economic slowdown. As a result, the S&P 500 accumulated a 32 percent gain in the six months to October.

However, sentiment changed again in November. During that month, the index fell by up to 4 percent in the third week due to the convergence of three risk factors: extreme valuations in technology companies, a more cautious Fed due to persistent inflation, and operational disruptions caused by the government shutdown. This correction does not yet define a downward trend, but it heightened the fear of a further decline. Analysts interpret it as a rotation of capital flows from technology stocks to traditional sectors.

Types of stock market crises or corrections

Historically, US market cycles have been marked by three main categories of crisis since 1997, which serve as a reference for analyzing the current episode:

Solvency and credit crises (1998, 2007, and 2011)

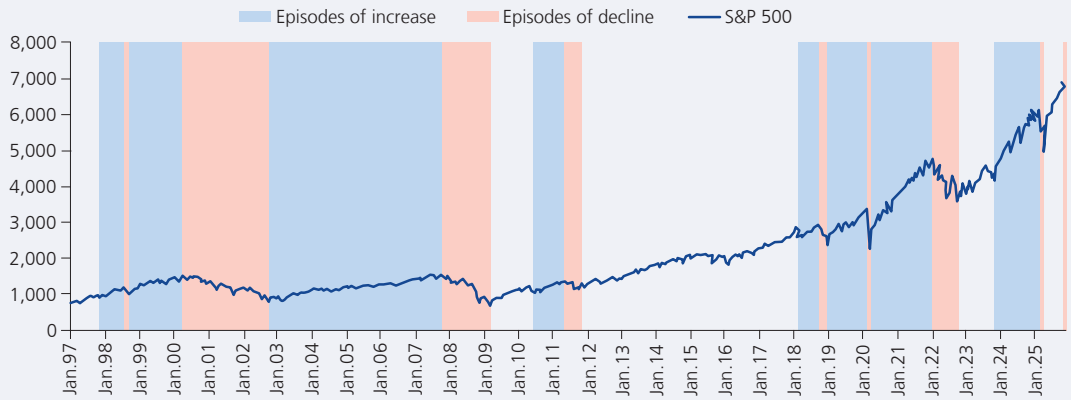
These events are characterized by systemic problems in the payment chain and asset quality.

- 1998 (Long Term Capital Management, LTCM, and Russian default): financial crisis triggered by Russia's sovereign default and the failed models of the LTCM hedge fund, forcing the Fed to coordinate a private bailout in the latter case. The stock market fell 19 percent between July and August, after rising more than 35 percent in the previous ten months.

- 2007 (Global Financial Crisis - GFC): the most significant episode of this century, caused by the collapse in the value of the system's underlying collateral (mortgages). In addition to this, the proliferation of highly sophisticated financial instruments through financial engineering contributed to the situation. The GFC directly affected banks in developed countries and caused a 57 percent stock market crash in eighteen months from October, after having accumulated a 101 percent rise in the previous five years.

- 2011 (European sovereign debt crisis): a crisis marked by the downgrading of the United States' credit rating and the European crisis, which called into question the security of "risk-free" assets. The impact of this event on the stock market was similar to that of 1998, with a 19 percent decline since April, a bearish period that lasted seven months.

S&P 500 STOCK INDEX SINCE 1997



Source: Reuters.

US STOCK MARKET CYCLES

(With a correction of at least 20 percent)[1/]

Event	Duration of episode (months)	Type of Shock	Pre-crisis bullish episode	Variation (%)	Duration (months)	Correction episode during the crisis	Variation (%)	Duration (months)
Russian default and LTCM crisis	**12**	Solvency/ Liquidity	Oct/1997 – Jul/1998	**35**	**10**	Jul/1998 – Aug/1998	**-19**	**2**
Dot-com crisis	**52**	Valuation / Technology	Aug/1998 – Mar/2000	**60**	**20**	Mar/2000 – Oct/2002	**-49**	**32**
Global financial crisis	**79**	Real estate / Banking	Oct/2002 – Oct/2007	**101**	**61**	Oct/2007 – Mar/2009	**-57**	**18**
US downgrade and second phase of Euro-pean debt crisis	**17**	Sovereign	Jul/2010 – Abr/2011	**33**	**10**	Apr/2011 – Oct/2011	**-19**	**7**
Hawkish Fed and trade war	**12**	Monetary / Trade	Feb/2018 – Sep/2018	**14**	**8**	Sep/2018 – Dec/2018	**-20**	**4**
COVID-19	**17**	Exogenous (health)	Dec/2018 – Feb/2020	**44**	**15**	Feb/2020 – Mar/2020	**-34**	**2**
Inflationary episode	**33**	Supply / Monetary	Mar/2020 – Jan/2022	**114**	**23**	Jan/2022 – oct/2022	**-25**	**10**
Liberation Day	**20**	Commercial / Liquidity	Oct/2023 – Feb/2025	**49**	**17**	Feb/2025 – Apr/2025	**-19**	**3**
Rally IA	**7**	Valuation / Technology	Apr/2025 - Oct/2025	**32**	**7**	Nov-2025	**-4**	**1**

1/ These stock market cycles consider sustained declines in the S&P 500 of approximately 20 percent or more, a threshold that financial literature technically defines as a bear market.
Source: Reuters. The IA rally correction episode lasts until the third week of November 2025.

Valuation adjustment crisis (2000)

The dot-com bubble was caused by "irrational" expectations, with unprofitable companies reaching exorbitant valuations. The subsequent adjustment in the value of technology companies caused the S&P 500 to plummet 49 percent from March over the next thirty-two months.

Exogenous shocks, supply shocks, and adjustments in the monetary policy (2018-2022)

This category defines the last decade:

- 2018 (hawkish Fed and trade war): The normalization of interest rates and trade tensions between the United States and China contributed to a stock market decline of nearly 20 percent in four months from September, forcing the Fed to implement an easing of its stance.

- 2020 (COVID-19): This episode is a health-related "black swan" event that caused a simultaneous shock to supply and demand. The halt in economic activity led to a 34 percent drop in the stock market in just two months at the end of the first quarter. The unprecedented fiscal and monetary response helped restore the health of the economy, although it inflated asset prices, creating the next crisis.

- 2022 (inflationary episode): Excess liquidity coupled with a limited supply of goods and services drove up inflation, forcing central banks to adopt a restrictive monetary stance. This caused the US stock market to correct by 19 percent in ten months from January, following a previous rise of 114 percent in the previous two years

Considerations regarding the current cycle

Concentration of the recent stock market rise

The current upturn is mainly concentrated in a specific sector with positive prospects (but subject to uncertainty factors). In the current cycle, the 10 largest companies on the US stock market account for 40 percent of the total market capitalization[3]. This percentage is a historic record. It should be noted that the capitalization of the 10 largest companies in the 2000 episode was 35 percent and in the 2007 episode it was 20 percent.

This reveals, on the one hand, that the recent rise responds to expectations surrounding a sector that has been the most dynamic in recent years and has received an additional boost from developments in artificial intelligence. In this sense, it is a boom sustained by companies with positive prospects. However, as will be seen below, these prospects serve as a baseline scenario, but there is uncertainty about their prospects in the coming years.

Current valuations of the S&P 500 at historic levels

Current valuations of the S&P 500 are even higher than those seen during the dot-com bubble, but they are characterized by being explained by the valuations of technology companies. The price/earnings ratio indicates how many dollars an investor pays for each dollar of a company's earnings, and the price/sales ratio shows how much they pay for each dollar of revenue, which is useful when there are no earnings yet. High levels of these ratios, compared to historical metrics, may imply overvaluations and vice versa.

As of October 2025, the S&P 500 traded at 26 times earnings (price/earnings per share of 26) and 3.4 times sales (price/sales per share of 3.4), historically high levels that even outweigh those of the dot-com bubble (24 times earnings and 2 times sales), reflecting extremely high valuations and expectations of sustained future earnings and sales.

However, these high valuations are largely explained by technology industries trading at 43 times earnings in recent months, reflecting investors' demand for strong earnings growth.

The companies driving the stock market rally have high liquidity and reasonable leverage ratios, but are investing heavily in anticipation of large future returns. In terms of liquidity, there does not appear to be any difficulty for companies in meeting their short-term liabilities. The current assets/current liabilities ratio (ability to meet short-term liabilities) for S&P 500 companies is **1.22** as of October 2025, higher than the 1.11 for dot- coms and 1.16 for CFG. It should be pointed out that this ratio is currently almost 2 for large technology firms, which facilitates their investments in megaprojects.

In terms of solvency, recent leverage ratios are high, but lower than in previous periods. The total liabilities/total assets ratio for companies in the S&P 500 is 0.77, which means that 77 percent of assets were financed with liabilities, compared to 83 percent in the 2000s. This ratio is 0.33 for large technology companies, which indicates their relative financial strength.

The companies' profits (accounting earnings) are at high levels, but their free cash flow (the cash that comes in after expenses and investments) has fallen. This reflects significant investments with no immediate return.

3 These companies are: Nvidia (technology), Apple (technology), Microsoft (technology), Amazon (luxury consumption), Alphabet (formerly Google, communications), Broadcom (technology), Meta (formerly Facebook, communications), Tesla (luxury consumption), Berkshire Hathaway (finance), and Eli Lilly (healthcare).

The growth in profits for S&P 500 companies was 12 percent year-on-year in October 2025, and the profit margin (which measures what percentage of sales are net profits) is 11 percent, compared to 7 percent in 2000. However, cash flows stagnated compared to the previous dot-com episode.

This is in line with the capital expenditure/depreciation expenditure ratio of 1.6 times as of October this year, recording an historical high. In other words, companies are investing 60 percent more in new assets than in existing assets that are depreciating.

As mentioned, large technology firms are investing in mega chip and data center projects and are expected to spend a total of USD 3 trillion between 2025 and 2028. This has been reflected in a decrease in cash and an increase in corporate debt issuance.

The macroeconomic environment is another factor of uncertainty

- **With regard to monetary policy**, previous episodes show that the Fed acts as a central element in stock market fluctuations, either triggering corrections by raising interest rates to combat inflation (2018, 2022) or offsetting crises by cutting them (1998, 2008, 2020). In the current episode, there is uncertainty surrounding the future evolution of the rate—which currently stands at 3.75 percent and is above the long-term rate—due to the contrast between an economic slowdown and persistent inflationary pressures.

- **In terms of fiscal policy**, there is less fiscal space in the event of a crisis, given the increase in public debt in recent years and the persistence of fiscal deficits: by 2025, gross public debt is estimated to reach **124 percent of GDP** and the fiscal deficit 5.8 percent.

- **Until mid-2025, consumption remained resilient, but there is greater dependence on higher-income households**. GDP growth in the second quarter of 2025 was 3.8 percent (annualized quarterly rate), up from 2.3 percent in the third quarter of 2007 and 1.5 percent in the first quarter of 2000. Private consumption grew 2.5 percent in the second quarter of this year, a slower pace than the CFG (2.7 percent) and Puntocom (6.2 percent).

According to Moody's, the richest 10 percent of households in the United States, families with annual incomes of at least USD 250,000, accounted for half of private consumption this year, contributing at least **0.8 percentage points** to second-quarter GDP growth. These households have also been increasing their share of total household wealth: they held two-thirds of wealth in the third quarter of 2025; they own more than 80 percent of private stocks and businesses, and they hold only a quarter of liabilities.

Conclusion

The bull cycle through October 2025 presents a dichotomy of risks. On the one hand, the fundamentals of leading companies, mostly technology companies, are stronger than in previous cycles, due to high liquidity margins, profitability, and low debt levels.

However, record valuations leave the stock market vulnerable to potential disappointments in earnings growth or future returns on mega investments. There are risk factors associated with the combination of (i) a very high concentration of the stock market (40 percent in the 10 largest firms), (ii) mega investments in AI infrastructure (which are damaging cash flow and corporate leverage), (iii) less room for countercyclical policies, (iv) uncertainty about future monetary policy, and (v) high concentration of consumption among higher income families.

II. Balance of payments

Terms of trade and balance of trade in goods

34. **Terms of trade** increased by 14.2 percent year-on-year in the third quarter of 2025. The increase was mainly due to higher **export prices** (12.1 percent), particularly for traditional mining products such as gold and copper, and agricultural products such as coffee, which rose in price in international markets. Higher metal prices were explained by strong demand driven by the energy transition, intensified copper supply restrictions in September —due to logistical problems at a major global producer— expectations of a more flexible monetary policy by the Fed, the depreciation of the dollar, and persistent demand for gold as a safe-haven asset amid ongoing geopolitical uncertainty.

The increase in export prices was accompanied by a year-on-year decrease in **import prices** (-1.8 percent), mainly explained by a drop in oil prices, associated with ongoing reversal of voluntary production cuts by OPEC+, the incorporation of new supplies by the US, expectations of a global economic slowdown, and the acceleration of the energy transition in China. Prices of industrial inputs (-2.1 percent), such as iron and steel, chemicals, and plastics, also fell due to cost deflation in China, as did food inputs (-1.8 percent) due to substantial improvements in global wheat supply as a result of crops in the northern hemisphere.

Terms of trade are projected to grow at a rate of 17.0 percent in 2025 and 6.4 percent in 2026, figures that represent a significant revision on the upside from the 13.9 and 1.8 percent growth projected in September, respectively. For both years, this change is mainly due to a greater than expected increase in export prices, which were revised from 11.1 percent to 14.3 percent in 2025 and from 2.4 percent to 6.3 percent in 2026. The current forecasts are consistent with higher international prices for gold, copper, and zinc, high coffee prices, and a more rapid recovery in the prices of non-traditional products from the agriculture and fishing sectors.

The revision on the upside in export prices is based on: (i) the recent evolution of the international gold price, which reached another historical high in October; (ii) public debt sustainability issues in several developed economies which, combined with the gold accumulation policy pursued by China and other emerging central banks, significantly increased demand for this precious metal; (iii) supply disruptions, globally misaligned inventories, and resilient demand for copper, which increased moderately in recent months; and (iv) the materialization of climate risk surrounding coffee production due to insufficient rainfall in Brazil and lower-than-expected yields in Vietnam, which led to shortages.

To a lesser extent, the revision on the downside of import prices contributed to a decline from 0.5 percent growth to 0.1 percent in 2026. The revision on the downside of import prices stems from the prospects of excess supply in the oil market, a slowdown in structural demand for crude oil from advanced economies, and more moderate growth in China due to the real estate crisis.

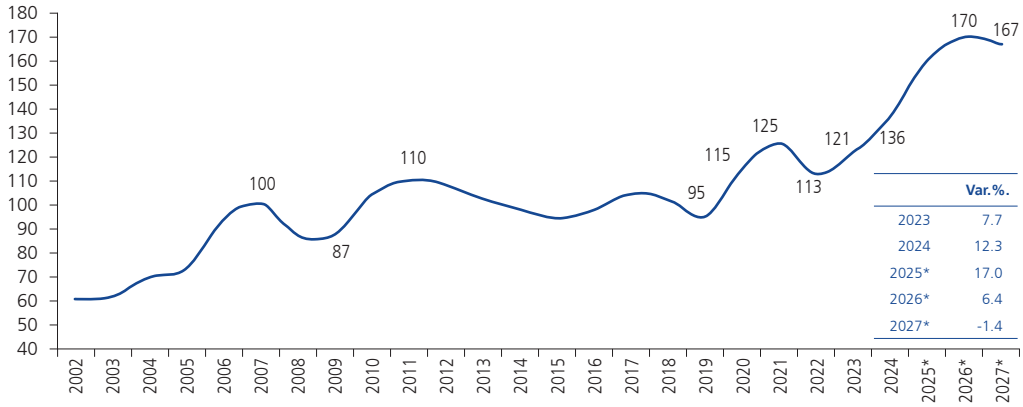
Table 10
TERMS OF TRADE: 2023–2027

	2023	2024	2025*			2026*		2027*
			Jan-Sep	IR Sep.25	IR Dec.25	IR Sep.25	IR Dec.25	IR Dec.25
Terms of trade								
Annual % change (average)	***7.7***	***12.3***	***15.8***	***13.9***	***17.0***	***1.8***	***6.4***	***-1.4***
Export prices								
Annual % change (average)	***-2.6***	***7.6***	***12.7***	***11.1***	***14.3***	***2.4***	***6.3***	***0.8***
Copper (ctv USD per pound)	*385*	*415*	*431*	*435*	*447*	*446*	*485*	*480*
Zinc (ctv USD per pound)	*120*	*126*	*126*	*125*	*130*	*127*	*136*	*132*
Gold (USD per ounce)	*1,943*	*2,388*	*3,198*	*3,225*	*3,417*	*3,483*	*4,030*	*4,177*
Import prices								
Annual % change (average)	***-9.6***	***-4.2***	***-2.7***	***-2.5***	***-2.4***	***0.5***	***-0.1***	***2.3***
Oil (USD per barrel)	*78*	*77*	*67*	*66*	*65*	*63*	*60*	*60*
Wheat (USD per MT)	*303*	*224*	*203*	*199*	*198*	*209*	*196*	*216*
Maize (USD per MT)	*226*	*162*	*164*	*174*	*163*	*182*	*177*	*187*
Soybean oil (USD per MT)	*1,336*	*987*	*1,055*	*1,104*	*1,076*	*1,172*	*1,126*	*1,101*

* Projection.
Source: BCRP.

After reaching historically high levels (170 in 2026), terms of trade are expected to decline by 1.4 percent, as a result of low export price growth (0.8 percent) and 2.3 percent growth in average import prices, consistent with the global inflation forecast.

Graph 41
TERMS OF TRADE, 2002–2026
(Index 100 = 2007)



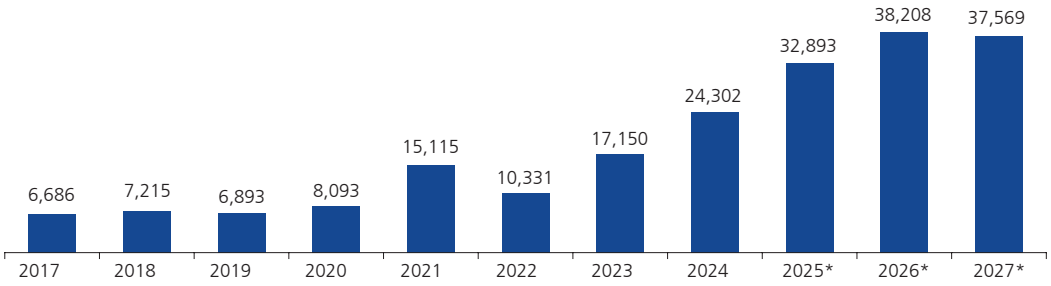
* Projection.
Source: BCRP.

35. The **trade** surplus **in goods** recorded USD 8.554 billion in the third quarter of 2025, USD 1.483 billion higher than in the same quarter of 2024. The year-on-year expansion was mainly due to a USD 2.896 billion (14.0 percent) increase in the value of exports, which was explained, first, by higher average export prices for traditional mining products (gold and copper). Secondly, it was attributed to higher shipments abroad of non-traditional fishery and products from the agriculture sector, supported by increased sales of fresh fruit and greater availability of squid biomass, respectively.

This increase exceeded the USD 1,413 million (10.4 percent) expansion of imports due to the generalized growth of imported volumes, highlighting capital goods such as heavy cargo vehicles, machinery for industry and mining, technological equipment and industrial

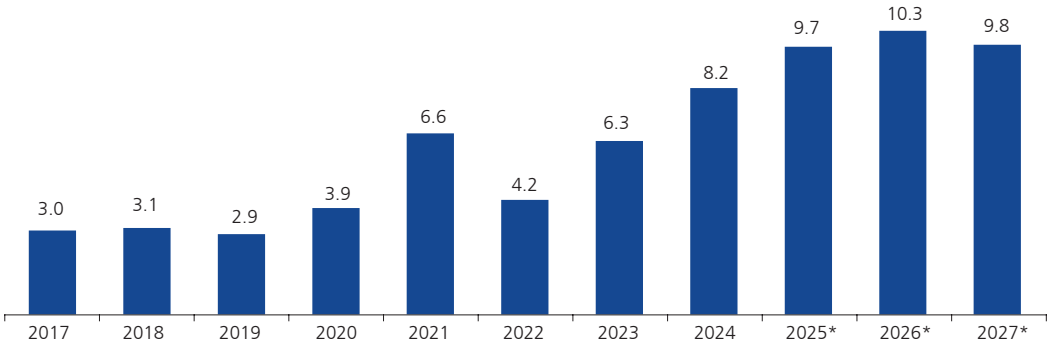
tires; industrial inputs such as paper, iron and steel and textiles; and durable consumer goods such as automobiles, games and slot machines, plastic articles and motorcycles and bicycles.

Graph 42
TRADE BALANCE OF GOODS, 2017-2027
(Million USD)



* Projection.
Source: BCRP.

Graph 43
TRADE BALANCE OF GOODS, 2017-2027
(% GDP)



* Projection.
Source: BCRP.

The trade surplus is expected to maintain an upward trend until 2026, when it is projected to reach USD 38.208 billion, before declining slightly to close the forecast horizon at USD 37.569 billion. These figures represent a revision on the upside compared to the September Report, which is based on improved terms of trade prospects for both years.

In addition, for 2025, the revision is based on a further acceleration in export volumes from 2.9 percent to 3.8 percent, mainly due to greater statistical coverage of export data for minerals such as silver, lead, and copper; higher gold exports, especially informal ones; and higher agricultural production for export, in line with what was executed in the third quarter of 2025. In contrast, in 2026, the volume of exports is revised slightly down from 2.5 percent to 2.4 percent, due to lower exports of fishmeal and copper concentrate, in line with their forecasts.

Thus, in 2026, the trade surplus in terms of GDP would equal the last record value, recorded in 2006 (10.3 percent), and would end the projection horizon at 9.8 percent. This scenario is consistent with the forecast of domestic production and spending, terms of trade, and global growth over the projection horizon.

Results of external accounts

36. The annualized **balance of payments** for the third quarter of 2025 showed a current account surplus of USD 7.403 billion (2.3 percent of GDP) and a net capital inflow of USD 3.583 billion, flows that translated into an accumulation of NIRs of USD 4,783 million (1.5 percent of GDP) between the third quarter of 2024 and 2025.

The quarterly result showed an expansion of the current account surplus by USD 791 million compared to the end of 2024 (2.2 percent of GDP), which was mainly explained by the positive impact of the terms of trade, the recovery of local production of non-traditional products and zinc, and higher external demand for iron and steel products, textiles, and gold on the trade balance.

For its part, higher profits from companies with foreign participation, mainly mining companies, in line with high metal prices, and from private banks in part offset the higher trade surplus. There was also a record of an increase in the accumulated deficit for services due to higher spending on freight, travel, IT, and other business services

Table 11
BALANCE OF PAYMENTS
(Million USD)

	2024	2025*			2026*		2027*
		Q3 2025[3/]	IR Sep.25	IR Dec.25	IR Sep.25	IR Dec.25	IR Dec.25
I. BALANZA EN CUENTA CORRIENTE	**6,612**	**7,403**	**6,421**	**8,548**	**7,070**	**9,698**	**8,797**
Percentage of GDP	*2.2*	*2.3*	*1.9*	*2.5*	*2.0*	*2.6*	*2.3*
1. Trade balance	**24,302**	**29,260**	**30,302**	**32,893**	**32,390**	**38,208**	**37,569**
a. Exports	76,394	86,087	87,066	90,647	91,370	98,701	101,478
Of which:							
i) Traditional	*55,719*	*63,000*	*63,979*	*67,309*	*67,658*	*74,445*	*75,505*
ii) Non-traditional	*20,460*	*22,852*	*22,846*	*23,099*	*23,502*	*24,077*	*25,765*
b. Imports	52,091	56,827	56,764	57,755	58,980	60,493	63,909
2. Services	**-7,916**	**-8,128**	**-7,847**	**-8,065**	**-7,329**	**-7,761**	**-7,865**
3. Primary income (factor income)	**-17,379**	**-21,612**	**-23,837**	**-24,330**	**-26,180**	**-28,994**	**-29,511**
4. Secondary income (transfers)	**7,604**	**7,883**	**7,803**	**8,050**	**8,189**	**8,245**	**8,603**
Of which: Remittances from abroad	4,934	5,217	5,227	5,281	5,384	5,440	5,603
II. FINANCIAL ACCOUNT[1/]	**-1,995**	**-3,583**	**-4,256**	**-5,372**	**3,317**	**3,785**	**3,959**
Percentage of GDP	*-0.7*	*-1.1*	*-1.3*	*-1.6*	*0.9*	*1.0*	*1.0*
1. Private sector	**3,,277**	**1,887**	**930**	**-331**	**5,018**	**5,541**	**4,803**
a. Long term	*169*	*-530*	*-956*	*-1,550*	*2,774*	*3,074*	*3,156*
b. Short term	*3,108*	*2,417*	*1,886*	*1,219*	*2,244*	*2,467*	*1,647*
2. Public sector[2/]	**-5,272**	**-5,470**	**-5,186**	**-5,041**	**-1,701**	**-1,757**	**-845**
III. NET ERRORS AND OMISSIONS	**-1,553**	**-7,980**	**-3,178**	**-7,135**	**0**	**0**	**0**
IV. BALANCE OF PAYMENTS RESULTS	**7,054**	**3,006**	**7,500**	**6,785**	**3,753**	**5,913**	**4,839**
IV= (I+III) - II = (1-2)							
1. Change in NIRs balance	**7,954**	**4,783**	**9,482**	**9,482**	**3,753**	**5,913**	**4,839**
2. Valuation effect	**900**	**1,777**	**1,983**	**2,697**	**0**	**0**	**0**

1/ The financial account and its components (private and public sectors) are expressed as assets net of liabilities. Therefore, a negative sign implies an inflow of foreign capital.
2/ Considers the sale and purchase between residents and non-residents of public sector bonds issued abroad or on the local market. 3/ Shows the cumulative annual result for the third quarter of 2025.
* Projection.
Source: BCRP.

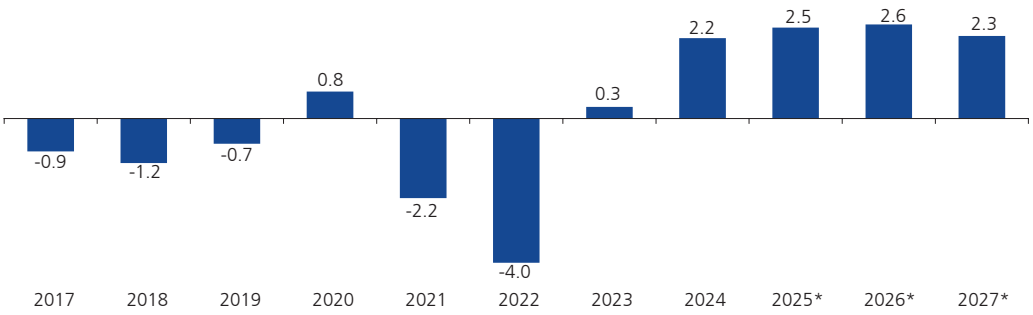
A current account surplus is expected to remain throughout the forecast horizon, standing at 2.3 percent of GDP in 2027. On the other hand, total net external financing is expected to reverse from USD 5.372 billion (1.6 percent of GDP) in 2025 to an accumulation of external assets of USD 3.959 billion (1.0 percent of GDP) in 2027.

The nominal increase in the current account between 2024 and 2026 would be supported by the ongoing expansion of the trade surplus and growth in secondary income, in line with the expected evolution of remittances from abroad. Compared to September forecasts, the surpluses for both years were revised upward due to higher terms of trade, greater export volumes in 2025, and a revision on the upside in remittance growth.

For its part, the ongoing increase in profit outflows from companies with foreign participation would limit the positive effects of the trade balance and secondary income over the forecast horizon; specifically, in 2027, they would be the main determinant of the slight reduction in the current account surplus that is forecast. The creditor position of the financial account from 2026 onwards would be explained by lower private sector indebtedness, whose debt balance would fall to 7.7 percent of GDP in 2027, and by the downward trend in the fiscal deficit.

With forecasts for 2025 to 2027, there would be five consecutive years of current account surpluses, which would outweigh the commodity price boom period that took place between 2004 and 2007.

Graph 44
CURRENT ACCOUNT, 2017-2027
(% GDP)



* Projection.
Source: BCRP.

37. Variations in the current account balance can be broken down into two main factors: those attributed to domestic absorption (higher net nominal demand for foreign goods and services) and those related to the return paid to factors of production (capital) and Peru's external liabilities (debt instruments).

By 2025, the reduction in the surplus compared to the previous year will mainly come from **lower domestic absorption (1.8 p.p.)**, explained in turn by a positive price effect (3.8 p.p.), basically due to the growth in the terms of trade. This dynamic will be slightly reinforced by a **positive volume effect from services (0.2 p.p.)**, resulting from higher revenues from passenger transport and international travel, as well as lower expenditures for insurance and reinsurance services.

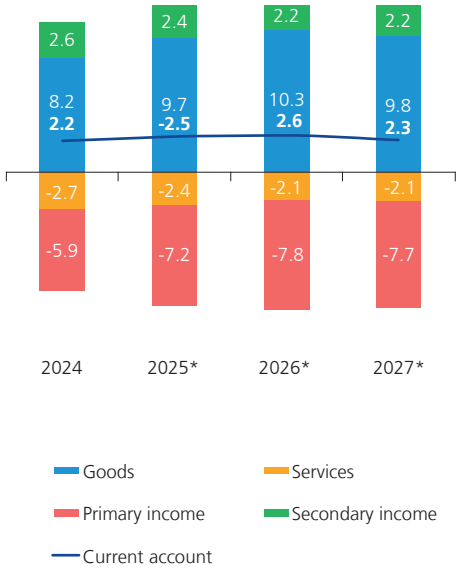
The factors mentioned in the previous paragraph would be mitigated by **higher returns on FDI liabilities (-1.8 p.p.)**, explained by an expected 41.3 percent increase in profits this year, due to higher mining exports and improved margins in the services sector. This

trend will be reinforced by a negative volume effect (-2.3 p.p.) in net trade of goods, a result explained by lower shipments of traditional products (copper, coffee, oil, and natural gas) and by more dynamic import volumes, mainly of industrial inputs and capital goods other than construction materials, in line with the recovery of domestic spending and production.

Table 12

DETERMINANTS OF THE VARIATION IN THE CURRENT ACCOUNT RESULT, 2024-2026

CURRENT ACCOUNT
(% GDP)



VARIATION IN CURRENT ACCOUNT
(p.p. of GDP)

	2024 /2023	2025* /2024	2026* /2025*	2027* /2025*
A. Domestic absorption	**2.2**	**1.8**	**0.9**	**-0.5**
1. Price effect	**2.6**	**3.8**	**1.8**	**-0.1**
1.1 Terms of Trade	2.6	3.8	1.6	-0.2
1.2 Freigh	0.0	0.1	0.2	0.0
2. Volume effect	**-0.4**	**-2.0**	**-0.9**	**-0.3**
2.1 Goods	-0.7	-2.3	-1.0	-0.3
2.2 Services**	0.2	0.2	0.1	0.0
B. Yield on external liabilities	**-0.9**	**-1.8**	**-0.6**	**0.2**
1. Foreign Direct Investment	**-0.9**	**-1.8**	**-0.7**	**0.2**
2. Debt from loans and bonds	**0.0**	**0.0**	**0.1**	**0.0**
C. Rest* **	**0.6**	**0.3**	**-0.2**	**0.0**
TOTAL CHANGE IN CA (A + B + C)	**1.9**	**0.3**	**0.1**	**-0.3**

* Projection.
** Includes changes in the volume of transport and changes in the volume and price of services other than transport.
*** It includes the variation in current transfers and the return charged on external assets.
Source: BCRP.

Lower domestic absorption (0.9 p.p.), mainly due to the price effect, both from higher terms of trade and the 17.8 percent drop in freight prices, would be the main determinant of the expected increase in the current account surplus for 2026. This contribution would be reinforced by a **positive volume effect from services (0.1 p.p.)**, resulting from the expansion in the arrival of non-resident travelers and lower volumes of imported transportation services.

At the end of the projection horizon, **domestic absorption** is expected to increase **(0.5 p.p.)** due to a negative price effect resulting from the decline in the terms of trade and a negative volume effect due to the growth in the quantities of industrial inputs and consumer goods imported, consistent with the domestic demand forecast. Closely following the evolution of profits of companies with foreign participation and international prices, the **return paid by FDI** would decline (0.2 p.p.), mitigating the negative effects of trade in goods.

38. By the third quarter of 2025, Peru stands out as the only economy in the region with a current account surplus, a position it has maintained since the fourth quarter of 2023. Brazil, Chile, and Colombia are expected to show a lower deficit in their current accounts in 2025, due to the deterioration of their trade balance, resulting from lower export prices and a rebound in domestic demand for imports.

For Brazil and Chile, the larger primary income deficit (profits and dividends) will also contribute. However, a recovery in these countries' trade surpluses is expected, which

explains the moderation of the current account deficit toward the end of the projection horizon.

For its part, Mexico would see a reduction in its deficit in 2025, explained by an increase in its trade surplus and a lower services deficit. However, both Mexico and Colombia project a deterioration in their trade balance from 2026 onwards, in line with higher domestic demand for imports. Thus, these countries would end the projection horizon with a larger current account deficit.

Table 13
LATIN AMERICA: CURRENT ACCOUNT OF THE BALANCE OF PAYMENTS
(Annualized, % GDP)

	2021	2022	2023	2024	Q3.25[1/]	2025*	2026*	2027*
Brazil	-2.4	-2.2	-2.2	-3.0	-3.6	-3.1	-2.4	n.a.
Chile	-7.4	-8.9	-3.2	-1.5	-2.5	-2.6	-2.4	-2.4
Colombia	-5.6	-6.0	-2.2	-1.6	-2.2	-2.5	-3.0	n.a.
Mexico	-0.3	-1.3	-0.7	-0.9	-0.1	-0.7	-1.3	-1.5
Peru	-2.2	-4.0	0.3	2.2	2.2	2.5	2.6	2.3

** Projection.
1/ Shows the cumulative result for the last four quarters through the third quarter of 2025.
Source: Central banks of each country.

39. The **long-term private capital account** is expected to shift from a net outflow of USD 169 million in 2024 to a net inflow of USD 1,550 million in 2025, due to increased reinvestment of profits by companies with foreign participation and an increase in FDI loans, in line with what was executed in the third quarter of 2025, as well as scheduled debt capitalizations that would take place this year.

In contrast with the previous report, by 2026, net investment in foreign assets is projected to increase due to lower reinvestment of profits and higher loan repayments. Compared to the previous report, this investment flow is higher due to increased loan repayments, particularly due to changes in the payment schedule of companies in the mining sector, in line with the evolution of profits observed in the last quarter.

In 2027, FDI assets would increase, while portfolio purchases would recover after the smaller increase they would see in 2026, due to the net selling position of the AFPs in response to the latest approved withdrawal of funds. The combination of both factors would lead to a slight expansion in long-term foreign asset investment in 2027.

Besides, ongoing **net short-term capital outflows** are projected throughout the projection horizon. This dynamic is explained by an increase in the external assets of the non- financial sector due to the extraordinary profits that the mining sector would be recording in that period. In 2025, this evolution would be partially counterbalanced by the reduction in the assets of banks, given the evolution of the third quarter. Finally, the current forecast does not contemplate changes in the short-term position of banks for 2026 and 2027.

Table 14
PRIVATE SECTOR FINANCIAL ACCOUNT[1/]
(Million USD)

	2024	2025*			2026*		2027*
		Q3. 25[5/]	IR Sep.25	IR Dec.25	IR Sep.25	IR Dec.25	IR Dec.25
PRIVATE SECTOR (A + B)	**3,277**	**1,887**	**930**	**-331**	**5,018**	**5,541**	**4,803**
Percentage of GDP	1.1	0.6	0.3	-0.1	1.4	1.5	1.3
A. LONG TERM (1 - 2)	**169**	**-530**	**-956**	**-1,550**	**2,774**	**3,074**	**3,156**
1. ASSETS	**7,852**	**9,665**	**8,661**	**9,488**	**8,536**	**8,366**	**8,895**
Direct investment	1,174	1,325	1,535	2,008	2,366	2,595	2,660
Portfolio investment[2/]	6,679	8,341	7,126	7,479	6,170	5,771	6,235
2. LIABILITIES[3/]	**7,683**	**10,195**	**9,616**	**11,038**	**5,762**	**5,292**	**5,739**
Direct investment	6,799	11,070	10,875	10,984	6,990	7,507	7,661
Portfolio investment[4/]	2,487	1,998	301	1,913	60	61	141
Long-term loans	-1,603	-2,872	-1,560	-1,860	-1,288	-2,277	-2,064
B. SHORT TERM	**3,108**	**2,417**	**1,886**	**1,219**	**2,244**	**2,467**	**1,647**

1/ Expressed in terms of net assets minus liabilities. Therefore, a capital inflow has a negative sign. An increase (decrease) in a foreign asset has a positive (negative) sign.
2/ Includes shares and other assets outside the financial and non-financial sectors. Includes financial derivatives.
3/ A positive sign corresponds to an increase in net external liabilities.
4/ Considers the net placement of bonds and similar instruments, as well as the net purchase of shares and other instruments by non-residents through the Lima Stock Exchange, as recorded by CAVALI.
5/ Shows the cumulative annual result for the third quarter of 2025.
* Projection.
Source: BCRP.

40. The cumulative **public sector financial account** for the third quarter of 2025 recorded an increase in net external debt equivalent to USD 5.47 billion, which outweighs the net financing flow received in 2024 by only USD 198 million. This dynamic was the result of an increase in the pace of net purchases of sovereign bonds by non-residents and a global bond auction under the Debt Management Operation (DMO) in June 2025.

A gradual reduction in net external financing of the public sector is projected over the projection horizon, in response to the expected reduction in the fiscal deficit. Compared with September forecasts, net capital inflows to finance the public sector were revised slightly: a reduction of USD 146 million in 2025 and an increase of USD 56 million in 2026.

Table 15
PUBLIC SECTOR FINANCIAL ACCOUNT[1/]
(Million USD)

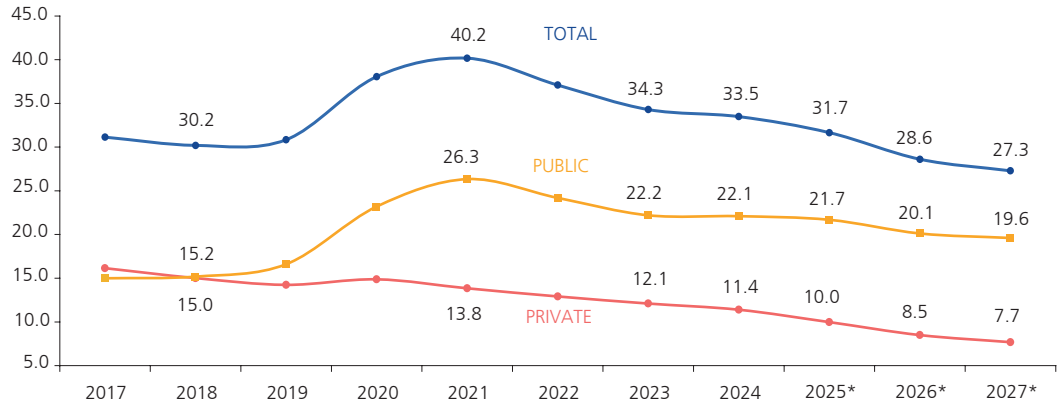
	2024	2025*			2026*		2027*
		Q3.25[4/]	IR Sep.25	IR Dec.25	IR Sep.25	IR Dec.25	IR Dec.25
I. ASSETS	**-35**	**35**	**35**	**74**	**104**	**104**	**104**
II. LIABILITIES (1 + 2)[2/]	**5,237**	**5,505**	**5,221**	**5,114**	**1,805**	**1,860**	**948**
1. Portfolio investment	**4,387**	**6,221**	**5,999**	**6,152**	**1,542**	**1,655**	**1,645**
Issues	3,300	3,880	3,880	3,880	0	0	0
Amortizations	-2,252	-1,879	-1,879	-1,879	-1,093	-1,091	-1,549
Other operations (a - b)[3/]	3,338	4,220	3,998	4,151	2,635	2,746	3,194
a. General government bonds acquired by non-residents	3,589	4,716	4,240	4,470	2,635	2,746	3,194
b. Global bonds acquired by residents	250	496	242	319	0	0	0
2. Loans	**851**	**-716**	**-778**	**-1,038**	**263**	**205**	**-697**
Disbursements	1,968	658	680	415	1,423	1,365	1,300
Amortizations	-1,117	-1,374	-1,457	-1,452	-1,160	-1,160	-1,997
III. TOTAL (I - II)	**-5,272**	**-5,470**	**-5,186**	**-5,041**	**-1,701**	**-1,757**	**-845**

1/ Expressed in terms of net assets minus liabilities. Therefore, an inflow of capital has a negative sign. An increase (decrease) in a foreign asset has a positive (negative) sign.
2/ A positive sign corresponds to an increase in external liabilities.
3/ From the sale between residents and non-residents of government bonds issued abroad or on the local market.
4/ Shows the cumulative annual result for the third quarter of 2025.
* Projection.
Source: BCRP.

41. The **balance of medium- and long-term external debt** —mainly loans and bonds— increased by USD 6.562 billion between 2024 and the third quarter of 2025, mainly due to the increase in public sector liabilities by USD 7.527 billion, due to a higher balance of sovereign bonds acquired by non-residents (USD 5.738 billion) and external debt of the general government (USD 2.107 billion). In contrast, the medium- and long-term debt of the private sector decreased by USD 966 million.

In terms of output, this balance is projected to decrease from 33.5 percent of GDP in 2024 to 27.3 percent by the end of the projection horizon, primarily due to a reduction in private sector debt from 11.4 percent of GDP to 7.7 percent over the same period. To a lesser extent, a 2.5 percentage point reduction in public external debt would contribute, in line with the lower projected fiscal requirements resulting from the expected reduction in the fiscal deficit.

Graph 45
MEDIUM- AND LONG-TERM EXTERNAL DEBT BALANCE
(% GDP)



* Projection.
Note: The external public debt balance is the gross debt that the public sector owes to foreign creditors, plus BTP holdings and Lima Municipality bonds held by non-residents, minus global bond holdings held by residents.
Source: BCRP.

Net International Reserves

42. As of December 17, **NIRs** accumulated an expansion of USD 14.548 billion compared to the end of last year, reaching USD 93.534 billion.

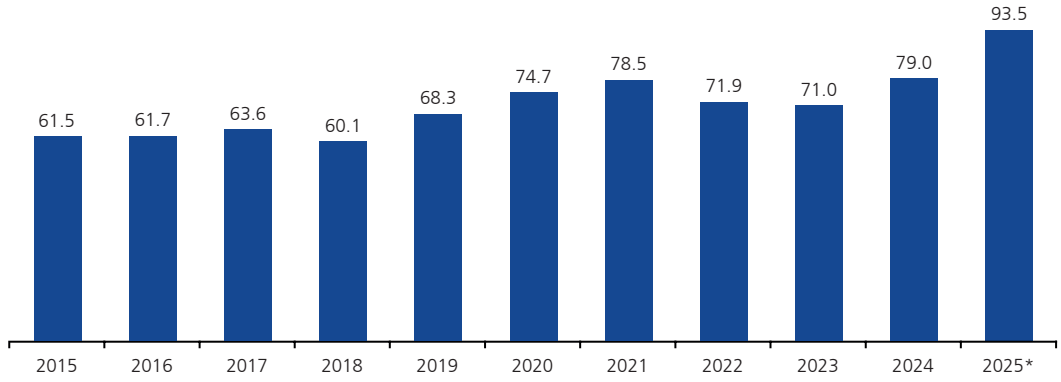
International reserves will represent 25.9 percent of GDP at the end of the forecast horizon and are expected to cover almost six times the balance of short-term external debt and more than 12 times the sum of these liabilities plus the current account balance. These indicators reflect solid support against possible external shocks.

Table 16
INTERNATIONAL COVERAGE INDICATORS

	2022	2023	2024*	2025*	2026*	2027*
International reserves as a percentage of:						
a. GDP	28.9	26.1	26.7	26.1	25.4	25.9
b. Short-term external debt[1/]	460	348	418	545	561	590
c. Short-term external debt plus current account deficit	281	364	644	1,152	1,325	1,237

1/ Includes the balance of short-term debt plus one-year amortizations of the private and public sectors.

Graph 46
NET INTERNATIONAL RESERVES, 2015-2025
(Billion USD)



* As of December 17, 2025.
Source: BCRP.

Box 2
NEW US TARIFFS, AFFECTED PERUVIAN EXPORTS, AND THEIR RELATIVE POSITION COMPARED TO COMPETITORS

The Trump administration has implemented trade policies that vary by country and product. This box analyzes the main Peruvian exports in 2024 affected by these changes, based on available information as of December 10, 2025. The objective is to assess Peru's competitive position and how the new tariff policy could change the conditions of competition in the US market.

Agricultural Sector

The following table shows the tariff situation for the five main products from the agriculture sector exported to the US affected by the additional tariffs imposed by the new Trump administration, which represent 82 percent of the total goods affected in the agricultural sector (USD 3.131 billion).

Peru exported **blueberries** worth USD 1.246 billion in 2024 and accounted for 57 percent of the US market. This makes it the main supplier to the US market, ahead of Mexico, Canada, and Chile.

Before the new US trade policy, blueberry imports were not subject to tariffs, regardless of their country of origin. However, due to reciprocal US tariffs, Peruvian blueberries face a 10 percent tariff, as do Chilean blueberries, while Mexico and Canada maintain a 0 percent tariff due to the exemption of goods recorded under the USMCA[4].

This implies that, in terms of tariffs, Peru would be at a relative disadvantage, especially compared to Mexico, the second largest supplier. However, the high share of Peruvian exports in the US market could be a factor of resilience, as this supply cannot be easily met by its main competitors.

In addition, **export windows** mitigate the impact of new tariffs and make Peruvian sales more resilient. For example, Peru exports grapes to the US mainly between November and February, when the US crops, concentrated between July and October, have practically ended. Peruvian grape exports are concentrated in this window, which limits the ability of other suppliers to substitute them. In the case of asparagus, Peruvian exports are concentrated between July and January, while US production occurs mainly between March and June, and Peruvian sales even exceed local US production.

For **fresh grapes exported between July and February** (USD 803 million, 76 percent share), the 10 percent tariff for Peru remains lower than that of its two main immediate competitors, Brazil and South Africa, which face additional rates of 50 percent and 30 percent, respectively.

In the case of **asparagus and onions**, Mexico and Canada are the main suppliers to the US, with an approximate share of 70 percent, and are exempt from tariffs under the USMCA agreement, while other countries face tariff increases. Therefore, Mexico is the main beneficiary in markets where it already had a strong presence.

4 At the close of this report, official sources from the Canadian and Mexican governments announced that more than 90 percent of their exports to the US are not affected by border tariffs exceeding 25 percent, due to the exemption of goods recorded under the USMCA. However, the USMCA will be subject to review in 2026, which may affect the competitiveness of trade between these countries.

FIVE MAJOR PERUVIAN EXPORTS FROM THE AGRICULTURE SECTOR AFFECTED BY NEW U.S. TARIFFS AND THEIR FIVE MAJOR COMPETITORS

Product	Peru Exports 2024 (USD million; % of total affected in the sector)	Peru's % of the market in the US	Five main competitors (share in the US, percent)					Tariffs under the new Trump administration	
								Prior to December 31 of 2024	Additional
Cranberries and blueberries* (08104000)	1,246 (40%)	57%	Mexico (23.3%)	Canada (9.3%)	Chile (9.1%)	Argentina (0.4%)	Ecuador (0.2%)	0% for all	PER (10%) MEX (0%) CAN (0%) CHI (10%) ARG (10%) ECU (15%)
Fresh grapes, during the period between July 1 and February 14 (08061060)	803 (26%)	76%	Chile (13.2%)	Brazil (5%)	Mexico (4.2%)	South Korea (0.8%)	South Africa (0.8%)	USD 1.8/m3 for Brazil and South Korea and 0% for the rest	PER (10%) CHI (10%) BRA (50%) MEX (0%) COR (15%) SUD (30%)
Asparagus, fresh or chilled (07092090**)	276 (9%)	41%	Mexico (56.6%)	Canada (2.2%)	Ecuador (0.2%)	France (<0.1%)	Australia (<0.1%)	0% for Peru, Canada, and Mexico, and 21.3% for the rest	PER (10%) MEX (0%) CAN (0%) ECU (15%) FRA*** (0%) AUS (10%)
Citrus fruits, fresh or dried (08052100**)	169 (5%)	27%	Chile (37.2%)	Morocco (19.3%)	South Africa (6.8%)	Uruguay (4.9%)	Israel (2.2%)	USD 0.019/kg for Uruguay and 0% for the rest	PER (10%) CHI (10%) MAR (10%) SUD (30%) URU (10%) ISR (10%)
Onions and shallots, fresh or chilled (07031040**)	69 (2%)	13%	Mexico (68.9%)	Canada (12.6%)	Netherlands (1.6%)	New Zealand (1.1%)	Spain (0.9%)	USD 0.031/ kg for the Netherlands, New Zealand, and Spain, and 0% for the rest	PER (10%) MEX (0%) CAN (0%) NLD (15%) NZL (15%) ESP (15%)
Others	568 (18%)	-	-	-	-	-	-	-	-
Total	***3,131***	-	-	-	-	-	-	-	-

* And other fruits of the kind Vaccinium, fresh. ** In this product, the column "Peru's exports in 2024" is calculated at the HS6 level, in contrast with the Peruvian and US databases. Peruvian export data comes from Sunat, and information on main competitors is obtained from the US International Trade Commission. In each case, tariffs are reported at the HTSUS 8 level, using the subheading that accounts for most Peruvian exports within each HS6: (i) HS6 070920 with HTSUS 8 07092090, which represents around 99 percent of the total; (ii) HS6 080521 with HTSUS 8 08052100, which accounts for approximately 89 percent; and (iii) HS6 070310 with HTSUS 8 07031040, which accounts for about 97 percent of Peruvian exports in that subheading. *** Executive Order 14326 states that, for European Union countries, if the previous tariff is greater than 15%, the additional tariff is 0%.

