



INFLATION REPORT

September 2025

**Recent trends
and macroeconomic
forecasts
2025-2026**

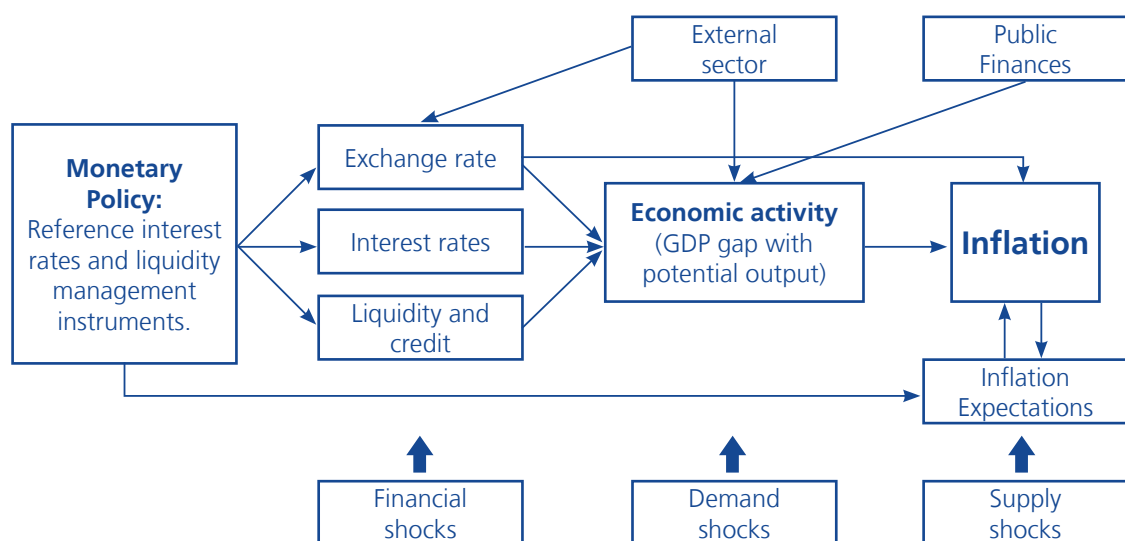


CENTRAL RESERVE BANK OF PERU

INFLATION REPORT:

Recent Trends and Macroeconomic Forecasts 2025-2026

September 2025



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INFLATION REPORT

Current outlook and macroeconomic projections

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This **Inflation Report** has been prepared using information from the second quarter of 2025 on the Balance of Payments and Gross Domestic Product; from July 2025 on monthly GDP; from July on monetary accounts; and from August 2025 on Non-Financial Public Sector operations, inflation, financial markets, and exchange rates.

Foreword

- According to the Constitution, the Central Reserve Bank of Peru (BCRP) is an autonomous public entity whose purpose is to preserve monetary stability. Its main functions are to regulate currency and credit, manage international reserves, issue banknotes and coins, and report on the state of national finances.
- To achieve this objective, the BCRP follows a policy of explicit inflation targets. The inflation target (a range between 1 and 3 percent) seeks to anchor inflation expectations at a level similar to that of developed economies and establish a permanent commitment to currency stability.
- Within an announced schedule, the Board of Directors of the Central Reserve Bank of Peru (BCRP) has decided every month since 2003 on the level of the benchmark interest rate for the interbank lending market. This interest rate is the operational target of monetary policy, which affects the inflation rate with lags and through different channels. Therefore, this interest rate is determined based on projections of inflation and its determinants.
- Inflation may temporarily deviate from the target range due to shocks that can temporarily affect the supply of goods and services. It should also be noted 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 time frame if deviations from it have occurred due to a shock to the economy.
- In addition, the BCRP implements preventive measures to safeguard macrofinancial stability and thus preserve monetary policy transmission mechanisms. In this way, the reference interest rate is complemented by the use of other monetary policy instruments, such as injection and sterilization operations, reserve requirements, and foreign exchange intervention, to ensure the proper functioning of markets, reduce excessive exchange rate volatility, 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 September 11, 2025, and includes macroeconomic projections for the 2025-2026 period, which support the BCRP's monetary policy decisions, as well as risk factors that could cause these projections to deviate.
- The next Inflation Report will be released on Friday, December 19, 2025.



Summary

- i. Since the last Report, **global economic activity** has shown signs of recovery, mainly due to higher-than-expected growth in the United States and China, facilitated by the trade truce. However, the latest data from the US labor market, together with the persistence of global uncertainty resulting from trade and geopolitical tensions, suggest a slowdown for the second half of the year. **Global inflation** declined, attributable to emerging economies, while inflation remained stable in developed economies.