Textile Sector

The table shows the tariff structure for the five main textile exports to the US affected by the Trump administration's tariffs (T-shirts and shirts, cotton shirts and sweaters, synthetic shirts, and knitted shirts), which account for 65 percent of the total goods affected in the sector (USD 838 million).

Prior to the start of the second Trump administration, the FTA granted Peru a relatively favorable position, **free of tariffs**, while its Central American and Asian textile competitors maintained tariffs above 16 percent.

At the time of writing, Peru's main large-scale competitors, such as India, Bangladesh, Vietnam, and Indonesia, face additional tariffs between 15 and 50 percent, higher than the 10 percent applied to Peruvian products. This improves Peru's relative position in several markets, such as **men's and children's cotton shirts**, where the country ranks as the third largest supplier to the US market, with a value of USD 100 million.

Peruvian exports to the US **of cotton sweaters, synthetic fiber shirts**, **and knit shirts** are still moderate, less than USD 70 million per item and market shares of less than or equal to 5 percent, but the combination of lower tariffs for Peru, market atomicity, and high cumulative tariffs on China and other Asian exporters represent a market opportunity.

However, this tariff advantage cannot be fully exploited without an **expansion of installed capacity** and adjustments to supply in line with US **demand patterns** (volumes, delivery times, and specifications). In short, the different tariffs may create a window of opportunity, but they do not in themselves guarantee a sustained increase in market share unless accompanied by investment and greater alignment with US demand.

On the other hand, the exemption announced for textiles from El Salvador and Guatemala under **DR-CAFTA** could, in principle, encourage a gradual reorientation of investment toward those countries, given their better tariff position and logistical proximity to the US. However, this is unlikely to affect Peruvian exports in the short term, as they are not the main competitors in the markets where Peru participates, and it takes time to consolidate new production capacity, adapt infrastructure, and secure skilled labor, so additional competitive pressure will remain limited in the near future.

FIVE MAJOR PERUVIAN TEXTILE EXPORTS AFFECTED BY NEW US TARIFFS AND THEIR FIVE MAJOR COMPETITORS

Product	Exports Peru 2024 (USD million; % of total affected sector)	Peru's % of the US market	Top five competitors (share in the US, percent)					Tariffs under the new Trump administration	
								Prior to December 31, 2024	Additional
T-shirts and shirts, knitted or crocheted cotton (61091000)	259 (31%)	4%	Nicaragua (12.7%)	Honduras (10.7%)	Bangladesh (10.1%)	India (8.6%)	Vietnam (6.9%)	0% for Peru and 16.5% for the rest	PER (10%) NIC (18%) HON (10%) BAN (20%) IND (50%) VIE (20%)
Men's or children's cotton shirts (61051000)	100 (12%)	12%	India (21.4%)	Bangladesh (14.2%)	Vietnam (12.8%)	Indonesia (8.5%)	Cambodia (5.3%)	0% for Peru and 19.7% for the rest	PER (10%) IND (50%) BAN (20%) VIE (20%) IDN (19%) CAM (19%)
Knitted and cotton sweaters* (61102020)	66 (8%)	2%	Vietnam (19.5%)	China (13.3%)	Cambodia (9.1%)	Bangladesh (7%)	Indonesia (6.3%)	0% for Peru, 16.5% for the rest and 7.5% additional for China**	PER (10%) VIE (20%) CHN (20%) CAM (19%) BAN (20%) IDN (19%)
Men's or children's shirts of artificial fibers. (61052020)	61 (7%)	5%	Vietnam (28.4%)	Jordania (10.4%)	China (8.7%)	Indonesia (4.1%)	Egypt (4%)	0% for Peru and Jordan, and 32% for the rest	PER (10%) VIE (20%) JOR (15%) CHN (20%) IDN (19%) EGY (10%)
T-shirts, knit or crocheted (61099010***)	55 (7%)	3%	China (14.8%)	Nicaragua (11%)	Honduras (10%)	Vietnam (9.7%)	Mexico (8.2%)	32% for Vietnam and 7.5% additional for China*. Rest, 0%	PER (10%) CHN (20%) NIC (18%) HON (10%) VIE (20%) MEX (0%)
Others	297 (35%)	-	-	-	-	-	-	-	-
Total	***838***	-	-	-	-	-	-	-	-

* Includes pullovers, cardigans, vests, and similar knitted and cotton items. ** Measure implemented since the first Trump administration. ***For this product, the columns "Peru's exports in 2024" are calculated using HS6 610990, in contrast with the Peruvian and US databases. Peruvian export data comes from Sunat, and information on main competitors is obtained from the US International Trade Commission. For tariffs, HTSUS 8 61099010 is used, which accounts for approximately 95 percent of Peruvian exports within HS6 610990.

Iron & steel sector

The table shows the tariff structure for the five main iron & steel exports from Peru to the US affected by the Trump administration's new tariffs (precious metal jewelry and four refined copper products and derivatives), which represent 88 percent of the total affected by the sector (USD 532 million).

Prior to the measures, the FTA granted Peru a zero percent tariff on all these goods, while most of its competitors faced rates between 1 and 5 percent. The new provisions eliminate that exemption, with

Peruvian jewelry now subject to a 10 percent tariff, which is significantly lower than the tariffs on India and Hong Kong; and refined copper products now face an additional 50 percent tariff for all countries.

In the case of semi-finished and manufactured copper, the tariff increase is generalized for all imports worldwide, which limits the impact on Peru's relative position vis-à-vis other suppliers, but would aim to replace imports. For example, in the market for unwound copper plates, sheets, and strips (USD 180 million, 57 percent share) and bars, rods, and profiles (USD 63 million, 23 percent share), a uniform surcharge of 50 percent applies to all countries.

Since copper as an input (concentrated and refined) is not subject to tariffs, but the final copper product (semi-finished and manufactured) is, local producers can purchase the input tariff-free and compete against imports of the product that are made more expensive by tariffs. Therefore, a 50 percent tariff on the input represents a significantly higher effective rate of protection.

FIVE MAIN PERUVIAN IRON & STEEL EXPORTS AFFECTED BY THE NEW US TARIFFS AND THEIR FIVE MAIN COMPETITORS

Product	Peru exports 2024 (USD million; % of total affected sector)	Peru's share of the US market	Top five competitors (share in the US, percent)					Tariffs under the new Trump administration	
								Prior to December 31, 2024	Additional
Precious metal jewelry except silver (71131921*)	180 (34%)	2%	India (24.6%)	France (14.5%)	Italy (12.4%)	Jordan (7.2%)	Hong Kong (5.1%)	0% for Peru and Jordan. 5% for the rest and an additional 4.5% for Hong Kong**	PER (10%) IND (50%) FRA*** (10%) ITA*** (10%) JOR (15%) HKG (20%)
Plates, sheets, and strips of Refined copper, not coiled (74091910*)	180 (34%)	57%	Germany (12.4%)	Mexico (8.1%)	Bulgaria (5.5%)	Finland (4.6%)	Brazil (4%)	0% for Peru and Mexico. and 3% for the rest	50% for all
Refined copper bars, rods, and profiles (74071050*)	63 (12%)	23%	Germany (19.7%)	Brazil (9.2%)	Thailand (8.8%)	France (8.5%)	Mexico (7.1%)	0% for Peru and Mexico. and 1% for the rest	50% for all
Copper wires refined**** (74081160*)	31 (6%)	1%	Canada (82%)	México (6.5%)	South Korea (3.5%)	Chile (3.5%)	Japan (0.8%)	0% for Peru. Mexico. Canada. and 3% for the rest	50% for all
Copper-zinc alloy wires***** (74082100*)	14 (3%)	16%	Vietnam (26.4%)	Japan (12.9%)	Taiwan (12.1%)	Germany (9.4%)	France (7.8%)	0% for Peru and 3% for the rest	50% for all
Others	65 (12%)	-	-	-	-	-	-	-	-
Total	***532***	-	-	-	-	-	-	-	-

* In this product, the columns "Peru's exports in 2024" are calculated at the HS6 level in contrast with the Peruvian and US databases. The data on Peruvian exports comes from Sunat, and the information on the main competitors is obtained from the US International Trade Commission. In each case, tariffs are reported at the HTSUS 8 level, using the subheading that accounts for most Peruvian exports within each HS6: (i) HS6 711319 with HTSUS 8 71131921, which represents around 73 percent of the total; (ii) HS6 740919 with HTSUS 8 74091910, which accounts for approximately 77 percent; (iii) HS6 740710 with HTSUS 8 74071050, which accounts for about 76 percent; (iv) HS6 740811 with HTSUS 8 74081160, which accounts for approximately 94 percent; and (v) HS6 740821 with HTSUS 8 74082100, which accounts for nearly 100 percent.** Measure implemented since the first Trump administration. *** Executive Order 14326 states that for European Union countries, if the previous tariff is less than 15%, the additional tariff is 15% minus the previous tariff. **** With a maximum cross-sectional dimension greater than 6 mm. ***** The copper and zinc alloy is also known as brass.

Fishing sector

The table presents the tariff structure of Peru's five main fish exports to the US affected by the Trump administration's new tariffs (fish oils, frozen fillets, frozen shrimp and prawns, scallops and trout fillets), which represent 79 percent of the sector's tariff-tagged exports (USD 334 million).

In fish oils other than cod and herring, excluding liver oil, Peru exported USD 86 million in 2024 and accounted for 34 percent of the US market, ahead of its competitors such as Vietnam, Norway, Iceland, Canada, and Chile. Before the new tariffs, Peru and Chile had zero percent tariffs, while the rest faced a mixed tariff of USD 0.015 per kilogram plus 5 percent. Under the new administration, Peru continues to be less taxed than its three main competitors.

TOP FIVE PERUVIAN FISHERIES EXPORTS AFFECTED BY NEW US TARIFFS AND THEIR FIVE MAIN COMPETITORS

Product	Peru Exports 2024 (USD million; % of total affected sector)	Peru's share of the U.S. market	Five main competitors (share in the US, percent)					Tariffs under the new Trump administration	
								Prior to December 31, 2024	Additional
Fish oils other than cod* (15042060)	86 (26%)	34%	Vietnam (28.3%)	Norway (10.1%)	Iceland (7.8%)	Canada (6.1%)	Chile (5.3%)	0% for Peru and Chile. and USD 0.015/kg + 5% for the rest	PER (10%) VIE (20%) NOR (15%) ISL (15%) CAN (0%) CHI (10%)
Other frozen fish fillets (03048950**)	63 (19%)	16%	Japan (18.2%)	Vietnam (10.8%)	Canada (10.6%)	Indonesia (10.2%)	Ecuador (5%)	0% for all	PER (10%) JAP (15%) VIE (20%) CAN (0%) IDN (19%) ECU (15%)
Other shrimp and prawns*** (03061700)	59 (18%)	<0.1%	India (40%)	Ecuador (28.2%)	Indonesia (13.9%)	Vietnam (6.4%)	Argentina (4.1%)	0% for all	PER (10%) IND (50%) ECU (15%) IDN (19%) VIE (20%) ARG (10%)
Frozen scallops (03072200)	48 (14%)	13%	Japan (52.1%)	Canada (11.7%)	Argentina (9.7%)	China (8.9%)	Vietnam (1.7%)	0% for all except China with 25%****	PER (10%) JPN (15%) CAN (0%) ARG (10%) CHN (20%) VIE (20%)
Fresh or chilled trout fillets (03044200)	9 (3%)	11%	Norway (45.7%)	Chile (32.6%)	Argentina (7.1%)	Colombia (2.1%)	Canada (1.5%)	0% for all	PER (10%) NOR (15%) CHL (15%) ARG (10%) COL (15%) CAN (0%)
Others	69 (21%)	-	-	-	-	-	-	-	-
Total	***334***	-	-	-	-	-	-	-	-

* And herring, excluding liver oil. ** In this product, the columns "Peru's exports in 2024" are calculated using HS6 030489, in contrast with the Peruvian and US databases. Peruvian export data comes from Sunat, and information on main competitors is obtained from the US International Trade Commission. For tariffs, HTSUS 8 03048950 is used, which accounts for approximately 98 percent of Peruvian exports within HS6 030489. *** Cooked or uncooked, dried, salted or in brine, frozen. **** Measure implemented since the first Trump administration.

In absolute terms, the country faces a general increase in the cost of its exports to the US; However, in relative terms, most of its direct competitors face equal or higher tariffs (especially Asian exporters and some suppliers of fishery products), so Peru's competitive position is preserved in markets where it has a high share (blueberries, grapes, certain copper products, and fish oils).

The pending agenda focuses on those markets that are relevant to Peru and where Mexico and Canada are its competitors, which maintain zero percent tariffs under the USMCA. However, the uncertainty associated with the review of this agreement in 2026 may lead to a decline in Peru's relative tariff position.

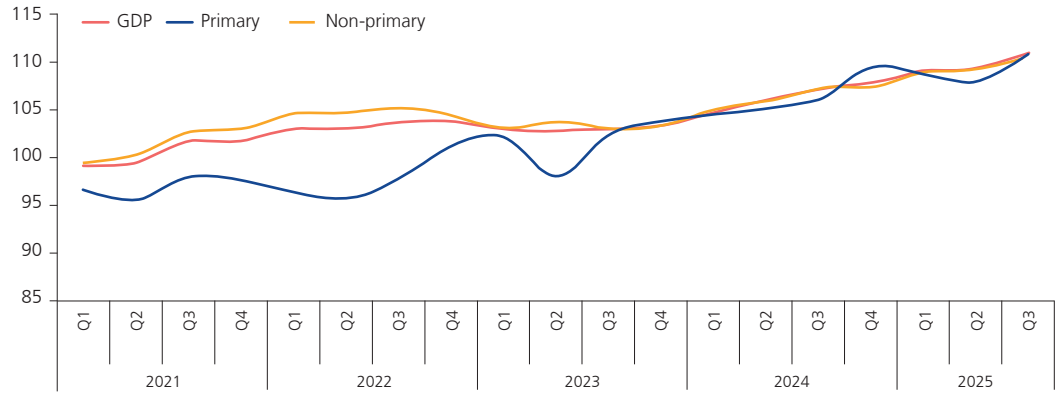
III. Economic activity

Sectoral GDP

43. Economic growth accelerated from 2.6 percent to 3.4 percent between the second and third quarters of 2025, driven by both the expansion of primary activities (4.5 percent) and the growth of non-primary sectors (3.1 percent). In the first group, favorable weather conditions boosted the production of agricultural goods oriented to the domestic market and products oriented to agricultural exports. Other contributing factors included higher anchovy catches (the first fishing season of 2025 ended seven days later than in 2024) and the recovery of oil production. For its part, the acceleration of non-primary activity was due to the favorable impact of increased private spending on the construction, trade, and services sectors. In addition, the dynamism of the construction sector reflected the upturn in public investment, especially in the progress of public works at the subnational level.

The seasonally adjusted GDP indicator has been showing positive growth since the third quarter of 2023. In the third quarter of 2025, it grew by 1.4 percent compared to the previous period, driven by growth in both primary and non-primary activities.

Graph 47
SEASONALLY ADJUSTED ECONOMIC ACTIVITY INDICES
(Index, base 100 = Q4 2019)



Source: BCRP.

Taking into account recent GDP performance and leading indicators, the growth forecast for 2025 is revised upward from 3.2 to 3.3 percent. This adjustment incorporates better-than- expected performance in the agricultural sector, mining, primary manufacturing, construction, and trade sectors compared to the previous report.

The growth forecast for 2026 has also been revised upward compared to the previous report, from 2.9 to 3.0 percent. This revision is mainly due to the updated forecast for private spending, whose dynamism would drive activity in the construction, trade, and services sectors. Likewise, a recovery is expected in the hydrocarbons and fishing sectors, the latter favored by a lower basis of comparison in 2025 and normal weather conditions. In addition, the baseline scenario assumes that the 2026 election process will

not generate significant uncertainty, which will not affect the performance of sectors related to private spending. Growth of 3.0 percent is expected for 2027, supported by favorable weather conditions and increased dynamism in private spending.

Table 17
GDP BY ECONOMIC SECTOR
(Real % change)

	2024	2025*			2026*		2027*
		Jan.-Oct.	IR Sep.25	IR Dec.25	IR Sep.25	IR Dec.25	IR Dec.25
Primary GDP	**4.8**	**4.1**	**1.9**	**2.9**	**2.1**	**1.9**	**1.7**
Agriculture sector	5.4	5.5	3.7	5.0	3.0	3.0	3.0
Fishing	27.2	6.3	2.8	0.2	1.6	2.0	3.0
Metal mining	3.2	3.2	0.5	2.2	1.0	0.5	-1.4
Hydrocarbons	2.1	-0.6	3.5	-0.5	3.8	4.9	5.2
Manufacturing	8.3	6.4	2.6	3.5	3.1	3.1	8.1
Non-primary GDP	**3.2**	**3.2**	**3.5**	**3.3**	**3.1**	**3.3**	**3.3**
Manufacturing	5.8	-0.2	2.8	0.5	2.9	2.9	2.8
Electricity and water	2.4	2.0	2.5	2.1	2.7	2.7	2.9
Construction	3.6	5.5	4.3	5.7	2.0	2.5	3.4
Trade	3.0	3.4	2.9	3.5	2.8	3.0	3.0
Services	2.7	3.5	3.7	3.6	3.3	3.5	3.4
Gross Domestic Product	**3.5**	**3.4**	**3.2**	**3.3**	**2.9**	**3.0**	**3.0**

IR: Inflation report.
* Projection.
Source: BCRP.

44. Regarding forecasts for each economic sector:

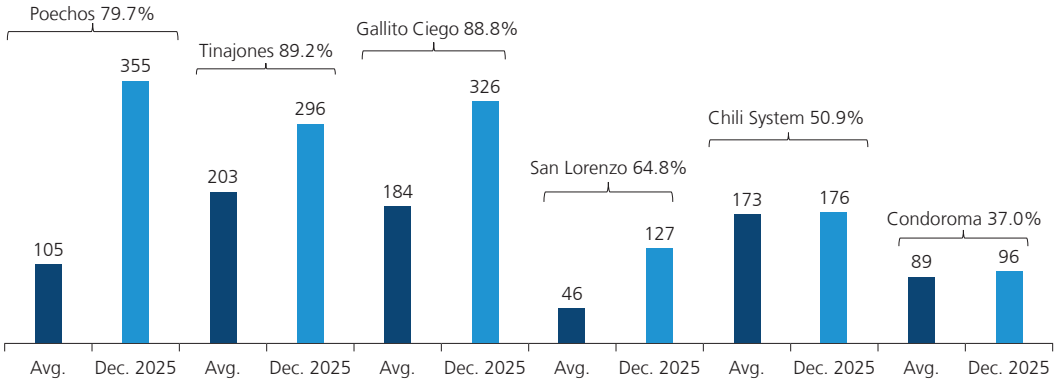
a. The **agricultural sector** grew 10.9 percent in the third quarter. This is due to the recovery of avocado and olive production, following a reduced previous season associated with El Niño, which affected the flowering stage in 2024; and blueberries, due to the effect of late pruning in 2024, which concentrated crops towards the end of the year. This resulted in cumulative growth of 5.9 percent for the January-September period. Slower growth is expected for the fourth quarter of the year due to lower mango production. As a result, growth for 2025 was revised upward from 3.7 to 5.0 percent.

Growth of 3.0 percent is expected to continue through **2026**, with neutral hydrometeorological conditions, which would outweigh the impact of the delayed rainy season on production for the domestic market in the first half of 2025. In addition, the dynamism of fruit production for export would continue.

Growth of 3.0 percent is forecast for **2027**, assuming normal weather conditions.

As of December 16, 2025, the volume of water stored in the country's main reservoirs is above the average for the last five years. The reservoirs in the north (Poechos, Tinajones, Gallito Ciego, and San Lorenzo) have a higher volume relative to their storage capacity than those in the south (Chili and Condoroma systems).

Graph 48
STORED VOLUME OF MAIN RESERVOIRS[1/]
(Million cubic meters)

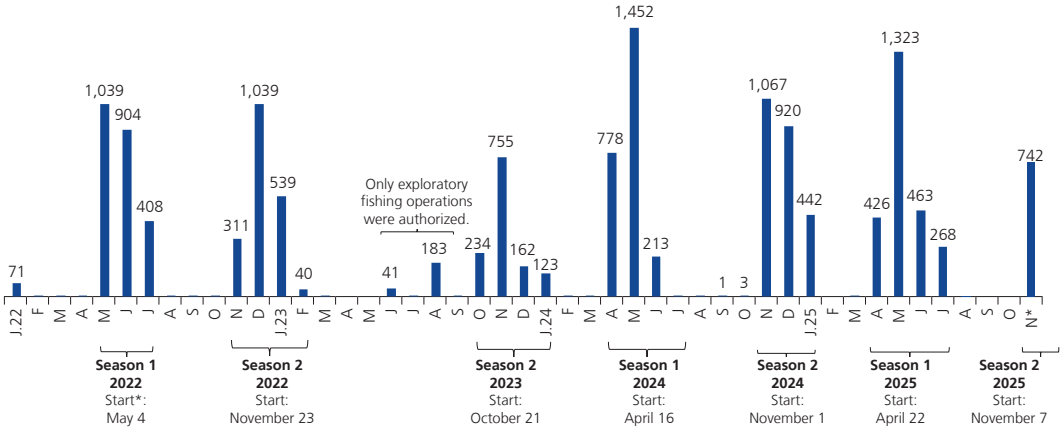


1/ As of December 16, 2025, average of the last five years (2020-2024) on the same date and percentage of total usable volume.
Source: Board of Users and Special Irrigation Projects.

b. In the third quarter of 2025, the **fishing sector** grew by 8.2 percent. This performance is mainly attributable to industrial fishing, given the increased anchovy catch in July. The increase was partially counterbalanced by fishing for human consumption, where there was a notable reduction in the fishing of Perico (-80.5 percent), bonito (-23.6 percent), octopus (-85.7 percent), and mackerel (-91.2 percent).

On November 7, the start of the second anchovy fishing season in the north-central zone was authorized. As of November 30, 0.7 million MT had been caught, representing 45.5 percent of the allocated quota (1.6 million MT). According to the Peruvian Sea Institute (IMARPE), the lower anchovy biomass in the north-central region corresponds to a southward shift in response to oceanographic changes.

Graph 49
ANCHOVY CATCH FOR INDUSTRIAL CONSUMPTION IN THE NORTH-CENTRAL ZONE
(Thousands of tons)



* As of November 30.
Source: Ministry of Production.

The sector's activity is expected to grow by 0.2 percent in **2025**. The revision on the downside from the previous forecast (2.8 percent) reflects a lower quota for the second anchovy season in the north-central region. The sector is estimated to grow by 2.0 percent in **2026** and 3.0 percent in **2027**. Both forecasts assume normal weather conditions and anchovy quotas in line with historical levels observed in previous years.

c. The **sector of metal mining** grew by 1.9 percent during the third quarter of 2025, mainly due to increased production of most metals.

During the quarter, copper production grew by 1.0 percent, mainly due to improved ore grades at Quellaveco and increased extraction at Las Bambas, with the contribution of the new Chalcobamba pit. The increase in production was in part offset by lower yields at Antamina, Cerro Verde, and Southern.

Gold production increased by 5.7 percent during the third quarter. Higher production was recorded at Yanacocha, Las Bambas, Gold Field, Paltarumi, and Boroo. **Zinc** production registered a growth rate of 25.1 percent, mainly due to the recovery of zinc grades reported by Antamina and increased processing at Los Quenuales. **Silver** and **lead** grew by 6.1 percent and 6.8 percent, respectively, with Antamina making a significant contribution in both cases. **Tin** production grew by 8.1 percent, driven by Minsur, while **iron** production increased by 2.4 percent, driven by Shougang.

On the other hand, **molybdenum** production fell by 22.0 percent, highlighting the lower content of this mineral in the concentrates from Antamina, Las Bambas, and Constancia.

Growth in the sector has been revised on the upside for **2025**, from 0.5 percent to 2.2 percent. This is mainly based on higher performance through September. With the 2025 revision, growth for **2026** has been revised from 1.0 percent to 0.5 percent. A 1.4 percent decline in the sector is estimated for **2027**, mainly linked to lower zinc production.

d. **The sector's** activity grew by 3.7 percent in the third quarter. Oil production increased by 16.4 percent due to higher production from Lot 95 and the resumption of operations at Lot 8 (which had been shut down since the pandemic). The sector's positive performance was in part offset by lower production of **natural gas liquids and natural gas**, which decreased by 0.9 percent and 0.1 percent, respectively. The lower performance is the result of lower yields from Lot 88.

By **2025**, growth in the sector is revised downward from 3.5 percent to a decline of 0.5 percent, due to lower performance reported by gas lots and the expiration of the contract for Lot VI. In addition, with the 2025 revision, growth for **2026** rises from 3.8 percent to 4.9 percent. In addition, the start of operations at lot 192 in the middle of that year supports this growth. The sector is expected to grow 5.2 percent in **2027** due to the first year of full capacity at lot 192 and the start of operations at lot 58.

e. Activity in **the primary manufacturing subsector** increased by 2.4 percent in the third quarter of 2025, mainly due to higher production of fishmeal and fish oil.

The subsector is expected to grow by 3.5 percent in **2025**, mainly due to increased production of canned and frozen fish products, associated with higher squid catches. An increase of 3.1 percent is expected for **2026**.

f. Ouput in **non-primary manufacturing** declined by 0.5 percent in the third quarter of the year. As a result, the sector accumulated growth of 0.1 percent in the January- September period.

In **2025**, sector growth is revised from 2.8 percent to 0.5 percent. For **2026**, the growth forecast remains at 2.9 percent; and for 2027, growth of 2.8 percent is expected, in line with the domestic demand forecast.

g. The **construction sector** grew 6.4 percent in the third quarter of 2025, due to increased progress in public and private works. As a result, it accumulated growth of 5.6 percent in the first nine months of the year.

By **2025**, growth in the sector is revised upward from 4.3 to 5.7 percent, due to improved performance in private investment. Growth of 2.5 percent is projected for **2026**, and 3.4 percent for **2027**, with greater momentum in public investment following an election year.

h. During the third quarter of 2025, the **trade** sector grew by 3.5 percent, due to higher wholesale (3.2 percent) and retail (3.6 percent) sales. Thus, between January and September, it accumulated growth of 3.3 percent.

For **2025** and **2026**, the sector's activity is expected to increase by 3.5 percent and 3.0 percent, respectively. In **2027**, growth is expected to be equal to that of the previous year.

i. The **service** sector grew 3.3 percent in the third quarter, a period marked by growth in transportation services (3.8 percent), due to increased demand for air transportation and complementary transportation services; and growth in services provided to businesses (3.5 percent), due to increased demand for services related to business activity. As a result, the sector accumulated growth of 3.5 percent during the January-September period.

By **2025**, services are expected to grow by 3.6 percent; by **2026**, expansion is expected to reach 3.5 percent; and by **2027**, an increase of 3.4 percent is anticipated.

Expenditure-side GDP

45. On the expenditure-side GDP, the acceleration in growth was due to the higher growth rate of domestic demand (from 5.2 to 5.9 percent), which in turn was the result of ongoing growth in private spending, against a backdrop of ongoing recovery in employment and income, inflation close to the center of the target range, greater business confidence, and favorable credit conditions. Within private spending, investment stood out, growing at a double-digit rate in the third quarter (11.4 percent), boosted by the strong performance of non- residential investment. On the one hand, the mining component of this variable rebounded due to higher spending on equipment, development, preparation, and exploration, while the rest of the non-residential sector was boosted by the progress of infrastructure projects. This latter behavior was reflected in double-digit growth in imports of capital goods, notably cargo vehicles, trucks, machinery, and industrial equipment.

Added to this was progress in the execution of public investment projects by subnational governments, although this was partially counterbalanced by the decline at the national

level. The strong growth in domestic demand was limited by less favorable net external demand. While agricultural exports grew at double-digit rates, copper shipments were affected by logistical problems (social unrest and abnormal swells), resulting in a lower growth rate for goods exports. Furthermore, goods imports continued to grow at double-digit rates, driven by consumer goods (mainly durables), capital goods excluding construction materials, and industrial inputs, which is consistent with the dynamism of domestic demand.

The forecast for domestic demand growth in 2025 has been revised upward from 5.1 to 5.4 percent. The ongoing recovery in employment and income, as well as low inflation, have led to a significant recovery in household purchasing power, allowing households to increase consumption and reallocate part of their budget to self-construction. Likewise, more flexible financial conditions, both in soles and dollars, the appreciation of the dollar, which has favored imports, high terms of trade, and a recovery in business confidence will allow private investment to record its highest rate since 2012, excluding the post-pandemic statistical rebound. In addition to growth in public consumption and public investment, the latter is driven mainly by the implementation of projects at the subnational level.

The revision on the upside of domestic demand for 2026 from 3.0 to 3.5 percent is supported by a favorable international environment with higher terms of trade and stronger private spending momentum observed in 2025.

The baseline scenario for GDP growth forecasts for the 2025-2027 horizon assumes a limited effect of pension fund withdrawals on private consumption and an expected slowdown in public investment consistent with fiscal consolidation objectives. It also assumes that the 2026 electoral process will be carried out in an orderly manner, i.e., it will not lead to a significant increase in uncertainty and will allow investment and consumption decisions to continue uninterrupted or resume promptly after the elections. Finally, a stable macrofinancial environment is also assumed, which will favor the recovery of agents' confidence and the growth of private spending.

Table 18
GDP BY TYPE OF EXPENDITURE
(Real % change)

	2024	2025*			2026*		2027*
		Jan.-Sep.	IR Sep.25	IR Dec.25	IR Sep.25	IR Dec.25	IR Dec.25
Domestic demand	**4.0**	**5.7**	**5.1**	**5.4**	**3.0**	**3.5**	**3.2**
Private consumption	2.8	3.7	3.5	3.6	2.9	3.0	3.0
Public consumption	2.1	4.4	2.2	3.1	2.5	2.5	1.2
Private investment	3.3	9.9	6.5	9.5	3.5	5.0	5.0
Public investment	14.7	5.8	6.5	5.5	1.0	1.0	1.0
Inventory change (contribution)	0.6	0.5	0.9	0.5	0.0	0.2	0.1
Exports	**6.6**	**4.7**	**3.3**	**4.1**	**2.6**	**2.5**	**2.1**
Imports	**8.4**	**13.5**	**10.2**	**11.8**	**3.1**	**4.4**	**3.1**
Gross Domestic Product	**3.5**	**3.3**	**3.2**	**3.3**	**2.9**	**3.0**	**3.0**

IR: Inflation report.
* Projection.
Source: BCRP.

46. Most **contemporary and leading indicators related to private consumption** continue to show favorable signs.

Labor market indicators have remained strong in recent months, driven by the recovery in employment in the agricultural and livestock sectors —favored by better weather conditions and the high dynamism of agricultural exports— as well as in services and trade, in line with the growth in private spending. On the other hand, the nominal formal wage bill continues to record a positive performance, associated with both job growth and an increase in real average income.

Table 19
FORMAL JOBS IN THE PRIVATE SECTOR
(Thousand jobs)

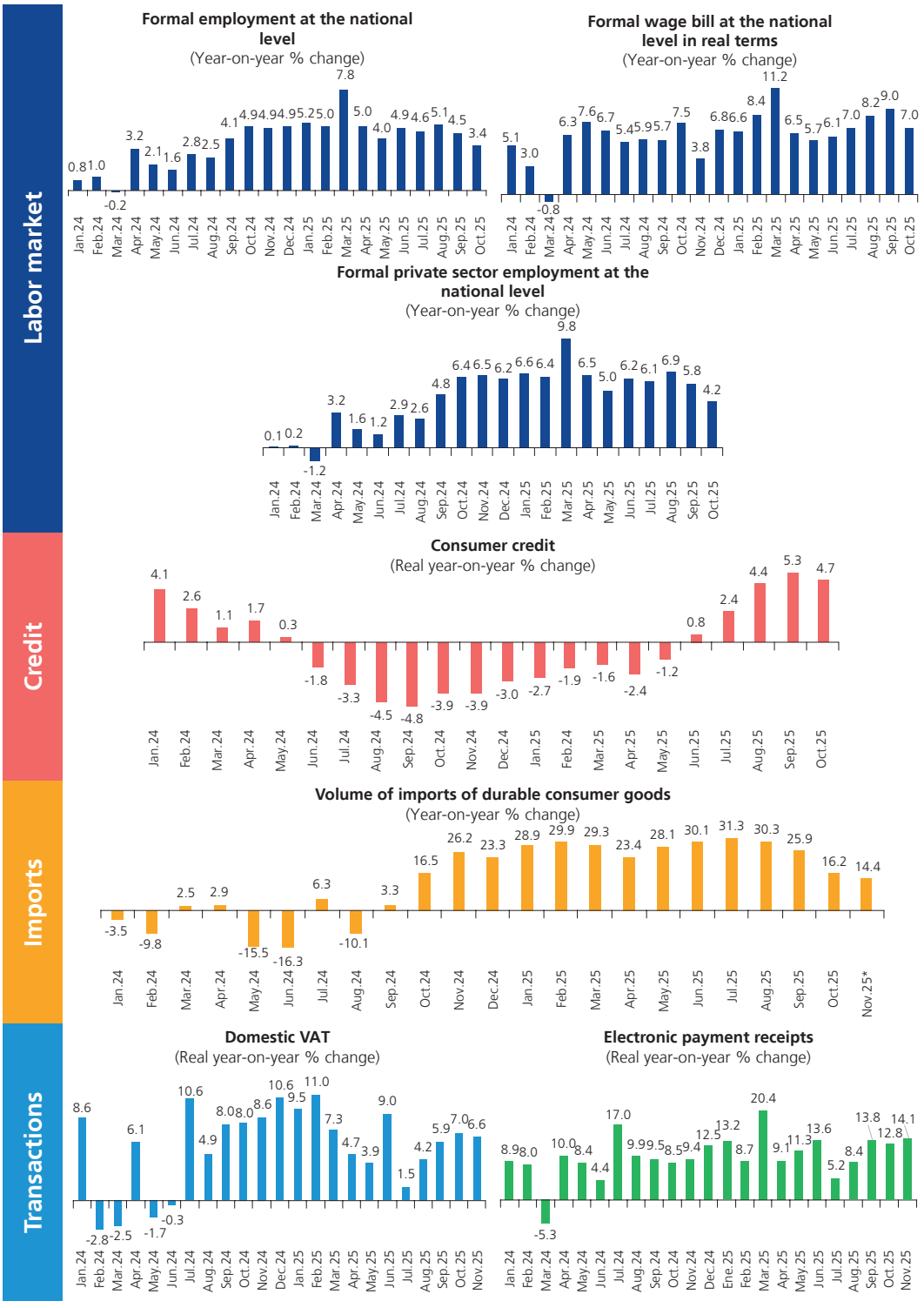
	October						Jan-Oct			
	2019	2023	2024	2025	Chg. 2025/2024		2024	2025	Chg. 2025/2024	
					Thousands	%			Thousands	%
Total	**3,897**	**4,211**	**4,479**	**4,665**	**187**	**4.2**	**4,215**	**4,484**	**269**	**6.4**
Agriculture and Livestock sector[1/]	489	503	635	676	41	6.5	459	557	98	21.3
Fishing	20	20	18	18	-1	-4.0	19	19	1	3.3
Mining	98	120	128	140	12	9.3	125	135	10	8.1
Manufacturing	475	492	499	514	15	3.0	499	515	16	3.2
Electricity	14	16	17	17	1	4.8	16	17	1	7.4
Construction	238	241	254	259	5	1.9	229	245	15	6.7
Trade	631	708	731	761	31	4.2	724	758	35	4.8
Services	1,931	2,111	2,197	2,280	83	3.8	2,144	2,238	94	4.4

1/ Includes the agro-export sector: Processing and preservation of fruits and vegetables.
Source: Sunat.

Consumer credit in real terms began to show positive growth rates in June. By category, the recovery in domestic currency credit in the vehicle loan and credit card segments stood out, for its part foreign currency credit continued to grow. These advances occurred in an environment of low inflation and solid employment growth, which had a positive impact on households' ability to pay, as well as improved financing conditions.

The volume of imports of durable consumer goods has maintained a double-digit growth rate, mainly due to the automotive sector, a trend that was also reflected in the strong increase in domestic sales of new vehicles. For its part, transactional indicators, such as domestic VAT and payment receipts, continued to record increases.

Graph 50
INDICATORS OF PRIVATE CONSUMPTION



* Preliminary.
Source: BCRP, INEI, and Sunat.

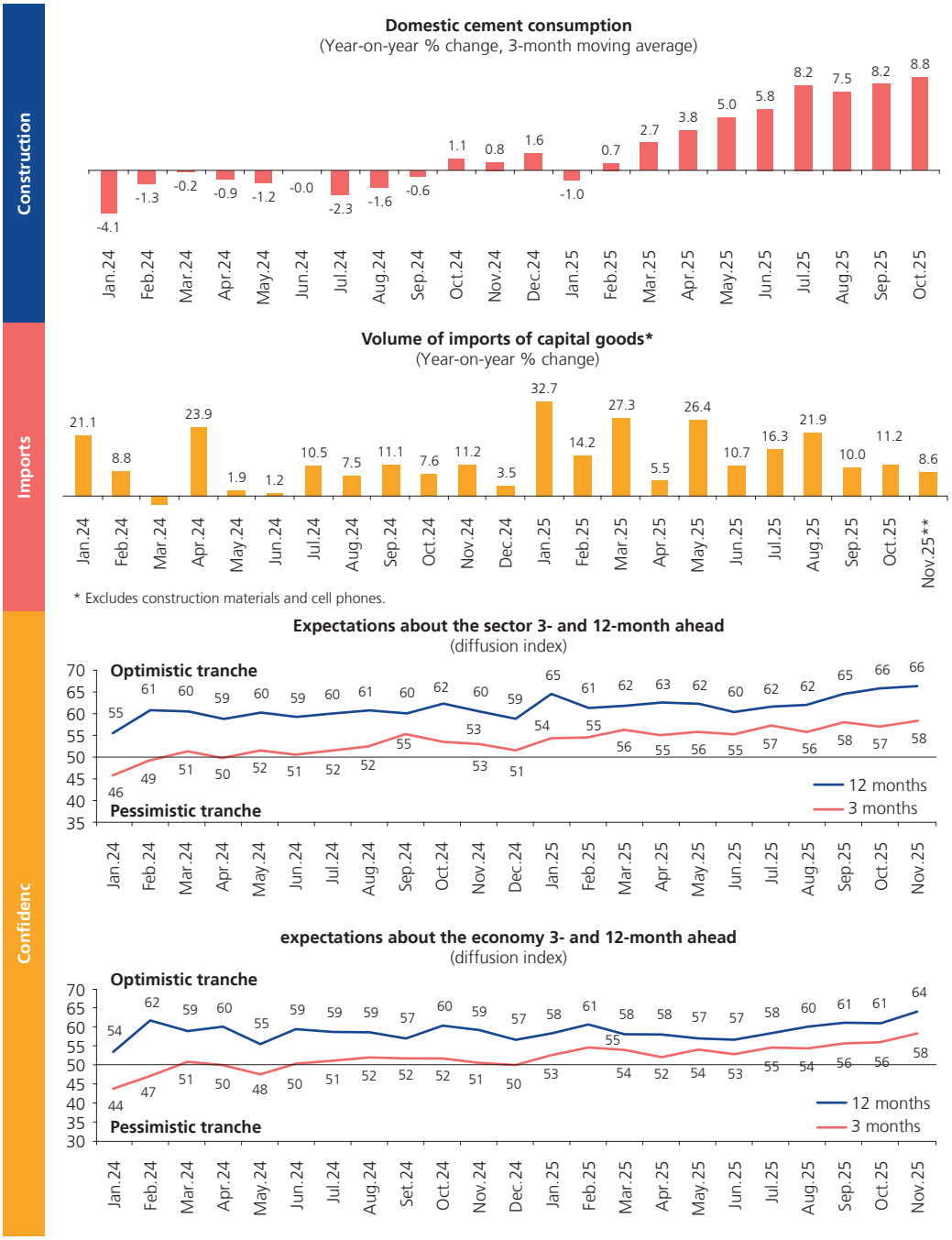
47. **Contemporary and leading indicators related to private investment** have shown a favorable trend in recent months.

On the one hand, economic and sector expectations for the next 3 and 12 months have remained optimistic, demonstrating a sustained recovery throughout the year. Likewise,

the volume of imported capital goods (excluding construction materials and cell phones) has moderated its growth rate, but continues to show double-digit growth. Additionally, domestic cement consumption, measured as the year-on-year change in the three-month moving average, maintains an upward trend, primarily driven by the dynamism of the self-build segment and the real estate sector, as well as the progress of private and public works projects.

Graph 51

INDICATORS RELATED TO PRIVATE INVESTMENT



** Preliminary.
Source: BCRP, Sunat, and cement companies.

48. The November **Survey on Macroeconomic Expectations** shows that economic agents expect GDP growth of between 3.1 and 3.2 percent for 2025 and between 3.0 and 3.3 percent for 2026 and 2027.

Table 20
MACROECONOMIC EXPECTATIONS SURVEY: GDP GROWTH
(% changes)

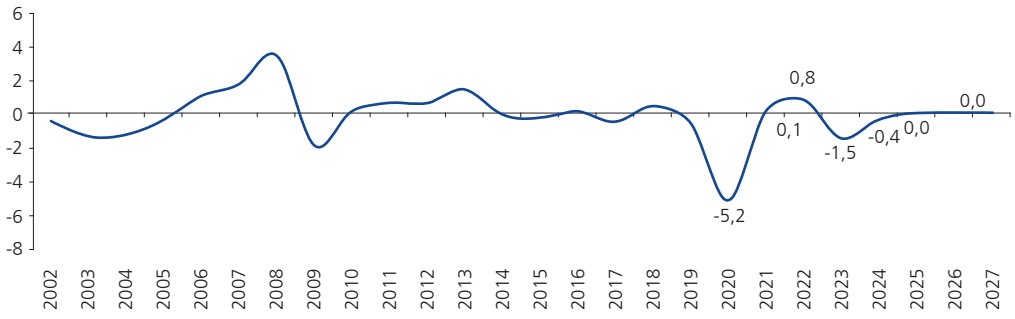
	IR Jun.25	IR Sep.25	IR Dec.25*
Financial System			
2025	3.1	3.1	3.2
2026	2.8	2.9	3.0
2027			3.0
Economic Analysts			
2025	3.0	3.0	3.2
2026	2.8	2.9	3.0
2027			3.0
Non-financial companies			
2025	3.2	3.0	3.1
2026	3.0	3.0	3.1
2027			3.3

* Survey conducted on November 28.
Source: BCRP.

49. It is estimated that the **output gap**, defined as the difference between GDP and potential GDP, reversed much of the reduction recorded in 2023 in 2024, as a result of supply shocks and their second-round impacts on income and business confidence. As a result, the negative output gap of 0.4 percent of potential GDP is expected to close completely in 2025, and the economy is expected to remain at its potential level in 2026 and 2027. Potential GDP growth in line with these forecasts is 2.8 percent for 2025 and 3.0 percent for 2026 and 2027.

The forecast of potential GDP takes into account observed and expected trends in investment, in an environment of business confidence and favorable financial conditions. It also envisages a recovery in productivity, driven by the dissipation of supply shocks. To achieve higher potential GDP growth in the medium term, it will be necessary to advance economic reforms and maintain a stable political and social environment.

Graph 52
OUTPUT GAP
(% of potential GDP)



Note: Potential GDP is an unobservable variable; therefore, the output gap series is preliminary and calculated based on the latest available information at the time of preparation of this Inflation Report.
Source: BCRP.

50. **Private consumption** grew 3.6 percent year-on-year in the third quarter, at the same rate as the previous quarter, accumulating eight consecutive quarters of expansion. This performance was due to the strength of the labor market and controlled inflation, factors that drove real formal wage growth and enabled a recovery in household purchasing

power. This environment was reflected in positive developments in consumption indicators, notably the recovery in consumer loan, increased imports of durable consumer goods, higher vehicle sales, and increased sales of consumer goods, particularly services.

By 2025, private consumption is expected to grow by 3.6 percent, a higher rate than that forecast in the September Report, in line with the performance of contemporary and leading indicators to date, as well as the improvement in the terms of trade outlook, which would have a positive impact on the economy's income level. For 2026 and 2027, private consumption is expected to expand by 3.0 percent, assuming a stable socio-political and macroeconomic environment.

51. **Private investment** grew 11.4 percent year-on-year in the third quarter of 2025, driven mainly by the dynamism of non-residential investment, sustained primarily by the rebound in mining investment, mainly due to higher disbursements for infrastructure projects, and the strong performance of the non-mining sector. This positive performance took place in an environment of business confidence and lower lending rates, particularly in the corporate and large enterprise segment. Residential investment, for its part, was supported by the dynamism of the self-build segment, in line with the recovery in household income, lower construction material prices, and growth in mortgage lending.

By 2025, total private investment is expected to grow by 9.5 percent, a rate higher than that projected in September and the highest since 2012, excluding the statistical rebound in 2021. This revision would respond to better-than-expected performance in non-residential investment, highlighting the acceleration in the growth rate of mining investment, which in the third quarter reached its highest rate since the end of 2021. This development occurred in a context of high metal prices, which favored corporate profits and reinvestment. In addition to this, the progress of non-mining non-residential investment is driven by the execution of large infrastructure projects, mainly in the transport, telecommunications, and electricity sectors, the start of work on PPP projects awarded in previous years, as well as higher disbursements oriented to expanding and renovating installed capacity in non-mining sectors, in line with the observed growth in imports of capital goods and construction goods.

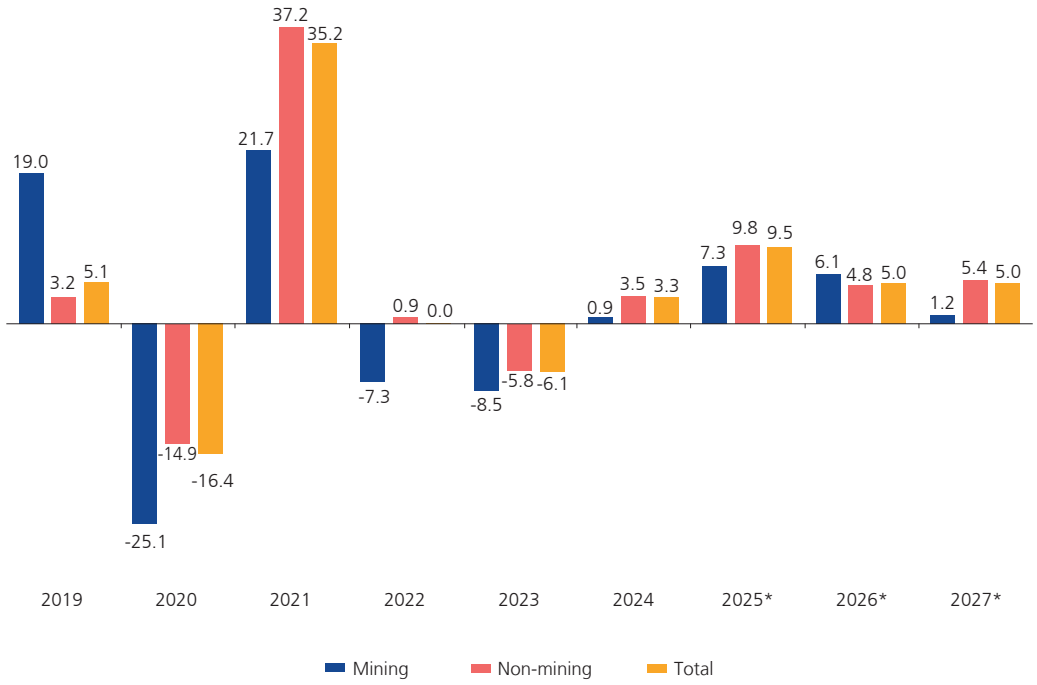
Private investment is estimated to grow by 5.0 percent in 2026 and 2027, mainly driven by non-residential investment, under a scenario of continuity of ongoing infrastructure projects.

Table 21
PRIVATE INVESTMENT
(Real % change)

	Weight relative to GPD in 2024[1/]	2019	2021	2022	2023	2024	2025*		2026*		2027*
							IR Sep.25	IR Dec.25	IR Sep.25	IR Dec.25	IR Dec.25
Private investment	**19.3**	**5.1**	**35.2**	**0.0**	**-6.1**	**3.3**	**6.5**	**9.5**	**3.5**	**5.0**	**5.0**
Residential investment	5.9	4.7	35.4	-0.3	-8.8	1.2	3.0	3.0	3.0	3.0	3.0
Non-residential investment	13.4	5.3	35.1	0.2	-4.8	4.2	7.9	12.4	3.7	5.8	5.8
Mining investment	*1.9*	*19.0*	*21.7*	*-7.3*	*-8.5*	*0.9*	*4.9*	*7.3*	*2.4*	*6.1*	*1.2*
Non-mining investment	*11.5*	*2.3*	*38.2*	*1.7*	*-4.1*	*4.8*	*8.4*	*13.3*	*3.9*	*5.7*	*6.5*

1/ At 2007 prices.
IR: Inflation report.
* Projection.
Source: BCRP.

Graph 53
PRIVATE INVESTMENT
(Real % change)



* Projection.
Source: BCRP.

a. In the **mining sector**, investments in the January–October 2025 period amounted to USD 4.482 billion, mainly from Southern Peru CC (USD 423 million), Las Bambas (USD 415 million), and Antamina (USD 385 million). The forecast for the 2026- 2027 period considers the construction of Tía María and replacement of Antamina, as well as the development of replacement of Ferrobamba.

b. In **non-mining sectors**, progress is being made on Line 2 and a branch line of Line 4 of the Lima Metro, with an investment of USD 5.3 billion. Of the 27 kilometers of Line 2, more than 23 kilometers have been built, leaving only the section between Elio and Insurgentes stations in Callao to be completed. It is worth mentioning that Line 2 of the metro has been providing transport services in Stage 1A (five kilometers) in the districts of Ate and Santa Anita since December 2023 and has carried more than 26 million users (with an average of 60,000 passengers per day).

In telecommunications, Entel Peru is investing in expanding mobile service coverage with 4G and 5G technologies in provinces. In electricity, the Yapay Electricity Consortium is developing the 500 kV Huánuco - Tocache - Celendín - Trujillo transmission line (USD 335 million) and work is ongoing on the Illa Solar Photovoltaic Plant (USD 342 million). In 2026, construction will begin on the Lima Peripheral Ring Road, with an investment of USD 2.3 billion (the total projected investment of USD 3.4 billion includes the acquisition of land and other expenses associated with its implementation).

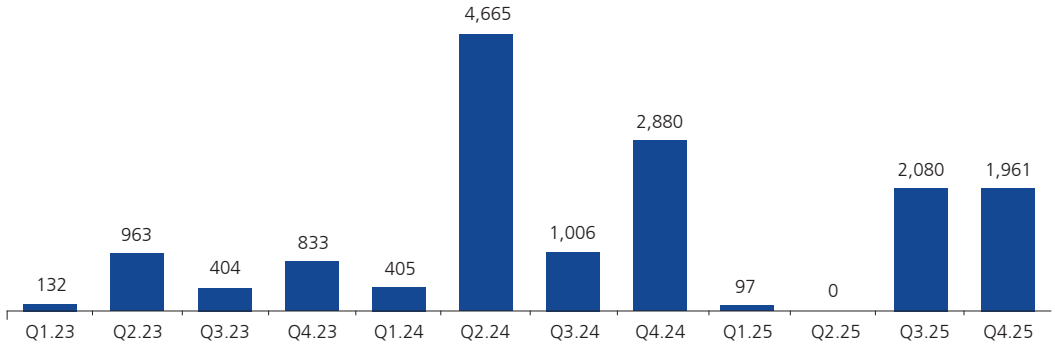
Table 22
MAIN ANNOUNCEMENTS OF PRIVATE INVESTMENT PROJECTS: 2026-2027

Sector	Investors	Project
MINING	Antamina	Replacement of Antamina
	Southern Peru CC	Tía María
	Las Bambas	Replacement of Ferrrobamba
HYDROCARBONS	Cálidda Gas Natural del Perú	Wide-Scale Use of Natural Gas
	Promigas Perú	Distribution of Natural Gas
ELECTRICTY	Huallaga Hydro	Hydropower plant Huallaga I
	Luz del Sur	Hydropower plant Santa Teresa II
	Consorcio Eléctrico Yapay	Transmission Line 500 Kv Huanuco-Tocache-Celendin-Trujillo
	Joya Solar	Solar Power Plant Fotovoltaica III
INDUSTRY	Unacem	Environmental Sustainability Program
	Arca continental Lyndley	Environmental Sustainability Program
	Aceros Arequipa	Plant capacity expansion
	Siderperú	Plant capacity expansion
TRANSPORT	Consorcio Nuevo Metro de Lima	Line 2 of the Metro network of Lima and Callao
	Sociedad Concesionaria Anillo Vial	Peripheral Road Ring in Lima
	Shougang Hierro Perú	Marcona Port Terminal (Marcona)
	APM Terminals	Modernization of Muelle Norte
TELECOMUNICATIONS	América Móvil Perú	Fibre optic networks
	Viettel Perú	Mobile Services with 4G and 5G technology

Memo: Investment projects that are under implementation or will start in the period 2025 - 2026.
Source: Information on companies, newspaper and specialized media.

c. Since January 2023, ProInversión has awarded projects totaling USD 15.425 billion. These projects mainly involve improvements in the transport sector (USD 5.543 billion) and electricity transmission lines (USD 2.480 billion). The latest award corresponds to the signing of the Addendum for the Port of Matarani and the award of the Ancón Industrial Park.

Graph 54
PROJECTS AWARDED BY PROINVERSIÓN: 2023-2025
(Million USD)



Note: Includes signing of addendums during the period.
Source: Proinversión.
Information updated as of December 15, 2025.

Table 23
PROJECTS AWARDED BY PROINVERSIÓN
(Million USD)

Year	Quarter	Project	Sector	Modality	Projected Investment (Without VAT)
2023	I Quarter	Transmission line 220 kv Ica – Poroma, extensions and substations and transmission line ITC 220 kv Caclic – Jaén Norte (2 circuits), extensions and substations	Electricity	Public Self-financed	132
	II Quarter	Concession of the public telecommunications service at the national level in the frequency ranges 1,750–1,780 MHz and 2,150–2,180 MHz and 2,300–2,330 MHz	Communications	Public Project in Assets	640
		Specialized Hospital in the Piura Care Network of ESSALUD, department of Piura and Specialized Hospital Chimbote in the Ancash Care Network of ESSALUD, department of Ancash	Health	Public Co-financed	323
		Transmission Line 500 kv Piura Nueva-Frontera Substation (Second Call)	Electricity	Public Self-financed	223
	III Quarter	Transmission line 500 kv San José – Yarabamba, extensions and substations, transmission line ITC 220 kv Piura Nueva – Colán, extensions and substations, transmission line ITC 220 kv Belaúnde Terry – Tarapoto Norte (2 circuits), extensions and substations and ITC substations Lambayeque Norte 220 kv with sectioning of the transmission line 220 kv Chiclayo Oeste – La Niña/ Felam, expansions and substations, Piura Este 220/60/22.9 kv	Electricity	Public Self-financed	181
	IV Quarter	Transmission line 500 kv Huánuco – Tocache – Celendín – Trujillo, extensions and substations and transmission line 500 kv Celendín – Piura, extensions and substations	Electricity	Public Self-financed	833
2024	I Quarter	New Port Terminal in San Juan de Marcona	Ports	Private Self-financed	405
		Peripheral Ring Road	Transport	Private Co-financed	3,396
	II Quarter	Group 1 of Electricity Transmission Projects (Ica and Arequipa)	Electricity	Public Self-financed	329
	III Quarter	Addendum to the contract for the transfer of the Bayovar mining concession	Mining	Addendum	940
		Modernization of the Huancayo-Huancavelica railway	Transport	Public Co-financed	565
		Group 2 of Electricity Transmission Projects (Lima, Ica, and Ayacucho)	Electricity	Public Self-financed	441
	IV Quarter*	Group 4: Transmission Plant Projects (Áncash, Junín, and Ucayali)	Electricity	Public Self-financed	127
		El Algarrobo Mining Project	Mining	PA - Private Self-financed	2,753
2025	I Quarter	Wastewater treatment plant project - PTAR Chincha	Sanitation	Private Co-financed	97
	II Quarter	-	-		-
	III Quarter	Operation and Maintenance of the New Emergency Hospital in Villa El Salvador	Health	Public Co-financed	284
		Longitudinal de la Sierra Section 4	Transport	Public Co-financed	1,582
		Group 3: Transmission Plant Projects 2023-2032	Electricity	Public Co-financed	214
	IV Quarter*	Addendum to Matarani Port	Ports	Addendum	700
		Ancón Industrial Park	Property	PA - Public Self-financed	1,261
		Cumulative			**15,425**

Memo: Projected investment corresponds to the investment offered by the company/consortium that was awarded the project. The amounts are considered references for projects in the electricity sector. Includes signing of addendums with the intervention of ProInversión. PA= Project in Assets.
* Data as of December 15, 2025.
Source: Proinversión.

d. As of December 15, 2025, ProInversión has a portfolio of USD 25.5 billion in investment projects to be awarded for the 2025-2028 period.

Table 24

MAIN PROJECTS TO BE IMPLEMENTED THROUGH CONCESSION ARRANGEMENTS IN 2025 - 2028

((Million USD)

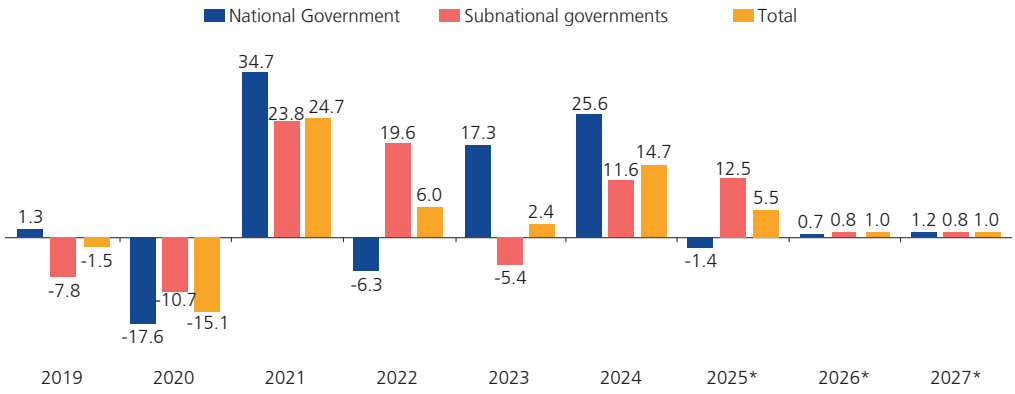
	Estimated investment
To be called	**25,474**
17 Conservation Projects of the National Road Network	4,390
Integrated Gas Transportation System - Southern Zone	4,321
Chinecas Project.	3,800
IEPA Sechura	2,157
8 projects of Wastewater Treatment System	1,952
Evitamiento Highway - Cusco	738
New Central Military Hospital	726
Header works for water supply in Lima (1st stage)	696
IPC -Wastewater Treatment in 7 provinces	644
Schools in risk: Metropolitan Lima	504
Schools in risk: other districts	488
Chavimochic projects (3rd stage)	450
Chimbote Port Terminal	447
Group 2 - Electricity projects of the 2025-2034 Transmission Plan	444
Choquequirao Tourism Project	363
New Port Terminal in Pucallpa	336
Third Group of Airports	315
Group 1 - Electricity projects of the Transmission Plan 2025-2034	252
National Hospital Hipólito Unanue	250
Operation of the Instituto Nacional del Niño	233
New port terminals in Loreto (Saramiza and Iquitos)	205
Operation and maintenance of Sullana Hospital	193
IPC -Wastewater Treatment, Cajamarca	180
Highway Buenos Aires Canchaque - Huancabamba (Piura Region)	179
Solid Waste Management - GIRSE	179
Ilo desalination plant	174
Group 3 - Electricity Projects of the 2025-2034 Transmission Plan	137
Rural IPC -Wastewater Treatment in Loreto	130
Group 4 - Electricity projects in the 2025-2034 Transmission Plan	122
Reinforcement of infrastructure, equipment and maintenance of Cusco School	99
Water project - Tumbes	90
Lima Convention Centre (Operation and Maintenance)	88
Wide-scale use of natural gas - Southwest Concession	60
Desalination Plant - Lambayeque	49
Cerro Azoguini - Lago Titicaca Tourism Project	35
Huascarán Tourism Project	30
El Pinar mall	17

Memo: Estimated investment without VAT. The amount includes the investment value (CAPEX) and OPEX expenses of the first 10 years of the operational stage.
Source: Proinversión.

52. **Public investment** increased by 4.8 percent in real terms year-on-year in the third quarter, mainly due to increased investment by subnational governments, whose rate of expansion accelerated from 3.7 to 17.9 percent between the second and third quarters, although this was partially counterbalanced by a decline in investment by the national government, due to lower disbursements for projects managed by the National Infrastructure Authority (ANIN) and Bicentennial Schools.

Compared to the September Report, public investment growth for 2025 has been revised downward from 6.5 percent to 5.5 percent, given the lower execution observed at the national level. For its part, for the 2026-2027 horizon, moderate expansion of 1.0 percent is estimated, in line with a scenario of consolidation of public finances.

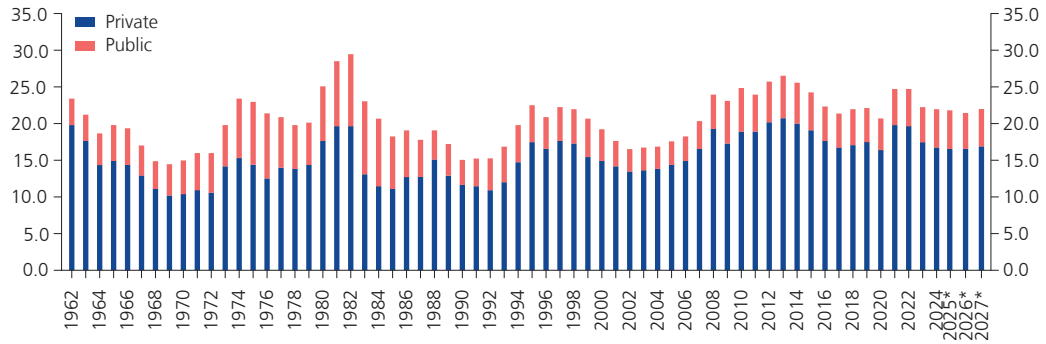
Graph 55
PUBLIC INVESTMENT
(Real % change)



Note: Public investment is composed of investment by the national government, subnational governments, and non-financial public enterprises.
* Projection.
Source: BCRP.

53. **Gross fixed investment** as a percentage of GDP fell slightly between 2023 and 2024, from 22.5 percent to 22.1 percent of GDP. Despite real growth in both public and private investment, total product prices rose more than private capital goods prices, causing the nominal ratio to fall. This indicator is estimated to decline to 21.9 percent of GDP in 2025 and remain at that level through 2027.

Graph 56
GROSS FIXED INVESTMENT: PRIVATE AND PUBLIC, 1962–2027
(% GDP)



* Projection.
Source: BCRP.

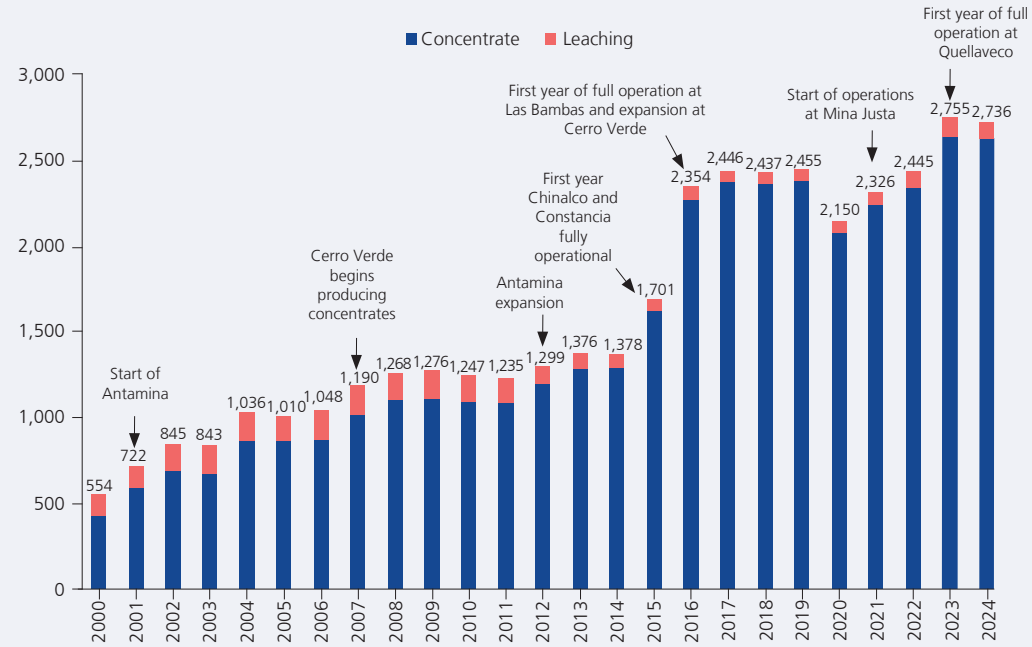
Box 3
COPPER PRODUCTION POTENTIAL

In 2024, Peru achieved a production of 2,736 thousand MT of copper (concentrate and cathodes), consolidating its position as one of the world's leading producers. Analysis of the Ministry of Energy and Mines (MINEM) Mining Investment Project Portfolio shows that it is technically possible to double this production in the coming years, provided that the planned mining projects —mainly Greenfield projects— are successfully implemented. The portfolio identifies an additional potential of 3,250,000 MT, which outweighs production in 2024. This growth would require an investment of close to USD 47 billion, of which 75 percent corresponds to Greenfield projects. Among the projects with the highest production capacity are Yanacocha Sulfuros, La Granja, Michiquillay, and Tía María, all with significant copper extraction volumes but at different stages of development. In general, most projects are still in their initial phases, which implies a long time horizon and dependence on economic conditions.

Context and trend

Copper production in Peru is trending positively, mainly due to the operational start-up of large mining projects. Among the most important are the start-up of Antamina, Chinalco, Las Bambas, Constancia, and, more recently, Mina Justa and Quellaveco.

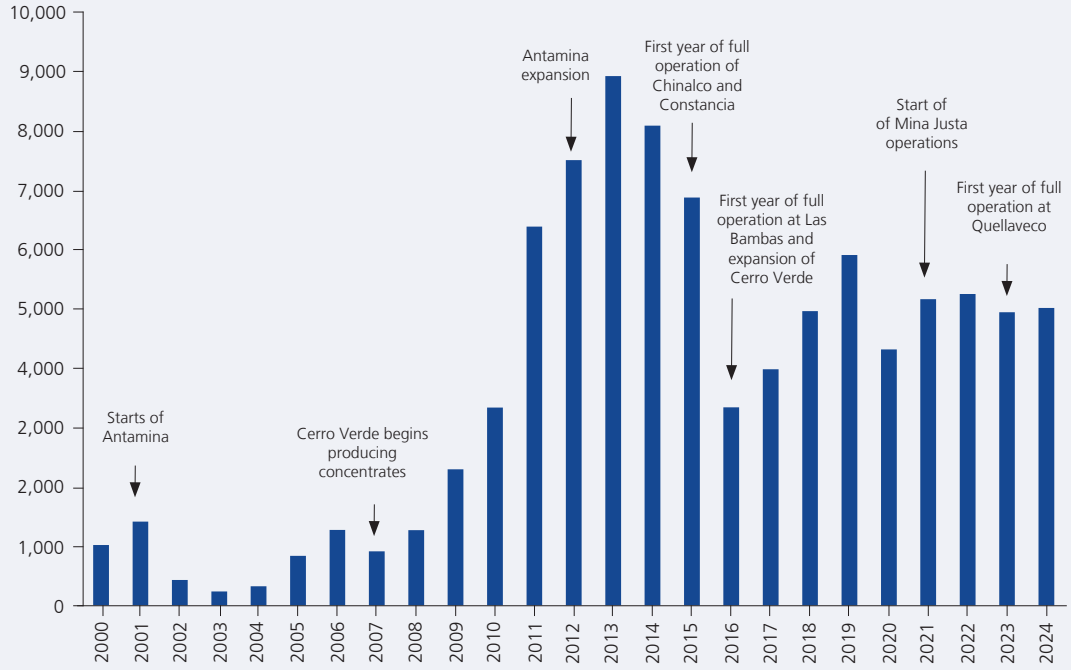
COPPER PRODUCTION
(Thousand MT)



Source: Minem.

This increase in mining production was accompanied by significant private investment. The launch of megaprojects was associated with spending on equipment purchases and the development of the infrastructure needed to mine various types of minerals, particularly copper.

INVESTMENT BY MINING COMPANIES
(Millions of USD)



Source: Minem.

Types and stages of mining projects

There are two types of projects: Greenfield and Brownfield. Greenfield projects start from scratch in areas where there are no previous operations, so they require new infrastructure, environmental studies, greater investment, and longer development times. For its part, Brownfield projects are built on or near existing mining operations, taking advantage of the infrastructure, services, and prior knowledge of the deposit, which reduces costs, risks, and execution times. In turn, Brownfield projects may be linked to maintaining production levels that naturally deteriorate due to the decline in mining grades (replacement) or to increasing production (expansions and optimizations).

According to the MINEM classification, projects have the following stages of development:

- Conceptual: includes the preparation of preliminary economic studies oriented to defining mineral resources.
- Pre-feasibility: projects that have begun preparing a detailed Environmental Impact Study for exploitation activities, as well as developing and completing pre-feasibility studies.
- Feasibility: projects with feasibility studies in progress or completed, in addition to having the Environmental Impact Study approved by SENACE.
- Detailed engineering: projects that have, at a minimum, submitted to MINEM the application for Authorization to Commence Exploitation Activities or the application for Concession and Authorization for Beneficiation Concession.
- Execution: these are projects that have already begun or are about to begin the main investments for their development.

Mining project portfolio

MINEM's mining project portfolio has the potential to double copper production by 2024, simply by implementing Greenfield projects. The following table shows that the investment required to more than double copper production levels by 2024 would be USD 35 billion. The table also shows that there are USD 11 billion in Brownfield projects in the portfolio.

If all these projects are carried out, the additional copper production would represent 6.5 percent of GDP over the mines' useful life. From the expenditure-side GDP, their implementation would represent a private investment amount equivalent to 15.7 percent of GDP. In addition, the implementation of this part of the MINEM portfolio would also involve the extraction of other minerals. Most of the projects are in the early stages of development.

COPPER PROJECTS IN THE MINEM PORTFOLIO

Projects	Annual production (Thousand MT)	Capex (USD million)
Greenfield	2,234	35,112
Brownfield	1,015	11,475
Total	**3,250**	**46,587**

* Copper production was 2,736 thousand MT in 2024.
Source: Minem and BCRP.

The table below shows the Greenfield projects that will produce copper, either as a primary product or as a by-product. The projects that stand out for their greater extraction potential are La Granja, Michiquillay, and Río Blanco. The table below presents the list of brownfield projects aimed at increasing the mining unit's production (excluding those projects focused on maintaining their production level), among which Yanacocha Sulfuros, Coimolache Sulfuros, La Arena II, Cerro Verde Optimization, and Quellaveco Expansion stand out.

GREENFIELD PROJECT PORTFOLIO

	Annual production (Thousand MT)	Capex (USD millions)	Stage	Start of operations
Copper concentrates	**1,948**			
La Granja	500	2,400	Conceptual	n.a
Michiquillay	225	2,500	Conceptual	2032
Río Blanco	200	2,792	Feasibility	n.a
Haquira	200	1,860	Pre-feasibility	n.a
El Galeno	144	3,500	Pre-feasibility	n.a
Los Chancas	130	2,600	Pre-feasibility	2031
Conga	88	4,800	Feasibility	n.a
Quechua	76	1,290	Pre-feasibilit	n.a
Zafranal	76	1,900	Feasibility	2029
Cotabambas	73	1,486	Pre-feasibilit	n.a
Magistral	55	493	Feasibility	n.a
Los Calatos	55	655	Pre-feasibilit	2029
Cañariaco	55	2,160	Pre-feasibility	n.a
Don Javier	34	600	Conceptual	n.a
Ariana	26	140	Suspended Execution	n.a
Pampa de Pongo	6	1,781	Feasibility	2028
Pukaqaqa	5	655	Pre-feasibility	n.a
Copper cathodes	**286**			
Tía María	120	1,802	Execution	2027
Trapiche	60	1,038	Feasibility	2031
Planta de cobre Río Seco	40	410	Feasibility	n.a
Haquira	36			
Antilla	30	250	Pre-feasibility	n.a
Total	**2,234**	**35,112**		

Source: MINEM.
n.a.: not available.

BROWNFIELD PROJECT PORTFOLIO

	Production 2024 (Thousand MT)	Capex (USD million)	Additional annual production (Thousand MT)	Stage
Underground Mina Justa	33	500	n.a	Feasibility
Cobriza Expansion	15	93	n.a	Pre-feasibility
Yauricocha Expansion	9	235	n.a	Conceptual
Huarón Expansion	5	118	n.a	Feasibility
Contonga Expansion	3	362	n.a	Pre-feasibility
Yanacocha Sulfuros *	n.d	2,500	544	Conceptual
Coimolache Sulfides	n.d	598	105	Pre-feasibility
Coroccohuayco Integration	146	1,500	100	Pre-feasibility
La Arena II **	n.d	1,346	100	Feasibility
Cerro Verde Optimization	415	2,100	61	Conceptual
Cuajone Expansion***	166	605	45	Feasibility
Quellaveco Expansion***	306	850	44	Detailed engineering
Constancia Optimization	99	500	16	Conceptual
Huachocolpa Expansion	1	168	0	Conceptual
Total	**1,198**	**11,475**	**1,015**	

Source: MINEM.
n.a: not available
* Production level obtained from Energiminas' 2020 Mining and Energy Directory
** Production level obtained through communications from Zijin.
*** Estimated additional annual production based on increases in daily processing capacity.

Major mining projects

Entre los proyectos con mayor potencial de extracción de cobre destacan Yanacocha Sulfuros, La Granja, Michiquillay y Tía María.

The Yanacocha Sulfuros project by Minera Yanacocha focuses on developing the Yanacocha Verde and Chaquicocha deposits, with the aim of extending the company's operations until 2040. The initial objective is to develop the sulfide deposits through an integrated processing circuit that will produce 45 percent gold, 45 percent copper, and 10 percent silver. The project is currently in the detailed engineering stage[5], however, Newmont (Minera Yanacocha's main shareholder) announced in June 2023 that it would delay investment in the project for at least two years in order to move forward with its portfolio optimization strategy.

La Granja is one of the largest undeveloped copper deposits in the world and is licensed by Minera La Granja. Rio Tinto, a shareholder in the company, has been operating the project since 2006, carrying out an extensive drilling program with more than 300,000 meters drilled, which significantly expanded the mining resources.[6]The project is in the MINEM portfolio at the conceptual stage, meaning that it does not yet have a detailed environmental impact study for mining activities. [7]

For its part, Michiquillay is a project involving one of Peru's largest copper deposits, licensed to Southern Peru.[8]According to the company, the models required for a more accurate estimate of the deposit's mineral resources are being developed based on geological information.

5 The project has the Second Amendment to the Detailed Environmental Impact Study, approved in December 2020. The project also has a Fourth Technical Support Report for the 2nd MEIA-d, authorized in December 2023.

6 In 2006, PROINVERSIÓN awarded the La Granja project to Rio Tinto. In April 2023, Activos Mineros signed a new addendum to the project transfer agreement, with the participation of PROINVERSIÓN, Rio Tinto Western Holdings, and First Quantum Minerals. With the incorporation of First Quantum, the operating and capital costs of the feasibility study and project development would be jointly financed.

7 The project complies with the Second Technical Report Supporting the Twelfth Amendment to the Semi-Detailed Environmental Impact Study for exploration activities, approved in 2022. In addition, the company has the Thirteenth Amendment to the Semi-Detailed Environmental Impact Study approved in 2023.

8 In June 2018, PROINVERSIÓN awarded Southern Peru the acquisition of the Michiquillay project.

In addition, a study is being conducted to determine the best location for a tailings storage facility. The project is in the Conceptual stage of the MINEM portfolio, meaning that it does not yet have a detailed Environmental Impact Study for mining activities.[9]

The Tía María project, also run by Southern Peru, is the most important project under construction in terms of copper production and is expected to begin operations in 2027.[10] In the initial construction phase, access roads and platforms are nearing completion. In addition, a temporary camp is being set up, and earthmoving and mine opening activities are underway. The company received authorization to begin mining activities, announcing pre-clearing activities in La Tapada and the start of construction of the main components of the project.

Limitations to the development of mining projects

Social conflicts are often a major constraint to the development of mining projects, as they can lead to standstills, with significant economic losses, and pose risks to the sustainability of the project. These conflicts are associated with environmental concerns, the distribution of benefits, land use and water resources, the impact on the health and economic activities of surrounding communities, and a lack of trust in the state and the companies developing the projects.

Protests by local communities and populations can halt operations, resulting in significant economic losses, as was the case in Conga. Opposition to a mining project can delay or prevent access to land, increasing costs and construction timelines, as is the case in Tía María.

The processing of environmental permits is also a constraint on progress in the construction stages of a mining project. Projects such as Phase II of the Toromocho expansion or Reposición Antamina had to wait between four and five years for approval of the modification of the detailed environmental impact study (MEIA-d), which is the last step in moving from the feasibility stage to the detailed engineering stage. The remaining permits, such as the construction license, usually take less time. The MEIA-d is approved by the National Environmental Certification Service for Sustainable Investments (SENACE) and usually takes longer than other permits due to the complexity of the assessments.[11]

Conclusión

The Peruvian economy has the geological potential and investment portfolio necessary to double its copper production. However, achieving this will depend on improvements in the management of social conflicts, greater regulatory efficiency, and effective coordination between the state, companies, and communities.

9 In July 2024, the First Technical Report Supporting the Environmental Impact Study was approved.

10 The project has a detailed Environmental Impact Study for mining activities, approved on August 1, 2014. It also has a Second Technical Report Supporting the Environmental Impact Study, approved in November 2024. In October 2025, the company received authorization to begin mining activities for the Tía María Project.

11 The multiplicity of regulations and the complexity of the specialties involved in approving permits can cause bottlenecks and delays in the start of operations. At this stage, it is important to avoid duplication of opinions and turnover of officials involved in the project. It should also be noted that in Peru, the permits and deadlines for brownfield projects are similar to those for greenfield projects (where prior assessments already exist), which is inefficient. Source: https://www.rumbominero.com/peru/noticias/mineria/snmpe-gran-autoridad-ambiental-tramitologia/

Box 4
VARIETAL REPLACEMENT IN PERUVIAN AGROEXPORTS: BLUEBERRIES AND TABLE GRAPES

Peru has been increasing its share of the global fresh fruit market and has been the world's leading exporter of blueberries since 2019 and grapes since 2023. One of the factors that has driven the increase in our export supply is varietal replacement, which consists of replacing agricultural varieties with improved genetic material that offers better characteristics in terms of size, flavor, texture, and shelf life. As this process is still ongoing, both Peruvian blueberries and table grapes still have high growth potential in the foreign market.

Varietal replacement has both a commercial focus, to serve each market according to its preferences, and an agricultural focus, to achieve high yields in the field by adopting technological improvements. Diversification of varieties allows producers to manage the risk of oversupply, as products are obtained in different commercial windows to serve different markets.

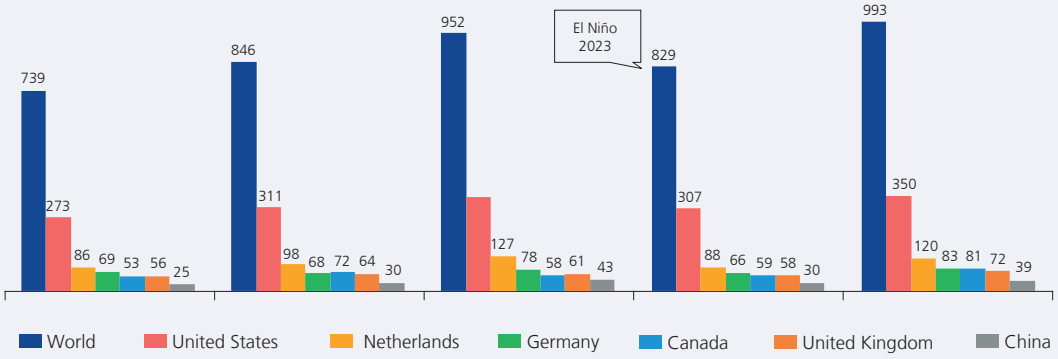
To analyze the future behavior of agricultural exports, it is necessary to monitor not only the area planted, but also varietal replacement, both that which has already been carried out and that which is pending in areas certified for export.

Blueberries

Blueberries are a fruit with high commercial value compared to other fresh fruits in our export basket. They are perceived as a "superfood," a "high-end" fruit, due to their nutritional and antioxidant qualities. The average export prices obtained in 2024 for a kilo of blueberries (USD 7/kg) were higher than those for grapes (USD 3/kg) or avocados (USD 2/kg).

Global blueberry imports have grown by an average of 11.5 percent over the last ten years. The main buyer is the United States (35 percent of the total in 2024). Other important destinations are European countries and Canada, while Asian countries are emerging.

WORLD BLUEBERRY IMPORTS
(Thousand MT)



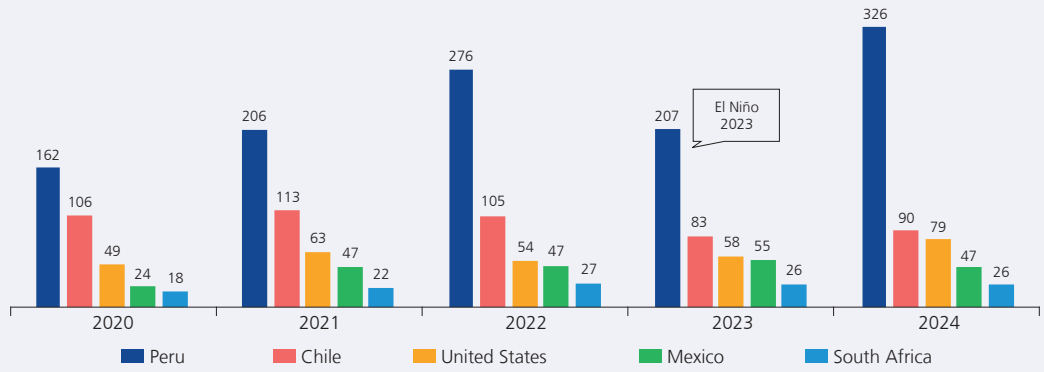
Fuente: TradeMap.

Peruvian blueberries have a commercial window from September to December, with the possibility of extension depending on the pruning schedule, which stimulates fruiting. This berry is mainly grown in the coastal region, allowing for year-round ripening.

Peru, as a blueberry-producing country, went from having a 10 percent share of the international market in 2017 to becoming the world's leading exporter in 2019, a position it will maintain until 2024, displacing other suppliers such as Chile and Canada.

In 2024, Peru exported 326,000 tons, representing 31 percent of the world supply. Peru was followed by Chile, the United States, Mexico, and South Africa, with each country exporting less than 90,000 tons annually.

WORLD BLUEBERRY EXPORTS
(Thousand MT)

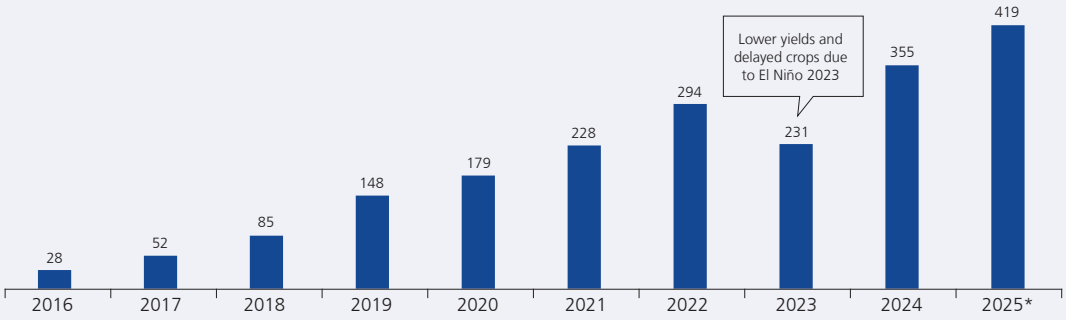


Fuente: TradeMap.

In Peru, the Biloxi and Ventura varieties were initially cultivated, and gradually, various other varieties have been incorporated. As of 2024, six varieties account for 76 percent of exports (Ventura, Biloxi, Sekoya Pop, Rocío, Secoya Beuty, and EB-92).

Along with the replacement of varieties, between 2015 and 2025 there was a sustained increase in harvested areas of 44 percent on average, which allowed for a growth rate of around 34 percent on average in terms of production volumes.

PERU: BLUEBERRY PRODUCTION
(Thousand MT)



* Estimate.
Source: MIDAGRI, BCRP.

The growth potential for blueberry production lies in the varietal replacement of more than 8,000 certified hectares that still have free varieties, representing about 42 percent of the total planted area.

PERU: BLUEBERRY PLANTED AREA, BY VARIETY
(Hectares)

Campaign	Patented		Free		Total			
	Has.	% change	Has.	% change	Has.	% change	Weight (%)	
							Patented	Free
2020	2,835	41.0	10,888	22.3	13,722	25.8	20.7	79.3
2021	5,204	83.6	11,645	7.0	16,850	22.8	30.9	69.1
2022	6,550	25.9	12,063	3.6	18,614	10.5	35.2	64.8
2023	9,701	48.1	9,700	-19.6	19,401	4.2	50.0	50.0
2024	12,057	24.3	8,619	-11.1	20,676	6.6	58.3	41.7

Source: Proarándanos, which considers Ventura, Biloxi, and Emerald to be free varieties.

Patented varieties, such as Eureka Sunrise and Eureka Gold, generally have greater potential for increasing agricultural yields than free varieties, such as Biloxi and Ventura, especially after the first three years of growth. This is true with the right agricultural technology and under neutral climatic conditions.

PERU: SOME BLUEBERRY VARIETIES

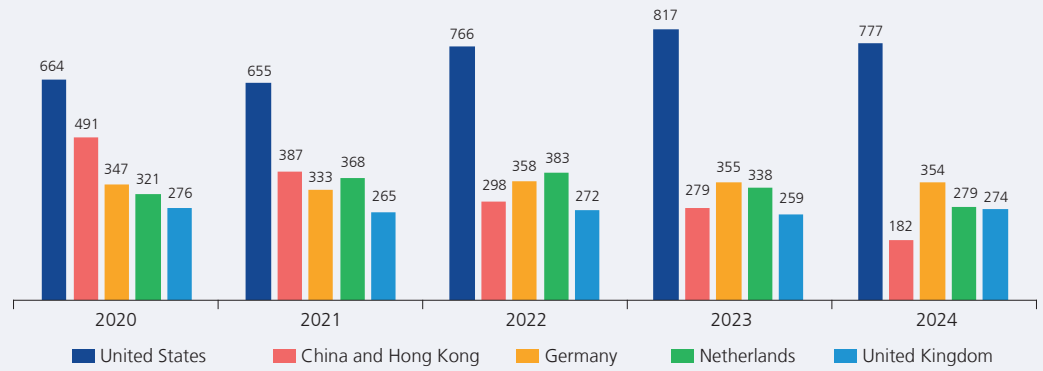
Size	Variety
Small berry < 14 mm.	**BILOXI,** sweet flavor and balanced acidity. Production without cold treatment.
Large berry: 16-18 mm.	**VENTURA,** low cold production. **ATLAS BLUE,** fruity flavor and production without cold treatment. **EB-92,** low cold production. **MADEIRA,** balanced flavor and production without cold weather.
Very large berry > 18 mm.	**SEKOYA POP,** balanced sweet flavor, crispy and long shelf life, with warmer production system. **SEKOYA BEAUTY,** sweet flavor, crisp, with warm climate production system. **EMERALD,** low cold production. **ARANA,** sweet flavor, long shelf life, low to moderate cold production. **EUREKA,** crisp, sweet flavor, long shelf life, production with low cold hours.

Source: Fallcreek, Sekoya, Planasa.

Table Grapes

The global market for fresh grapes is a mature market, with worldwide demand fluctuating around 4,700,000 MT per year. The main buyers are located in the United States, Asia, and Europe.

WORLD IMPORTS OF FRESH GRAPES
(Thousand MT)

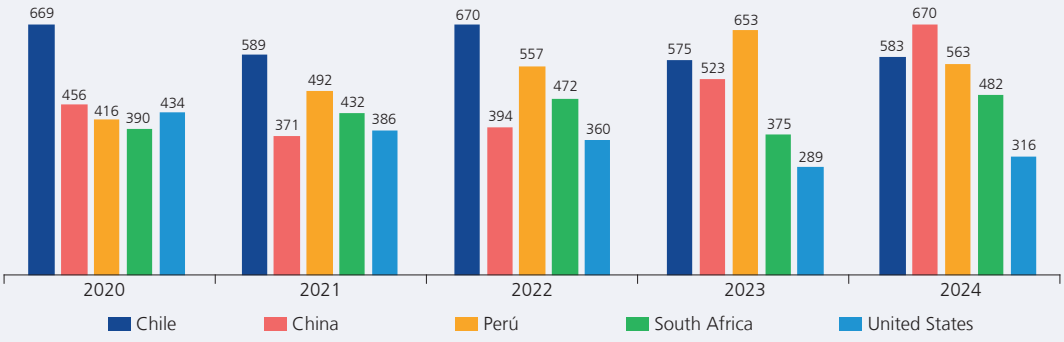


Source: TradeMap.

China has increased its export volumes due to larger plantings and the incorporation of more commercial varieties with higher yields, which has also increased its self-sufficiency. Chile recovered its volumes in 2024 compared to 2023, and South Africa also increased its exportable supply.

Peru reduced its grape production (-11.4 percent) in 2024, as crops for export that year were brought forward to the end of 2023 in anticipation of rainfall due to El Niño 2023. A recovery is expected in 2025 compared to the previous year, with the harvest calendar returning to normal.

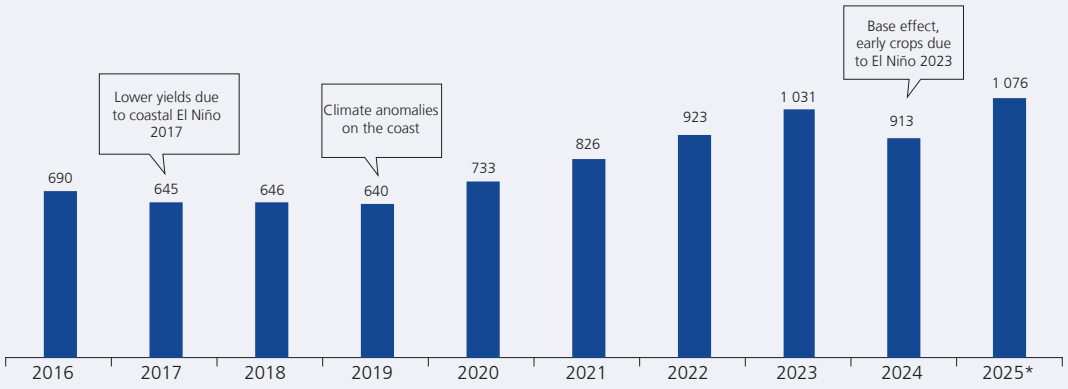
WORLD EXPORTS OF FRESH GRAPES
(Thousand MT)



Source: TradeMap.

The global trend is toward seedless green grapes with larger, crisper berries. This change began in Peru in the mid-1990s, with varieties such as Crimson, Thompson, Flame, Sugraone, and later Red Globe for the Asian market. These varieties have lost value in the market and have come to be known as traditional varieties, while seedless varieties, known as licensed or patented varieties, have gained in popularity due to their longer shelf life and higher yield, among other qualities.

PERU: GRAPE PRODUCTION
(Thousand MT)



*Estimate.
Source: MIDAGRI, BCRP.

Varietal change continues to be the main tool for competing globally, offering the grape of choice according to the target market. In Peru, the seedless green varieties SweetGlobe and Autumn Crisp, and the seedless red variety Allison stand out in terms of their share of the volume exported in the last 2024-2025 season.

Between 2020 and 2025, the area of grapes licensed for export increased from around 50 percent to 78 percent, in an area certified for export that has remained at around 23,000 hectares over the last three years. The potential for continued growth in table grape production lies in the varietal replacement of 5,218 certified hectares, which would bring higher yields in the fields to be renovated and in those already renovated in the last three years, when the plants begin to register their highest yields.

PERU: AREA PLANTED WITH TABLE GRAPES FOR EXPORT, BY VARIETY
(Hectares)

Campaign	Licensed[1/]		Traditional[2/]		Total			
	Has.	% change	Has.	% change	Has.	% change	Weight (%)	
							Licensed	Traditional
2020/21	11,139	27.0	9,636	-17.5	20,775	1.6	53.6	46.4
2021/22	13,531	21.5	7,568	-21.5	21,099	1.6	64.1	35.9
2022/23	15,522	14.7	6,652	-12.1	22,174	5.1	70.0	30.0
2023/24	16,768	8.0	5,575	-16.2	22,343	0.8	75.0	25.0
2024/25	18,102	8.0	5,218	-6.4	23,320	4.4	77.6	22.4

1/ Such as: Sweet Globe, Autumn Crisp, Allison, Timpson, Sweet Celebration, Ivory, and Jak's Salute.
2/ Such as: Crimson, Thompson, Flame, Sugraone, and Red Globe.
Source: PROVID.

As in the case of blueberries, licensed grape varieties have a higher yield potential compared to traditional varieties. It should be pointed out that yields vary depending on the technology and agronomic treatment used, even when the same variety, location, and climate are involved.

PERU: SOME TABLE GRAPE VARIETIES

Green seedless			
SWEET GLOBE Shape: Ovoid Average size: 22-24 mm	AUTUMN CRISP Shape: Ovoid Average size: 20-22 mm	TIMPSON Shape: Ovoid Average size: 21-23 mm	COTTON CANDY Shape: Ovoid Average size: 20 mm
Red seedless			
ALLISON Shape: Conical Average size: 20-25 mm	SSWEET CELEBRATION Shape: Conical Average size: 25 mm		JACK'S SALUTE Shape: Round Average size: 20 mm
Black seedless			
SWEET FAVOR, shape: Elongated oval, average size: 18-22 mm			
Red with seeds			
CRIMSON Shape: Oval Average size: 18-19 mm		GLOBE NETWORK Shape: Spherical Average size: 24-28 mm	

Source: PROVID.

IV. Public finance

54. The cumulative fiscal deficit over the last twelve months fell from 3.4 percent to 2.3 percent of GDP between December 2024 and November 2025. This result is mainly due to the reduction in non-financial expenditure as a percentage of GDP, associated with lower national government spending and, to a lesser extent, the increase in current income as a percentage of GDP, as a result of higher export prices and dynamic economic activity. Also contributing, albeit to a lesser extent, were the tax measures implemented since early 2025, such as the Value Added Tax (IGV) on digital services and the Excise Tax (ISC) on remote gambling.

    Current income increased from 18.7 to 19.2 percent of GDP between December 2024 and November 2025. By component, this expansion is mainly due to higher income tax (IR) collection, largely from regularization and, to a lesser extent, from IR payments on account by legal entities, as well as revenue from transfers of deductions, amnesties, and fines.

    Annualized non-financial expenditures decreased from 20.7 percent to 20.1 percent of GDP between December 2024 and November 2025. This reduction was due to lower annualized current and capital expenditures as a percentage of GDP. The latter was due to lower, albeit still significant, spending on financial support from the Treasury to Petroperú. This support during 2024 in the form of capital contributions amounted to S/ 6.1 billion, which is higher than the support recently provided through the guarantee for Petroperú's credit line with the Banco de la Nación (D.U. No. 013-2024), which was approximately USD 1 billion.

55. In annual terms, the fiscal deficit is projected to fall from 3.4 percent of GDP in 2024 to 2.2 percent of GDP in 2025, and then continue to decline to 1.9 percent of GDP in 2026 and 1.6 percent in 2027. Thus, the deficits projected for 2026 and 2027 are close to, but above, the convergence path to the limits of the fiscal rule established in Legislative Decree No. 1621.

    By 2025, revenues are expected to recover compared to the previous year, with real growth of 9.5 percent, reaching 19.2 percent of GDP (compared to 18.7 percent recorded in 2024). This forecast incorporates higher income tax regularization payments, which include extraordinary income associated with the sale of companies in the electricity distribution sector, as well as an increase in income tax payments on account by legal entities, driven by higher export prices and higher payment-on-account coefficients, the latter linked to GDP growth in 2024.

    Measures such as the application of VAT to digital services provided by non-domiciled companies and the ISC to remote gaming and sports betting, as well as extraordinary payments derived from tax administration enforcement actions, will also contribute to the increase in tax revenues, albeit to a lesser extent.

    The forecast envisages a reduction in non-financial expenditure of 0.7 percentage points of GDP, resulting from a decrease in current and capital expenditure, under a scenario in which there will be no new capitalization of Petroperú, although the guarantee for the credit line granted by the Banco de la Nación to this company will continue to be honored. This will allow total expenditure to fall from 20.7 to 20.0 percent of Expenditure-side GDP between 2024 and 2025. The materialization of this guarantee would make it difficult to comply with the spending rule for the current year.