In line with these developments, the global GDP growth projection is revised upward from 2.7 to 2.9 percent for 2025. For 2026, global growth is also revised slightly upward, from 2.7 to 2.8 percent, mainly due to higher projected growth for China and less uncertainty regarding trade policy.

- ii. **Terms of trade** remained highly favorable, rising 16.2 percent year-on-year in the second quarter of 2025, due to the evolution of prices for exported metals, coffee, and non-traditional fishery, chemical, and iron and steel products. Among the factors influencing this result were increased demand for gold as a safe haven asset amid geopolitical and trade uncertainty; the support that reduced tariffs between the United States and China provided to copper and zinc prices; and higher prices for copper and zinc concentrates.

The terms of trade for 2025 are revised upward to 13.9 percent growth, due to the forecast of higher prices for major export commodities, specifically copper, gold, natural gas, and zinc, as well as lower import prices in a context of low oil prices and deflation in China.

- iii. The **current account balance** continued to record surpluses. Between 2024 and the second quarter of 2025, the cumulative current account surplus fell from 2.2 to 1.9 percent of GDP. This reduction was mainly due to higher profits by foreign companies, particularly private banks —thanks to higher margins and lower delinquency rates— and mining companies —in line with the favorable evolution of our export prices—. To a lesser extent, higher imports of travel and freight services also contributed. These effects were mitigated by the expansion of the trade surplus in goods, driven by the dynamism of the terms of trade and higher shipments abroad of non-traditional fishery and agricultural products.

In terms of output, the current account surplus is projected to decline from 2.2 percent in 2024 to 1.9 percent in 2025, and then to 2.0 percent in 2026. This scenario considers: (i) growing trade surpluses, consistent with the expected evolution of the terms of trade and non-traditional exports; (ii) a reduction in the services deficit, in line with the normalization of freight costs and the recovery of tourism; and (iii) the expansion of profits of companies with foreign participation, which would be equivalent to 7.2 percent of GDP in 2026.

- iv. **National economic activity** grew by 2.8 percent in the second quarter of 2025 due to the positive impact of private spending on non-primary activities in a context of low inflation, employment recovery, favorable financial conditions, and business confidence. Meanwhile, the growth of primary activities was supported by the performance of production for agro-exports and primary manufacturing.





The 2025 GDP growth forecast has been revised upward from 3.1 percent to 3.2 percent. This change incorporates the prospects for higher private spending growth, consistent with positive signals from contemporary and leading indicators. Consequently, the projected expansion in non-primary manufacturing, services, and construction has been revised upward. Likewise, higher growth is anticipated in metal mining due to the resumption of Shougang's operations, as well as a higher increase in agricultural production due to better weather conditions. This upward revision will be limited by lower fishing production following the early end of the first fishing season in the north-central zone.

By 2026, growth of 2.9 percent is expected, a figure that remains unchanged from the previous report, with domestic demand as the main driver of growth. The 2025-2026 projection scenario assumes normal weather conditions and high business and consumer confidence, under a stable social, macroeconomic, and financial environment.

- v. The cumulative **fiscal deficit** over the last twelve months decreased from 3.5 to 2.4 percent of GDP between December 2024 and August 2025. This result is mainly due to the increase in current revenues as a percentage of GDP, associated with economic growth, higher export prices, and tax enforcement measures and actions. The reduction in non-financial spending also contributed to a lesser extent.

The fiscal deficit is projected to fall from 3.5 percent of GDP in 2024 to 2.4 percent of GDP in 2025, continuing to decline to 2.1 percent of GDP in 2026. The projection takes into account higher revenues in 2025, including payments for income tax adjustments and corporate tax payments (associated with the impact of high export prices and GDP growth in 2024). Non-financial expenditures as a percentage of GDP are expected to decline over the projection horizon.

The **net debt** of financial assets of the non-financial public sector is expected to increase from 23.5 to 24.8 percent of GDP between 2024 and 2026. Meanwhile, **gross debt** is projected to fall from 32.1 to 32.0 percent of GDP during the same period. The difference between the reduction in gross debt and the increase in net debt is due to the projection of a lower balance of public sector financial assets as a percentage of GDP.