By 2026, the deficit is expected to continue declining, reaching a level of 1.9 percent of GDP. The planned fiscal consolidation process is based mainly on a decrease in non-financial expenditure as a percentage of GDP, with current spending falling from 14.3 to 14.2 percent of GDP between 2025 and 2026, and gross capital formation spending falling from 4.9 to 4.7 percent of GDP. It should be noted that the reduction in other capital expenditures, from 0.8 to 0.6 percent of GDP, assumes that in 2026 the Treasury will not provide any new capitalization to Petroperú.

By 2027, the deficit is expected to reach 1.6 percent of GDP, mainly due to the reduction in non-financial expenditure from 19.4 to 19.1 percent of GDP between 2026 and 2027.

56. Compared to the **September Report**, the fiscal deficit forecast is reduced from 2.4 to 2.2 percent of GDP for 2025 and from 2.1 to 1.9 percent of GDP for 2026

The projected deficit for 2025 and 2026 is reduced mainly due to a revision on the downside of the forecast for non-financial expenditure. Thus, lower non-financial expenditure would be due to a reduction in current expenditure, aided by recently approved expenditure control measures, as well as in gross capital formation.

57. The path projected for the fiscal deficit in 2026-2027 in this report emphasizes the need to maintain prudent public spending and tax policy throughout the forecast horizon. In this regard, it is necessary to avoid approving excessive increases in future government spending commitments or extending tax benefits, in order to prevent these from slowing down the fiscal consolidation process. It should be noted that, despite the projected reduction in the fiscal deficit, net debt will continue to rise over the forecast horizon[12].

In the medium term, fiscal sustainability will require efforts to increase the government's permanent capacity to finance public services. This process requires controlling tax evasion and avoidance and expanding the taxpayer base through formalization processes

Table 25

NON-FINANCIAL PUBLIC SECTOR

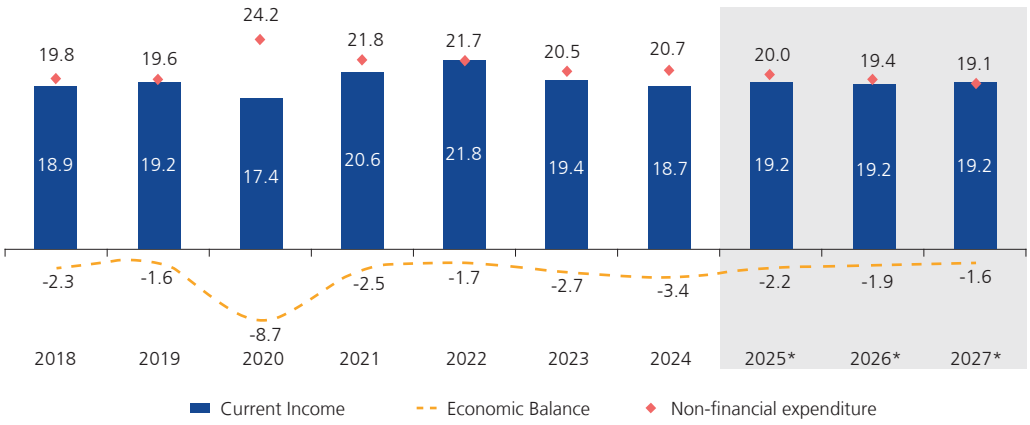
(% GDP)

	2024	2025*			2026*		2027*
		November[1/]	RI Sep.25	RI Dec.25	RI Sep.25	RI Dec.25	RI Dec.25
1. Current income of the General Government	**18.7**	**19.2**	**19.2**	**19.2**	**19.2**	**19.2**	**19.2**
Real % change	*2.4%*	*10.6%*	*8.8%*	*9.5%*	*3.7%*	*4.4%*	*3.0%*
2. Non-financial expenditure of the General Government	**20.7**	**20.1**	**20.3**	**20.0**	**19.7**	**19.4**	**19.1**
Real % change	*7.4%*	*3.0%*	*3.8%*	*3.4%*	*0.5%*	*1.2%*	*1.2%*
Of which							
Current expenditure	14.6	14.4	14.5	14.3	14.3	14.2	13.9
Real % change	*1.5%*	*4.5%*	*4.9%*	*4.7%*	*2.3%*	*3.1%*	*1.3%*
Gross capital formation	4.9	4.9	5.0	4.9	4.8	4.7	4.6
Real % change	*16.3%*	*5.3%*	*6.9%*	*6.2%*	*0.7%*	*0.4%*	*0.7%*
3. Others [2/]	**0.2**	**0.3**	**0.3**	**0.2**	**0.1**	**0.0**	**0.1**
4. Primary balance (1-2+3)	**-1.8**	**-0.6**	**-0.8**	**-0.6**	**-0.4**	**-0.3**	**0.1**
5. Interest	**1.7**	**1.6**	**1.6**	**1.6**	**1.7**	**1.7**	**1.7**
6. Economic balance	**-3.4**	**-2.3**	**-2.4**	**-2.2**	**-2.1**	**-1.9**	**-1.6**

1/ The ratios as a percentage of GDP represent the cumulative total for the last twelve months to November. The actual variation is with respect to 2024.
2/ Includes capital revenue from the General Government and the primary result of state-owned enterprises.
* Projection.
IR: Inflation Report.

12 This increase would occur even if the fiscal deficit rule were met in the period 2025-2027.

Graph 57
ECONOMIC BALANCE OF THE NON-FINANCIAL PUBLIC SECTOR: 2018-2027
(% GDP)



Note: The economic balance is calculated as current income of the General Government – Non-financial expenditure of the General Government + others (capital revenue of the General Government and primary balance of state-owned enterprises) – interest payments on debt of the Non-Financial Public Sector.
* Projection.
Source: BCRP.

Current income

58. By 2025, current income is expected to show real growth of 9.5 percent and represent 19.2 percent of GDP, which is 0.5 percentage points higher than the level recorded in 2024.

The real increase in current income would be due to higher regularization payments and income tax payments on account by legal entities, associated with greater economic dynamism and high prices for export metals (copper, gold, and zinc). This result would also be explained by extraordinary payments (linked to the sale of a company in the electricity distribution sector and SUNAT audit actions) and higher revenue from tax amnesties and special tax debt installment plans, factors that are mitigated by a higher level of tax refunds due to the increased issuance of negotiable credit notes used by companies to pay tax obligations.

By 2026, revenues as a percentage of GDP are projected to reach 19.2 percent, with real growth of 4.4 percent. The lower growth in tax revenues is explained by the fact that in 2026 there will be no extraordinary income tax and regularization payments, as there were in 2025, and the impact of tax measures (VAT on digital services, ISC on remote betting, and special installment plans) will normalize. This will be offset by the effect of the higher terms of trade forecast in this Report. In the case of non-tax revenues, there would be higher collection as a percentage of GDP due to higher own resources and transfers, mainly reflecting a change in composition caused by the reclassification of certain fees charged by national government entities that will no longer be considered Treasury revenues, as well as higher resources received by the general government from state-owned enterprises.

By 2027, current income is expected to remain at 19.2 percent of GDP, with a slight recovery in VAT, offset by lower revenues from installment payments.

59. With respect to the **September Report**, the forecast for current income as a percentage of GDP remains at 19.2 percent for both 2025 and 2026. For 2025, tax revenues are projected to increase to 15.0 percent of GDP, with a rise in income tax payments by legal entities (associated with extraordinary payments), offset by lower VAT on imports. In the case of

Non-tax revenues are projected to decline by 0.1 percentage points of GDP, from 4.3 percent to 4.2 percent, in the form of lower contributions and own resources from public entities.

Real revenue growth is adjusted upward for 2025 and 2026, from 8.8 to 9.5 percent and from 3.7 to 4.4 percent, respectively.

Table 26
CURRENT INCOME OF THE GENERAL GOVERNMENT
(% GDP)

	2024	2025*			2026*		2027*
		November[1/]	IR Sep.25	IR Dec.25	IR Sep.25	IR Dec.25	IR Dec.25
TAX REVENUES	**14.4**	**15.0**	**14.9**	**15.0**	**14.9**	**14.8**	**14.8**
Income tax (IR)	5.9	6.6	6.4	6.6	6.5	6.5	6.4
Value Added Tax (IGV)	8.0	7.9	7.9	7.8	7.9	7.8	7.9
Excise Tax (ISC)	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Import tax	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other tax revenues	1.8	2.1	2.0	2.0	1.9	1.9	1.8
Tax refund	-2.2	-2.5	-2.4	-2.4	-2.3	-2.4	-2.4
NON-TAX REVENUE	**4.3**	**4.2**	**4.3**	**4.2**	**4.3**	**4.3**	**4.4**
Social contributions	1.9	1.9	1.9	1.9	1.9	1.9	2.0
Own resources and transfers	0.9	1.0	1.1	1.0	1.1	1.5	1.4
Fees and Royalties	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Rest	0.8	0.7	0.7	0.8	0.7	0.4	0.4
TOTAL	**18.7**	**19.2**	**19.2**	**19.2**	**19.2**	**19.2**	**19.2**

1/ Represents the cumulative total for the last twelve months to November.
* Projection.
IR: Inflation Report.

Non-financial expenditure

60. Real growth in **non-financial expenditure** is expected to be 3.4 percent in 2025, although a reduction is forecast as a percentage of GDP compared to 2024, from 20.7 to 20.0 percent of GDP.

With regard to 2024, all expenditure items would show an increase in real terms, with the exception of other capital expenditures, due to the aforementioned reduction in support for Petroperú (from S/ 6.1 billion in 2024 for capitalization to S/ 3.4 billion in 2025 for honoring guarantees).

The remuneration item includes the increases provided for in the 2025 Budget Law. Expenditure on goods and services would grow in real terms due to higher spending on service contracts, CAS, travel, rentals, and maintenance services, in addition to the increased acquisition of non-financial assets by the Interior sector. For its part, transfers would grow due to higher pension payments and subsidies for social programs, particularly Pension 65. Finally, gross capital formation would increase due to higher accruals by subnational governments.

61. By 2026, non-financial expenditure is expected to reach 19.4 percent of GDP, 0.6 percentage points below the level forecast for this year, as part of fiscal consolidation. Despite its lower weight relative to the size of the economy, in this scenario, non-financial expenditure is expected to increase by 1.2 percent in real terms, particularly current spending (3.1 percent in real terms).

Current expenditure would fall from 14.3 to 14.2 percent of GDP, particularly due to the evolution of the acquisition of goods and services and transfers, although in real terms these items grew at a moderate rate.

Spending on salaries would grow by 4.5 percent in real terms, as it includes not only the increases made this year, but also the provisions contained in the 2026 Budget Law: a

general increase for the different labor regimes in the public sector and for armed forces and police personnel, as well as provisions for the appointment of CAS personnel in health and education.

Gross capital expenditure would decrease from 4.9 percent to 4.7 percent of GDP, taking into account the change in national government authorities. Finally, other capital expenditure would decrease from 0.8 percent to 0.6 percent of GDP, as no expenditure is forecast for financial support to Petroperú in 2026.

62. By 2027, non-financial expenditure would fall from 19.4 percent to 19.1 percent of GDP, due to lower current and capital expenditures. This would reflect a policy of controlling real spending growth, which would amount to 1.2 percent, as in 2026, and the effect of changes in subnational government authorities.

Table 27
NON-FINANCIAL EXPENDITURE OF THE GENERAL GOVERNMENT
(% GDP)

	2024	2025*			2026*		2027*
		November[1/]	IR Sep.25	IR Dec.25	IR Sep.25	IR Dec.25	IR Dec.25
CURRENT EXPENDITURE	**14.6**	**14.4**	**14.5**	**14.3**	**14.3**	**14.2**	**13.9**
National Government	9.2	9.1	9.1	9.1	9.1	9.0	8.9
Regional governments	3.8	3.6	3.7	3.6	3.6	3.6	3.5
Local governments	1.7	1.7	1.7	1.6	1.6	1.5	1.5
CAPITAL EXPENDITURE	**6.1**	**5.6**	**5.8**	**5.7**	**5.4**	**5.3**	**5.2**
Gross Capital Formation	**4.9**	**4.9**	**5.0**	**4.9**	**4.8**	**4.7**	**4.6**
National Government	2.0	1.9	1.9	1.9	1.8	1.8	1.8
Regional governments	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Local governments	1.7	1.8	1.9	1.8	1.8	1.8	1.7
Others	**1.1**	**0.8**	**0.8**	**0.8**	**0.5**	**0.6**	**0.5**
TOTAL	**20.7**	**20.1**	**20.3**	**20.0**	**19.7**	**19.4**	**19.1**
National Government	12.2	11.7	11.7	11.7	11.5	11.4	11.2
Regional governments	5.0	4.9	5.0	4.8	4.8	4.8	4.7
Local governments	3.5	3.5	3.6	3.5	3.4	3.3	3.3

1/ Represents the cumulative total for the last twelve months to November.
* Projection.
IR: Inflation Report.

Fiscal stance

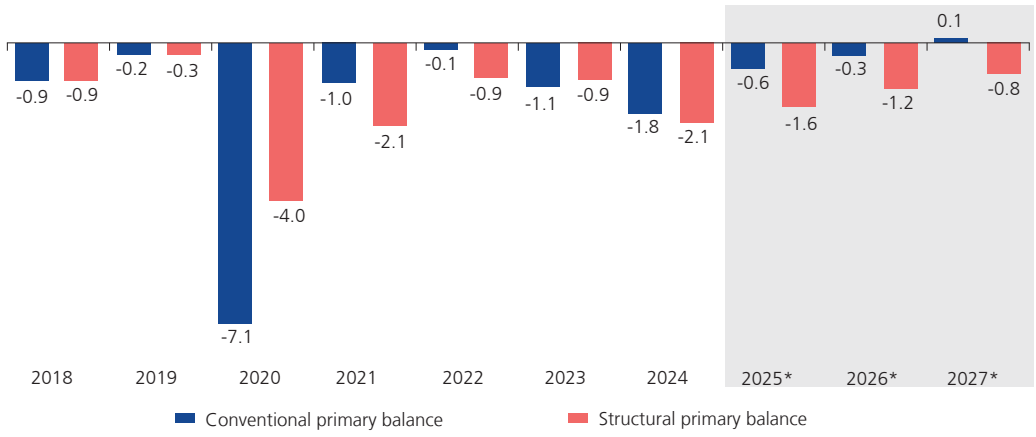
63. The **structural primary balance** is a measure that deducts the impact of cyclical, temporary, and extraordinary components affecting the economy from fiscal accounts in order to assess changes in the fiscal balance associated with discretionary fiscal policy measures. The structural primary deficit is estimated to be 1.6 and 1.2 percent of potential GDP for 2025 and 2026, respectively, and to decline to 0.8 percent of GDP in 2027, amounts significantly higher than the level recorded before the COVID-19 pandemic (0.3 percent).

These figures indicate that the structural primary balance would be more negative over the forecast horizon than the conventional balance, not only because of higher terms of trade (which generate cyclically higher revenues), but also because of the presence of temporary revenues such as those recorded this year (from the sale of an electricity distribution company and from the tax audit of a financial system company). For 2026 and 2027, the difference between the conventional and structural primary balance is explained, to a greater extent, by the cyclical component associated with the terms of trade. This implies that permanently consolidating fiscal accounts involves generating higher structural revenues, as well as prudent public spending in the coming years. The structural balance gap in the years beyond the forecast horizon will require continued efforts to reduce the fiscal deficit.

Graph 58

CONVENTIONAL AND STRUCTURAL PRIMARY BALANCE OF THE NON-FINANCIAL PUBLIC SECTOR: 2018–2027

(% GDP and potential GDP)



* Projection.
Note: For 2020, the structural primary balance is calculated using trend GDP.

Financing and debt

64. **Financing requirements** are expected to decline over the forecast horizon compared to 2024, mainly due to the reduction in the fiscal deficit and lower debt amortization. In terms of **financing sources**, debt issuance is expected to be lower in 2026 and 2027 compared to 2024 and this year's forecast. Likewise, the Treasury is expected to begin accumulating deposits again in 2026 and 2027 as a result of the reduction in the fiscal deficit.

65. Compared to the **September Report**, the forecast for financing requirements in 2025 has been revised downward, mainly due to the lower deficit projected. For 2026, financing requirements are reduced compared to the previous Report, in addition to the lower amortization service.

Table 28

FINANCIAL REQUIREMENT AND FINANCING OF THE NON-FINANCIAL PUBLIC SECTOR

(Million S/)

	2024	2025*			2026*		2027*
		Jan-Nov	IR Sep.25	IR Dec.25	IR Sep.25	IR Dec.25	IR Dec.25
I. USES	**69,978**	**41,850**	**56,096**	**54,488**	**36,817**	**34,379**	**32,156**
1. Amortization	31,711	26,735	26,886	27,440	9,961	9,532	10,495
a. External	9,625	9,280	10,008	9,910	7,541	7,212	9,789
b. Domestic	22,086	17,455	16,878	17,531	2,420	2,320	706
Of which: recognition bond[1/]	*500*	*378*	*467*	*412*	*550*	*500*	*400*
2. Economic Balance[2/]	38,266	15,115	29,211	27,048	26,856	24,846	21,661
II. FUENTES	**69,978**	**41,850**	**56,096**	**54,488**	**38,817**	**34,379**	**32,156**
1. Disbursements and other	50,949	51,088	52,643	52,056	37,029	36,628	36,543
a. External loans	7,331	999	2,438	1,467	5,029	4,628	4,543
b. Global and sovereign bonds[3/]	43,618	50,089	50,204	50,589	32,000	32,000	32,000
2. Change in deposits and other items[4/]	19,029	-9,238	3,454	2,433	-212	-2,249	-4,387
Note:							
Percentage of GDP							
Gross public debt balance	32.0	30.2	31.3	30.4	32.0	31.2	32.1
Net public debt balance	23.4	22.0	23.7	22.9	24.8	23.8	24.6
Balance of public deposits	8.6	8.2	7.5	7.5	7.2	7.4	7.4

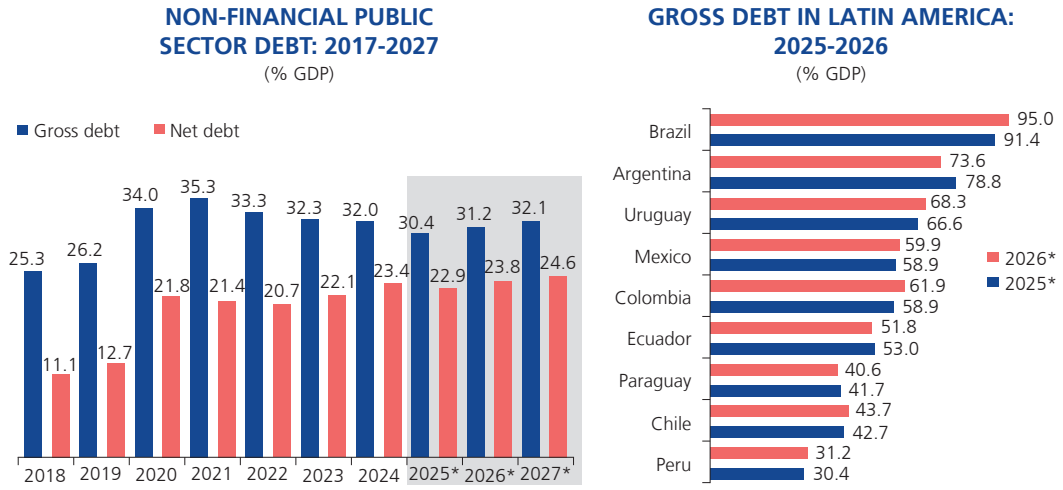
1/ Not consider the implementation of the sentence of the Constitutional Court regarding the new issues of recognition bonds
2/ Positive sign indicates deficit.
3/ Includes the issuance of bonds by the Municipality of Lima in 2024.
4/ Positive sign indicates reduction of deposits.
* Forecast.
IR: Inflation Report

66. The **debt net** of non-financial public sector deposits is estimated to fall from 23.4 percent to 22.9 percent of GDP between 2024 and 2025, before rising to 23.8 percent of GDP in 2026 and 24.6 percent of GDP in 2027. For its part, the gross debt of the Non-Financial Public Sector is expected to fall from 32.0 percent to 30.4 percent of GDP between 2024 and 2025, before rising to 31.2 percent of GDP in 2026 and 32.1 percent of GDP in 2027. Thus, fiscal deficit levels above the fiscal rule limit (1 percent of GDP) in recent years would begin to have a greater effect on public debt as a percentage of output.

Public assets would fall from 8.6 percent of GDP in 2024 to 7.5 percent in 2025, and although they are projected to increase in nominal terms, they would fall as a percentage of GDP to 7.4 percent in 2026 and 2027.

The current and projected level of debt would remain below that observed in other countries in the region, representing an economic strength of the country that should be preserved.

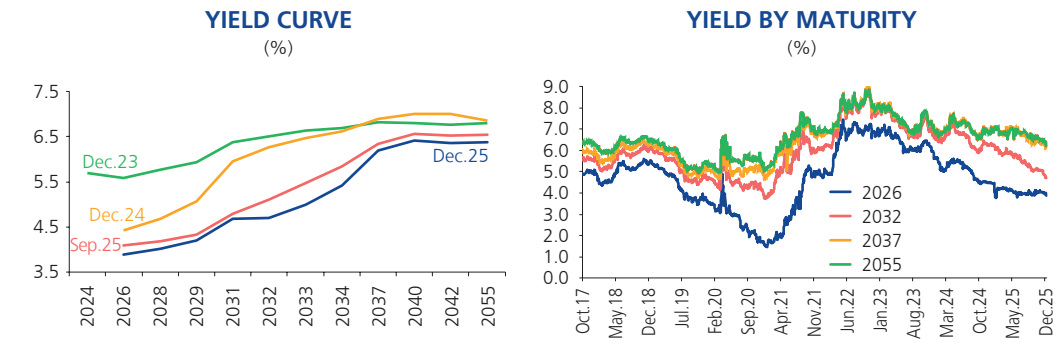
Graph 59



* Projection.
Source: BCRP (Peru) and Fiscal Monitor (October 2025).

67. In the fourth quarter of 2025, yields on fixed-rate Public Treasury Bonds (BTP) denominated in soles fell by an average of 22 basis points, mainly in the middle of the yield curve. This movement was mainly in response to the 10 basis point fall in US Treasury bond yields.

Graph 60



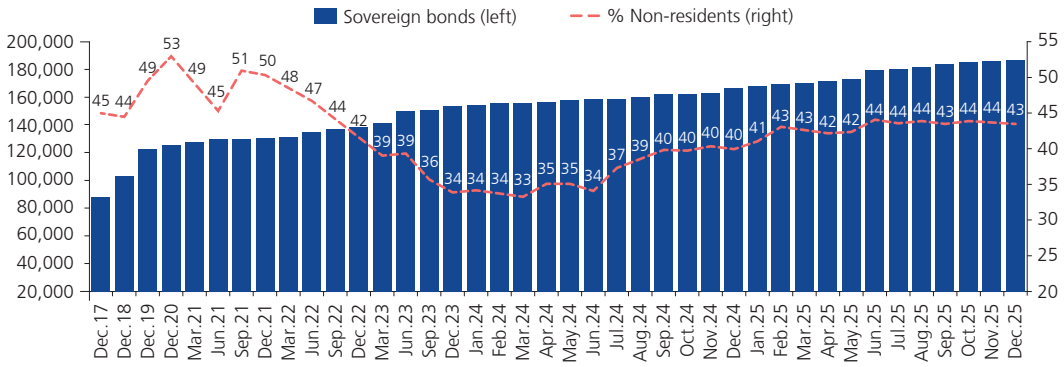
As of December 12.
Source: MEF.

68. On December 11, 2025, the MEF announced the second tranche of the 2025 Sovereign Bond Swap Operation[13] , with the aim of contributing to the development of the public debt market and improving the maturity profile of public debt.

i. The reopening of BTPs maturing in 2035 and 2039 for S/ 907 million and S/ 95 million, respectively. A total of S/ 1,003 million was issued.
ii. The exchange of sovereign bonds maturing in 2026 and 2028 for BTPs maturing in 2025 and 2039. A total of S/ 1,055 million was withdrawn.
iii. In net terms, considering the amount issued for the exchange, the balance of government sovereign bonds resulting from the operation recorded a net reduction of S/ 53 million.

69. The balance of sovereign bonds as of December 12 stands at S/ 186.3 billion, up S/ 2.4 billion from the balance in September 2025. In the fourth quarter, AFPs and non-resident investors are the main demanders, while banks stand out on the supply side. The share of non-resident investors remains at 43.4 percent in the fourth quarter of 2025.

Graph 61
BALANCE OF SOVEREIGN BONDS AND SHARE OF NON-RESIDENT INVESTORS
(Million S/ and %)



As of December 12.
Memo: For the participation of Non-Residents in the holdings of sovereign bonds, as of February 2021, excludes inflation-linked bonds, Global Depositary Notes (GDN) and Euroclear transactions of non-residents. Since March 2021, nominal sovereign bonds and VAC are included and GDN are excluded.
Source: BCRP, CAVALI, MEF, and SBS.

13 In August 2025, the 2026 BTP (S/ 2,056 million) and 2028 BTP (S/ 303 million) were exchanged for the 2034 BTP (S/ 2,568 million).

Box 5
PATTERNS IN COST INCREASES IN PUBLIC INVESTMENT PROJECTS

This box presents an analysis of 75,629 closed and completed investments from the Ministry of Economy and Finance's Project Bank, showing that the value of projects with additional costs represented 65.5 percent of the total value of the investments in the sample (measured using the updated cost). It also shows that the incidence was higher in larger projects and has intensified between 2009 and 2024. Factors such as prolonged execution times and poor management—which can lead to standstills and resumptions under new market conditions—may have contributed to these increases.

As a result, it was found that the highest incidence of cost overruns occurred in regional government projects, which is consistent with the higher incidence of works in a state of standstill, and in the Housing and Sanitation function. The average percentage variation was 10.5 percent, falling to 4.1 percent when isolating the effect of changes in price indices.

Background

The increase in the cost of public investment projects is a persistent problem on a global scale. Empirical evidence shows that deviations in the cost of an investment from what was planned are a frequent and significant occurrence. Along these lines, a study by Flyvbjerg (2016)[14], reported by the Inter-American Development Bank (IDB)[15], calculated that the average cost overrun in infrastructure projects in Latin America was 48 percent for a sample of projects executed in the period 1927-2012. Another study (Watkins et al.[16], 2017) found that 58 percent of a sample of 200 investment projects in Latin America and the Caribbean recorded upward cost deviations.

From a macroeconomic perspective, monitoring cost increases is important to ensure that public spending effectively contributes to potential growth without compromising fiscal stability. This aspect becomes even more relevant in a context of fiscal consolidation such as the one the country is currently experiencing. In this regard, the World Bank's 2020 report "Public Investment Management Reference Guide"[17]highlights that recurring cost variations can erode spending efficiency and reduce fiscal space for new investments.

Regarding the causes, Condon and Hartman (2004)[18]identify the following key factors that would explain cost overruns:

- **Factors associated with inflation:** Increased prices for construction materials and labor costs.
- **Optimism bias and strategic underestimation:** Project developers often intentionally underestimate initial costs to ensure approval. This optimism bias, which may also be unintentional, results in unrealistic initial budgets that may not sustain execution and lead to future standstills.
- **Execution problems:** Poor resource planning, assignment of unqualified personnel, and lack of real-time monitoring can contribute to cost overruns.
- **Changes in scope and design:** Changes in scope that can affect costs are also reported.
- **Other factors:** Regulatory changes can also have an effect on project costs.

14 Flyvbjerg, B. (2016). Making Infrastructure Matter. PowerPoint presentation. Saïd Business School, University of Oxford, Oxford, UK.

15 Cavallo, E., Powell, A., & Serebrisky, T. (2020). From Structures to Services: The Path to Better Infrastructure in Latin America and the Caribbean. IDB.

16 Watkins, G., Mueller, S. U., Meller, H., Ramirez, M. C., Serebrisky, T., & Georgoulias, A. (2017). Lessons from four decades of conflict over infrastructure projects in Latin America and the Caribbean. Washington: IDB, 20-1.

17 Kim, J. H., Fallov, J. A., & Groom, S. (2020). Public investment management reference guide. World Bank Publications.

18 Condon, E., & Hartman, F. T. (2004). Playing the game. Paper presented at PMI® Research Conference: Innovations, London, England. Newtown Square, PA: Project Management Institute.

To explore patterns of project cost deviations in Peru, information on closed and completed investments[19] from the Ministry of Economy and Finance's Project Bank[20] is analyzed. The analysis is based on 75,629 investments closed and completed by the end of 2024[21] , allowing for the evaluation of cases with full execution.

The analysis compares two key variables: the viable amount, corresponding to the valuation approved in the pre-investment phase, and the updated cost, which reflects the latest official valuation of the project, incorporating modifications made during the project cycle. This comparison allows us to identify cost deviations.

Incidence of cost deviations

As a result of comparing the variables, it is possible to classify the projects into three groups: those that showed cost reductions, those that showed no variation, and those that showed cost increases. The analysis by group reveals a concentration of resources in projects with upward cost deviations. The first group, consisting of 18,918 projects with cost reductions, represented a total investment of S/ 21,777 million (19.4 percent of the total). The second group, which includes 21,055 investments with no cost variation, has accumulated updated costs of S/ 17,058 million (15.2 percent of the total). In contrast, the third group, consisting of 35,656 investments with cost overruns, accounts for 65.5 percent of the updated cost.

COMPLETED INVESTMENTS BY COST VARIATION GROUP

	Number of investments	Average updated cost (millions of S/)	Updated cost (millions of S/)	% of total cost
Lower cost	18,918	1.2	21,777	19.4%
No change	21,055	0.8	17,058	15.2%
Cost overrun	35,656	2.1	73,586	65.5%
Total	**75,629**	**1.5**	**112,421**	**100.0%**

Source: MEF. Own calculations and elaboration.

In addition, these aggregate figures show a bias toward increased costs in the execution of public investments. They also suggest, on a preliminary basis, that larger projects would be more likely to experience increases above the viable amount.

A similar situation can be observed when analyzing the distributions of financial execution timeframes[22]. In the case of projects with no cost variations, the median timeframe was 10 months, which is lower than that recorded for the group of projects with cost reductions (13 months) and those with cost increases (19 months). This pattern is consistent with the existence of a significant correlation between the execution period and cost variation.

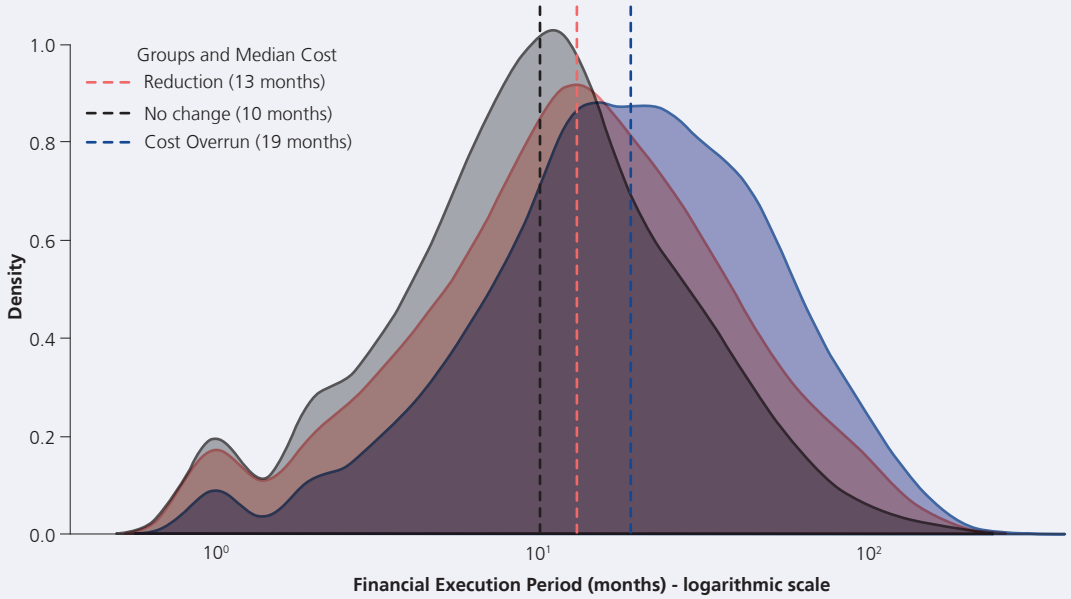
19 For simplicity, the terms "investments" and "projects" are used interchangeably in this document. However, it is important to note that investments also include Investment Reconstruction Interventions (IRIs), investment programs, and IOARR investments (optimization, marginal expansion, rehabilitation, and replacement). Closed investments are those that have incurred expenses and have been completed or, failing that, it has been decided not to continue with their execution on a definitive basis.

20 Updated as of November 20, 2025.

21 The investments recorded in the MEF Project Bank cover the period from 2001 to 2024. However, closure records are only available from 2009 onwards.

22 Defined as the number of months from the first accrual to the last accrual, considering both ends of the period.

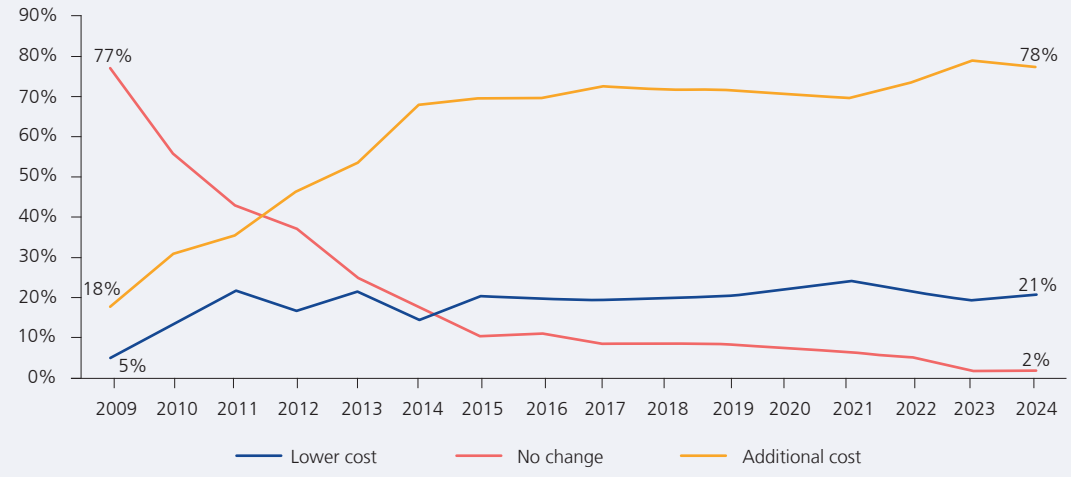
KERNEL DISTRIBUTION OF THE FINANCIAL EXECUTION PERIOD AND MEDIAN BY GROUP



Source: MEF. Own calculations and elaboration.

On the other hand, the incidence of cost overruns has intensified over the period 2009-2024. When the data is broken down by the year of the last accrual for each investment, significant changes in the composition of the projects become apparent. In 2009, 77 percent of completed investments showed no variation in costs; however, this proportion fell dramatically to only 2 percent in 2024. In contrast, projects with cost overruns increased their share from 18 percent to 78 percent over the same period. Likewise, projects with cost reductions also increased their presence, from 5 percent in 2009 to 21 percent in 2024.

COMPOSITION OF THE UPDATED COST IN PROJECTS BY YEAR OF LAST ACCRUAL



Source: MEF. Own calculations and preparation.

In line with the literature outlined, one of the causes that would explain the increase in the incidence of upward adjustments in the viable amount would be the increase in project execution times. In this regard, the BCRP[23] reported that the average maturity terms for closed and completed investments increased from 11.8 to 31.7 months (168 percent) between 2009 and 2024.

23 Central Reserve Bank of Peru. (2025, June). Inflation Report, June 2025: Box 4. https://www.bcrp.gob.pe/docs/Publicaciones/Reporte-Inflacion/2025/junio/reporte-de-inflacion-junio-2025-recuadro-4.pdf

From a functional perspective, the Housing and Sanitation sector shows a high incidence of increases in investment value, affecting 68 percent of its total investment. In contrast, although the Health sector shows a distribution with less bias toward cost overruns, it still has a high incidence: 57 percent of the updated cost corresponds to projects with cost increases, while 25 percent is concentrated in investments without variations.

COMPOSITION OF THE UPDATED COST BY FUNCTION

Function	With cost overruns	No variation	With cost reduction	Subtotal (millions of S/)
Housing and sanitation	68%	10%	22%	17 853
Education	64%	20%	15%	9 760
Transport	64%	13%	23%	29 002
Health	57%	25%	17%	6 821
Other	67%	16%	17%	48 985
Total	**65%**	**15%**	**19%**	**112 421**

Source: MEF. Own calculations and compilation.

In terms of levels of government, subnational governments have a higher incidence of projects with cost overruns, with regional governments being particularly relevant, where 81 percent of investments are affected by this condition. On the other hand, in the national government, 54 percent of the updated cost corresponds to projects whose amount exceeds what was declared viable.

COMPOSITION OF THE UPDATED COST BY LEVEL OF GOVERNMENT

Level	With cost overruns	No variation	With cost reduction	Subtotal (millions of S/)
National Government	54%	26%	20%	37 348
Regional Government	81%	7%	12%	20 584
Local government	68%	11%	22%	54 489
Total	**65%**	**15%**	**19%**	**112 421**

Source: MEF. Own calculations and compilation.

This evidence shows that project size and management quality can significantly influence the incidence of valuation deviations. First, larger-scale projects tend to require longer execution periods, exposing them to greater risks of increases in labor and construction material prices. As the timeline lengthens, more frequent budget adjustments become necessary, increasing the likelihood of changes in valuations. In turn, these projects are likely to face other types of unforeseen events such as geological failures or climatic phenomena.

Secondly, poor management can lead to a standstill in project execution due to inadequate planning, lack of inter-institutional coordination, or administrative problems. When such interruptions occur, work usually resumes under new market conditions, which generally leads to an upward adjustment in the total cost of the project. In this context, the Comptroller General of the Republic (CGR)[24]reported that, at the end of 2024, the updated cost of stalled works under the responsibility of the national government amounted to S/ 9.799 billion, while in regional and local governments the figures reached S/ 17.483 billion and S/ 15.837 billion, respectively. When comparing these amounts with the updated cost of active projects[25], it can be seen that the proportion of investment committed to projects in a state of standstill was higher in regional governments (8 percent), which is consistent with a higher incidence of cost overruns. In contrast, in the national government and local governments, this proportion was only 3 and 2 percent, respectively.

24 Comptroller General of the Republic of Peru. (2024, December). Report on construction projects in the national territory that are in a state of standstill as of December 2024. https://cdn.www.gob.pe/uploads/document/file/7757259/6555301-informe-de-obras-paralizadas-en-el-territorio-nacional-a-diciembre-2024.pdf

25 The universe of active projects is determined by investments that have been approved or declared viable; therefore, it also includes investments that have not recorded financial progress. Data as of November 2024.

STANDSTILL OF PROJECTS AS OF DECEMBER 2024

Level	Updated cost of active investments (millions of S/)	Updated cost of stalled projects (millions of S/)	Incidence (%)
National Government	528,564	15,837	3%
Regional Government	229,035	17,483	8%
Local government	503,862	9,799	2%
Total	**1,261,462**	**43,119**	**3%**

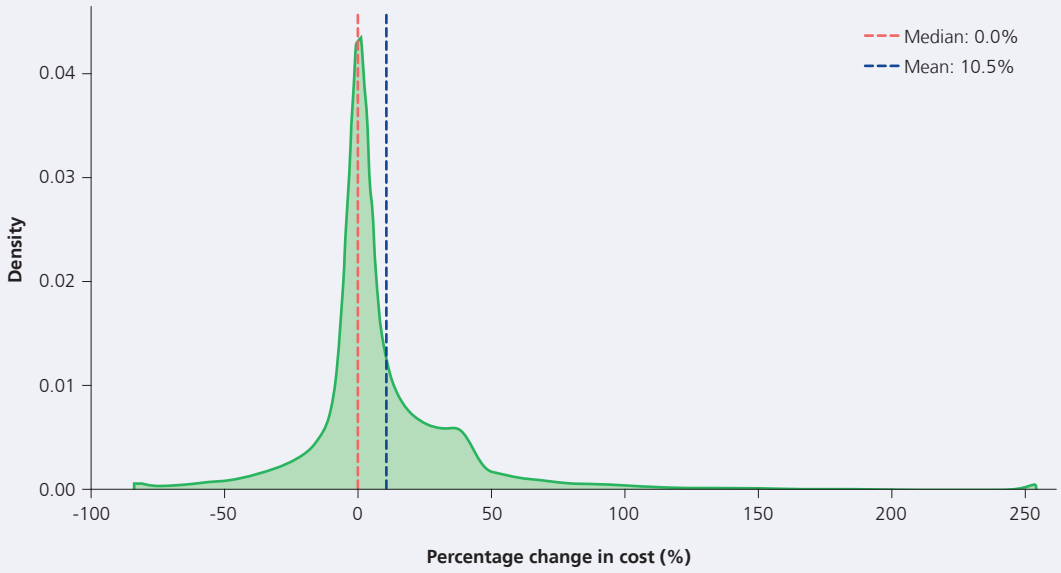
Source: MEF and Comptroller General of the Republic. Own calculations and preparation.

Magnitude of cost deviations

To quantify the magnitude of changes in the viable amount, the percentage change between the updated cost and that amount is calculated. Since this calculation can be affected by outliers, a winsorization procedure[26] is applied with cutoffs at the 0.5 percent and 99.5 percent percentiles in order to mitigate the influence of these extreme values and obtain more robust results.

As a result, there is a strongly right-skewed distribution, characterized by a concentration of probability mass around zero and a tail extending toward positive values. This skewness is quantified by a skewness coefficient of 2.76, indicating a significant deviation from normal symmetry. The median percentage cost variation is 0 percent, reflecting that at least 50 percent of the observations show no cost increases, while the arithmetic mean reaches 10.5 percent, influenced by extreme values in the upper tail.

DISTRIBUTION OF THE PERCENTAGE VARIATION IN COST AFTER WINSORIZATION
(Skewness: 2.76)



Source: MEF. Own calculations and elaboration.

Likewise, the percentage of the total updated cost corresponding to projects with cost variations within specific ranges is estimated. For example, 18,918 completed investments showed a negative variation, representing 19 percent of the total updated cost. On the other hand, investments with cost increases of less than 10 percent accounted for 18 percent of the updated cost. In addition, approximately 7 percent of the total value corresponds to projects whose costs increased by more than 100 percent

26 Since the percentage change in cost is calculated from a ratio, extreme values may arise that distort the analysis. To correct this, winsorization is applied: values below the 0.5 percent percentile and above the 99.5 percent percentile are replaced by the respective cutoff values. This preserves the structure of the distribution without the extremes affecting the aggregate measures, modifying only 1 percent of the records.

compared to the viable amount; that is, whose updated cost was at least double the viable amount. This behavior could be influenced by a longer execution time, which amplifies the impact of price increases on the actual cost incurred.

PROJECTS ACCORDING TO COST RANGE VARIATION

Cost variation	Number of projects	Total updated cost (millions of S/):	Percentage of Total Updated Cost
Negative	18,918	21,777	19%
No change	21,055	17,058	15%
Positive and less than 10%	11,653	20,053	18%
Between 10% and 20%	6,502	14,109	13%
Between 20% and 30%	4,948	10,512	9%
Between 30% and 40%	5,116	8,165	7%
Between 40% and 50%	1,700	3,864	3%
Between 50% and 100%	3,551	9,239	8%
Greater than 100%	2,186	7,643	7%
Total General	**75,629**	**112,421**	**100%**

Source: MEF. Own calculations and compilation.

Cost variation adjusted for the effect of inflation

To isolate the effect of price changes, the viable amount and updated cost values were adjusted using a composite indicator based on the construction materials price index and labor costs, both with a base year of 2007. As a result, the average cost variation fell from 10.5 to 4.1 percent.

In summary, these findings show that the magnitude of deviations in investment valuations cannot be explained solely by changes in the price indices of public investment inputs; in addition, factors such as the proportion of projects in a state of standstill and the time required to execute an investment also have an influence, with the latter aspect being linked to both the size of the projects and the speed of execution.

V. Monetary policy and financial conditions

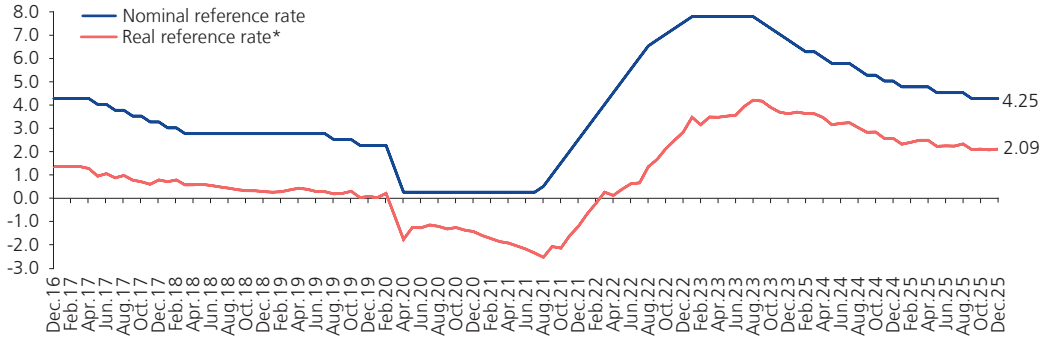
Monetary policy actions

70. The Board of Directors of BCRP decided to maintain the benchmark rate at 4.25 percent at the Monetary Program meetings in October, November, and December. As a result, the benchmark rate in real terms currently stands at 2.09 percent, very close to the estimated neutral level (around 2.0 percent)[27]. This level is consistent with inflation forecasts and inflation determinants, in a context where inflation expectations and trend indicators are close to the center of the target range and economic growth is not subject to inflationary pressures from demand.

    In its October, November, and December policy statements, the Board reaffirmed its commitment to take the necessary actions to keep inflation within the target range.

71. During the cycle of monetary policy interest rate cuts between September 2023 and September 2025, the benchmark rate accumulated a reduction of 350 basis points.

Graph 62
REFERENCE INTEREST RATE
(Percentage)



* With expectation on inflation.
Source: BCRP.

72. Since May 2024, monetary policy statements have emphasized that the Board will be attentive to new information on inflation and its determinants, including developments in inflation excluding food and energy (SAE)[28]. This indicator stood at 1.8 percent in November 2025 and is projected to remain around 2 percent.

73. With regard to the tone of the Informative Note and monetary policy communication signals, the tone indicator estimated by the BCRP remained in the dovish zone, although its value has fallen to more neutral levels in recent months.

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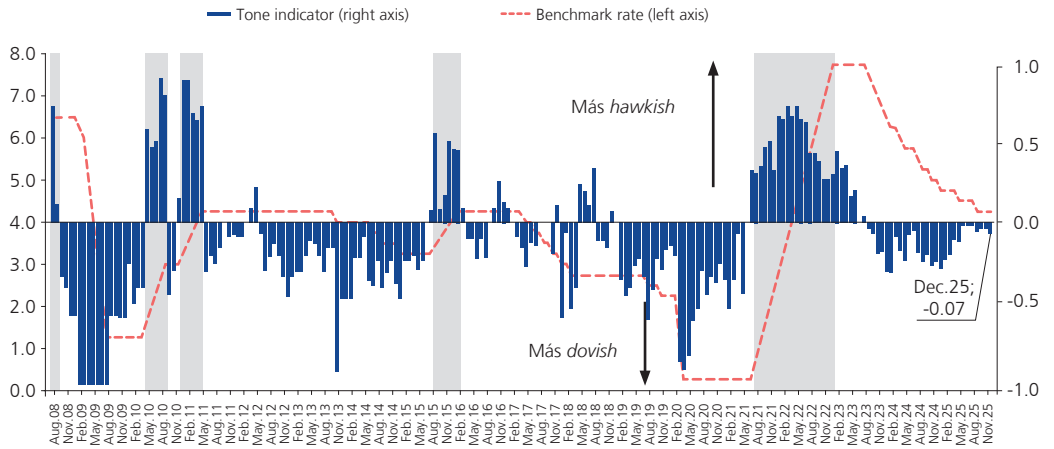
27 The neutral real interest rate is defined as the rate consistent with a scenario in which the economy remains at its potential level of output and the inflation rate is at its long-term equilibrium level. See Box 5 in the September 2023 Inflation Report. https://www.bcrp.gob.pe/docs/Publicaciones/ReporteInflacion/2023/setiembre/reporte-de-inflacion-setiembre-2023- recuadro-5.pdf

28 Year-on-year inflation excluding food and energy more clearly reflects the demand components on which monetary policy acts.

Graph 63
REFERENCE INTEREST RATE AND MONETARY POLICY TONE INDICATOR*
(Percentage and index value)



* For the monetary policy tone indicator, the positive values of the index mean a tone in favor of a contractionary position (hawkish), while negative values imply communication with an expansive position (dovish). Shaded areas correspond to periods of rising interest rates.
Source: BCRP. The methodology is based on Vega, M. and Lahura, E. (2020). "Assessing central bank communication through monetary policy statements: Results for Colombia, Chile, and Peru," DT. No. 2020-017, BCRP.

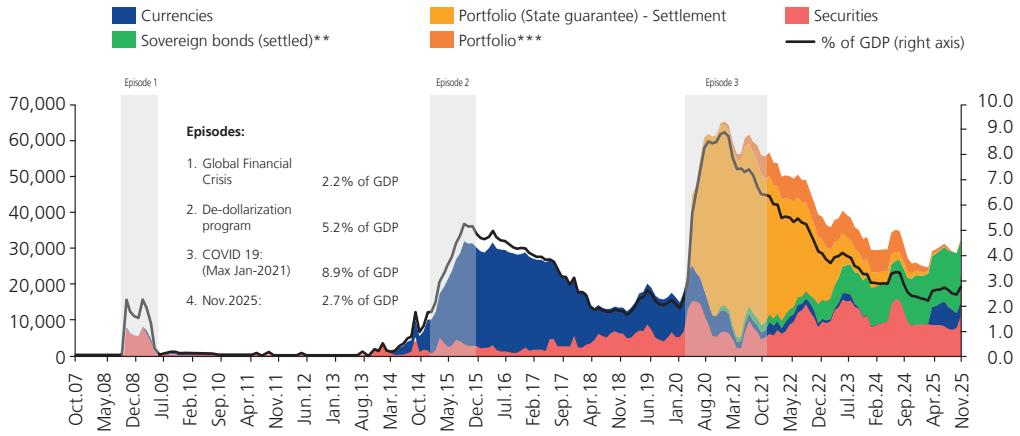
Monetary Operations

74. The BCRP's operations were oriented to ensuring adequate liquidity levels in the interbank market. To this end, between the beginning of September and the end of November, the BCRP injected net liquidity of S/ 4.647 billion, comprising the net placement of Security repos (S/ 3.543 billion), purchases on the Trading Desk for USD 510 million (S/ 1.716 billion), the settlement of BTP holdings (S/ 1.5 billion), the net placement of auctions of Public Treasury term deposits (S/ 1.395 billion), and the net maturity of CDBCRP (S/ 1.196 billion). This injection was in part offset by the net maturity of Currency Repos (S/ 2.2 billion), the net placement of Term and Over-the-Counter Deposits (S/ 1.698 billion), the maturity of Alternative Loan Portfolio Repos (S/ 742 million), and the amortization of government-secured credit repos (S/ 62 million).

In September 2025, Law No. 32445 was published, authorizing an eighth withdrawal of funds of up to 4 Tax Units (UIT), equivalent to S/ 21,400, from the accumulated fund in each participant's individual capitalization account. In this context, as of December 12, 2025, security repos have been carried out with the AFPs for an amount of S/ 5.9 billion for a term of three months, and foreign currency purchases have been made in order to avoid undesirable impacts on the financial markets. As of December 12, 2025, direct purchases of dollars by the BCRP from the AFPs amounted to USD 206 million. Likewise, the currency repos, which began in March 2025, were partially renewed during the quarter.

The total balance of liquidity injection operations was S/ 32,014 million at the end of November 2025, while the balance of BCRP Certificates of Deposit (CD BCRP) was S/ 36,666 million on the same date. In terms of nominal GDP, at the end of November, the balance of liquidity injection operations was equivalent to 2.7 percent of GDP.

Graph 64
BALANCE OF BCRP INJECTION OPERATIONS*
(In millions of soles)



* At the end of November 2025.
** Purchase of Treasury bonds, in line with Article 61 of the Organic Law of the BCRP.
*** Repos operations of portfolio loans.
Source: BCRP.

75. Regarding the composition of the BCRP balance sheet, the balance of BCRP injection operations increased from 5.3 to 5.9 percent of BCRP net assets between the end of August and November 2025, mainly due to the increase in the share of Security repos (from 2.1 to 3.2 percent). During the same period, the share of Public Sector deposits in the BCRP's net liabilities fell from 19.6 percent to 18.5 percent, while the share of financial system deposits rose from 25.9 percent to 27.2 percent. Finally, the BCRP's sterilization instruments (BCRP CDs, term deposits, and window deposits) increased their share of the BCRP's net liabilities from 12.8 percent in August 2025 to 13.0 percent in November 2025, and currency in circulation increased its share from 25.7 to 26.6 percent in the same period.

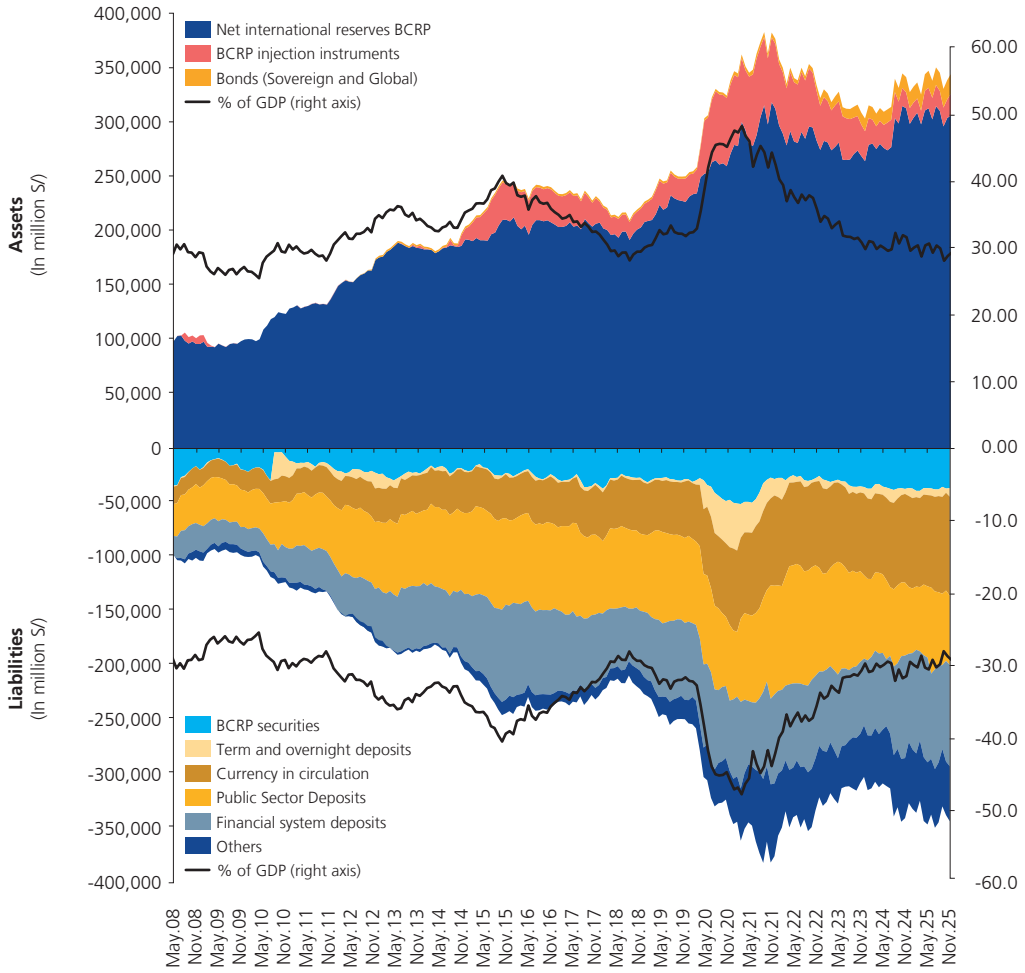
Table 29
SIMPLIFIED BALANCE SHEET OF THE BCRP **
(As % of Net Assets)

	Dec.23	Dec.24	Aug.25	Nov.25
I. Net Assets	**100%**	**100%**	**100%**	**100%**
1. Net international reserves	**87.1%** (USD 71 033 million)	**91.1%** (USD 78 987 million)	**89.9%** (USD 87 753 million)	**88.9%** (USD 90 898 million)
2. BCRP injection instruments	**9.1%**	**4.4%**	**5.3%**	**5.9%**
Securities Repo	3.6%	2.6%	2.1%	3.2%
Currency Repo	0.1%	0.0%	1.8%	1.1%
Portfolio Repo	2.1%	0.7%	0.2%	0.0%
State Guaranteed Portfolio repos	1.6%	0.4%	0.0%	0.0%
Auction of Public Treasury Deposits	1.7%	0.7%	1.2%	1.6%
3. Bonds (Sovereign and Global)	**3.8%**	**4.5%**	**4.8%**	**5.3%**
II. Net liabilities	**100%**	**100%**	**100%**	**100%**
1. Total Public Sector deposits	**25.4%**	**18.8%**	**19.6%**	**18.5%**
In domestic currency	19.9%	12.6%	12.4%	12.5%
In foreign currency	5.5%	6.2%	7.2%	6.0%
2. Total financial system deposits	**20.3%**	**24.9%**	**25.9%**	**27.2%**
In domestic currency	4.8%	4.4%	3.9%	4.0%
In foreign currency	15.5%	20.5%	22.0%	23.2%
3. BCRP sterilization instruments	**13.7%**	**13.4%**	**12.8%**	**13.0%**
CD BCRP	11.6%	11.2%	11.0%	10.7%
CDR BCRP	0.2%	0.0%	0.0%	0.0%
Term deposits	1.1%	1.8%	1.8%	2.1%
Overnight deposits	0.9%	0.4%	0.0%	0.2%
4. Currency in circulation	**24.9%**	**25.7%**	**25.7%**	**26.6%**
5. Other*	**15.7%**	**17.2%**	**16.0%**	**14.8%**

* Includes equity and other accounts.
** Information as of the end of November 2025.
Source: BCRP.

With regard to the size of the BCRP balance sheet, in November 2025, BCRP assets amounted to S/ 343,723 million, equivalent to 29.2 percent of GDP, lower than at the end of August 2025 (29.8 percent of GDP), and in line with its pre-pandemic level.

Graph 65
EVOLUTION OF THE BCRP BALANCE SHEET: 2008-2025



Source: BCRP.

76. Between the end of August and November 2025, the residual maturity of injection operations fell from 50 to 46 days. This reduction is mainly explained by the amortization of government-secured loan portfolio repos, the maturity of portfolio repos, and the net maturity of currency repos.

For its part, the residual maturity of sterilization operations increased by 3 days (from 103 to 106 days) between August and November 2025. This increase is explained by the higher amount of CD BCRP placements with maturities of more than 3 months.

As a result, between the end of August and November 2025, the weighted net residual term of BCRP operations[29] decreased by one day. Thus, the average maturity terms of

29 The weighted net residual maturity is the difference between the residual maturity of injection and sterilization operations, weighted by the balance of each instrument. It is calculated according to the formula: Weighted Net Residual Maturity $= \frac{Injection\ Balance}{Injection\ Balance + Sterilization\ Balance} * PR\ Injection - \frac{Sterilization\ balance}{Injection\ Balance + Sterilization\ Balance}$

** PR Sterilization where PR* refers to the residual terms of injection and sterilization operations, respectively.

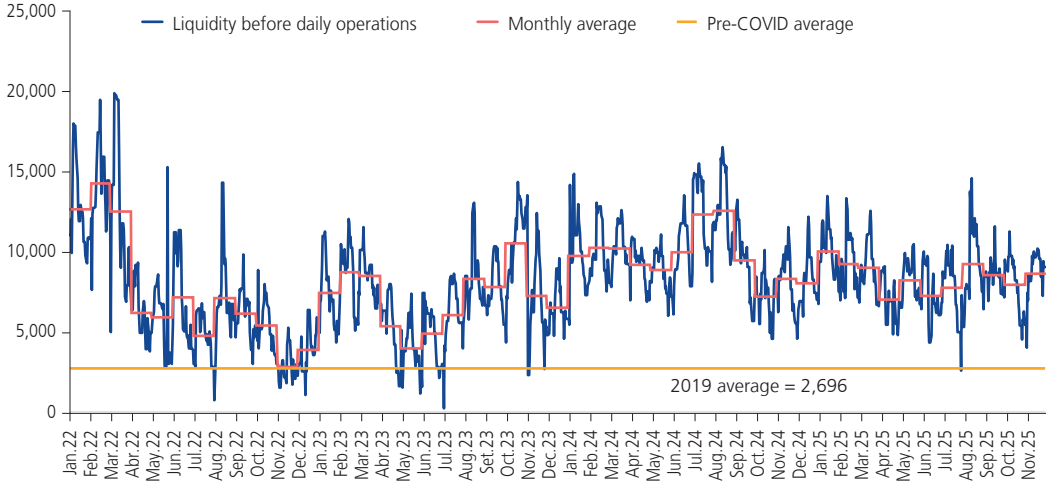
Monetary sterilization instruments (BCRP liabilities) outweigh those of liquidity injection instruments (BCRP assets) by 59 days.

Graph 66
WEIGHTED NET RESIDUAL TERM OF BCRP OPERATIONS*
(In days)

*A positive weighted net residual term reflects that the average maturity term of injection operations is longer than that of sterilization operations.
Note: At the end of November.
Source: BCRP.

For its part, between the end of August and November 2025, the daily average liquidity before bank operations[30] decreased from S/ 9.23 billion to S/ 8.649 billion. This reduction is mainly explained by the regularization of the increase recorded in August, associated with a greater fiscal injection as a result of the payment of sovereign bond coupons.

Graph 67
LIQUIDITY BEFORE OPERATIONS OF BANKS
(In millions of soles)



Mar.22	Jun.22	Sep.22	Dec.22	Mar.23	Jun.23	Sep.23	Dec.23	Mar.24	Jun.24	Sep.24	Nov.24	Dec.24	Mar.25	Jun.25	Jul.25	Aug.25	Sep.25	Oct.25	Nov.25
12,535	7,156	6,126	3,857	8,502	4,881	7,833	6,523	10,238	10,014	9,463	8,310	8,035	9,030	7,230	7,741	9,230	8,543	7,948	8,649

Note: At the end of November.
Source: BCRP

30 The aggregate current account of banks at the BCRP at the start of the day is considered. Specifically, it considers the balance before operations with the issuing entity, once the net maturities of injection instruments and sterilization from the previous day have been incorporated, as well as the effect of other exogenous factors.

Financial markets

77. In the fourth quarter of 2025, financial conditions in domestic currency continued to reflect the September reduction in the reference rate (25 basis points). In the money markets, most bank lending and deposit rates declined, especially those with shorter maturities.

In the unsecured interbank lending market, the overnight interbank interest rate remained at its benchmark rate. During the fourth quarter, the average daily trading volume was S/ 1,367 million, higher than the average traded in the third quarter (S/ 1,291 million).

Table 30
INTEREST RATES IN DOMESTIC CURRENCY1[1/]
(Percentage)

	Dec.22	Dec.23	Dec.24	Mar.25	Jun.25	Sep.25	Dec.25	Avg. since 2010[2/]
Liabilities								
Corporate Preferential 90 days	8.1	6.7	4.5	4.5	4.5	4.4	4.3	3.9
TIPMN	3.0	3.5	2.4	2.3	2.3	2.2	2.0	2.3
FTIPMN	3.7	3.1	2.2	2.4	2.3	2.2	2.0	2.3
Deposits up to 30 days	7.4	6.7	4.4	4.2	4.2	4.2	4.0	3.6
Individuals	3.7	3.3	3.3	3.1	3.0	3.2	3.3	2.5
Business	7.4	6.7	4.4	4.2	4.2	4.2	4.0	3.6
Term deposits from 31 to 90 days	7.5	6.6	4.4	4.2	4.3	4.2	4.1	3.8
Individuals	3.7	6.1	3.9	3.6	3.8	3.9	3.7	2.4
Business	7.8	6.8	4.7	4.5	4.5	4.4	4.3	3.9
Term deposits from 91 to 180 days	7.6	6.2	4.1	4.0	3.9	3.9	4.0	3.9
Individuals	4.8	5.9	3.7	3.6	3.6	3.5	3.4	2.9
Business	8.5	6.9	4.8	4.6	4.5	4.4	4.5	4.2
Term deposits from 181 to 360 days	7.6	5.7	4.2	4.1	4.0	4.1	4.2	4.1
Individuals	6.9	5.0	3.7	3.7	3.8	4.0	3.9	3.8
Business	7.8	6.2	4.6	4.5	4.3	4.2	4.5	4.3
Term deposits over 360 days	6.8	5.4	4.1	3.8	3.6	3.9	4.0	4.3
Individuals	5.9	5.0	3.7	3.4	3.3	3.6	3.7	4.3
Business	7.8	6.0	4.5	4.4	4.5	4.4	4.4	4.3
CTS	2.6	2.0	2.0	3.3	2.0	2.5	2.3	3.0
Active								
Corporate Preferential 90 days	9.2	7.5	5.1	5.0	5.0	4.9	4.8	4.7
TAMN	14.5	15.9	15.0	14.8	15.1	15.5	15.9	15.6
FTAMN	28.3	28.4	27.5	28.5	30.3	29.4	29.8	22.0
Corporate	8.9	8.1	5.8	5.7	5.8	5.8	5.6	5.4
Large Companies	10.6	10.2	8.4	7.7	7.8	7.8	7.6	7.1
Medium-sized companies	14.1	13.3	10.3	10.5	9.8	10.7	10.1	10.4
Small Businesses	22.5	22.9	19.8	20.2	19.8	20.1	19.6	20.4
Microenterprises	35.7	37.7	46.3	65.1	65.7	70.6	68.7	35.7
Microenterprises[3/]	39.3	43.9	48.8	58.0	55.6	56.2	56.8	41.5
Consumer	49.6	56.9	59.9	57.0	57.0	55.6	59.4	44.5
Consumer[3/]	47.7	54.3	55.6	60.2	56.3	55.9	55.3	48.6
Mortgage	9.9	9.1	8.2	8.0	7.9	7.9	7.9	8.4

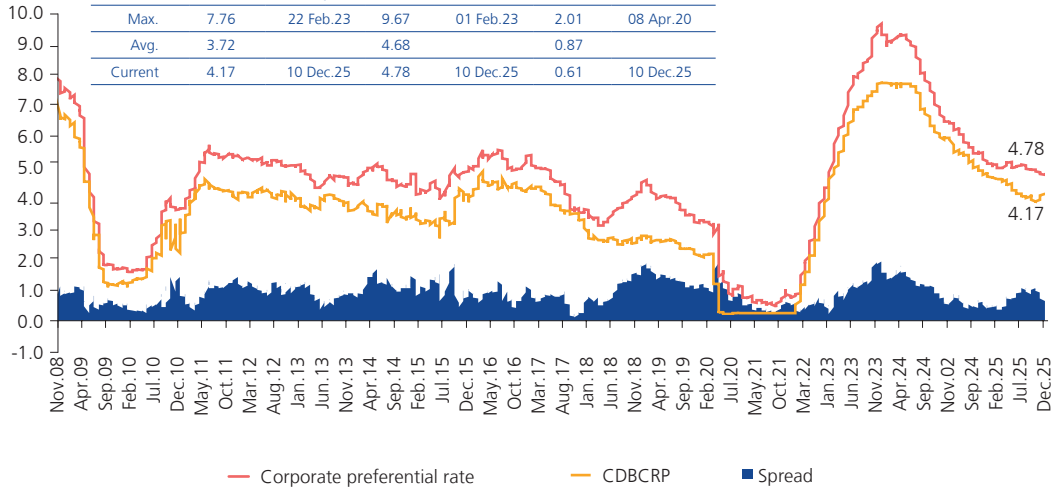
1/ Annual rates for bank operations over the last 30 days.
2/ Calculated as of September 2010. In the case of consumer credit from the financial system, this is the average since October 2019.
3/ Corresponds to the average for the financial system.
On July 14, 2023, the SBS published Resolution N°. 2368-2023, which modified the definitions of corporate credit segments, effective as of October 1, 2024.
As of December 12.
Source: BCRP y SBS.

In the case of active and passive corporate preferential interest rates, which are representative of the market and the financial conditions of banks, these decreased in most terms during the fourth quarter and to a greater extent in the overnight term. Thus, between September and December 2025, lending and borrowing rates between overnight and twelve-month terms accumulated average reductions of 14 and 4 basis points, respectively (19 and 10 basis points, respectively, for the overnight term).

The spread between the corporate preferential lending rate and the 3-month CD BCRP rate narrowed between the third and fourth quarters of 2025 from 99 to 61 basis points, following an increase in the CD BCRP rate and a reduction in the preferential rate.

Graph 68
3-MONTH CORPORATE PRIME LENDING AND 3-MONTH CD-BCRP RATES
(Percentage)

		CDBCRP	3-Month corporate prime lending		Spread	
Min.	0.24	27 May.20	0.48	21 Apr.21	-0.01	09 Mar.11
Max.	7.76	22 Feb.23	9.67	01 Feb.23	2.01	08 Apr.20
Avg.	3.72		4.68		0.87	
Current	4.17	10 Dec.25	4.78	10 Dec.25	0.61	10 Dec.25



As of December 12.
Source: BCRP and SBS.

78. In the bank credit market, lending rates in domestic currency decreased in most segments, especially those with higher credit risk. In line with this, in the fourth quarter of 2025, interest rates for medium, small, and microenterprises decreased by 59, 47, and 186 basis points, respectively. On the other hand, the consumer segment stood out with the largest increase in its interest rate.

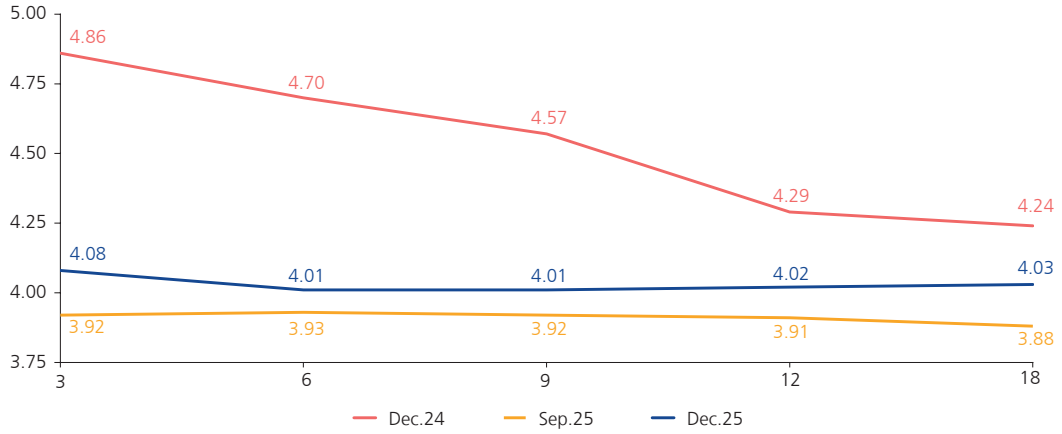
Over the same period, the average interest rate on mortgage loans fell slightly from 7.92 percent to 7.91 percent, while the yield on 10-year sovereign bonds fell from 6.05 percent to 5.83 percent between September and December. The balance of mortgage loans held by banks increased from S/ 65.8 billion to S/ 66.4 billion between September and October 2025.

In the bank deposit market, interest rates showed mixed performance, with larger reductions compared to the third quarter. By type of depositor, among the interest rates paid to individuals, the reduction in the 91- to 180-day term (15 basis points) and the increase in the term of more than 360 days (5 basis points) stand out. For its part, interest rates paid to companies decreased for terms of up to 30 days and between 31 and 90 days on average by 12 basis points, while for longer terms increases of 10 basis points were recorded on average. The interest rate on CTS deposits fell from 2.49 percent in September 2025 to 2.34 percent in December 2025. The balance of this type of domestic currency deposit decreased between December 2024 and October 2025 from S/ 4,447 million to S/ 4,420 million.

79. The curve for Certificates of Deposit (CD BCRP) recorded an upward shift between September and December. The quarterly variation in yields for terms between 3 and 18 months corresponds to an average increase of 12 basis points, in contrast with the average reduction recorded in the second quarter (23 basis points). Since the beginning of the third quarter of 2024, the BCRP has been conducting

regularly auctions CDBCRP with long maturities (between 12 and 18 months), and thus the new benchmark is helping to form a short-term curve for the private sector.

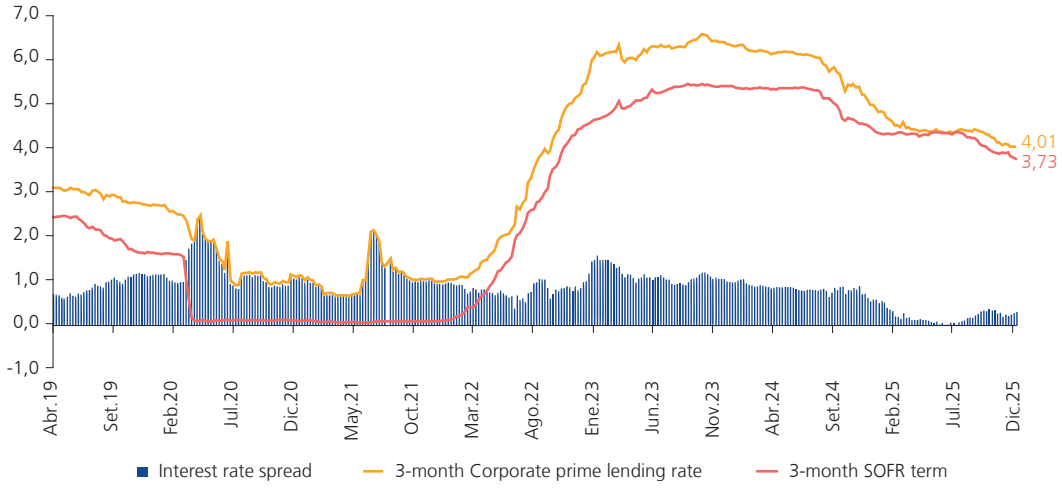
Graph 69
YIELD CURVE OF BCRP SECURITIES[1/]
(In percentage)



1/ Yield rate of the primary and secondary market for BCRP CDs.
As of December 15.
Source: BCRP.

80. In the dollar money market, most interest rates declined in the fourth quarter of 2025, in line with the reduction in the US monetary policy rate and the futures market's expectation of further cuts in the Federal Reserve rate. In the interbank market, the overnight interest rate fell to 4.00 percent in December 2025. Preferential interest rates declined across all maturities, with the largest reduction in lending rates. The 3-month Term SOFR fell from 4.00 percent in September to 3.73 percent in December. The spread between the preferential lending rate and the 3-month Term SOFR decreased from 0.29 to 0.28 percentage points over the same period.

Graph 70
INTEREST RATE IN DOLLARS: CORPORATE PREFERENTIAL ACTIVE AND CME TERM-SOFR AT 3 MONTHS
(In percentage)



As of December 12.
Source: Chicago Mercantile Exchange, BCRP

In the foreign currency bank loan market, interest rates showed mixed behavior in the fourth quarter of 2025. On the one hand, the corporate and small business segments saw increases of 4 and 5 basis points, respectively. On the other hand, the rates charged to

large, medium, and micro-enterprises were reduced by 28 basis points on average. The mortgage interest rate fell slightly, from 6.82 percent to 6.80 percent between September and December 2025, while the yield on 10-year global bonds fell from 5.17 percent to 5.12 percent over the same period.

For its part, most dollar deposit rates declined in the fourth quarter of 2025, with corporate deposit rates falling the most. The interest rate on CTS deposits at banks fell from 1.19 percent in September to 0.92 percent in December.

Table 31
INTEREST RATE IN FOREIGN CURRENCY[1/]
(%)

	Dec.22	Dec.23	Dec.24	Mar.25	Jun.25	Set.25	Dec.25	Avg. since 2010[2/]
Liabilities								
Corporate Preferential 90 days	4.7	5.3	3.9	3.7	3.6	3.5	3.3	1.7
TIPMEX	1.2	1.9	1.7	1.6	1.5	1.4	1.1	0.8
FTIPMEX	2.3	3.3	2.8	2.6	2.7	2.7	2.4	1.1
Deposits up to 30 days	3.6	5.1	3.7	3.4	3.5	3.4	3.1	1.4
Individuals	1.1	3.4	2.8	2.5	2.8	2.6	2.6	1.0
Business	3.6	5.1	3.7	3.4	3.5	3.4	3.1	1.4
Term deposits from 31 to 90 days	3.3	4.8	3.8	3.5	3.3	3.3	3.1	1.6
Individuals	1.7	3.8	3.1	2.8	2.8	2.8	2.7	1.1
Business	3.4	5.1	4.1	3.7	3.6	3.6	3.3	1.7
Term deposits from 91 to 180 days	3.4	3.6	3.1	2.9	2.9	2.8	2.6	1.5
Individuals	2.1	3.2	2.9	2.7	2.6	2.6	2.4	1.2
Business	4.6	5.0	3.9	3.4	3.6	3.3	3.3	1.8
Term deposits from 181 to 360 days	3.8	3.5	3.1	2.8	2.9	3.0	2.5	1.6
Individuals	3.2	2.7	2.7	2.8	2.8	2.8	2.4	1.4
Business	4.9	5.5	3.9	3.0	3.5	3.4	3.2	1.8
Term deposits over 360 days	3.5	4.1	3.6	2.4	2.9	2.5	2.4	1.7
Individuals	2.9	3.0	2.4	2.4	2.7	2.5	2.4	1.5
Business	4.8	5.2	4.1	3.6	3.6	3.1	2.0	1.9
CTS	1.1	0.9	0.9	1.1	1.0	1.2	0.9	1.4
Active								
Corporate Preferential 90 days	6.0	6.3	4.8	4.4	4.3	4.3	4.0	2.7
TAMEX	9.3	10.9	10.6	9.9	9.7	9.7	9.9	8.1
FTAMEX	10.9	13.0	12.4	12.2	11.0	11.6	13.1	8.6
Corporate	6.1	7.5	6.3	5.8	5.6	5.4	5.5	3.7
Large Companies	7.8	8.8	7.5	7.2	7.0	6.7	6.5	5.8
Medium-sized companies	8.8	9.8	9.1	8.7	8.9	8.8	8.6	8.0
Small Businesses	12.2	13.2	10.0	9.9	9.6	9.3	9.4	11.5
Microenterprises	12.7	15.5	10.7	13.5	19.7	24.2	23.8	16.1
Microenterprises[3/]	9.4	16.1	10.7	19.4	16.4	16.4	19.9	13.5
Consumer	41.0	45.9	48.3	46.1	46.9	49.0	52.0	33.6
Consumer[3/]	37.1	40.8	47.6	49.4	48.1	46.3	48.3	39.9
Mortgage	8.3	7.9	7.1	7.0	7.0	6.8	6.8	7.0

1/ Annual rates for bank operations over the last 30 days.
2/ Calculated from September 2010. In the case of consumer credit in the financial system, this is the average since October 2019.
3/ Corresponds to the average for the financial system.
On July 14, 2023, the SBS published Resolution N°. 2368-2023, which modified the definitions of corporate credit segments, effective as of October 1, 2024.
As of December 12.
Source: BCRP and SBS.

81. The difference between the monetary policy interest rates of the BCRP and the Federal Reserve (Fed) increased from 0 to 0.50 percentage points between September and December 2025. During this period, the Fed rate fell from 4.25 to 3.75 percent, while the BCRP benchmark rate remained at 4.25 percent. This increase in the policy rate differential was reflected in some interest rates in the financial system. The cases of negative differentials, recorded mainly during 2024, are mainly explained by larger reductions in interest rates in soles compared to rates in dollars.

In 2025, as of December 12, interest rate spreads are mostly positive. In the credit market, all segments show positive spreads in December, in line with the trend observed since April 2025. Similarly, in the term deposit market, both individuals and business show positive spreads across all maturities.

Table 32

INTEREST RATE DIFFERENTIALS IN SOLES AND DOLLARS

(In percentage points)

MONEY MARKET

	Dic.23	Mar.24	Jun.24	Sep.24	Dec.24	Mar.25	Jun.25	Sep.25	Dec.25
Monetary Policy	1.25	0.75	0.25	0.25	0.50	0.25	0.00	0.00	0.50
Interbank	1.25	0.75	-0.08	0.25	0.44	0.25	0.13	0.00	0.25
Preferential Active Corporate									
1 Month	1.26	0.57	-0.05	-0.08	0.30	0.54	0.66	0.66	0.80
3 Months	1.22	0.41	-0.01	-0.03	0.32	0.59	0.69	0.64	0.78
6 Months	1.16	0.33	-0.16	0.12	0.14	0.59	0.68	0.68	0.78
Corporate Passive Preferential									
1 Month	1.58	0.85	0.41	0.29	0.67	0.78	0.85	0.85	0.95
3 Months	1.45	0.67	0.35	0.25	0.60	0.75	0.87	0.90	1.04
6 Months	1.32	0.60	0.26	0.38	0.53	0.74	0.89	0.97	1.09

BANK LOAN MARKET

	Dec.23	Mar.24	Jun.24	Sep.24	Dec.24	Mar.25	Jun.25	Sep.25	Dec.25
Credit									
Corporate	0.58	-0.18	-0.80	-0.33	-0.44	-0.10	0.14	0.35	0.12
Large Companies	1.39	0.60	0.58	0.59	0.86	0.49	0.73	1.07	1.12
Medium-sized companies	3.50	3.16	2.04	3.25	1.18	1.80	0.89	1.88	1.47
Small Businesses	9.61	8.84	8.35	8.50	9.77	10.36	10.23	10.78	10.26
Microenterprises	22.21	29.94	30.41	32.02	35.60	51.60	46.02	46.45	44.99
Microenterprises 1/	27.77	34.97	35.00	34.40	38.11	38.61	39.16	39.81	36.95
Consumer	10.95	9.63	11.61	8.57	11.58	10.89	10.07	6.58	7.38
Consumer1/	13.48	11.78	9.78	12.08	7.94	10.75	8.22	9.63	7.06
Mortgage	1.20	1.17	1.34	1.50	1.12	0.95	0.90	1.10	1.11
TAMN-TAMEX	5.00	4.68	4.68	3.93	4.47	4.87	5.44	5.77	5.96
FTAMN-FTAMEX	15.48	14.84	12.40	13.79	15.17	16.36	19.27	17.80	16.65

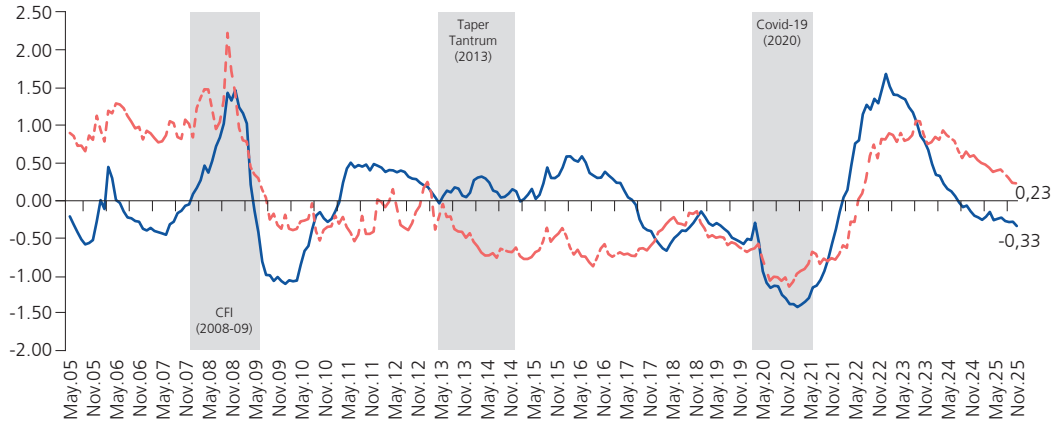
BANK DEPOSIT MARKET

	Dec.23	Mar.24	Jun.24	Sep.24	Dec.24	Mar.25	Jun.25	Sep.25	Dec.25
Individuals									
Up to 30 days	-0.11	0.05	-0.17	-0.07	0.41	0.60	0.24	0.52	0.73
31-90 days	2.22	1.86	1.32	1.09	0.84	0.84	1.06	1.08	1.01
91-180 days	2.64	1.73	1.02	0.97	0.82	0.86	1.03	0.91	0.98
181-360 days	2.31	1.98	1.35	0.77	1.03	0.89	1.04	1.14	1.49
More than 360 days	1.99	1.99	1.35	1.40	1.27	1.06	0.63	1.11	1.22
Legal entities									
Up to 30 days	1.62	0.60	0.43	0.21	0.67	0.79	0.77	0.72	0.89
31-90 days	1.63	0.93	0.70	0.20	0.65	0.79	0.89	0.86	0.99
91-180 days	1.86	0.64	0.44	0.27	0.86	1.19	0.97	1.12	1.12
181-360 days	0.71	0.63	-0.05	0.69	0.72	1.49	0.80	0.81	1.26
More than 360 days	0.74	0.52	0.22	0.34	0.40	0.84	0.91	1.23	2.40
Total									
Savings	0.04	-0.01	-0.02	-0.09	-0.01	0.00	0.00	0.01	-0.04
Up to 30 days	1.62	0.60	0.44	0.21	0.67	0.79	0.78	0.72	0.89
31-90 days	1.81	1.05	0.82	0.38	0.59	0.70	0.97	0.95	1.03
91-180 days	2.64	1.51	0.53	0.81	0.97	1.11	0.99	1.04	1.38
181-360 days	2.28	1.68	0.89	0.88	1.05	1.29	1.14	1.10	1.65
More than 360 days	1.25	1.50	1.10	1.22	0.50	1.36	0.75	1.31	1.53
Term	1.63	0.64	0.47	0.23	0.67	0.79	0.78	0.73	0.91
CTS	1.13	2.37	1.36	1.34	1.11	2.24	1.01	1.30	1.42
TIPMN - TIPMEX	1.61	1.24	0.91	0.59	0.69	0.74	0.79	0.80	0.87
FTIPMN-FTIPMEX	-0.18	-0.36	-0.78	-0.81	-0.62	-0.25	-0.41	-0.52	-0.38

1/ Corresponds to the financial system average.
As of December 12.
Source: BCRP and SBS.

82. In the case of financial conditions as of November, they remain flexible in domestic currency and accommodative since August 2024, in line with interest rates in the financial system, which have been falling since that period. For its part, the easing of financial conditions in foreign currency has been ongoing since July 2025, in a context of reductions in the US Federal Reserve's monetary policy interest rate, with expectations of further cuts continuing.

Graph 71
FINANCIAL CONDITIONS INDICES IN PERU (2005 - 2025)

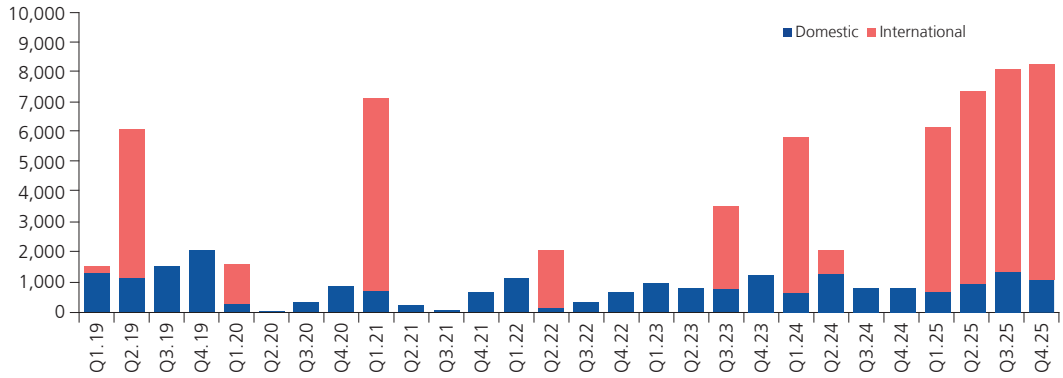


Note: Based on the document "Estimation of new financial condition indices for the Peruvian economy" by Pérez, F. (2024). Working Papers 2024-012, Central Reserve Bank of Peru. Principal component analysis methodology is used on a set of interest rate and spread data to construct the indices in both currencies. Data as of the end of November.
Source: BCRP.

Fixed income market

83. Private sector placements in the bond market remained buoyant in the fourth quarter of 2025, driven mainly by issuances in international markets. Peruvian companies continued to take advantage of favorable financing conditions in the foreign market. In the local market, placements through public offerings amounted to S/ 1,097 million between October and December, down from S/ 1,350 million in the previous quarter. In contrast, USD 2,142 million[31] was issued in international markets, outweighing the amount recorded in the third quarter (USD 1,925 million).

Graph 72
PRIVATE SECTOR BOND PLACEMENTS
(Million S/)

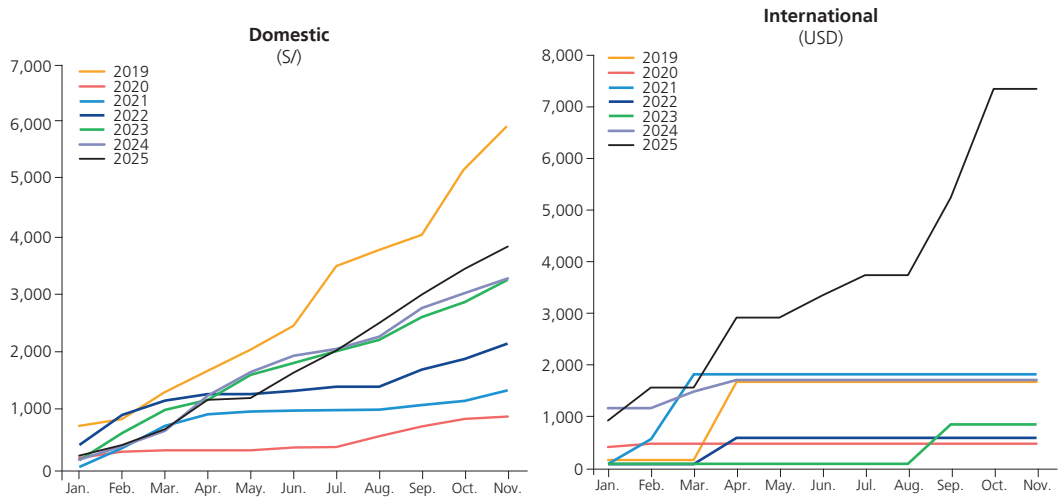


As of December 12.
Source: Reuters and SMV.

31 Luz del Sur, Inretail Shopping Malls, Volcán, and Banco de Crédito del Peru were the issuers for the quarter.

In 2025, cumulative local placements reached S/ 4.091 billion, outweighing the levels recorded in 2020, 2021, 2022, 2023, and 2024, and falling short of the total placed in 2019 alone. For its part, cumulative international issuances in 2025 (USD 7.378 billion) outweigh the amounts placed in previous years, following a similar trend to that observed in sovereign issuances from emerging economies.

Graph 73
CUMULATIVE PLACEMENTS BY MONTH IN THE PRIVATE SECTOR
(In millions)



As of December 12.
Source: Reuters and SMV

In the case of non-resident entities issuing securities in soles, S/ 477 million has been placed so far in the fourth quarter of 2025, with terms ranging from 3 months to 10 years. The total amount placed in 2025 amounted to S/ 2.644 billion, outweighing the figures recorded in 2024 (S/ 1.049 billion), 2023 (S/ 1.347 billion), and 2022 (S/ 1.883 billion).

84. The value of portfolios managed by institutional investors declined in the fourth quarter of 2025, mainly due to the reduction in the portfolios of AFPs and mutual funds, while insurance companies maintained the growth observed in previous quarters.

The investment portfolio of the AFPs decreased from S/ 122.3 billion at the end of September to S/ 119.3 billion at the end of November, mainly due to the lower value of local equity instruments (S/ 1.112 billion), financial system deposits (S/ 934 million), and mutual and investment funds abroad (S/ 432 million). The share of assets under management in foreign assets and dollarization increased by 0.8 and 0.7 percentage points, respectively.

On September 20, 2025, Law No. 32445 was enacted, authorizing an eighth withdrawal of funds of up to 4 UITs from Individual Capitalization Accounts (CIC) for all SPP members. In this context, and in line with previous episodes, the BCRP has been providing liquidity through repo operations and dollar purchases, with the aim of preventing the AFPs from liquidating significant amounts of securities in a short period of time. These actions seek to mitigate unwanted impacts on BTP interest rates and the stability of financial markets.

Table 33
AFP MANAGED PORTFOLIO
(In millions of soles)

	Balance				Change	
	Dec.19	Dec.24	Sep.25	Nov.25	Nov-Sep.25	Nov.25-Dec.19
A. Local Investments	**95,347**	**58,516**	**63,581**	**63,535**	**- 46**	**-31,812**
1. Fixed Income	66,309	28,522	32,301	33,810	1,509	-32,499
Of which:						
Government bonds (BTP)	40,431	19,738	23,956	24,005	49	-16,426
Private Sector Bonds	25,878	8,190	8,345	9,264	919	-16,614
Financial System	8,232	2,206	1,868	2,030	162	-6,201
Non-financial system	17,647	5,984	6,477	7,234	757	-10,413
2. Variable income	19,589	17,734	17,618	16,505	-1,112	-3,083
3. Current accounts	884	108	93	201	108	- 683
4. Financial system deposits	2,969	5,267	7,467	6,533	- 934	3,564
5. Mutual and investment funds	5,336	3,996	3,515	3,305	- 209	-2,031
6. Short Term (CD, Commercial Paper)	0	1,713	1,109	1,164	55	1,164
7. Others	261	1,176	1,480	2,017	537	1,756
B. Investments Abroad	**78,448**	**49,563**	**59,432**	**58,966**	**- 466**	**-19 482**
1. Fixed Income	7,237	3,880	4,798	4,482	- 317	-2 755
2. Variable Income	32	2,364	1,863	2,171	308	2 139
3. Deposits	151	183	435	428	- 7	277
4. Mutual and Investment Funds	70,705	42,119	51,029	50,597	- 432	-20 108
5. Current accounts	323	521	623	552	- 71	228
6. Others	0	497	4 409	5 078	669	5 078
Transit operations	1,028	-1,103	-751	-3,221	-2,470	-4,250
Managed portfolio	**174,823**	**106,976**	**122,262**	**119,280**	**-2,982**	**-55,544**
Foreign Investment / Managed Portfolio	*44.9%*	*46.3%*	*48.6%*	*49.4%*	*0.8%*	*4.6%*
Degree of dollarization of the portfolio	*56.5%*	*60.9%*	*63.8%*	*64.5%*	*0.7%*	*8.0%*
Deposits in domestic and foreign SF / Managed portfolio	*1.8%*	*4.9%*	*6.5%*	*5.8%*	*-0.6%*	*4.1%*
Exchange rate (soles per dollar)	*3.384*	*3.757*	*3.471*	*3.362*		

As of November 28.
Fuente: SBS.

In the case of mutual funds, the managed portfolio has increased from S/ 47.9 billion in December 2024 to S/ 52.5 billion in November 2025, mainly due to the higher value of investments abroad. The number of participants rose from 436,000 in December 2019 to 482,000 in November 2025, which is the highest level in the last six years. As of October 2025, individuals represent 98 percent of the number of participants in local mutual funds.

In the case of insurance companies, their managed portfolio increased from S/ 68.4 billion in December 2024 to S/ 72.9 billion in September 2025, reaching S/ 73.1 billion in October 2025.

Table 34
MANAGED PORTFOLIO OF MUTUAL FUNDS
(In millions of soles)

	Balance				Change	
	Dec.19	Dec.24	Sep.25	Nov.25	Nov-Sep.25	Nov.25-Dec.19
A. Domestic Investments	**31,636**	**41,960**	**45,831**	**41,913**	-3,918	10,277
1. Fixed Income	1,375	1,154	1,514	1,279	-234	-96
Of which:						
Government bonds	247	193	484	360	-124	113
2. Equities	131	125	85	88	3	-43
4. Deposits	25,179	31,092	33,588	30,456	-3,132	5,277
5. Mutual and investment funds	3,924	7,944	9,248	8,790	-458	4 866
6. Short Term (CD, Commercial Paper)	893	1,639	1,212	1,084	-128	191
7. Other	134	6	184	215	32	82
B. Investments Abroad	**3,686**	**5,917**	**10,748**	**10,617**	-131	6 931
1. Fixed income	3,543	5,475	10,416	10,295	-121	6 752
2. Variable Income	143	442	332	322	-9	179
Managed portfolio	**35,322**	**47,877**	**56,579**	**52,530**	-4,049	17,208
Foreign Investment / Portfolio Adm (%)	*10*	*12*	*19*	*20*	1.2	9.8
Degree of dollarization of the portfolio	*69*	*75*	*77*	*79*	2.2	10.0
Assets under management*	*35,441*	*48,103*	*56,523*	*57,587*	1,064	22,146
Assets under management**	*38,519*	*48,103*	*59,859*	*62,361*	2,501	23,842
Number of participants (thousands)	*436*	*417*	*470*	*482*	12.8	46.7
Individuals	*423*	*409*	*460*	*473*	12.6	50.1
Legal entities	*13*	*8*	*9*	*10*	0.3	-3.4

* At current exchange rates.
** The exchange rate remains constant at December 2024.
As of November 28.
Source: SMV.