- vi. The Board of Directors of the Central Bank of Peru (BCRP) decided to reduce the **benchmark interest rate** by 25 basis points to 4.25 percent at the September Monetary Program meeting, after keeping it unchanged at the July and August meetings. This brings the interest rate very close to the estimated neutral level. In the July and August monetary policy statements, the message was reiterated that future adjustments to the benchmark interest rate will be conditional on new information on inflation and its determinants. The Board also reaffirmed its commitment to take the necessary actions to keep inflation within the target range.
- vii. **Interest rates in local currency** continued to evolve in line with the reference rate, particularly in segments with lower credit risk and shorter maturities. Liquidity in local currency (cash plus deposits) remained highly dynamic, with double-digit year-on-year growth rates since June 2024. As expected, its pace of expansion moderated, falling from 12.9 percent in December 2024 to 6.6 percent in July 2025. Meanwhile, during the same period, the rate of expansion of credit to the private sector increased from 0.4 percent in December 2024 to 3.8 percent in July 2025, with consumer credit standing out, recording a 4.1 percent upturn. Looking ahead, **credit to the private sector** is expected to grow at rates of 5.0 percent and 4.0 percent in 2025 and 2026, respectively, in line with the projected growth in economic activity and the reduction in delinquency.

- viii. **Year-on-year inflation** fell from 1.69 percent in May to 1.11 percent in August, mainly due to the drop in prices of certain foods —such as potatoes and chicken— and some public services, especially electricity, remaining within the target range. Inflation excluding food and energy (SAE) fell slightly from 1.79 percent to 1.75 percent in the same period, reflecting a slower rate of increase in items such as motor vehicles, package tours, and rents. The inflation rate for both goods and services included in the SAE category remained within the target range.

Year-on-year inflation is projected to rise in the coming months to 1.7 percent in 2025 and 2.0 percent in 2026. This projection takes into account, in addition to the dissipation of supply shocks, economic activity at around its potential level and inflation expectations that continue to decline toward the central value of the target range.

- ix. The **balance of risks to the inflation projection** remains neutral, in line with the June Report. The main risks include: (i) supply shocks due to escalating geopolitical tensions and natural phenomena, which could raise transportation costs and input prices, although this could be offset by lower imported inflation or a greater reversal of the shocks that affected food and energy items in the consumer basket; (ii) greater financial volatility and capital outflows, associated with a possible increase in country risk due to domestic political uncertainty, coupled with uncertainty about international economic measures, high levels of indebtedness, and greater financing needs; (iii) weakening of domestic demand in the event of political and social instability, reducing consumption and private investment; and (iv) lower external demand in the face of a global slowdown —including slower growth in China— and higher international financing costs, which could deteriorate the terms of trade and demand for our exports.

The projections in this Report do not include the effects of the eighth withdrawal from the pension fund, recently approved by Congress. In the short term, it could have a moderate impact on private consumption, but it will negatively affect the dynamism of the capital market and, therefore, also affect members due to the effects on the value of the fund.





SUMMARY OF PROJECTIONS

	2024	2025*		2026*	
		IR Jun.25	IR Sep.25	IR Jun.25	IR Sep.25
Real % change					
1. Gross domestic product	3.3	3.1	3.2	2.9	2.9
2. Domestic demand	3.9	4.4	5.1	3.0	3.0
a. Private consumption	2.8	3.3	3.5	2.9	2.9
b. Public consumption	2.1	2.2	2.2	2.5	2.5
c. Fixed private investment	3.3	5.0	6.5	3.5	3.5
d. Public investment	14.7	6.5	6.5	1.0	1.0
3. Exports of goods and services	6.1	3.8	3.3	3.5	2.6
4. Imports of goods and services	8.4	8.6	10.2	3.7	3.1
5. Global GDP growth	3.3	2.7	2.9	2.7	2.8
Note:					
Product gap ^{1/} (%)	-0.4	-0.5 ; 0.5	-0.5 ; 0.5	-0.5 ; 0.5	-0.5 ; 0.5
% change					
6. Inflation (end of period)	2.0	1.8	1.7	2.0	2.0
7. Expected inflation ^{2/}	2.5	2.3	2.1	2.4	2.3
8. Expected depreciation ^{2/}	-0.1	0.3	-3.0	0.9	2.1
9. Terms of trade	12.6	9.9	13.9	1.6	1.8
a. Export prices	7.9	7.3	11.1	2.1	2.4
b. Import prices	-4.2	-2.4	-2.5	0.5	0.5
Nominal % change					
10. Current assets	11.4	7.0	7.0	0.0	0.0
11. Credit to the private sector	0.4	5.0	5.0	4.0	4.0
% GDP					
12. Gross fixed investment	22.1	21.9	21.8	21.8	21.7
13. Current account balance of payments	2.2	1.9	1.9	2.3	2.0
14. Trade balance	8.2	8.8	9.2	9.1	9.2
15. Medium- and long-term private external debt ^{3/}	11.4	9.9	9.8	9.0	8.9
16. Current revenue of the General Government	18.7	19.4	19.2	19.5	19.2
17. Non-financial expenditure of the General Government	20.8	20.3	20.3	20.0	19.7
18. Economic result of the non-financial public sector	-3.5	-2.5	-2.4	-2.1	-2.1
19. Total public debt balance	32.1	32.2	31.3	32.6	32.0
20. Net public debt balance	23.5	24.2	23.7	25.1	24.8

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 taken into account.