Exchange market

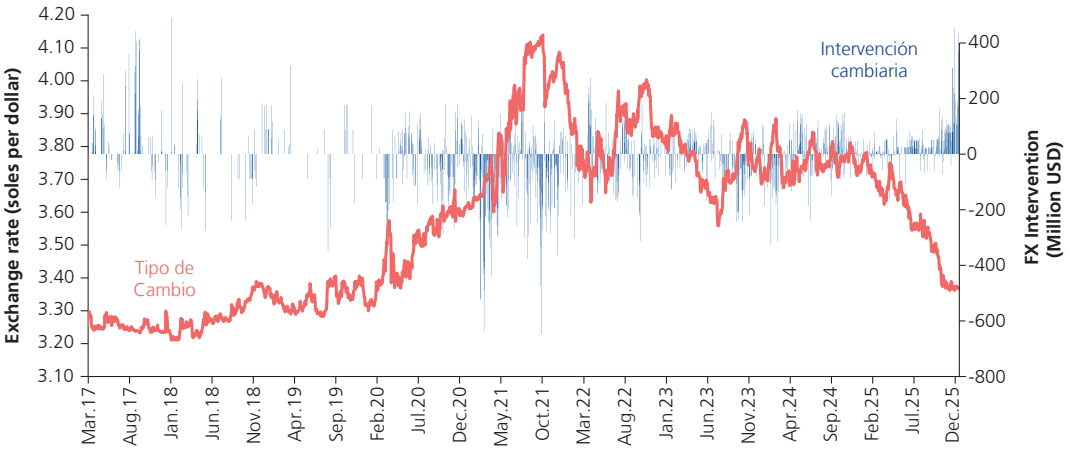
85. In the fourth quarter of 2025, the exchange rate fell from S/ 3.473 per dollar in September to S/ 3.368 per dollar on the 18th of December, accumulating an appreciation of 3.0 percent and reaching new lows in more than five years during the quarter.

The downward trend in the exchange rate is supported by: (i) higher copper and gold prices, which keep the terms of trade at favorable levels; (ii) increased global risk appetite due to lower trade tensions and the end of the shutdown in the United States; and (iii) a high supply of dollars in the local foreign exchange market, driven by mining companies and non-resident investors.

In October, the sol appreciated by 3.0 percent, the largest monthly gain since November 2022 (3.3 percent), continuing the appreciation trend observed in recent months. The political turmoil associated with the presidential impeachment did not generate significant pressure on the foreign exchange market.

In November, the sol appreciated by 0.1 percent and showed one of the lowest levels of volatility (3.45 percent) in the last two years (3.59 percent in April 2023). On November 17, the exchange rate reached a new low (S/ 3.362 per dollar), its lowest level since January 28, 2020 (S/ 3.345 per dollar). On December 18, the exchange rate recorded a slight depreciation of 0.1 percent.

Graph 74
EXCHANGE RATE AND FX INTERVENTION [1/]

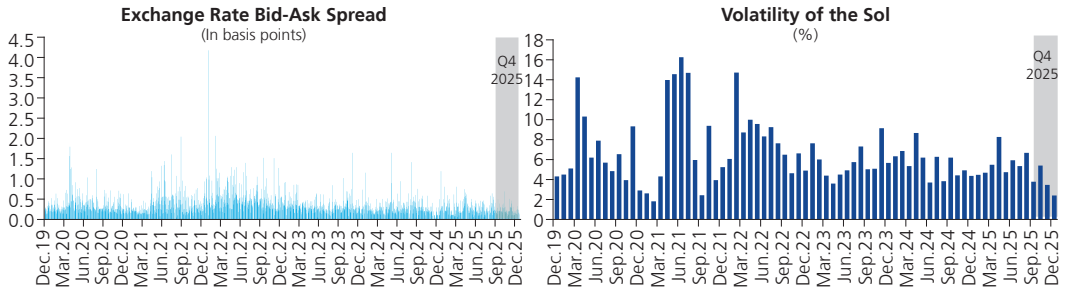


1/ Includes: Purchases/sales of dollars on the spot market and net placements of BCRP CDLDs, BCRP CDRs, and FX swaps.
As of December 18.
Source: BCRP.

The volatility of the sol in the fourth quarter (4.3 percent) is lower than in the third quarter (5.4 percent) and the regional average (8.3 percent), despite greater local political uncertainty in October. During the fourth quarter of 2025, the exchange rate fluctuated between S/ 3.362 and S/ 3.485 per dollar, with daily appreciations in 57 percent of trading sessions (daily maximum of 0.58 percent on October 15), slightly higher than the percentage in the third quarter (56 percent). Peru's solid macroeconomic fundamentals keep the sol as one of the most stable currencies among emerging economies.

The bid-ask spreads on exchange rates fluctuated between 0.08 and 0.70 basis points between October and December 2025, above the range for the third quarter (0.06 and 0.65 basis points).

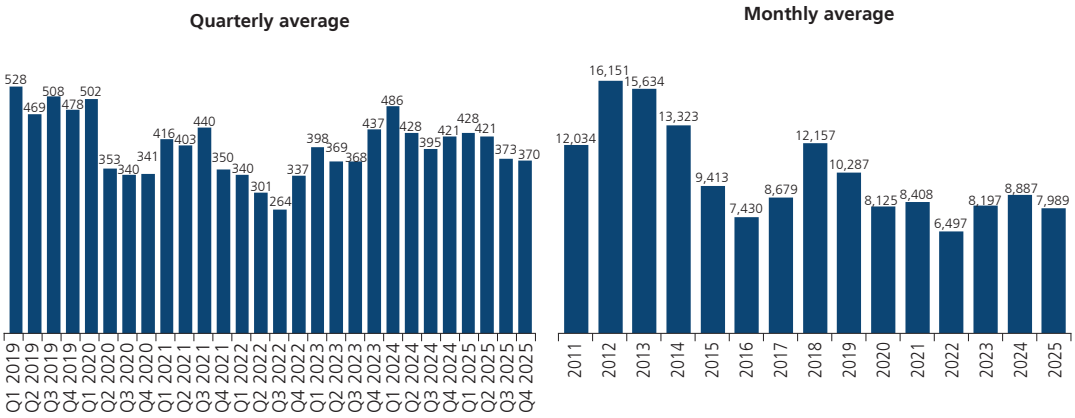
Graph 75
EXCHANGE RATE SPREAD AND VOLATILITY



Monthly annualized daily standard deviation.
As of December 18.
Source: Reuters and BCRP.

So far in the fourth quarter of 2025, the average daily trading volume on the interbank spot exchange market has amounted to USD 370 million, accumulating three quarters of decline. In monthly terms, the average amount traded so far this year reaches USD 7.989 billion, below the 2024 figure (USD 8.887 billion).

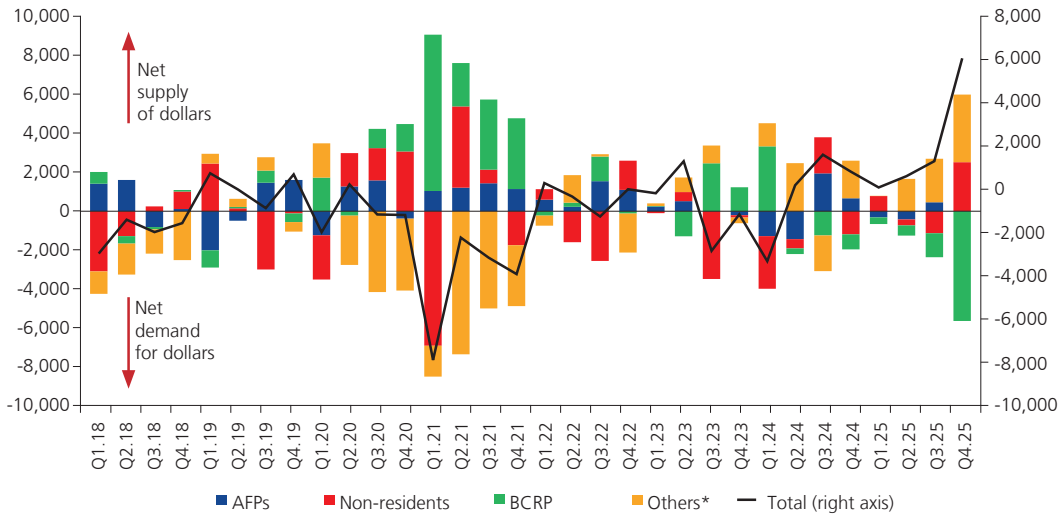
Graph 76
AVERAGE AMOUNT TRADED IN THE INTERBANK SPOT MARKET
(In millions of USD)



As of December 18.
Source: BCRP.

86. Foreign exchange flows from market participants in the fourth quarter of 2025, as of December 18, show a net supply of dollars (USD 6.078 billion), one of the highest in recent years. The spot market recorded a net supply of dollars (USD 2.741 billion), mainly driven by mining companies (USD 3.531 billion) due to the positive trend in mining exports, which rose from USD 4.343 billion in December 2024 to USD 6.497 billion in October 2025. In the derivatives market, there was also a net supply (USD 3.336 billion) from non-resident investors (USD 2.058 billion).

Graph 77
FLOWS TO THE FOREIGN EXCHANGE MARKET: SPOT AND DERIVATIVES
(In millions of USD)



	2021	2022	2023	Q1.24	Q2.24	Q3.24	Q4.24	2024	Q1.25	Q2.25	Q3.25	Q4.25**	2025**
Spot	-6,892	1,281	-71	730	928	2,520	1,972	6,150	-542	-288	-964	2,741	948
Derivatives	-10,279	-2,535	-2,766	-,4,040	-723	-906	-1,142	-6,811	640	907	2,281	3,336	7,166
Total	**-17,171**	**-1,254**	**-2,837**	**-3,309**	**205**	**1,615**	**830**	**-660**	**98**	**619**	**1,318**	**6,078**	**8,113**
Change in overall foreign exchange position	-335	120	405	-25	84	-368	-61	-370	244	-93	-91	-434	-,374
BCRP intervention	17,506	1,134	2,433	3,334	-288	-1246	-770	1,030	-343	-527	-1,227	-5,644	-,7,739

* Others includes companies in the corporate, mining, and retail sectors. A positive sign indicates supply and a negative sign indicates demand. In the case of the banking sector's foreign exchange position, a positive sign indicates a decrease in the position.
** As of December 18.
Source: BCRP.

Non-resident investors presented a total net offer of USD 2.522 billion in the fourth quarter of 2025. In the spot market, the offer amounted to USD 464 million, a change from the demand in the third quarter (USD 451 million). In the derivatives market, they offered a net total of around USD 2,058 million in the fourth quarter, a change from the demand in the third quarter (USD 683 million). Between October 1 and December 18, foreign investors purchased a net total of S/ 1,199 million in BTPs.

The AFPs recorded a net selling position in the fourth quarter of around USD 176 million, lower than the offering in the third quarter (USD 460 million). In the spot market, they offered USD 358 million, a change from the net demand in the third quarter (USD 317 million); while in the derivatives market, they demanded a net USD 182 million, in contrast to the net supply in the third quarter (USD 777 million). Net purchases of foreign securities between October and December amounted to USD 140 million, down from the third quarter (USD 757 million).

In the case of the non-financial sector, between October and December 2025, entities presented a net supply of USD 3.47 billion: (i) corporate sector companies: net demand of USD 1.694 billion, mainly in the spot market (USD 1.641 billion), below the total recorded in the third quarter (USD 2.417 billion); (ii) Mining companies: net supply of USD 3.531 billion in the spot market, above the net supply in the third quarter (USD 3.117 billion). (iii) Retail sector: net supply of USD 1.613 billion in the spot market, above the net supply in the third quarter (USD 1.302 billion). For banks, the overall position increased from USD 11 million in September to USD 445 million in December 2025. The balance of Non-Delivery Forward (NDF) net sales by banks with non-resident investors decreased from USD 16.0 billion in September to USD 13.9 billion in December 2025.

In this context, the BCRP has purchased dollars on the spot market and reduced its balance of FX Swaps, with the aim of reducing volatility in the price of the sol against the dollar. Thus, FX Swaps-sale (SCV) were placed for S/ 10.645 billion (USD 3.137 billion) at 3- and 6-month terms at a variable rate, and S/ 26.650 billion (USD 7.397 billion) matured at a variable rate. In addition, since November, purchases have been made on the trading desk for the first time in five years (April 2020), with a total amount of USD 1.384 billion in the fourth quarter.

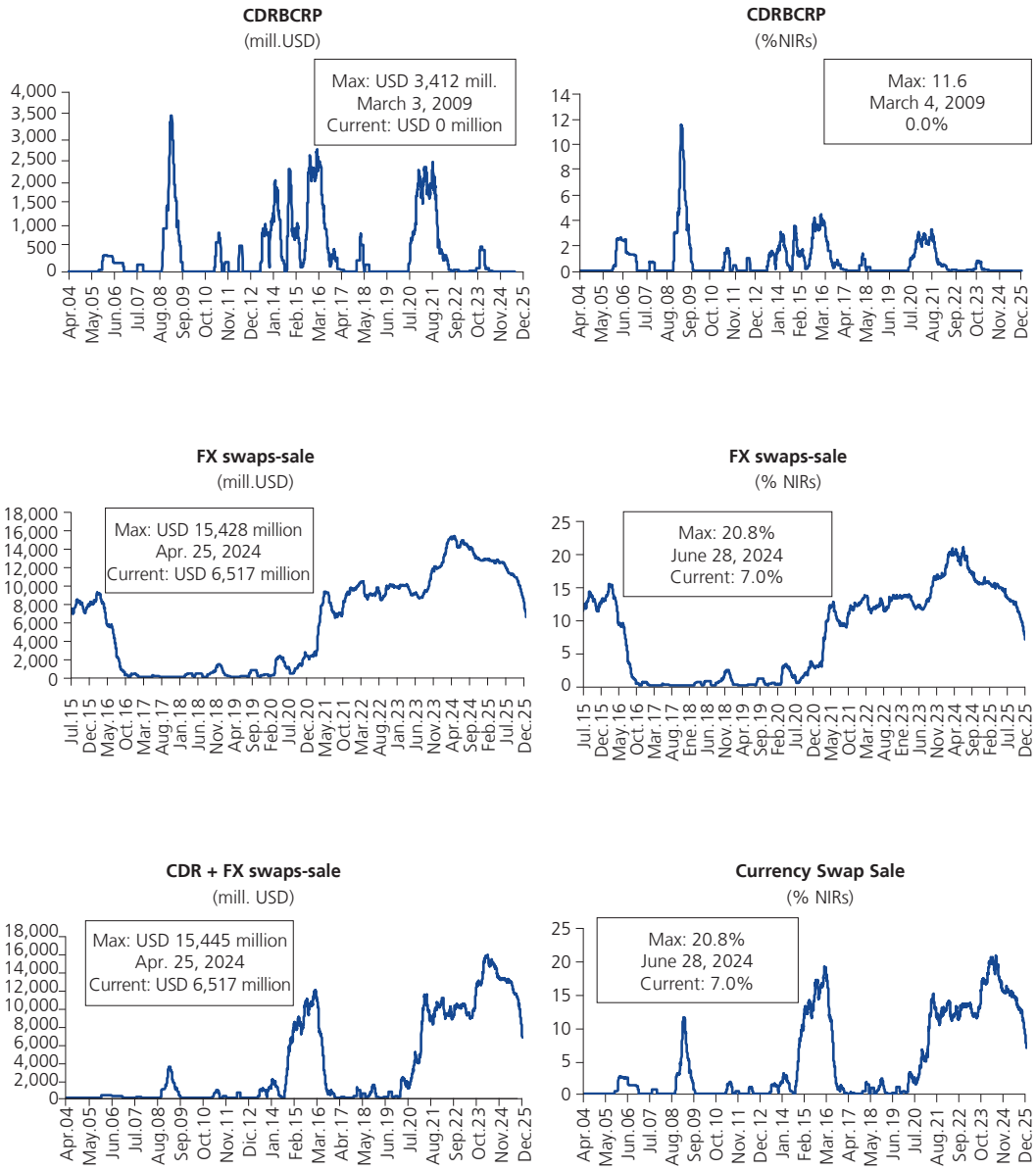
In addition, the BCRP purchased dollars from the AFPs to reduce exchange rate volatility associated with potential interventions in the foreign exchange to obtain sol liquidity to finance the eighth withdrawal of pension funds by members. In December 2025, purchases of dollars from the AFPs amounted to USD 206 million.

87. The total balance of foreign exchange instruments (FX Swaps-sale and BCRP CDRs) as of December 18 stands at USD 6.517 billion, equivalent to 7.0 percent of NIRs, down from the level on September 30 (USD 10.776 billion and 12.7 percent of NIRs). Likewise, the balance of BCRP CDRs since May 8, 2024, is zero. So far in 2025, as of December 18, the balance of derivative instruments has decreased by USD 6.357 billion. For its part, the balance of NIRs as of the same date amounts to USD 93.429 billion, USD 14.442 billion higher than at the end of 2024. For its part, the BCRP's foreign exchange position amounted to USD 59.978 billion, USD 6.423 billion higher than in December 2024.

Graph 78

BALANCE OF EXCHANGE INSTRUMENTS OF THE BCRP

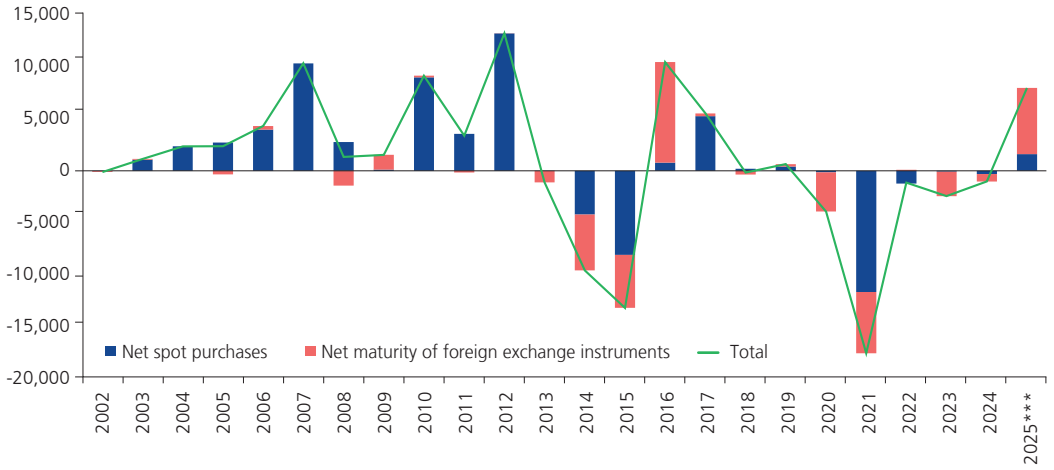
(Million USD and % of NIRs)



* As of December 18.
Source: BCRP.

As of December 18, the BCRP has recorded a net purchase position of USD 7.946 billion in the foreign exchange market in 2025 through the net maturity of FX swaps (USD 6.356 billion) and the net purchase of dollars in the spot market for USD 1.589 billion.

Graph 79
BCRP INTERVENTIONS IN THE FOREIGN EXCHANGE MARKET
(In millions of USD)



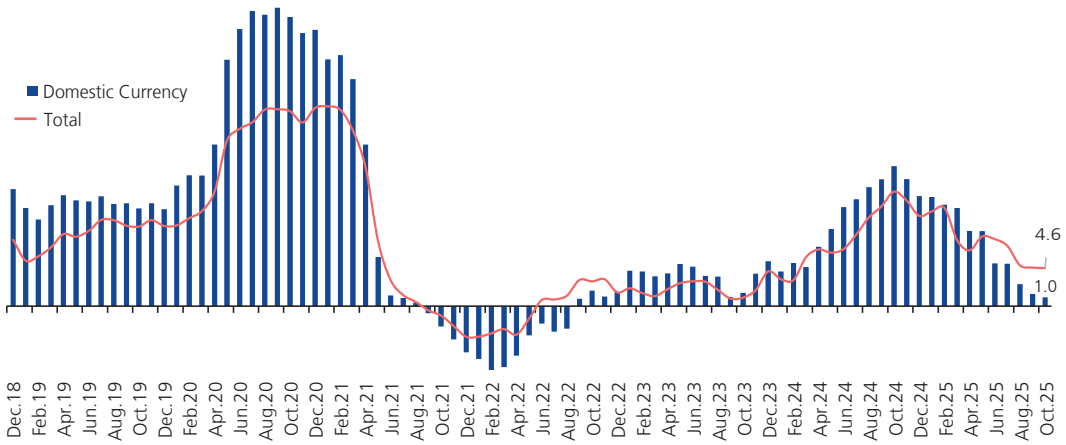
	2020	2021	Q1.22	Q2.22	Q3.22	Q4.22	2022	2023	Q1.24	Q2.24	Q3.24	Q4.24	2024	Q1.25	Q2.25	Q3.25	Q4.25***	2025***
Net spot purchases*	251	-11,626	-371	-641	-214	-10	-1,236	-81	-235	-83	0	0	-318	0	-1	0	1,590	1,589
Net Maturity of Foreign Exchange Instruments**	-3,751	-5,880	600	428	-1,059	133	102	-2,352	-3,099	371	1,246	770	-712	343	528	1,227	4,260	6,356
Total	**-3,500**	**-17,506**	**229**	**-213**	**-1 273**	**123**	**-1,134**	**-2,433**	**-3,334**	**288**	**1,246**	**770**	**-1,030**	**343**	**527**	**1,227**	**5,860**	**7,946**

* Includes purchases made from the AFPs for USD 410 million in 2020 and USD 206 million in 2025.
** Includes net maturities of BCRP CDRs, foreign exchange swap sales; and net placements of CDLD and currency swap purchases.
*** As of December 18.
Source: BCRP.

Liquidity

88. The year-on-year growth rate of private sector deposits stood at 4.6 percent in October 2025. By currency, deposits in soles increased by 1.0 percent year-on-year, while those denominated in dollars increased by 11.5 percent year-on-year in the same period.

Graph 80
PRIVATE SECTOR DEPOSITS BY CURRENCY*
(Annual % chg.)



*Total at a constant exchange rate of S/ 3.77 per USD as of December 2024.
Source: BCRP.

Table 35
MONETARY AND CREDIT ACCOUNTS OF THE DEPOSITORY CORPORATIONS (END-OF-PERIOD)
(Annual % chg.)

	Dec.19	Dec.20	Dec.21	Dec.22	Dec.23	Dec.24	Sep.25	Oct.25
Currency in circulation (End-of-period)	4.7	37.3	16.0	-3.8	-5.6	11.4	11.6	11.9
Deposits in domestic currency	11.6	33.2	-5.5	1.7	5.4	13.2	1.4	1.0
Total deposits[1/]	9.6	23.8	-3.7	1.7	4.2	10.8	4.6	4.6
Broad money in domestic currency	10.0	32.3	-0.8	0.6	4.0	12.9	3.9	3.8
Total broad money[1/]	9.2	25.3	-0.3	1.0	3.3	10.7	5.7	5.7
Credit to the private sector in domestic currency	9.7	19.4	5.5	2.3	0.9	1.5	4.2	4.3
Total credit to the private sector[1/]	6.6	10.8	4.1	4.4	1.4	0.4	5.0	5.6
Total credit to the private sector (without Reactiva Peru Program)[1/]	6.6	-5.5	8.9	11.1	5.2	1.4	5.6	6.1

1/ The exchange rate remains constant at December 2024 levels.
Source: BCRP.

89. The financial savings ratio increased from 54.5 percent of GDP in 2019 to 63.7 percent of GDP in 2020, driven by precautionary savings associated with the health crisis. Subsequently, the ratio fell below the figures observed prior to the COVID-19 pandemic, mainly influenced by the approval of the availability of the CTS and contributions to the AFPs, as well as by the capital outflows observed in 2021. Thus, the ratio stood at 42.5 percent of GDP in December 2024, slightly down from December 2023. This year, the ratio has recovered to 43.4 percent of GDP in October 2025.

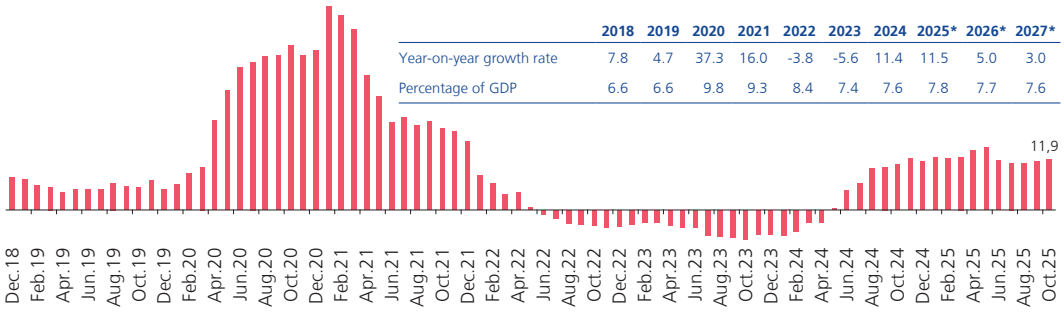
Table 36
FINANCIAL SAVINGS RATIO / GDP*
(Percentage)

	Dic.19	Dic.20	Dic.21	Dic.22	Dic.23	Dic.24	Set.25	Oct.25
Deposits	25.7	32.8	26.4	26.5	25.7	25.8	24.8	25.0
Of which: CTS	3.0	3.1	1.4	1.2	0.9	0.8	0.8	0.7
AFPs	22.0	22.3	14.8	11.0	11.9	9.5	10.3	10.2
Mutual Funds	4.7	6.1	3.2	2.7	3.0	4.1	4.8	4.9
Rest[1/]	2.1	2.5	2.3	2.5	2.9	3.0	3.2	3.2
TOTAL	**54.5**	**63.7**	**46.8**	**42.7**	**43.6**	**42.5**	**43.2**	**43.4**

1/ Includes technical insurance reserves, securities, and other obligations to the private sector.
* Starting in January 2025, the concept of financial savings will be presented as a measure of medium- and long-term asset savings, thus excluding demand deposits and immediate obligations from this concept. The main components of these savings are public savings and time deposits, mutual fund holdings, and workers' pension savings in the private pension system (the assets of private pension funds).

90. Currency in **circulation** increased by 11.9 percent in October 2025, mainly due to the increase in higher denomination banknotes. A slight moderation in currency growth rates is expected in the coming months. As a result, a year-on-year variation rate of 11.5 percent is projected for 2025. For 2026, currency in circulation is projected to grow by 5 percent, and for 2027, it is expected to grow by 3.0 percent, in line with economic activity growth.

Graph 81
CURRENCY IN CIRCULATION
(12-month % chg.)

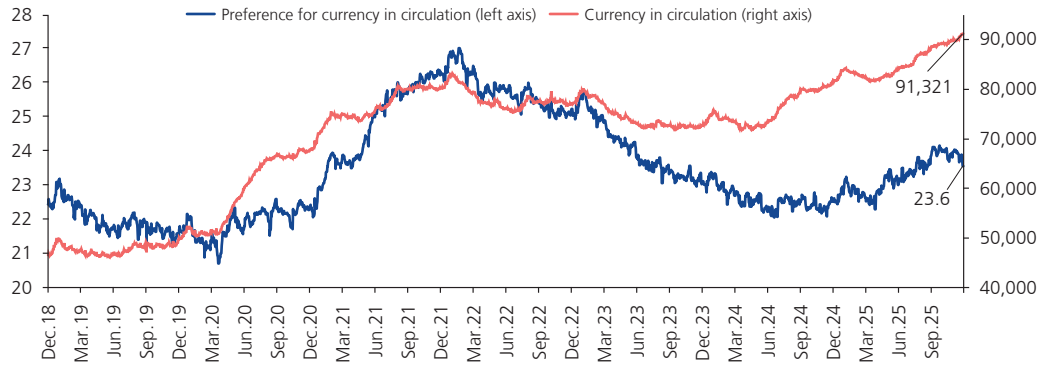


	2018	2019	2020	2021	2022	2023	2024	2025*	2026*	2027*
Year-on-year growth rate	7.8	4.7	37.3	16.0	-3.8	-5.6	11.4	11.5	5.0	3.0
Percentage of GDP	6.6	6.6	9.8	9.3	8.4	7.4	7.6	7.8	7.7	7.6

* Forecast.
Source: BCRP.

91. The preference for currency in circulation declined steadily from February 2022 to November 2024, after being ongoing between April 2020 and January 2022. Subsequently, until January 2025, it grew slightly and then returned to a downward trend until March 2025. However, since that month, this ratio has resumed moderate growth, reaching 23.6 percent at the end of November 2025, which would be associated with increased demand for high-denomination banknotes.

Graph 82
CURRENCY IN CIRCULATION AND PREFERENCE FOR CURRENCY IN CIRCULATION
(Million S/ and %)



At the end of November 2025.
Note: Preference for currency in circulation is equal to the balance of currency in circulation held by deposit companies divided by the balance of liquidity in domestic currency held by deposit companies.
Source: BCRP.

Credit to the private sector

92. **Credit to the private sector** grew 5.6 percent per year in October 2025 (0.4 percent in 2024). Credit to the private sector continued to recover in recent months, which can be explained by both supply and demand factors, and by the medium-sized enterprise and micro and small enterprise segments, and by credit cards, in line with the recovery in economic activity.

93. Credit to individuals accelerated from September 2024 and slowed slightly in October 2025. Thus, it grew 6.4 percent in October 2025 (1.3 percent in 2024). The increase in credit to individuals in October is mainly due to growth in credit linked to credit cards (6.4 percent), other consumer credit (6.2 percent), and mortgage credit (6.7 percent). In this regard, consumer credit grew 6.1 percent in October 2025.

94. Credit to businesses has continued to increase over the last three months, which is likely linked to the dynamism of credit to the medium, small, and micro-enterprise segment. In October, business lending increased by 5.0 percent (3.8 percent in September). The corporate and large enterprise segment showed an increase of 6.4 percent, while the medium, small, and microenterprise segment grew by 3.3 percent.

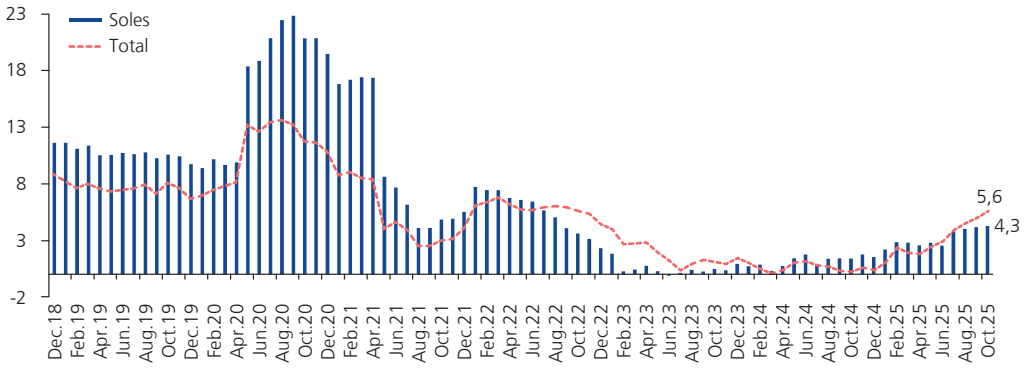
Table 37
TOTAL CREDIT TO THE PRIVATE SECTOR[1/]
(Annual growth rates)

	Dec.19	Dec.20	Dec.21	Dec.22	Dec.23	Dec.24	Sep.25	Oct.25
Credit to companies	**3.8**	**19.9**	**3.7**	**-1.6**	**-2.1**	**-0.3**	**3.8**	**5.0**
Corporate and large companies	3.4	6.6	8.1	0.6	0.1	4.9	9.6	6.4
Medium-sized and micro-enterprises [2/]	4.2	35.8	-0.5	-4.0	-4.6	-6.1	-3.0	3.3
Individuals	**11.4**	**-3.2**	**4.8**	**15.9**	**7.1**	**1.3**	**6.7**	**6.4**
Consumer	13.3	-7.2	3.1	21.8	8.3	-1.1	6.8	6.1
Car loans	12.0	-2.2	7.4	15.9	11.4	2.8	4.3	3.1
Credit cards	13.4	-20.3	-41.1	32.6	10.4	-5.0	5.6	6.4
Rest	13.3	-0.5	21.4	19.8	7.7	-0.3	7.1	6.2
Mortgage	8.7	2.9	7.1	8.0	5.4	5.0	6.6	6.7
TOTAL	**6.6**	**10.8**	**4.1**	**4.4**	**1.4**	**0.4**	**5.0**	**5.6**
Memo:								
Companies without Reactiva	3.8	-7.0	11.6	8.1	3.8	1.5	4.8	5.9
Total without reactive	6.6	-5.5	8.9	11.1	5.2	1.4	5.6	6.1
Medium-sized and micro-enterprises without reclassification[3/]	-	-	-	-	-	0.0	3.6	-
Consumption without reclassification[3/]	-	-	-	-	-	-2.8	5.0	-

1/ Resolution No. 02368-2023, which modifies the definition of the classification of loans to companies by segment, will come into effect in October 2024.
2/ Due to the change in the definition of each segment, several companies have been reclassified between the medium and micro and small enterprise segments, so no further breakdown is presented at this time. Likewise, some of the loans to companies may have been reclassified as consumer loans.
3/ The unclassified balances for December 2024 and September 2025 have been calculated based on the classifications of economic agents in September 2024, identified by their RUC or DNI.
Note: The exchange rate for December 2024 remains constant
Source: BCRP.

95. There has been a moderate recovery in credit growth in soles and a faster recovery in credit in dollars. As of October 2025, credit in soles grew by 4.3 percent, while credit in dollars increased by 10.0 percent over the same period.

Graph 83
TOTAL CREDIT TO THE PRIVATE SECTOR AND IN DOMESTIC CURRENCY[1/]
(Annual growth rates)



	Dec.18	Dec.19	Dec.20	Dec.21	Dec.22	Dec.23	Dec.24	Sep.25	Oct.25
Domestic Currency	11.6	9.7	19.4	5.5	2.3	0.9	1.5	4.2	4.3
Foreign currency	3.0	-0.4	-11.0	-0.8	12.0	3.1	-3.4	7.6	10.0
Total[1/]	8.8	6.6	10.8	4.1	4.4	1.4	0.4	5.0	5.6

1/ The exchange rate remains constant at December 2024 levels.
Source: BCRP.

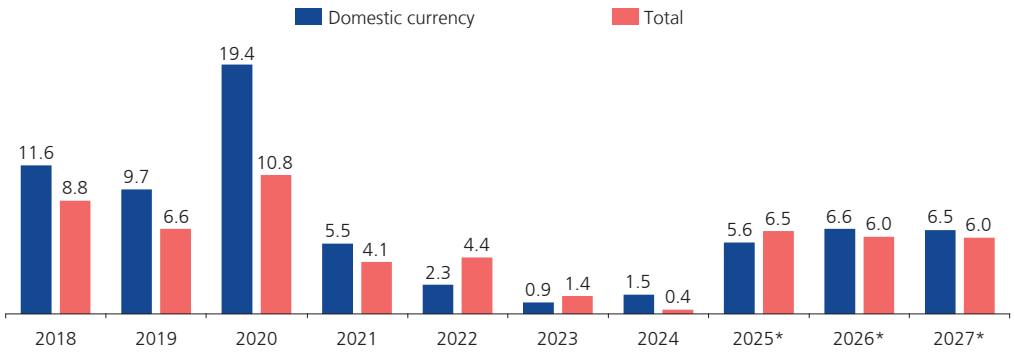
Forecasts of credit to the private sector

96. An increase in domestic currency lending is expected, in line with economic activity. With this, projected growth in credit to the private sector in domestic currency would reach 5.6 percent in 2025. For next year, a growth rate of 6.6 percent is expected, taking into account the completion of the repayment of loans granted under the Reactiva Peru program. And for 2027, a growth rate of 6.5 percent is expected. Thus, total credit would grow 6.5 percent in 2025 (7.0 percent without the Reactiva Peru program), while for 2026 and 2027, a growth rate of 6.0 percent is estimated.

Likewise, the growth rate of currency in circulation would be higher than that of nominal GDP in 2025 and lower for the rest of the forecast horizon. Meanwhile, the growth rate of total liquidity would be lower than that of nominal GDP in 2025, and higher in 2026 and 2027. The liquidity-to-GDP ratio would decline to 45.6 percent in 2025 and increase to 46.7 percent in 2026 and 47.3 percent in 2027.

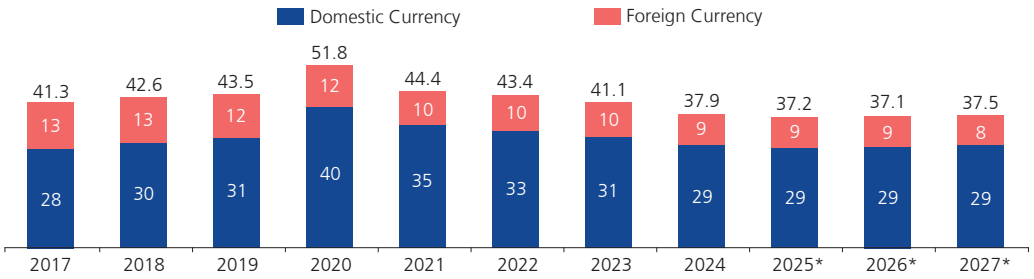
For its part, the ratio of deposit companies' currency in circulation to GDP would increase from 7.6 percent in 2024 to 7.8 percent in 2025, and then decrease to 7.7 percent in 2026 and 7.6 percent in 2027. Despite this reduction, the level would still be above that recorded prior to the COVID-19 pandemic.

Graph 84
CREDIT TO THE PRIVATE SECTOR
(Percentage changes)



Note: calculated using a constant exchange rate (December 2024).
* Forecast.
Source: BCRP.

Graph 85
CREDIT/GDP RATIO
(Percentage)

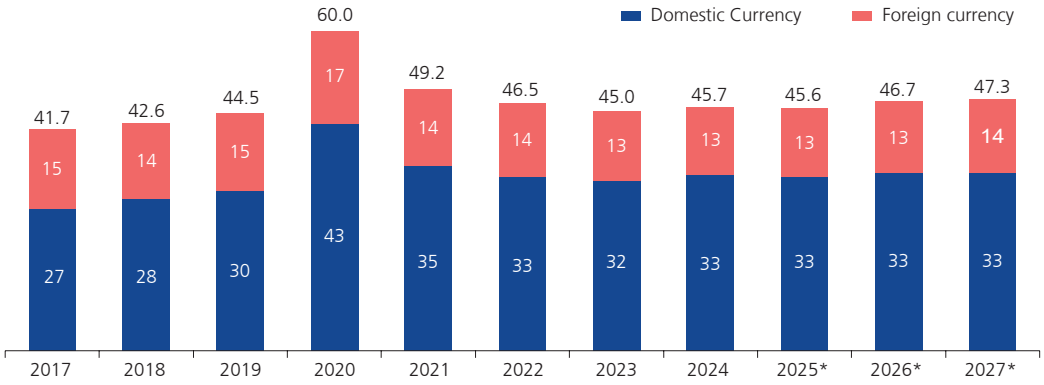


Note: calculated using a constant exchange rate (December 2024).
* Forecast.
Source: BCRP

Graph 86

LIQUIDITY RATIO / GDP

(Percentage)



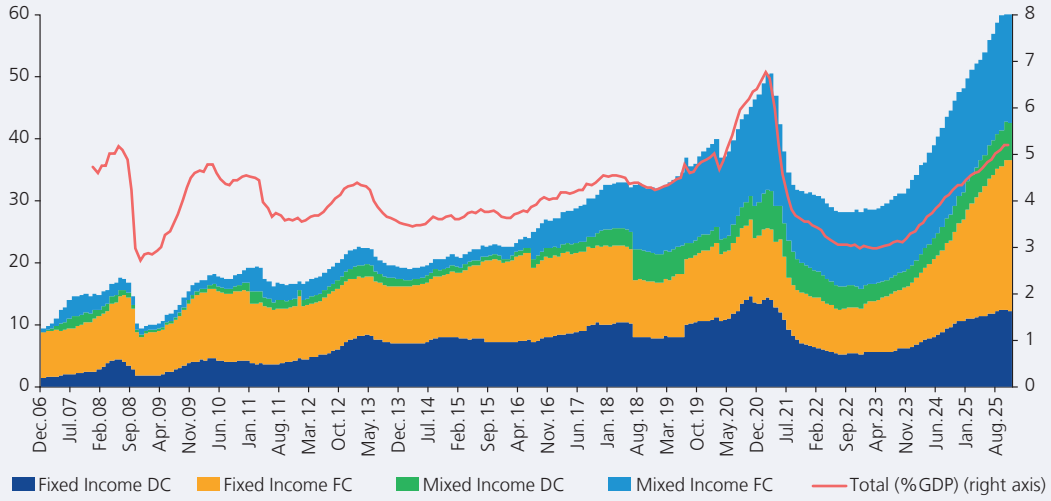
Note: calculated using a constant exchange rate (December 2024).
* Forecast.
Source: BCRP.

Box 6
RECENT DEVELOPMENTS IN MUTUAL FUNDS AND THEIR RELATIONSHIP WITH BANK DEPOSITS[32]

This box analyzes recent developments in the mutual fund market in terms of assets under management, number of participants, portfolio composition, and returns. In addition, it examines their relationship with the dynamics of other components of financial savings and episodes of substitution between mutual funds and other components.

Mutual funds have shown a significant recovery in the last two years. The value of mutual fund assets reached S/ 62.4 billion in November 2025, following the decline observed after the pandemic, when assets reached S/ 28.1 billion in December 2022. Thus, the average annualized growth compared to December 2022 amounts to 31.5 percent. The following graph shows a growing trend over the last three years. Currently, fixed-income funds in foreign currency are the predominant category (equivalent to 39.0 percent of assets), followed by mixed-income funds in foreign currency (31.8 percent) and, to a lesser extent, fixed-income funds in domestic currency (19.5 percent). In the analyzed period, it is noteworthy that the share of mixed income in foreign currency rose from 7.7 percent to 43.9 percent between December 2014 and December 2022.

VALUE OF FUND WORTH
(In billion S/)



Memo: DC= Domestic Currency, FC = Foreign Currency.

ANNUALIZED GROWTH IN THE NET WORTH VALUE OF MUTUAL FUNDS
(Percentage)

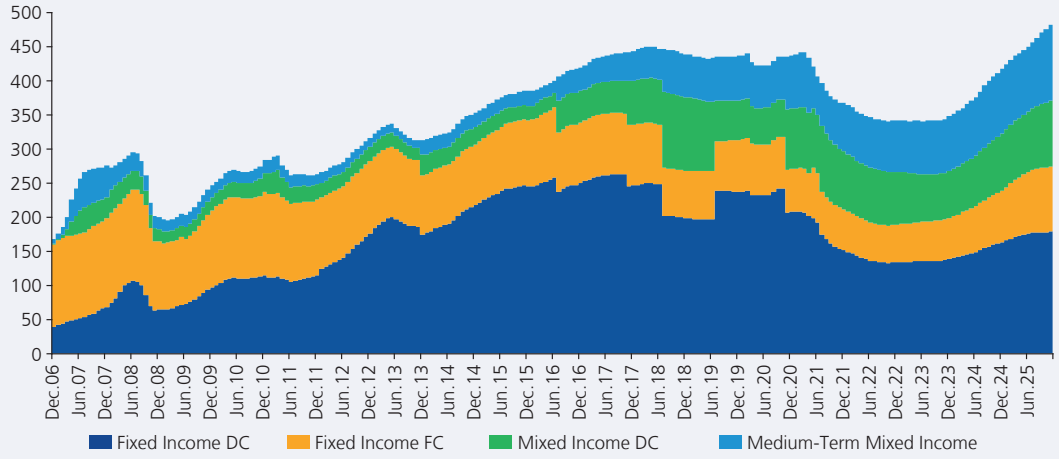
	Dec.06-Dec.19	Dec.20	Dec.21	Dec.22	Dec.23	Dec.24	Nov.25	Dec.22-Nov.25
Fixed Income DC	16.7	26.1	-50.8	-20.2	22.7	64.0	13.4	33.0
Fixed Income FC	3.3	-4.9	-26.6	-8.0	39.8	59.4	55.0	50.9
Mixed Income DC	32.0	111.3	-14.1	-31.9	-11.5	57.6	40.8	25.5
Mixed Income FC	29.4	24.9	-30.1	1.2	11.7	21.4	18.2	17.6
TOTAL	**11.4**	**22.2**	**-33.3**	**-10.6**	**18.5**	**44.4**	**31.4**	**31.5**
Assets under management (in billion S/)	21.5	47.1	31.4	28.1	33.3	48.1	62.4	41.6

Memo: A fixed exchange rate of S/. 3.77 per dollar was used.

32 Total balances in all cases are estimated using a fixed exchange rate of S/ 3.77 per dollar.

In terms of the investor base, the number of participants exceeded 480,000 in November 2025, recovering from the decline recorded in 2021-2022. Growth has been particularly significant in foreign currency fixed income funds, which almost doubled their number of investors in the last two years. This behavior reflects greater diversification, as well as the increased accessibility offered by digital distribution platforms. As of November 2025, 98 percent of participants were individuals, while 2 percent were legal entities.

NUMBER OF SYSTEM PARTICIPANTS
(In thousands)



ANNUALIZED GROWTH IN THE NUMBER OF MUTUAL FUND PARTICIPANTS
(%)

	Dec.06-Dec.19	Dec.20	Dec.21	Dec.22	Dec.23	Dec.24	Nov.25	Dec.22-Nov.25
Fixed Income DC	15.1	-12.3	-27.5	-11.7	3.4	18.5	10.8	10.6
Fixed Income FC	-3.6	-16.4	-5.2	-8.3	11.0	24.5	29.4	21.2
Mixed Income DC	29.9	53.5	-4.0	-9.2	-11.1	20.8	17.6	7.8
Mixed Income FC	19.9	18.2	-7.9	6.1	6.1	18.1	18.7	14.2
TOTAL	**7.6**	**0.3**	**-16.0**	**-7.1**	**1.9**	**19.9**	**17.3**	**12.6**

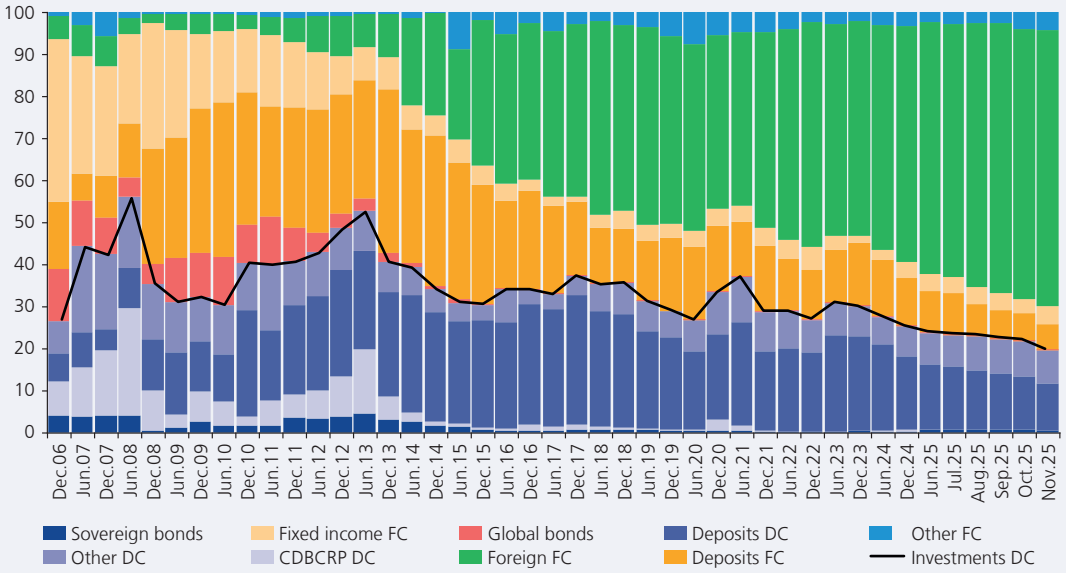
MUTUAL FUND PARTICIPANTS BY TYPE OF AGENT

	Dec.18	Dec.19	Dec.20	Dec.21	Dec.22	Dec.23	Dec.24	Nov.25
Total participants (in thousands)	438.8	435.8	437.2	367.2	341.2	347.7	417.0	482.5
Individuals	425.7	422.8	424.0	359.8	330.9	337.2	408.7	472.8
Legal entities	13.2	13.1	13.1	7.3	10.2	10.4	8.3	9.6
Average Fund (In thousand S/)								
Individuals	62.2	72.9	79.9	66.3	69.6	82.9	100.1	109.5
Legal entities	412.0	589.2	1 005.2	1 025.8	493.7	510.4	865.3	1 098.6

Note: Based on reports from Fondos Mutuos del Peru (FMP), the percentage of mutual fund participants who are individuals and legal entities is obtained.

The structure of the mutual fund portfolio shows a significant shift toward investment in international markets. There has been an increase in the share of foreign currency instruments, especially in foreign investments, which rose from 10.2 percent in December 2013 to 65.6 percent in November 2025.

MUTUAL FUND PORTFOLIO STRUCTURE
(In %)



Likewise, since 2023, there has been a notable increase in the overall returns of all mutual funds. The profitability of mutual funds outweighs the returns on bank deposits in several segments. As shown in the table below, so far this year (December 2024 to November 2025), equity funds have recorded average returns of 21.8 percent in soles and 21.2 percent in dollars. Mixed funds also offered attractive results, with annual returns between 10.5 percent and 13.0 percent, far outweighing term deposit rates, which stood at around 5 percent in the same period. For its part, during 2019 and 2020, years that saw significant growth in mutual fund assets, moderate returns were observed in the different segments. Particularly, it can be seen that on average for 2020, the period that suffered the greatest impact from the pandemic, returns were lower than in 2019. This suggests that the increase in assets was mainly explained by greater liquidity and the withdrawal of liquidity during the pandemic, and that the recent dynamics of assets may be due more to the search for profitability (substitution effect). In contrast with other investment alternatives, such as pension funds, their dynamics have not been very different, while term deposits of up to one year show lower volatility.

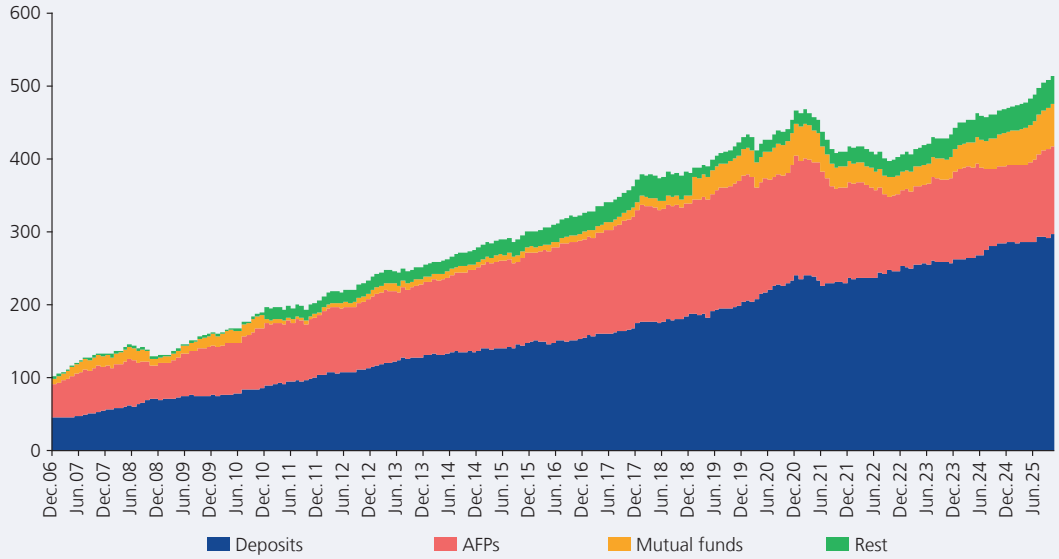
PERFORMANCE OF THE FUND'S SHARE VALUE
(%)

Fund Type	Currency	2019	2020	2021	2022	2023	2024	2025*	Last 12 months
Debt	S/	3.83	2.46	-1.14	2.43	7.72	5.11	4.62	4.96
	USD	3.91	3.34	-0.35	-1.79	4.83	4.37	4.12	4.24
Mixed	S/	3.68	1.60	-0.31	0.05	10.57	7.89	10.78	10.56
	USD	2.44	-2.16	-4.50	0.24	10.90	4.73	12.94	12.26
Common stock	S/	-1.1	-1.60	4.74	-6.23	17.41	8.13	21.82	21.21
	USD	12.02	8.00	5.08	-19.78	18.55	10.51	21.15	17.34
Structured	S/	9.0	7.56	-	-	-	-	-	-
	USD	8.5	1.94	-2.05	-1.46	1.65	0.5	3.64	-
Fund of Funds	S/	7.38	12.24	0.00	-14.45	5.35	7.55	5.9	5.19
	USD	16.01	7.33	4.81	-14.75	10.45	6.13	10.37	8.9
Flexible	S/	6.23	3.85	-1.05	-2.98	4.54	5.75	2.28	2.16
	USD	7.09	4.09	1.94	-10.20	4.82	4.48	1.99	1.37
AFPs Fund 1	S/	13.83	9.32	-3.17	-5.38	16.07	1.35	-	7.16
AFPs Fund 2	S/	12.92	10.52	6.55	-7.15	9.90	4.25	-	6.46
AFPs Fund 3	S/	7.82	6.34	20.03	-7.55	5.18	1.31	-	9.89
Term deposits (1 year)	S/	4.45	3.51	2.65	6.69	7.34	4.83	5.12	5.16
	USD	2.07	1.37	0.90	2.14	4.15	3.73	3.73	3.77

Source: Mutual Fund Management Association - Monthly Bulletin, SBS.
* Average return year-to-date through November.

The recent evolution of mutual funds is closely related to the trajectory of financial system deposits. The following graph shows the components of financial savings, suggesting that, in recent years, deposits grew at a more moderate pace while mutual funds attracted significant inflows, evidencing a phenomenon of financial savings substitution, which can be associated with withdrawals from AFP and CTS.

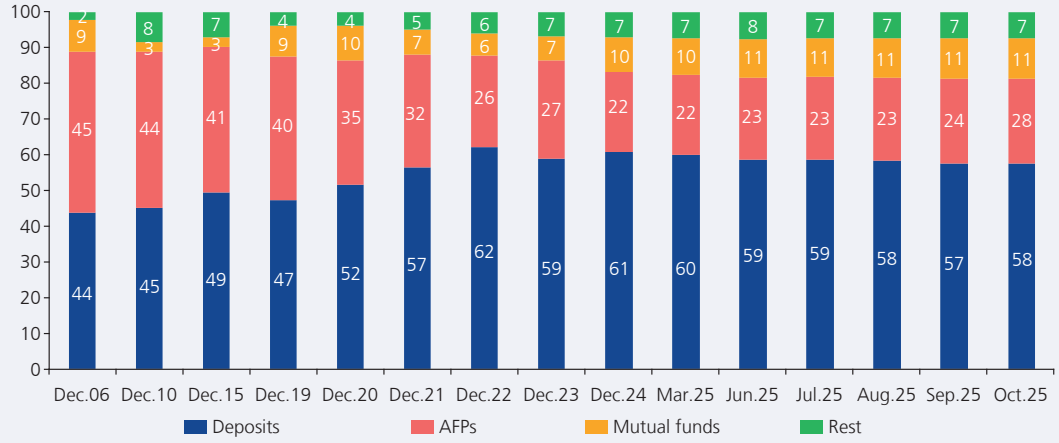
COMPONENTS OF FINANCIAL SAVINGS
(In billion S/)



Note: Rest includes technical insurance reserves, securities, and other obligations to the private sector.

The following graph shows the evolution of the share of financial savings components. As of October 2025, mutual funds represent 11 percent of financial savings.

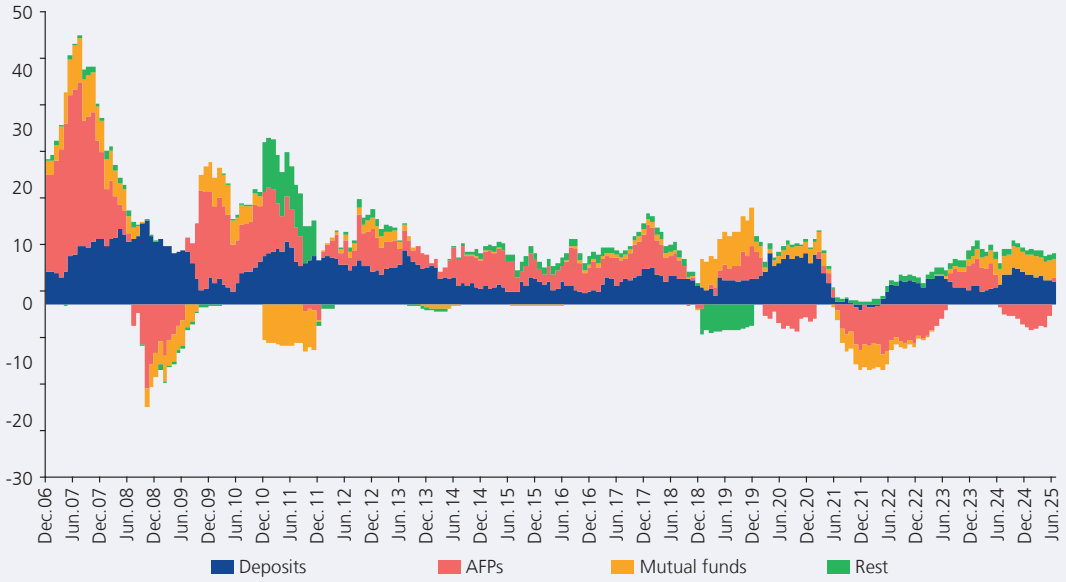
COMPONENTS OF FINANCIAL SAVINGS
(In thousands)



The following chart shows previous episodes of changes in financial savings. Mutual funds have experienced growth cycles driven mainly by their attractive returns compared to bank deposits. This phenomenon was observed in the period 2006-2008 and repeated between 2016-2017 and just before the pandemic (2018-2020), when low interest rates led investors to seek more profitable alternatives, causing the share of these funds in total savings to multiply. The trend was temporarily reversed during the 2008 financial crisis and, subsequently, in the post-pandemic monetary normalization phase (2021-2022), when bank deposits began to offer higher returns, generating a partial migration of

resources back to them. However, since 2023, the dynamic has returned to being similar to previous episodes: a yield differential in favor of mutual funds, in a context of low deposit rates, has led to a new cycle of growth for these investment instruments.

CCOMPONENTS OF FINANCIAL SAVINGS
(In % contributions)



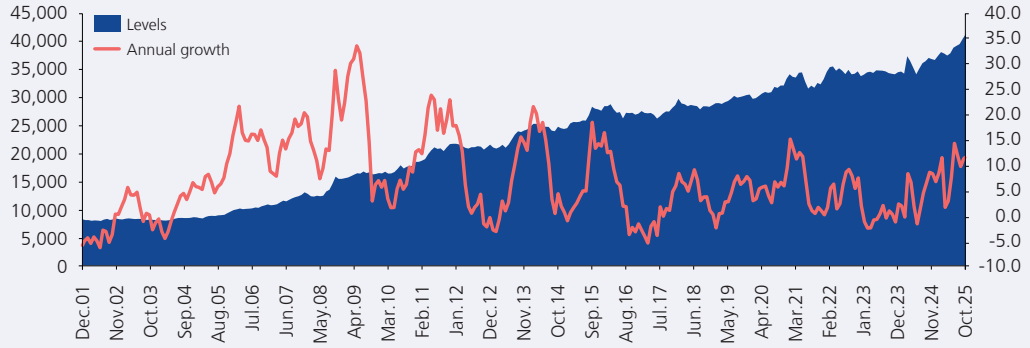
In conclusion, recent developments in mutual funds in Peru show a recovery after the pandemic. Assets under management reached S/ 61.6 billion in October 2025, while the number of participants reached more than 475,000 in that period, reflecting both the appreciation of portfolios and the entry of new investors. The data show that mutual funds have become a direct competitor to bank deposits, especially term deposits.

Box 7
RECENT DEVELOPMENTS IN FOREIGN CURRENCY LIQUIDITY

This box analyzes recent developments in dollar liquidity, which has been growing rapidly in recent quarters. To this end, it reviews various aggregates and indicators of liquidity in the financial system, mainly in the banks, and assesses how this behavior relates to the external environment, exchange rate developments, and foreign exchange market dynamics.

Deposit companies currently have greater availability of foreign currency (FC) liquidity, in line with the increase in private sector deposits in these institutions. This behavior has been observed since July 2024, the month from which dollar deposits show positive year-on-year growth rates. In October 2025, this growth rate was 11.5 percent.

PRIVATE SECTOR FOREIGN CURRENCY DEPOSITS IN DEPOSIT COMPANIES
(Millions of USD and year-on-year growth rate)

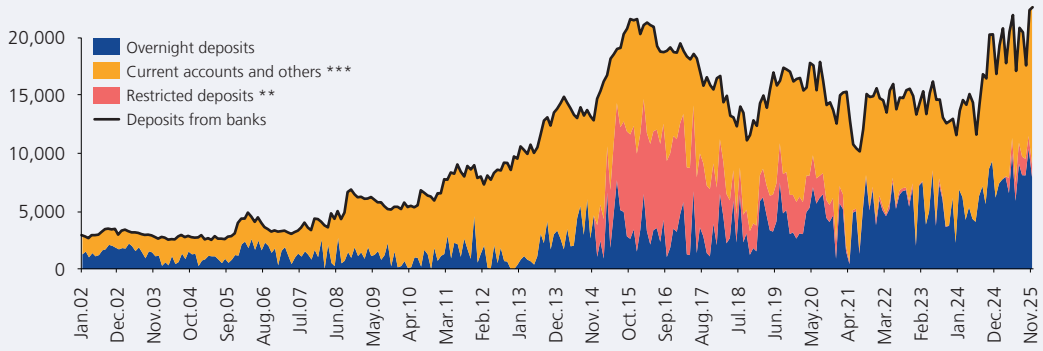


Source: BCRP.

Along these lines, since mid-2024 there has been a sustained increase in foreign currency (FC) deposits held by banks at the Central Reserve Bank of Peru (BCRP). These deposits are classified into three main types: current account deposits, overnight window deposits, and restricted deposits. Current account deposits correspond to the reserve requirement imposed by the BCRP, so their evolution is directly linked to the increase in public deposits in financial institutions. Overnight window deposits allow financial institutions to channel their excess liquidity and earn a return on these funds, while restricted deposits originate from collateral received in currency repo transactions.

It should be noted that, since July 2024, the high levels of these deposits are due to excess liquidity in foreign currency, which financial institutions place in the BCRP on an overnight basis (overnight deposits), reaching historically high levels.

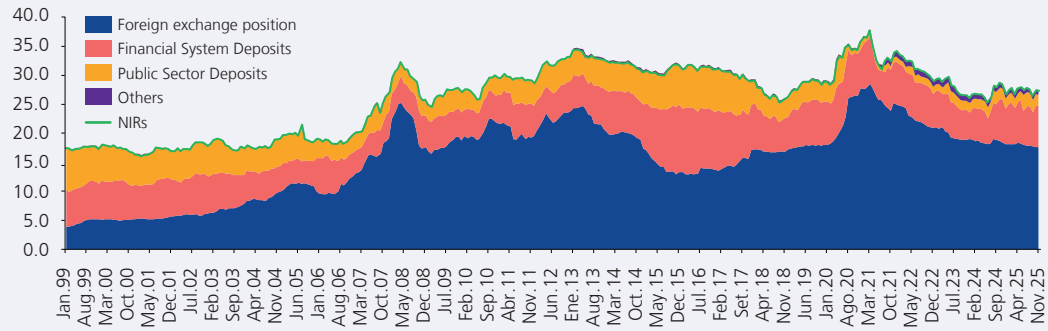
FOREIGN CURRENCY DEPOSITS OF BANKS IN THE BCRP*
(In millions of USD)



* At the end of November.
** Corresponds to repo operations for currency.
*** Other deposits refer to specific guarantee deposits, which represent 0.4 percent of total deposits.
Source: BCRP.

Thus, this increase in ME deposits at the BCRP has been a source of growth for international reserves, which reached 27.3 percent of GDP (USD 90,898 million) at the end of November, of which 7.1 percent of GDP corresponds to financial system deposits at the BCRP.

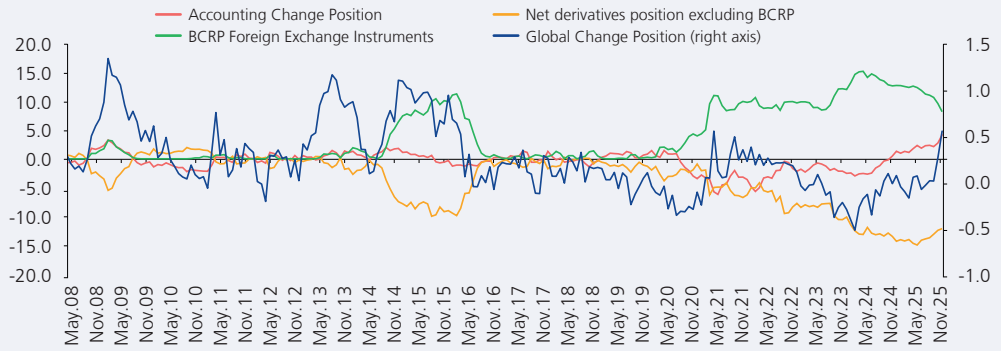
SOURCES OF VARIATION IN THE BCRP'S NET INTERNATIONAL RESERVES
(As a percentage of GDP)



Source: BCRP.

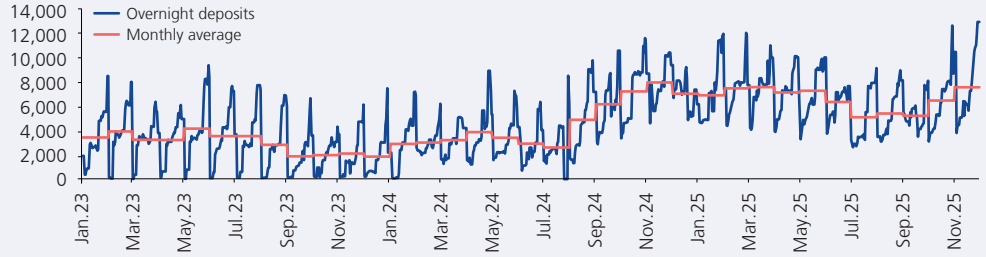
Likewise, in the case of banks, over the last 15 months there has been a growing trend in the foreign exchange position, which represents the position of assets in foreign currency net of liabilities in foreign currency. This relative increase in their assets in foreign currency compared to their liabilities in foreign currency is associated with the increase in deposits with the BCRP and the decrease in their foreign liabilities, mainly short-term. With regard to the overall position of banks—given by the sum of the accounting position plus the net position of foreign exchange derivatives—although this is normally around zero, a slight increase has been seen in recent months. The evolution described is consistent with the reduction in the balance of foreign exchange instruments held with the BCRP.

FOREIGN EXCHANGE POSITIONS AND DERIVATIVE POSITIONS OF BANKS*
(In billions of USD)



* At the end of November.
Source: BCRP.

DAILY EVOLUTION OF OVERNIGHT DEPOSITS IN FOREIGN CURRENCY OF BANK*
(In billions of USD)

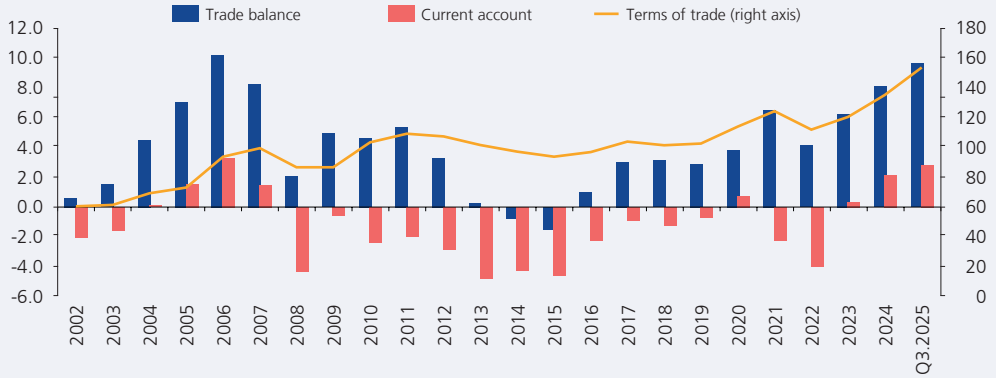


* At the end of November.
Source: BCRP.

Determinants of foreign currency liquidity

The increase in foreign currency liquidity is largely due to exceptionally favorable terms of trade, which reached their highest level since records began (1950). As a result, in 2024 the trade balance and current account rose to 8.2 and 2.2 percent of GDP, respectively. At the end of September 2025, the cumulative results for the last four quarters show that the trade balance and current account stood at 9.7% and 2.8% of GDP, levels not seen since 2006 (10.3% and 3.3% of GDP, respectively).

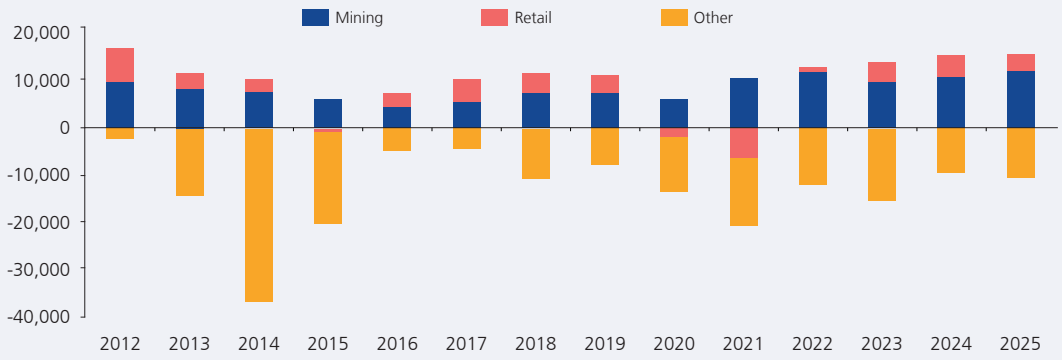
EXTERNAL CONDITIONS*
(As a percentage of GDP and index 100 = 2007)



* Terms of trade are based on the annual average through September.
Source: BCRP.

This solid performance in external accounts has been reflected in high spot supply amounts in the mining sector. In 2024, this supply reached USD 11.1 billion, the highest level since 2022 (USD 11.9 billion). In 2025, against a backdrop of high commodity prices and the regularization of income tax from the previous year, an even higher supply has been recorded, amounting to USD 12.2 billion at the end of November.

FOREIGN EXCHANGE FLOWS, SPOT*
(In millions of USD)

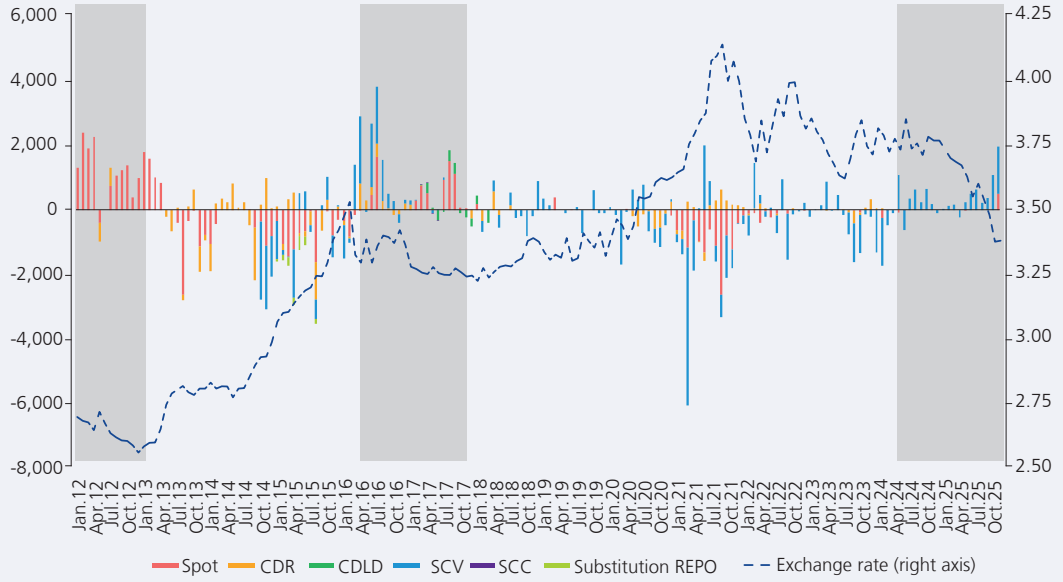


* At the end of November. The item "Other" includes AFPs, non-residents, Banco de la Nación and financial institutions, and the corporate sector.
Source: BCRP.

Since July 2024, strong foreign currency inflows have increased the banking sector's foreign exchange position and generated upward pressure on the sol. Between June 2024 and November 2025, the sol appreciated by 12.5 percent, reaching a low of S/ 3.362 on November 17, 2025. In this context, and similarly to previous episodes (2012, 2016–2017), the BCRP intervened to reduce exchange rate volatility.

Between July 2024 and November 2025, the BCRP intervened mainly through net purchases in the derivatives market (net maturity of SCV for USD 6,637 million) and, to a lesser extent, through spot purchases (USD 510 million).

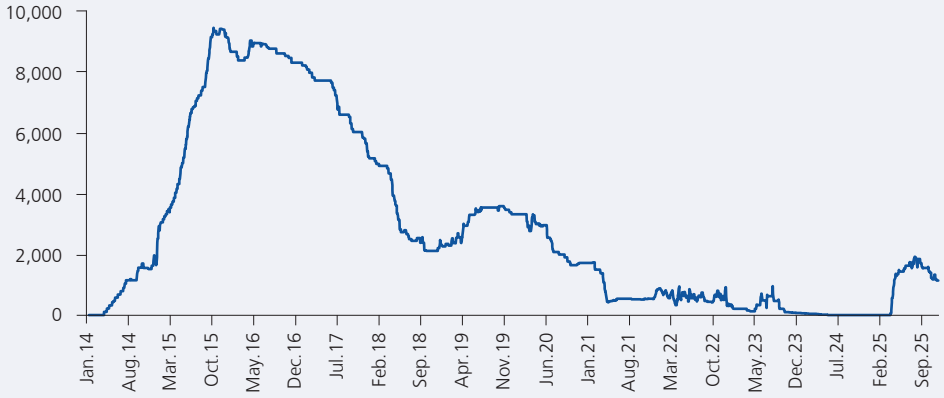
NET INTERVENTION BY THE BCRP AND EXCHANGE RATE**
(In millions of USD and S/ per USD)



* At the end of November.
** The shaded areas represent episodes of exchange rate appreciation accompanied by net purchases by the BCRP in the foreign exchange market.
Source: BCRP.

Likewise, since March of this year, the BCRP has been conducting currency repo auctions. This instrument allows liquidity to be injected into the financial system in domestic currency through repo operations in which financial institutions deliver dollars to the central bank as collateral. In this way, the BCRP temporarily absorbs excess liquidity in foreign currency while providing soles to the institutions. Once the currency repo term has expired, the institutions return the soles and recover the dollars provided as collateral. It should be noted that this instrument was also used during the de-dollarization program, when it supported the conversion of foreign currency credit into domestic currency and the expansion of domestic currency credit, facilitating the transition to a lower degree of dollarization.

CURRENCY REPO BALANCE*
(In millions of USD)



* At the end of November.
Source: BCRP.

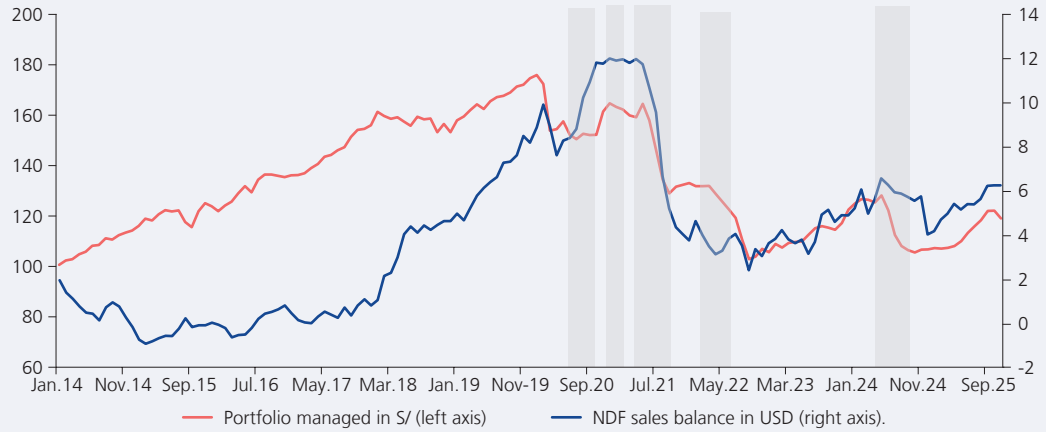
In conclusion, the strong inflow of foreign exchange has led to an increase in foreign exchange liquidity in the financial system and in the foreign exchange position of banks, as well as appreciation pressures on the Sol. In this context, the BCRP has actively intervened through foreign exchange instruments and, more recently, through purchases of dollars on the spot exchange market. Likewise, currency repos have made it possible to temporarily withdraw excess dollar liquidity, while providing liquidity in domestic currency to the financial system.

Box 8
IMPACT OF PENSION FUND WITHDRAWALS ON THE FOREIGN EXCHANGE MARKET

Between 2020 and 2024, extraordinary pension fund withdrawals totaled approximately S/ 115 billion, equivalent to 11 percent of GDP, generating significant demand for liquidity from Pension Fund Administrators (AFPs). To meet these disbursements, the AFPs liquidated assets such as sovereign bonds, corporate bonds, stocks, and derivatives, causing temporary imbalances in financial markets and structural effects in the local foreign exchange market.

The reduction in the size of the portfolios managed by the AFPs has been notable: from S/ 174.8 billion in December 2019 to S/ 119.3 billion in November 2025, a drop of close to 32 percent. This decrease has reduced their structural demand for forward sale positions and currency hedging, limiting the AFPs' participation in the foreign exchange market.

AFP: MANAGED PORTFOLIO AND NET SALES BALANCE *NON-DELIVERY FORWARD*
(In billions)



Note: The shaded area corresponds to the months of payment of withdrawal requests.
Source: BCRP and SBS. As of November 2025.

Traditionally, AFPs allocate part of their contributions in soles to the acquisition of assets abroad, which makes them net demanders of dollars in the spot market[33]. To mitigate exchange rate[34] risk, they use forward transactions, mainly through the sale of Non-Delivery Forwards (NDFs)[35]. This strategy allows them to hedge against possible appreciations of the Sol, which would reduce the local currency value of their foreign assets

However, extraordinary withdrawals forced the liquidation of external positions, temporarily reducing the dollarization of investments and turning the AFPs into net suppliers of dollars in the spot market, in addition to reducing their NDF sales. Thus, the AFPs' net NDF sales balance fell from USD 8.2 billion in December 2019 to USD 6.2 billion in October 2025.

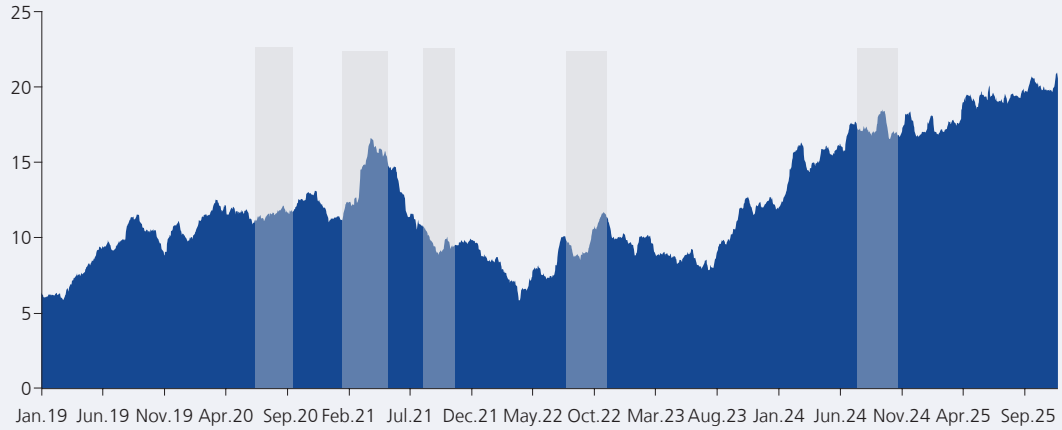
At the same time, non-resident investors are also participating more actively in the demand for derivatives to hedge their exposure to the sun, increasing their net NDF purchases in an environment characterized by a lower supply of derivatives from the AFPs.

33 Between January 2012 and April 2020, the AFPs reported net demand flows in 70 percent of the months; this percentage has decreased to 46 percent between May 2020 and November 2025.

34 Foreign currency exposure is the amount invested by the AFPs in foreign currency, corresponding to the dollarization of the portfolio.

35 Monthly net supply flows in the derivatives market decreased from 68% to 58% between the periods from January 2012 to April 2020 and May 2020 to November 2025.

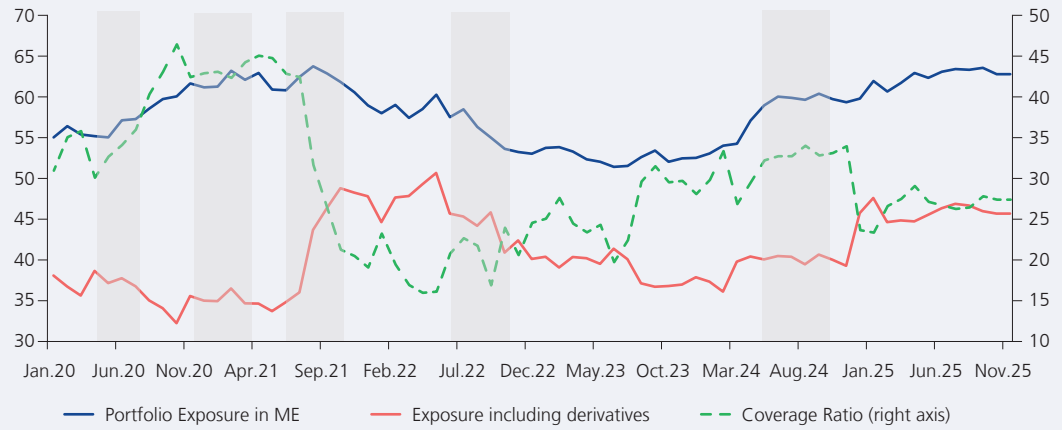
NET SALES BALANCE OF NDF TO NON-RESIDENTS
(In billions of USD)



Includes transactions carried out by local banks and AFPs for non-resident investors.
Nota: El área sombreada corresponde a los meses de pagos de las solicitudes de retiro.
Fuente: BCRP y SBS. A noviembre 2025.

During periods of withdrawal, the coverage ratio[36] of the AFPs declined because foreign currency exposure fell faster than the adjustment of existing hedges. To obtain liquidity in soles, the AFPs sold assets in dollars, but were not always able to adjust their forward contracts in the same proportion. Factors such as the need to avoid additional pressure on the spot market, early maturity costs, and liquidity requirements limited the adjustment of forward contracts. Likewise, the appreciation of the Sol that usually accompanies these episodes reduced the value in soles of the exposure in dollars, amplifying the decline in the coverage ratio.

EXCHANGE RATE COVERAGE OF THE AFPs
(In percentage)



Nota: El área sombreada corresponde a los meses de pagos de las solicitudes de retiro.
Fuente: BCRP y SBS. A noviembre 2025.

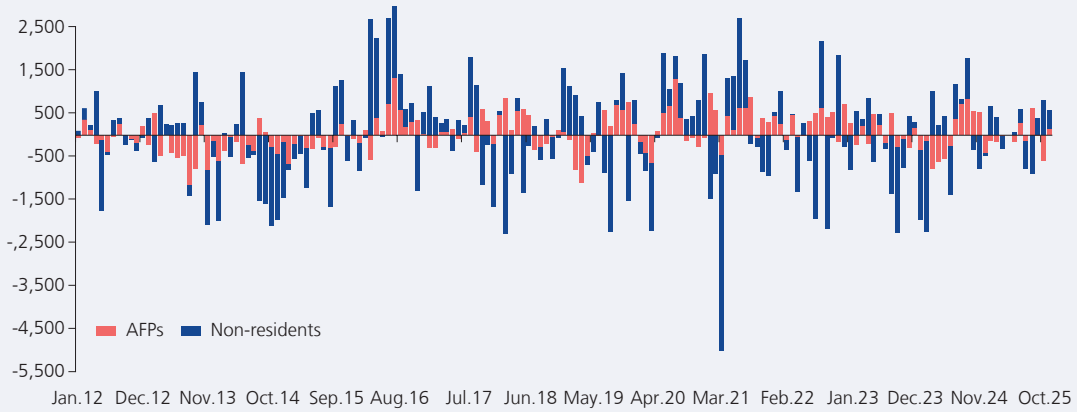
In these episodes, flows in the foreign exchange market reflected, on average, a greater supply of dollars in the spot market and greater net demand for derivatives. These flows were much higher than usual and, overall, the AFPs remained net suppliers in the local market.

Historically, the net supply of dollars by the AFPs in the derivatives market tended to offset demand from non-resident investors. However, as their foreign currency portfolios shrank, so did this capacity.

36 The coverage ratio indicates what percentage of the AFP's foreign currency exposure is hedged against exchange rate movements with derivative instruments, mainly NDFs. It is determined as follows:

$$\left(\frac{\textit{Foreign currency portfolio exposure} - \textit{Exposure including derivatives}}{\textit{Exposure of the portfolio in foreign currency}}\right) * 100$$

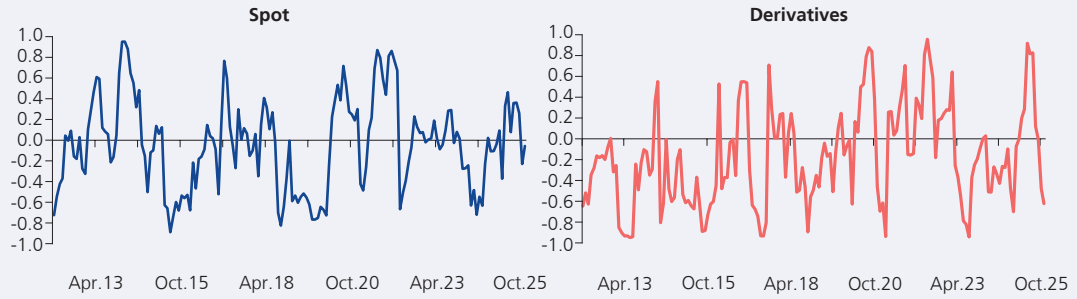
NET SUPPLY OF AFPS AND NON-RESIDENTS
(Amount in millions of USD)



Source: BCRP. As of November 2025.

The correlation between AFP foreign exchange market flows and non-resident investors was mostly negative between 2012 and 2025, both in the spot market and in the derivatives market. However, it has become less frequent after 2020. In the spot market, the negative correlation fell from 58 percent of the months to 39 percent, and in the derivatives market, from 79 percent to 48 percent.

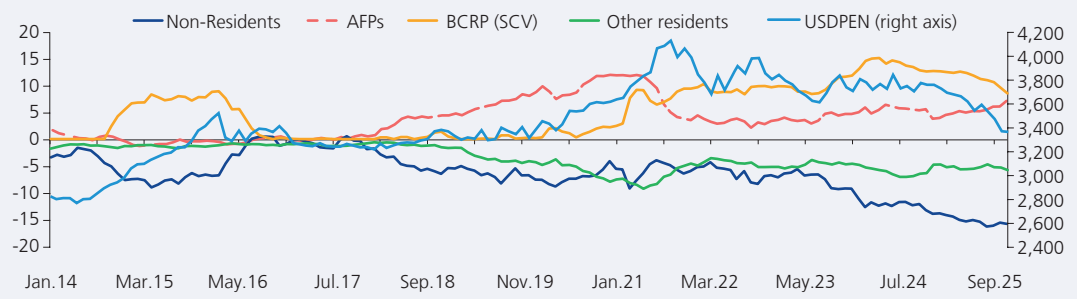
CORRELATION COEFFICIENT: NET SUPPLY OF AFPS AND NON-RESIDENTS*



* 6-month rolling windows.
Source: BCRP. As of November 2025.

In summary, extraordinary withdrawals have reduced the stabilizing role of the AFPs in the foreign exchange market, as the AFPs have reduced their forward positions after liquidating foreign assets. Overall, extraordinary withdrawals have increased the sensitivity of the foreign exchange market to flow shocks and reduced the correlation between the positions of AFPs and non-resident investors compared to the levels observed before 2020. At the same time, the BCRP increased its use of FX swaps to reduce volatility and preserve the orderly functioning of the market.

BALANCE OF NET NDF PURCHASES BY BANKS AND EXCHANGE RATE
(Amount in billions of USD)



Source: BCRP and SBS. As of November 2025.

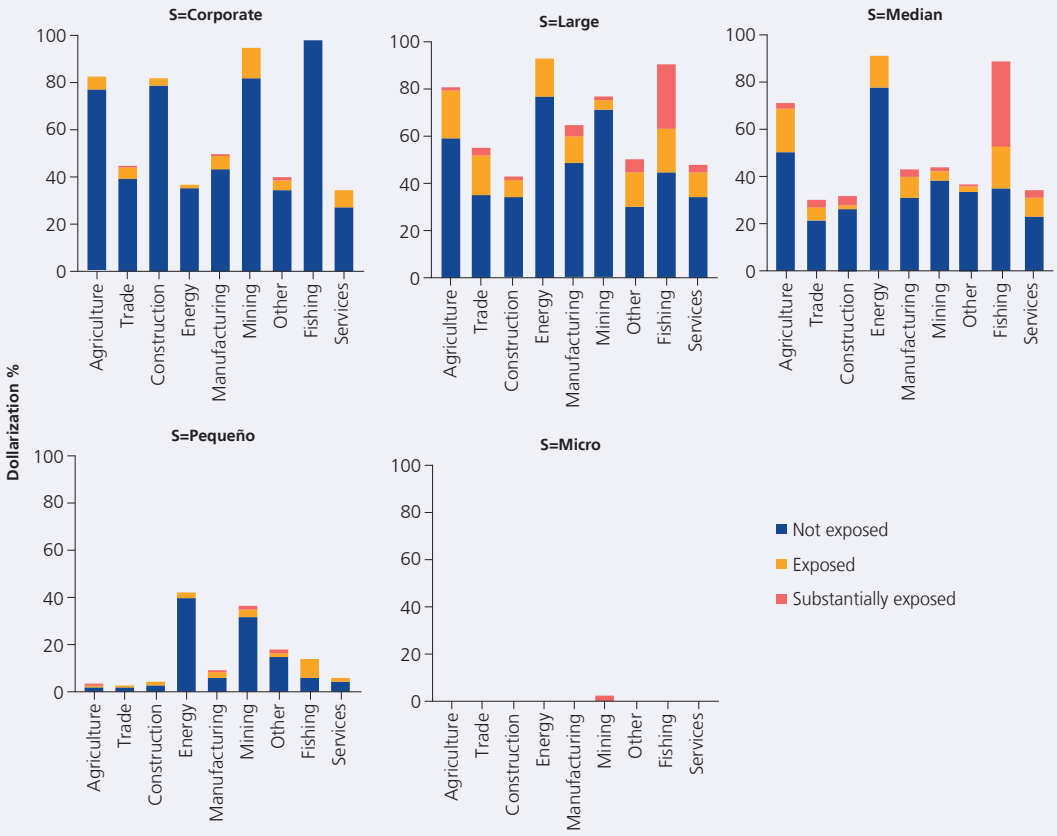
Box 9
CURRENCY RISK, DOLLARIZATION, AND NON-PERFORMING LOANS

This box presents statistics on foreign exchange credit risk and analyzes its links with the dollarization of loans and non-performing loans. To this end, it uses the foreign exchange risk exposure indicator that financial institutions are required to assess and report in the Debtor Credit Report (RCD) required by the SBS from deposit-taking institutions.

In accordance with the Regulations for Credit Exchange Risk Management[37] established by the SBS, each financial institution must perform this assessment in accordance with its internal methodology, identifying whether the debtor—potential or current—has a currency mismatch between their income and obligations. In addition, the impact of a real depreciation of 10 and 20 percent on the ability to pay must be measured, at least once a year[38]. The exposure indicator is reported at the debtor level for each financial institution in the RCD

DOLLARIZATION BY ECONOMIC SECTOR AND CREDIT SEGMENT BY CONTRIBUTION TO EXPOSURE TO EXCHANGE RATE RISK, OCTOBER 2025

(In percentages)



Source: RCD.

37 SBS Resolution No. 41 – 2005.

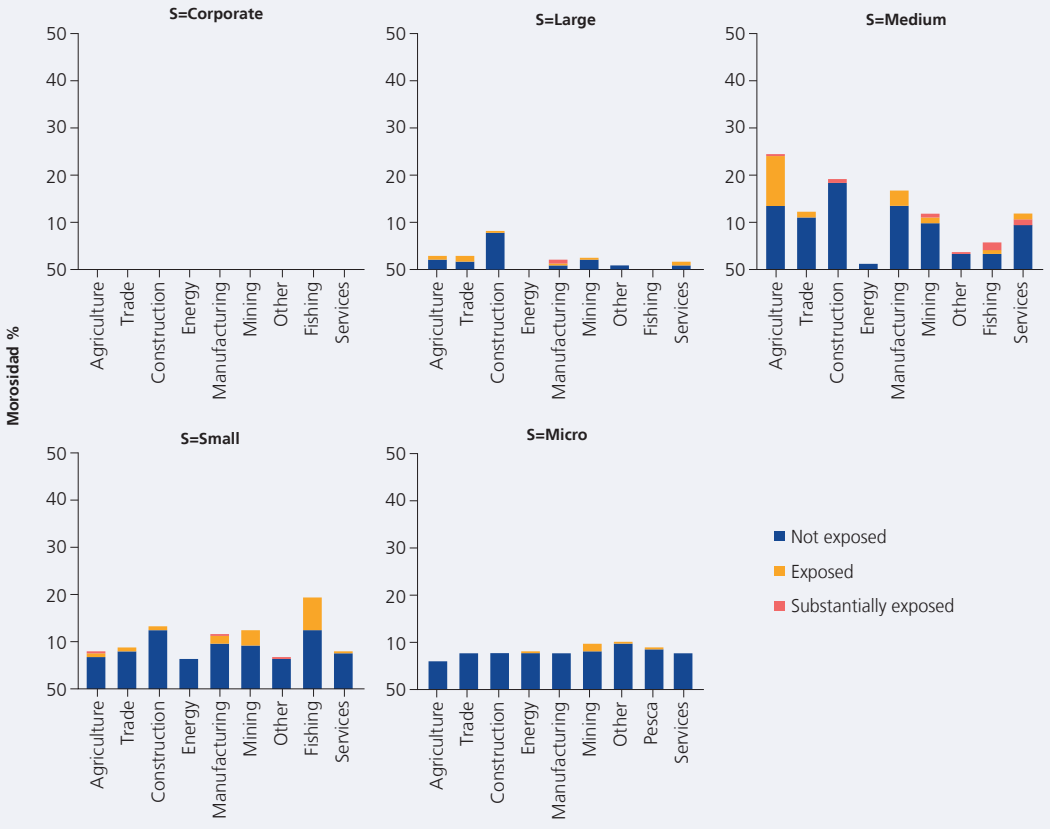
38 In February 2025, new Credit Exchange Risk Management Regulations were approved (Resolution S.B.S. No. 00774-2025), which will come into effect in January 2026 and establish a standardized methodology for identifying debtors exposed to credit exchange risk. Retail debtors are identified as exposed if they have debts greater than USD 2,000 or have a dollarization rate greater than 20 percent. Non-retail debtors that do not have financial statements are considered exposed if they are not foreign currency generators or are not financial companies or multilateral banks, and their dollarization rate is greater than or equal to 20 percent. For non-retail borrowers with financial statements under the above conditions, it is added that under at least one of the depreciation scenarios (10 or 20 percent), the debt coverage ratio (RcobD) must be less than 1 to be considered exposed.

The chart above shows the dollarization of corporate loans by economic sector, credit segment, and exposure to exchange rate risk for October 2025, revealing marked heterogeneity in dollarization by segment and sector. Dollarization is concentrated in the largest segments—corporate, large, and, to a lesser extent, medium—mainly in sectors with low exchange rate exposure such as fishing, mining, and agriculture. The segments whose dollarization shows the greatest contribution from loans with exposure to exchange rate risk are medium and large companies, with fishing, energy, and agriculture standing out in the medium segment.

For its part, the following chart shows non-performing loans by sector, segment, and exchange rate risk contribution, where there is also significant heterogeneity between segments, although less so between sectors. The corporate segment has virtually no non-performing loans, while the large segment recorded very low levels. The medium segment shows somewhat higher and more heterogeneous non-performing loans, while the microenterprise segment recorded lower and more homogeneous levels across sectors. In this context, agriculture and fishing in the medium and small segments, respectively, show the highest contributions to non-performing loans for loans with exposure to exchange rate risk. It should be pointed out that the share of loans to these sectors in the medium and small segments is relatively low.

ON-PERFORMING LOANS BY ECONOMIC SECTOR AND CREDIT SEGMENT BY CONTRIBUTION OF EXPOSURE TO EXCHANGE RATE RISK, OCTOBER 2025

(In percentages)



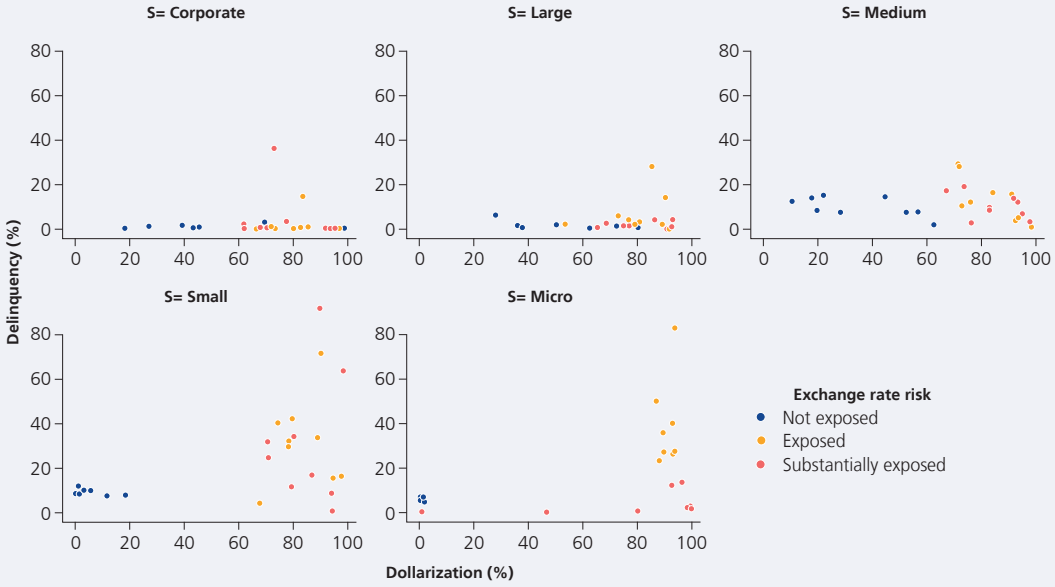
Note: Non-performing loans on total credit.
Source: RCD.