3/ Includes obligations in national currency with non-residents.

I. External sector

1. Global growth projections were revised slightly upward—from 2.7 to 2.9 percent for 2025—due to better-than-expected data in the June Report. The global economy proved resilient during the second quarter of the year, partly due to increased domestic demand in anticipation of tariff policy decisions by the United States (US). Growth in the US stood out, particularly in private consumption. Meanwhile, China grew, supported by an increase in exports and government stimulus measures.

However, a slowdown is expected for the remainder of the year, in line with recent indicators showing weakness in consumption, especially in the US, where labor market conditions have deteriorated.

Investment also continues to be affected by uncertainty surrounding trade policy. Despite the signing of trade agreements between the US and its main trading partners, the trade agreement with China and the possible imposition of tariffs on various products such as critical minerals, pharmaceuticals, and semiconductors remain unresolved.

2. With regard to inflation in developed economies, there is a slower convergence towards the target and, in some cases, even an increase in both headline and core inflation. Likewise, expectations reflect an increase in expected inflation for the next twelve months which, in the particular case of the US, incorporates the impact of higher tariffs on the price of tradable goods.
3. In this context, the Fed cut interest rates for the first time this year in September without anticipating further cuts. Similarly, the Bank of England lowered interest rates in July, while the European Central Bank (ECB) and the Bank of Japan (BOJ) kept theirs unchanged. Following this, the major central banks are expected to continue on a moderate path of monetary policy easing.
4. As in the June Report, worsening geopolitical or trade tensions, as well as slower growth in China, remain downside risks to global growth. Likewise, the possibility of increased inflationary pressures in the US would limit the Fed's monetary policy easing.

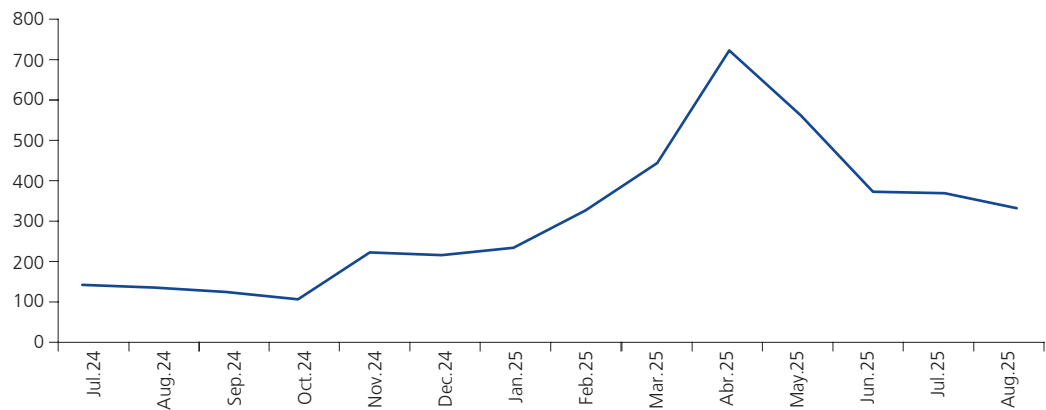
Recent developments in global economic activity

5. During the second quarter of the year, global economic activity recovered, mainly due to higher-than-expected growth in China and the US. The trade truce between the two countries boosted exports and manufacturing in China, while in the US it stimulated private consumption, particularly of durable goods. Emerging economies benefited from an international environment of high commodity prices and a return of capital flows to the region, despite geopolitical tensions.
6. However, monthly indicators show signs of a slowdown for the third quarter. Labor market data for July in the US and other developed economies suggest a marked slowdown for the third and fourth quarters.