When analyzing the links between non-performing loans and dollarization due to exposure to exchange rate risk in the scatter plot in the graph below, it can be seen that non-exposed companies have, on average, lower dollarization and non-performing loans than those exposed to exchange rate risk. This association is more evident in smaller segments, where the difference in effective exposure to dollarization between exposed and unexposed groups is greater, also reflecting greater fragility in facing various shocks.

Thus, while companies in larger segments are the most dollarized and exposed, they show greater resilience and less propensity to default despite their exposure, in contrast to smaller segments, which are on average more vulnerable due to their size.

AVERAGE NON-PERFORMING LOANS AND DOLLARIZATION BY SEGMENT, SECTOR, AND EXPOSURE TO EXCHANGE RATE RISK, 2021-2025

(In percentages)



Total non-performing loans.
Source: RCD

In conclusion, there is marked heterogeneity in the dollarization of loans: by segment, it is concentrated in larger companies, and by economic sector, mainly in export sectors. The medium and large segments are also the most exposed to credit exchange rate risk. In summary, although larger companies are more exposed to credit exchange rate risk, the effective risk derived from dollarization is higher in small dollarized segments.

VI. Inflation and inflation risk balance

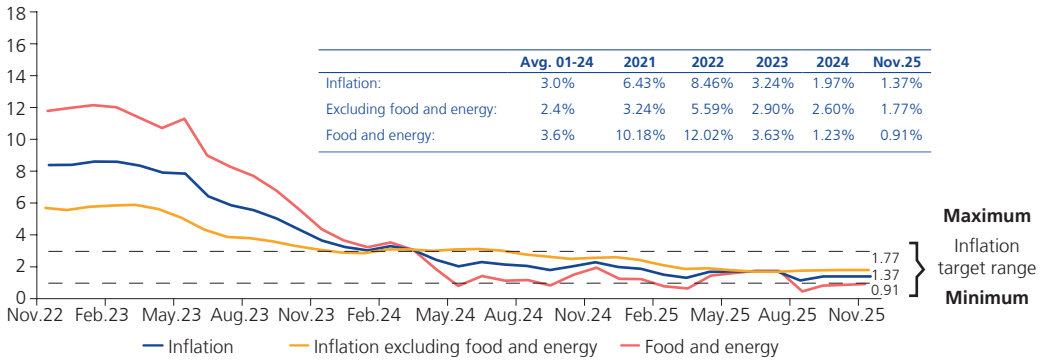
Recent developments

97. Year-on-year **inflation** rose from 1.11 percent in August to 1.37 percent in November, due to higher prices for some foods, such as garlic and eggs, and services such as local transportation, remaining within the target range.

Inflation excluding food and energy (SAE) rose from 1.75% to 1.77% in the same period, with a higher rate of increase observed in items such as local transportation and international and domestic air transportation, in addition to telephone equipment. Both goods and services included in the SAE were within the target range.

The various trend indicators remained within the target range between August and November.

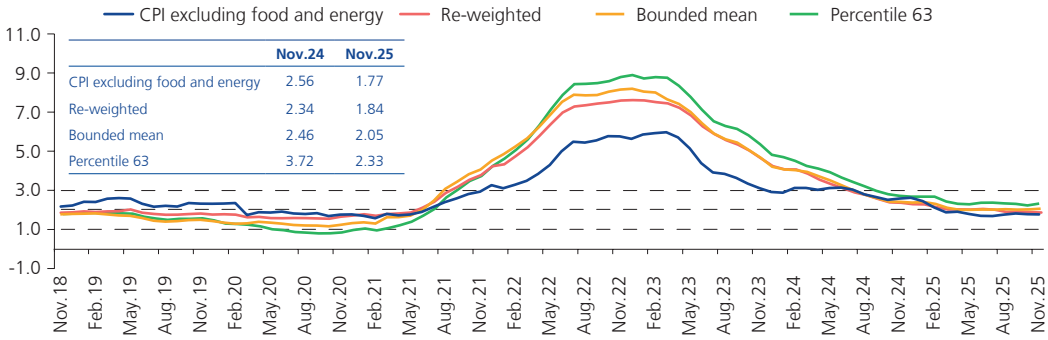
Graph 87
INFLATION
(Last 12-month % change)



	Avg. 01-24	2021	2022	2023	2024	Nov.25
Inflation:	3.0%	6.43%	8.46%	3.24%	1.97%	1.37%
Excluding food and energy:	2.4%	3.24%	5.59%	2.90%	2.60%	1.77%
Food and energy:	3.6%	10.18%	12.02%	3.63%	1.23%	0.91%

Note: calculated using a constant exchange rate (December 2024).
* Projection.
Source: BCRP.

Graph 88
INDICADORES TENDENCIALES DE INFLACIÓN
(Percentage change over the last 12 months)



	Nov.24	Nov.25
CPI excluding food and energy	2.56	1.77
Re-weighted	2.34	1.84
Bounded mean	2.46	2.05
Percentile 63	3.72	2.33

Note:
1. CPI excluding food and energy: CPI excluding food, fuel, and electricity.
2. Re-weighted: Reduces the weight of items with greater volatility by dividing the original weights of each item by the standard deviation of their monthly percentage changes.
3. Bounded mean: Weighted average of percentage price variations between the 34th and 84th percentiles.
4. 63th percentile: Corresponds to the percentage variation of the item located in the 63rd percentile.

98. Inflation excluding food and energy (SAE) remained within the target range between August and November 2025, peaking in September mainly due to increases in local transportation and food items such as lemons, onions, and tomatoes. Both SAE inflation for goods and SAE inflation for services were within the target range.

Graph 89
INFLATION EXCLUDING FOOD AND ENERGY
(Last 12-month % change)

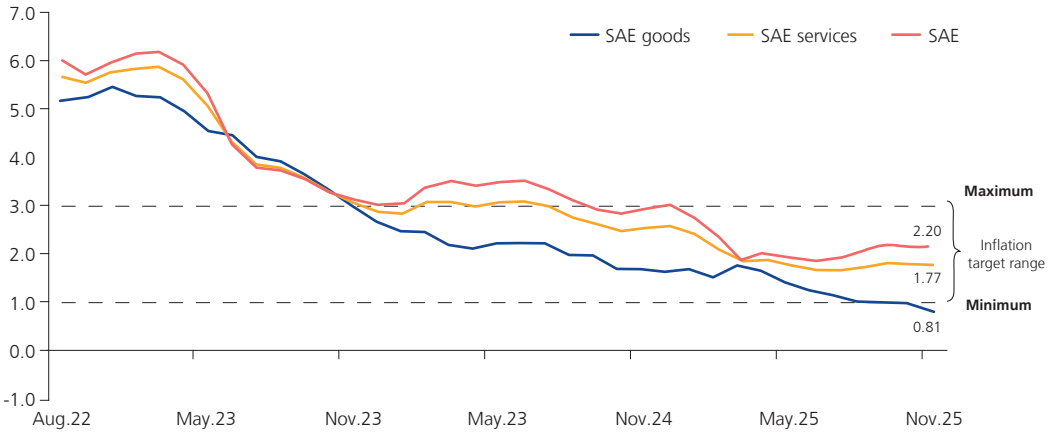


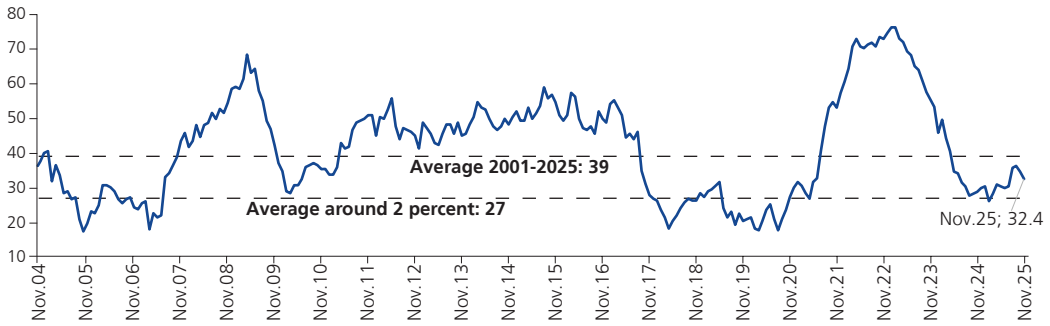
Table 38
SERVICES INFLATION
(12-month % chg.)

	Peso	Dec.21	Dec.22	Dec.23	Dec.24	Mar.25	Jun.25	Sep.25	Oct.25	Nov.25
Services	**37.89**	**3.61**	**5.72**	**3.01**	**3.05**	**1.92**	**1.89**	**2.19**	**2.14**	**2.20**
Education	**8.61**	**1.60**	**3.92**	**6.40**	**5.09**	**4.42**	**4.07**	**4.07**	**4.11**	**4.03**
of which:										
Primary	*1.55*	*1.64*	*3.60*	*10.39*	*6.31*	*5.26*	*5.26*	*5.26*	*5.26*	*5.26*
Secondary	*1.26*	*1.64*	*3.83*	*10.74*	*6.42*	*5.42*	*5.42*	*5.42*	*5.42*	*5.42*
Higher	*4.26*	*1.64*	*4.09*	*3.86*	*3.96*	*3.64*	*3.23*	*3.31*	*3.31*	*3.32*
Postsecondary, non-tertiary	*0.51*	*1.64*	*6.34*	*4.03*	*3.72*	*3.72*	*2.22*	*2.22*	*2.02*	*1.94*
Transportation	**9.14**	**3.69**	**12.30**	**2.89**	**3.83**	**1.13**	**0.82**	**1.86**	**2.07**	**2.85**
of which:										
National ground	*0.27*	*19.57*	*5.78*	*-5.23*	*12.35*	*-5.82*	*0.60*	*0.21*	*-1.54*	*-0.84*
Domestic	*8.08*	*2.97*	*13.50*	*3.51*	*3.62*	*1.80*	*1.04*	*2.06*	*2.40*	*2.92*
Domestic air	*0.24*	*45.44*	*-21.34*	*24.20*	*6.81*	*-8.22*	*-1.22*	*6.27*	*2.73*	*11.80*
International air	*0.55*	*45.44*	*12.13*	*-9.05*	*2.09*	*-3.64*	*-2.13*	*-2.02*	*-2.31*	*0.31*
Health	**1.48**	**2.82**	**7.30**	**3.28**	**1.59**	**0.46**	**0.89**	**1.15**	**1.21**	**1.34**
Other services	**5.03**	**8.92**	**3.89**	**3.23**	**2.43**	**2.60**	**2.91**	**2.94**	**2.84**	**2.70**
of Which:										
Cultural services	*1.13*	*6.53*	*5.47*	*5.57*	*3.24*	*3.66*	*3.82*	*4.19*	*3.86*	*2.84*
Otros servicios personales	**3.37**	**2.50**	**2.55**	**2.39**	**1.79**	**2.12**	**2.98**	**3.50**	**3.69**	**3.74**
of which:										
Domestic services	*2.25*	*1.12*	*0.84*	*0.86*	*1.08*	*1.55*	*2.54*	*3.11*	*3.42*	*3.36*
Public services	**5.81**	**5.20**	**3.61**	**0.71**	**2.02**	**0.26**	**0.33**	**0.41**	**-0.39**	**-1.08**
del cual:										
Landline and mobile phone service	*4.26*	*-0.19*	*2.20*	*0.35*	*-0.11*	*-0.17*	*-0.10*	*0.01*	*-1.10*	*-2.08*
Water	*1.37*	*11.57*	*7.90*	*1.32*	*7.48*	*0.80*	*0.80*	*0.80*	*0.80*	*0.80*
Rentals	**4.45**	**1.76**	**2.38**	**-0.19**	**0.57**	**0.13**	**0.06**	**-0.26**	**-0.26**	**-0.43**

99. Of the 188 items in the Consumer Price Index, 32 percent recorded a year-on-year variation of more than 3 percent in November. This indicator peaked at 76 percent in February 2023 and has been declining since March 2023.

Graph 90

PERCENTAGE OF CPI ITEMS WITH YEAR-ON-YEAR PRICE CHANGES GREATER THAN 3%



	Nov.24	Dec.24	Jan.25	Feb.25	Mar.25	Apr.25	May.25	Jun.25	Jul.25	Aug.25	Sep.25	Oct.25	Nov.25
Index	29	30	30	26	28	31	30	30	30	36	36	35	32
Number of items:													
Items with variation greater than 3%	54	56	57	49	53	58	57	56	57	67	68	65	61
Items with variation of less than 3%	134	132	131	139	135	130	131	132	131	121	120	123	127

Note: The average annual inflation rate for the period covered by the long-term average dispersion index is 2.9 percent.

100. The items most closely linked to the exchange rate, international prices, and the Wholesale Price Index (WPI) contributed -0.77 percentage points to the cumulative inflation rate between January and November (1.26 percent).

Table 39

ITEMS LINKED TO THE EXCHANGE RATE, INTERNATIONAL PRICES, AND WPI

	Peso Base Dec.21	% change 12 m Dec.22	Contr. Weighted	% change 12 m Dec.23	Contr. Weighted	% change 12 m Dec.24	Contr. Weighted	% change acum. Jan-Nov.25	Contr. Weighted
CPI	**100.00**	**8.46**	**8.46**	**3.24**	**3.24**	**1.97**	**1.97**	**1.26**	**1.26**
Of which									
Items linked to the exchange rate	14.58	5.19	0.76	1.92	0.27	1.77	0.25	-0.13	-0.02
Items linked to international prices and exchange rates	7.99	11.40	0.91	1.44	0.12	-1.53	-0.12	-7.29	-0.57
Linked to food commodities	*5.84*	*15.21*	*0.89*	*3.96*	*0.25*	*-2.94*	*-0.18*	*-7.20*	*-0.43*
Fuel	*2.15*	*1.05*	*0.02*	*-6.36*	*-0.13*	*3.32*	*0.06*	*-7.58*	*-0.14*
Items related to the WPI	1.37	7.90	0.11	1.32	0.02	7.48	0.10	0.80	0.01
Items related to exchange rate, CPI, and quotations	2.62	11.46	0.30	-7.11	-0.19	-0.72	-0.02	-8.11	-0.19
Total items linked to exchange rate, WPI, and contributions	26.56	7.82	2.08	0.82	0.22	0.80	0.21	-3.00	-0.77
Rest	73.44	8.69	6.38	4.10	3.02	2.37	1.76	2.72	2.03

Cumulative inflation for the January-November 2025 period was 1.26 percent. Inflation excluding food and energy was 1.36 percent in the same period, with an increase of 0.8 percent for goods (contributing 0.14 percentage points to inflation) and 1.6 percent for services (contributing 0.60 percentage points to inflation). The largest increase in services was recorded in education (4.0 percent), followed by transportation (0.8 percent).

Food within the home increased by 1.7 percent in January-November 2025, contributing 0.45 percentage points to CPI growth. Meals outside the home increased by 2.5 percent, contributing 0.41 percentage points. Fuel prices fell by 7.6 percent (contributing -0.14 percentage points), while electricity rates fell by 8.1 percent (contributing -0.19 percentage points to inflation).

Table 40
INFLATION
(% change)

	Peso	Dec.21	Dec.22	Dec.23	Dec.24	2025	
						Nov.25/Dec.24*	Nov.25/Nov.24
IPC	**100.0**	**6.43**	**8.46**	**3.24**	**1.97**	**1.26**	**1.37**
1. CPI excluding food and energy	**55.3**	**3.24**	**5.59**	**2.90**	**2.60**	**1.36**	**1.77**
a. Goods	**17.4**	**2.6**	**5.3**	**2.7**	**1.6**	**0.8**	**0.8**
b. Services	**37.9**	**3.6**	**5.7**	**3.0**	**3.0**	**1.6**	**2.2**
Education	8.6	1.6	3.9	6.4	5.1	4.0	4.0
Health	1.5	2.8	7.3	3.3	1.6	1.3	1.3
Transportation	9.1	3.7	12.3	2.9	3.8	0.8	2.8
Water	1.4	11.6	7.9	1.3	7.5	0.8	0.8
Others	17.3	1.7	2.8	1.5	1.3	0.9	1.0
2. Food and energy	**44.7**	**10.18**	**12.02**	**3.63**	**1.23**	**1.15**	**0.91**
a. Food and beverages	**40.0**	**8.0**	**12.6**	**4.8**	**1.2**	**2.1**	**1.8**
Meals inside home	24.5	9.8	14.5	3.7	0.2	1.7	1.2
Meals outside home	15.5	4.5	9.7	6.6	2.9	2.5	2.7
b. Fuel and electricity	**4.8**	**24.4**	**6.8**	**-6.8**	**1.0**	**-7.9**	**-7.8**
Fuels	2.1	47.2	1.0	-6.4	3.3	-7.6	-7.6
Electricity	2.6	9.5	11.5	-7.1	-0.7	-8.1	-8.0

* Cumulative percentage change.

101. The items with the largest positive contribution to inflation in the January-November 2025 period were meals outside home, education, fish, and local transportation (1.3 percentage points to inflation). The items with the largest negative contribution were chicken, electricity, eggs, and telephone services (-0.58 percentage points to inflation).

Table 41
WEIGHTED CONTRIBUTION TO INFLATION: NOVEMBER 2025

Positive	Weight	% change	Contribution	Negativa	Weight	% change	Contribution
Meals outside home	15.5	2.5	0.41	Chicken	2.7	-8.6	-0.22
Education	8.6	4.0	0.35	Electricity	2.6	-8.1	-0.19
Fresh sea fish	0.7	61.7	0.34	Eggs	0.7	-11.5	-0.09
Local transportation	8.1	2.1	0.18	Landline and mobile telephone service	4.3	-2.1	-0.08
Personal care products	4.0	2.1	0.08	Motor vehicles	1.6	-4.9	-0.08
Papaya	0.2	37.2	0.08	Vehicle fuels	1.1	-8.2	-0.07
Domestic and household services	2.2	3.2	0.07	Sugar	0.4	-16.8	-0.07
Lemon	0.2	29.8	0.06	Domestic land transportation	0.3	-23.7	-0.06
Other fresh fruit	0.6	7.1	0.05	Mandarin	0.3	-14.9	-0.05
Carrot	0.1	38.6	0.05	Domestic gas	0.8	-6.3	-0.05
Total			**1.67**	**Total**			**-0.96**

Food

The "meals outside home" category rose 2.5 percent, higher than the overall price index (1.3 percent) for the January-November period. With this result, the category reached a variation of 2.7 percent in the last 12 months, higher than the variation in food within the home (1.2 percent). This reflected the increased demand for this service and the rise in costs, mainly labor (increase in the minimum wage as of January 2025).

The price of fresh sea fish rose by 61.7 percent, with the largest price rise being recorded for bonito (88.2 percent). Cold weather and abnormal waves hampered artisanal fishing activities for much of the January-November period. In addition,

In November, prices for horse mackerel and bonito increased by 58.1 percent and 20.5 percent, respectively. In the case of bonito, the price increase mainly reflected a reduction in supply following the start of the closed season for reproduction on the Peruvian coast in November (R.M. 331-2025-PRODUCE). In the case of horse mackerel, the increase in the price of bonito and a still low supply due to the decrease in sea temperature, which tends to disperse the species and make it difficult to catch, had an influence.

The price of papaya rose 37.2 percent, with the largest increases recorded in January, February, and July. The price increased at the beginning of the year due to higher seasonal demand and lower supply from San Martín and Madre de Dios, regions where heavy rains were recorded. Subsequently, supply decreased in July, following cold spells and fog in the regions of San Martín and Ucayali.

The price of lemons rose by 29.8 percent, with the largest increases concentrated in August and September. This increase was mainly due to a seasonal reduction in supply, exacerbated by a drop in production due to water stress that affected the north coast during the first quarter of 2025. Later, in November, the price fell by 19.0 percent compared to October. This decrease was explained by the seasonal increase in shipments from the north coast and by the shift of part of the crops to November, as a result of the cooler temperatures recorded in October.

The category "other fresh fruits" rose 7.1 percent, with the highest increases recorded in January, February, and June. This was due to higher demand for mangoes in the summer and rains that affected passion fruit crops in the central jungle. In June, there was a notable decrease in seasonal mango production in Piura and Tumbes, as well as a loss of hectares of passion fruit in Oxapampa, mainly due to hailstorms in May. Subsequently, negative variations in this category were recorded in August (-6.5 percent), September (5.9 percent), and October (7.0 percent) due to lower prices for strawberries and blueberries, increased supply from the valleys of the Lima region, and a seasonal increase in mango shipments from the north coast.

Chicken meat was the product that contributed to the largest negative price variation (-8.6 percent). The largest reduction was recorded in January due to lower demand after the end-of-year celebrations. The decline in prices from May to July was also notable. The drop in ambient temperature starting in May contributed to increased food intake by poultry and lower mortality rates, resulting in greater supply.

Services

The education sector increased by 4.0 percent, mainly due to the rise in enrollment and tuition fees at private schools and universities at the beginning of the academic year. Tuition fees at private schools recorded an average increase of 5.2 percent in March, and enrollment expenses rose by 1.6 percent. Other payments at public schools rose by 1.1 percent, while tuition fees at private universities rose by 3.9 percent.

The fixed and mobile telephone services sector saw a decline of 2.1 percent. This result reflected decreases in October and November in the mobile telephone consumption division following the revision of certain controlled rate plans.

Domestic ground transportation rates fell by 23.7 percent. This occurred in a context of seasonal reversal of the increases that are usually recorded during the end-of-year holidays, Holy Week, and national holidays.

Energy

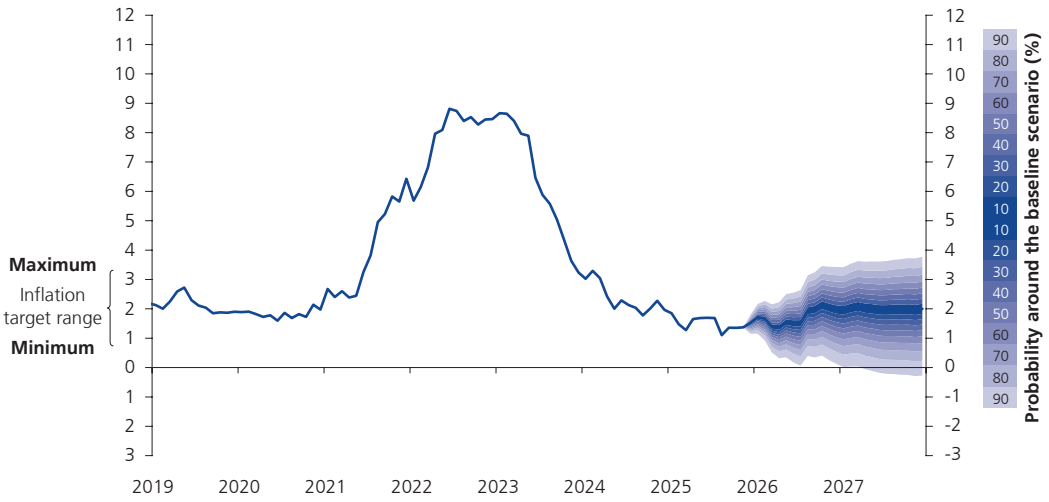
Electricity rates recorded a negative variation of -8.1 percent between January and August, with a particularly sharp decline of 3.5 percent in August. In August, the adjustment of compensation mechanisms, the lower exchange rate, and the decrease in fixed costs for main transmission were decisive factors. In addition to this, the lower wholesale price index and the lower FOSE charge[39] were recorded.Additionally, in November, a 1.2 percent decrease was recorded due to the lower exchange rate and the reduction in the economies of scale factor. These factors were in part offset by the increase in fixed costs for main transmission (due to the increase in the Renewable Energy Resource Premium – RER, caused by the fall in the spot price of the wholesale electricity market).

Inflation forecasts

102. The BCRP designs and implements its monetary policy actions in response to inflation forecasts and inflation determinants. These forecasts are prepared for a horizon of between 18 and 24 months, taking into account all available macroeconomic and financial information. The main factors influencing inflation, which may be domestic or external in nature, are: inflation expectations, imported inflation (which brings with it the exchange rate effect), inflation excluding food and energy, and inflationary pressures associated with both demand and supply factors.

Likewise, part of the process of preparing inflation forecasts involves quantifying uncertainty using various statistical tools and estimated dynamic macroeconomic models, and subsequently specifying risk scenarios along with their probabilities of occurrence. Below is the baseline scenario for the inflation forecast in this Report and the balance of risks that could cause a possible deviation from the inflation trajectory with respect to that scenario, taking into account both the magnitude of the deviation and the probability of occurrence.

Graph 91
INFLATION FORECAST: 2025-2027
(% change last twelve months)

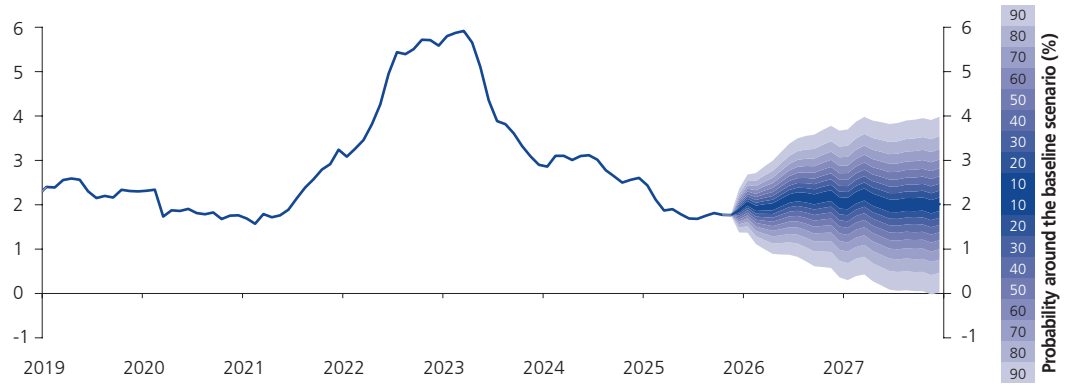


Note: This fan chart shows the distribution of possible values for the inflation forecast over the projection horizon. Its central line is the mode of the distribution and shows the baseline scenario presented in this Inflation Report. Each pair of bands in the fan chart (each shade or shading) accumulates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

39 FOSE: Electricity Social Compensation Fund. This is a cross-subsidy paid by high-consumption residential users to benefit low-consumption residential users.

Year-on-year inflation is projected to remain at the lower end of the target range in the coming months and then settle in the middle of that range. Inflation is estimated at 1.5 percent for 2025 and 2.0 percent for 2026 and 2027.

Graph 92
INFLATION FORECASTS EXCLUDING FOOD AND ENERGY (SAE): 2025-2027
(% change last twelve months)

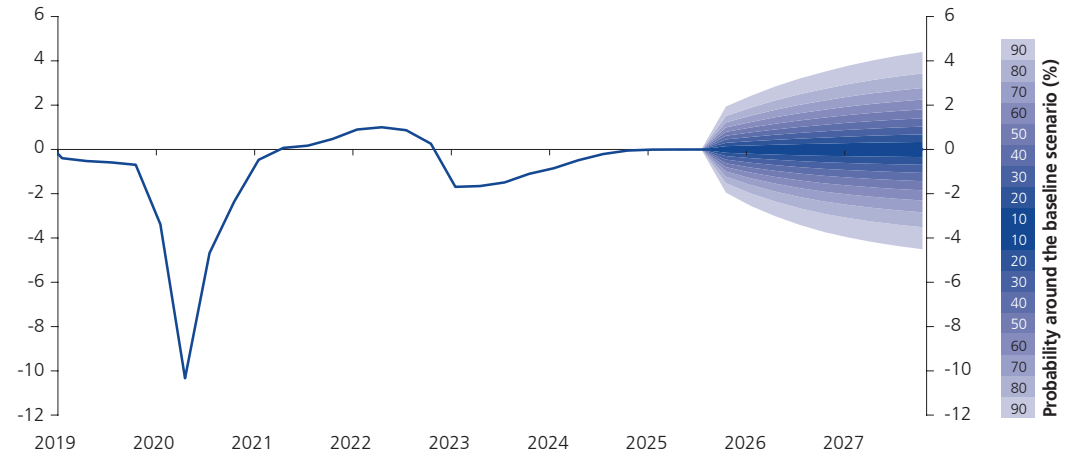


Note: This fan chart shows the distribution of possible values for the projection of inflation excluding food and energy (SAE) over the projection horizon. Its central line is the mode of the distribution and shows the baseline scenario presented in this Inflation Report. Each pair of bands in the fan chart (each shade or tint) accumulates a 10% probability and indicates the possible values for the evolution of SAE inflation over the forecast horizon associated with this confidence level.
Source: BCRP.

In addition to the reversal of the effects of supply shocks, this forecast assumes economic activity around its potential level and inflation expectations with a downward trend toward the midpoint of the target range.

103. Business confidence, which recovered in 2024 after three years in negative territory, is expected to continue recovering throughout the projection horizon. On the other hand, terms of trade are expected to remain highly favorable. As a result, the output gap is expected to remain close to its neutral value throughout the projection horizon.

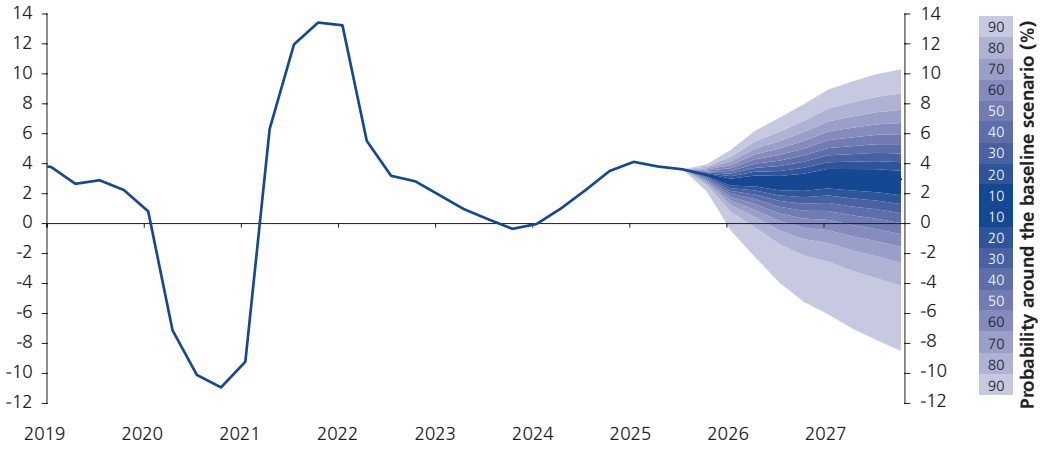
Graph 93
OUTPUT GAP FORECAST: 2025-2027
(Percentage of potential output, quarterly average)



Note: This fan chart shows the distribution of possible values for the projected output gap over the projection horizon. Its center line is the mode of the distribution and shows the projection of the baseline scenario presented in this Inflation Report. Each pair of bands in the fan chart (each shade or tint) accumulates a 10% probability and indicates the possible values for the evolution of the output gap over the forecast horizon associated with this confidence level.
Source: BCRP.

104. In line with the evolution of the output gap and the estimate of potential GDP, economic activity is expected to grow by an average of 3 percent in the period 2025-2027.

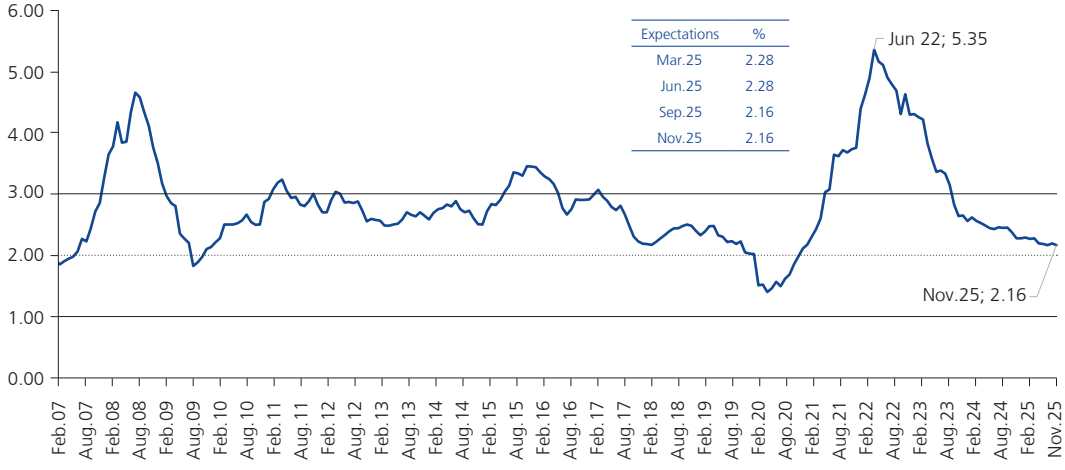
Graph 94
GDP GROWTH FORECAST: 2025-2027
(4-quarter moving average percentage change)



Note: This fan chart shows the distribution of possible values for GDP growth forecasts over the projection horizon. Its center line is the mode of the distribution and shows the baseline scenario presented in this Inflation Report. Each pair of bands in the fan chart (each shade or tint) accumulates a 10% probability and indicates the possible values for GDP growth over the forecast horizon associated with this confidence level.
Source: BCRP.

105. Inflation expectations, calculated on the basis of surveys of financial and non-financial companies, as well as economic analysts, reveal a range for the expected inflation rate of between 1.65 and 2.0 percent for 2025 (values lower than those in the September Inflation Report). For 2026 and 2027, a range between 2.15 and 2.3 percent is expected. Likewise, 12-month inflation expectations stood at 2.16 percent in November 2025, lower than reported in the previous Inflation Report and close to the center of the inflation target range.

Graph 95
TWELVE-MONTH INFLATION EXPECTATIONS
(% points)



Source: BCRP.

Table 42
INFLATION EXPECTATIONS SURVEY
(%)

	IR Jun.25	IR Sep.25	IR Dec.25*
Financial System			
2025	2.15	2.10	1.85
2026	2.15	2.20	2.20
2027			2.15
Economic Analysts			
2025	2.30	2.00	1.65
2026	2.50	2.30	2.20
2027			2.20
Non-financial companies			
2025	2.30	2.10	2.00
2026	2.50	2.50	2.25
2027			2.30

* Survey conducted on November 28.
Source: BCRP.

106. Another factor determining inflation is the imported component, which combines the effect of international prices for products imported by our country (such as oil, wheat, soybeans, and maize) with the effect of exchange rate fluctuations (the sol against the US dollar).

Thus, average import prices are projected to decline by 2.4 percent in 2025 and 0.1 percent in 2026, mainly due to lower prices for some raw materials such as oil, wheat, and soybeans, while a recovery of 2.3 percent is expected for 2027. For its part, surveys of expected exchange rates for November show levels between S/ 3.40 and S/ 3.45 per dollar for 2025; between S/ 3.50 and S/ 3.55 per dollar for 2026; and between S/ 3.55 and 3.60 per dollar for 2027.

Table 43
EXCHANGE RATE EXPECTATIONS SURVEY
(In soles per dollar)

	IR Jun.25	IR Sep.25	IR Dec.25*
Financial System			
2025	3.75	3.65	3.40
2026	3.77	3.70	3.50
2027			3.55
Economic Analysts			
2025	3.73	3.60	3.40
2026	3.75	3.68	3.50
2027			3.55
Non-financial Firms			
2025	3.73	3.65	3.45
2026	3.75	3.70	3.55
2027			3.60

* Survey conducted as of November 28.
Source: BCRP.

The effects mentioned above (zero output gap, inflation expectations gradually approaching 2 percent, and neutral weather conditions) are expected to contribute to inflation remaining around the center of the target range (2.0 percent) over the projection horizon.

Risk balance for the inflation projection

With regard to the latest Inflation Report for September, the neutral bias and dispersion among the different contingent scenarios in the balance of risks remain unchanged. The expected impact of risk factors that would lead to lower inflation would be offset by factors that would imply higher inflation.

- **Financial shocks**

  Under a contingent scenario of political uncertainty associated with the upcoming general elections, an increase in country risk is likely. For its part, in

Externally, increased volatility in international financial markets could trigger episodes of capital flight in emerging economies. This is because investors would seek to reconfigure their investment portfolios toward assets perceived as safer, in response to their new assessments of profitability and risk. These factors could generate upward pressure on the exchange rate, thereby contributing to higher inflation. The expected impact of this risk remains unchanged from that reported in September.

- **Domestic demand shocks**

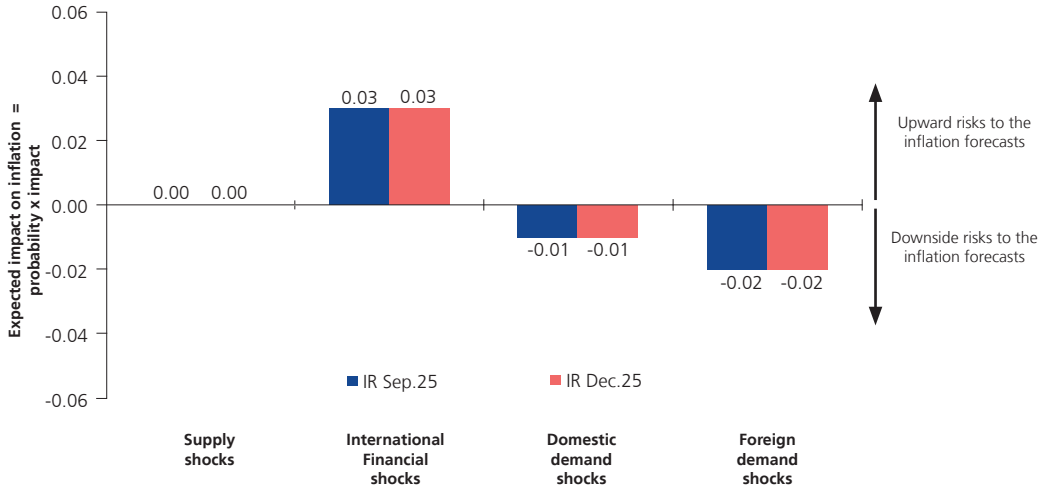
A scenario of political uncertainty could undermine growth in consumption and private investment. Lower private investment spending would lead to lower capital accumulation and, therefore, lower potential growth in economic activity. This possible contraction in private spending could be partially offset by higher public spending over the forecast horizon. The expected impact of this risk remains unchanged from the previous Inflation Report.

- **External demand shocks**

Concerns remain about a slowdown in Global growth, which would mean lower demand for our main export products (external demand). This contingent scenario would be supported, on the one hand, by the risk of adverse effects from current trade negotiations, changes in global trade interrelationships and patterns, and the risk of worsening geopolitical tensions; both would generate new disruptions in global supply chains, higher logistics costs associated with international trade, and higher inflation rates with negative effects on consumption.

On the other hand, there is a resurgence of risks of higher financing costs in international markets due to high levels of debt and prospects of higher fiscal deficits in several advanced economies, as well as greater risk perception on the part of lenders. These factors, combined with the risk of slower growth in China and a slowdown in technological innovation sectors, would portend a further slowdown in global growth and probably lower terms of trade, mainly associated with the prices of the raw materials we export. The impact of this risk remains in line with that presented in the previous Inflation Report.

Graph 96
INFLATION RISK BALANCE SHEET



Source: BCRP.

Box 10
ASYMMETRIES AND NONLINEARITIES IN THE PASS-THROUGH OF THE EXCHANGE RATE TO PRICES

The pass-through effect of the exchange rate to prices (TTCP) has played an important role in the analysis of inflation dynamics. This box updates the estimated impact of exchange rate variations on prices, measured through the change in the consumer price index (inflation). Emphasis is placed on the non-linearities of the process, such as the differences between depreciations and appreciations, as well as the differences associated with the magnitude of the shocks[40]. Various estimates show that the pass-through effect of exchange rate increases on inflation is between 10 and 20 percent. There is also evidence of asymmetries, where the pass-through is greater in the case of depreciations and increases with the size of the depreciation.

PRELIMINARY STUDIES ON THE TRANSFER OF EXCHANGE RATES TO PRICES IN PERU

	Conditional on	Pass-through to consumer inflation at 1 year
Maertens, Castillo, and Rodriguez (2012)	Pre-Inflation Targets	30%
	Post-inflation targets	0%
Winkelried (2014)	Sample 1992-1999	50%
	Sample 2000-2011	10%
Perez y Vega (2015)	**Average depreciation**	**20%**
	Average appreciation	**10%**
Cornejo, Florián y Ledesma (2022)	Sample 2001-2021	29%
Rodriguez et al. (2024)	Between 1996 and 2022	10-40%

The carryover effect (TTCP) does not remain constant over time, making it necessary to identify the source of its temporal variation. This involves considering nonlinear models that allow these mechanisms to be captured. Four specifications are used in this analysis:

i) Model 1: Linear Vector Autoregression (VAR),
ii) Model 2: Censored asymmetric VAR (Pérez and Vega, 2015),
iii) Model 3: VAR with Time-Varying Parameters and Stochastic Volatility[41],
iv) iv) Model 4: VAR with thresholds and mean stochastic volatility[42].

All models use the same set of variables: Real Bilateral Exchange Rate, Gross Domestic Product (GDP), Nominal Exchange Rate, Import Price Index, Producer Price Index (Wholesale), and Consumer Price Index[43]. In each case, an exchange rate shock is identified[44], and its dynamic effect on total and producer inflation is analyzed, particularly 3, 6, 12, and 24 months after the shock..

First, the linear model estimates that the pass-through effect of the exchange rate to prices, calculated as the ratio between the cumulative impulse response functions of total inflation and the exchange rate after a shock, is 0.12, 0.16, 0.22, and 0.29 for the 3-, 6-, 12-, and 24-month horizons, respectively. These results reflect the average effect observed during the period 1993-2025 and are statistically significant for most of the sample analyzed. However, when introducing different types of nonlinearity, these values may vary depending on the state variable that conditions the dynamics of the effect.

40 Previous evidence for Peru can be found in Winkelried (2003), Miller (2003), Maertens Odría et al. (2012), Winkelried (2013), Pérez and Vega (2015), and Rodriguez et al. (2024).

41 The first applications of this model correspond to Cogley and Sargent (2005) and Primiceri (2005). On this occasion, the extension by Canova and Pérez-Forero (2015) is used.

42 Since Alessandri and Mumtaz (2019), there have been various applications and extensions.

43 Set of variables similar to Winkelried (2013) and Pérez and Vega (2015). All the above variables are transformed into year-on-year rates of change, and the sample covers the period from January 1993 to September 2025

44 The identification of the orthogonal exchange rate shock is the same as in the previous references (triangular).

MEDIAN VALUE OF THE PASS-THROUGH EFFECT OF THE EXCHANGE RATE ON PRICES – MODEL 1
(In %)

	Total Inflation
3 months	**0.12***
6 months	**0.16***
12 months	**0.22***
24 months	**0.29***

Statistically significant values are shown in bold and marked with an asterisk (*).

The results of model 2, which distinguishes between positive (depreciation) and negative (appreciation) shocks, indicate that the effect on total inflation is significant in the case of depreciation, with an approximate value of 0.25 over a one-year horizon. In contrast, in the case of appreciation, the effect of the exchange rate on inflation is more gradual and smaller in magnitude for all time horizons, although it is significant in the case of three months. This constitutes initial evidence of the presence of asymmetric and nonlinear effects. As Pérez and Vega (2015) point out, this asymmetry could be associated with the market power of price-setting firms and downward rigidities, which tend to adjust prices upward when their costs increase, but do not make equivalent adjustments when those costs decrease.

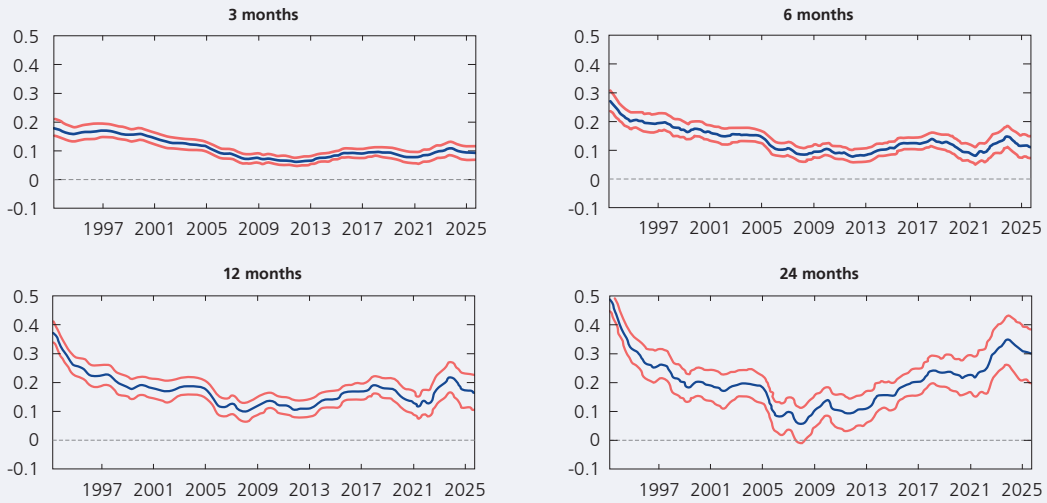
MEDIAN VALUE OF THE TRANSFER EFFECT OF THE EXCHANGE RATE ON PRICES – MODEL 2
(In %)

	Total Infla-tion	
	Depreciation	Appreciation
3 months	**0.13***	**0.03***
6 months	**0.18***	0.02
12 months	**0.25***	-0.09
24 months	**0.33***	-0.34

Statistically significant values are shown in bold and marked with an asterisk (*).

En el caso del modelo 3, que permite observar la evolución continua del efecto a lo largo del tiempo, se aprecia que para la inflación total este efecto fue mucho mayor en la década de 1990 (superando incluso el nivel de 0,3 a un año), cuando la economía contaba con un alto grado de dolarización. Posteriormente, el efecto se redujo de manera pronunciada en las dos décadas siguientes —periodo caracterizado por una apreciación sostenida, especialmente durante el *boom* de *commodities*—, hasta alcanzar niveles cercanos a 0,1. Sin embargo, tras el episodio de inflación global entre 2021 y 2023, junto con la mayor incertidumbre política desde 2021 y el consecuente aumento del tipo de cambio (depreciación), el efecto mostró un incremento, ubicándose nuevamente alrededor de 0,2 hacia el final de la muestra, aunque con una tendencia decreciente.

EFFECT OF EXCHANGE RATE TRANSFER ON PRICES – MODEL 3
(In percentages)



Median value and 68 percent most probable confidence interval.

Finally, model 4 allows us to explore different types of asymmetries in the estimated effects. A depreciation threshold of close to 5.7 percent year-on-year is identified, which serves to differentiate between economic regimes. In this way, it is possible to distinguish whether the shock occurred during a period of low depreciation or even appreciation (below the threshold), or during a period of high depreciation (above the threshold). Likewise, it is possible to differentiate between small and large shocks, and positive and negative shocks.

En particular, las mayores diferencias se observan con los choques grandes y positivos que superan el umbral estimado, con efecto traspaso que superaría el 0,3. No obstante, incluso para choques pequeños se aprecia una clara asimetría: el efecto es más fuerte en el caso de choques positivos (depreciación) que en el de choques negativos (apreciación). En particular, en este modelo se observa también que los choques negativos (o de apreciación) son de menor magnitud.

EXCHANGE RATE PASS-THROUGH EFFECT ON PRICES – MODEL 4

(In %)

	Total Inflation	
	Small shocks	**Large shocks**
	Below the threshold	**Above the threshold**
3 months	**0.18***	**0.19***
6 months	**0.24***	**0.26***
12 months	**0.27***	**0.31***
24 months	**0.25***	**-0.35***

	Above threshold	**Below threshold**
	Depreciation	**Appreciation**
3 months	**0.19***	**0.1***
6 months	**0.26***	0.14
12 months	**0.31***	0.17
24 months	**0.35***	0.23

En negrita y con * los valores estadísticamente relevantes.

Particularly, the greatest differences are observed with large, positive shocks that exceed the estimated threshold, with a pass-through effect that outweighs 0.3. However, even for small shocks, there is a clear asymmetry: the effect is stronger in the case of positive shocks (depreciation) than in the case of negative shocks (appreciation). Particularly, this model also shows that negative (or appreciation) shocks are smaller in magnitude.

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