Graph 1
U.S. ECONOMIC POLICY UNCERTAINTY INDICES (EPU)

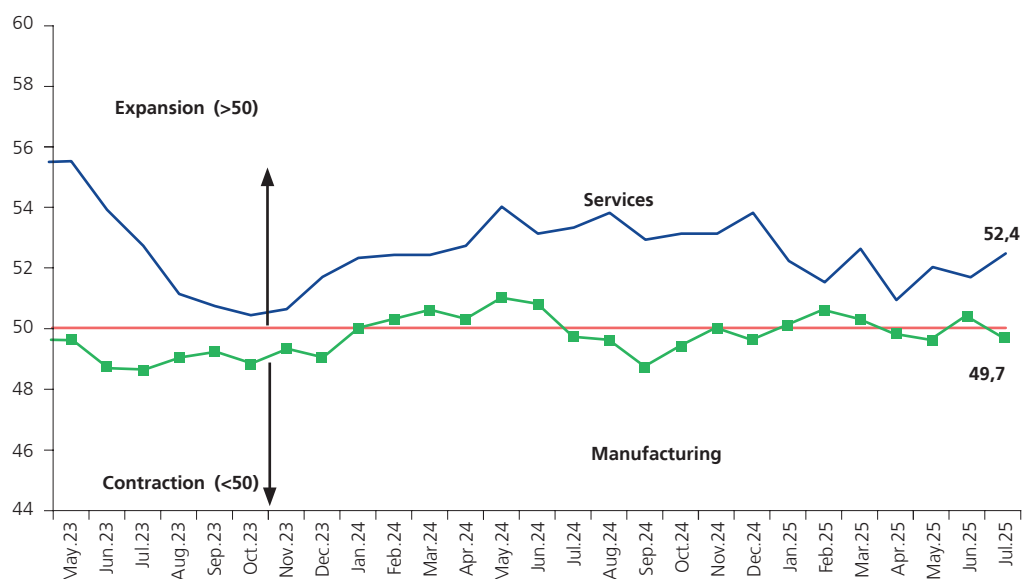


Categories	Jul.24	Aug.24	Sep.24	Oct.24	Nov.24	Dec.24	Jan.25	Feb.25	Mar.25	Apr.25	May.25	Jun.25	Jul.25	Aug.25
EPU	145	138	127	109	225	219	237	329	446	725	564	376	372	335
Monetary Policy	77	116	116	82	215	155	222	229	449	453	422	288	344	254
Fiscal Policy	94	106	75	124	237	183	292	366	626	689	619	494	450	333
Regulation	151	156	81	157	269	259	346	339	385	443	467	401	469	254
Financial Regulation	69	71	50	112	93	46	97	258	409	401	133	171	245	102
Trade Policy	161	222	95	195	1,402	1,319	1,726	2,584	5,912	7,956	5,780	3,537	3,390	2,685
Sovereign Debt, Currency Crisis	24	10	20	46	20	51	10	138	120	509	98	378	64	13

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

7. The persistence of uncertainty due to trade tensions, although mitigated by bilateral agreements, implies higher foreign trade costs compared to the previous year and a slight recovery in the global manufacturing sector. The manufacturing sectors in Japan, Germany, and Italy, which are "export-oriented," are particularly affected.

Graph 2
GLOBAL PMI: GLOBAL ECONOMIC ACTIVITY INDEX FOR THE MANUFACTURING AND SERVICES SECTORS
(Diffusion index)



Source: PMI S&P.

Table 1
PMI MANUFACTURING AND SERVICES BY COUNTRY
(Diffusion index)

	Dec.23	Dec.24	Mar.25	Apr.25	May.25	Jun.25	Jul.25	Aug.25
PMI Manufacturing								
India	54.9	56.4	58.1	58.2	57.6	58.4	59.1	59.3
Japan	47.9	49.6	48.4	48.7	49.4	50.1	48.9	49.7
China (Caixin)	50.8	50.5	51.2	50.4	48.3	50.4	49.5	50.5
United States (S&P)	47.9	49.4	50.2	50.2	52.0	52.9	49.8	53.0
Brazil	48.4	50.4	51.8	50.3	49.4	48.3	48.2	47.7
Germany	43.3	42.5	48.3	48.4	48.3	49.0	49.1	49.8
France	42.1	41.9	48.5	48.7	49.8	48.1	48.2	50.4
United Kingdom	46.2	47.0	44.9	45.4	46.4	47.7	48.0	47.0
Australia	47.6	47.8	52.1	51.7	51.0	50.6	51.3	53.0
PMI Services								
India	59.0	59.3	58.5	58.7	58.8	60.4	60.5	65.6
Japan	51.5	50.9	50.0	52.4	51.0	51.7	53.6	52.7
China (Caixin)	52.9	52.2	51.9	50.7	51.1	50.6	52.6	53.0
United States (S&P)	51.4	56.8	54.4	50.8	53.7	52.9	55.7	55.4
Brasil	50.5	51.6	52.5	48.9	49.6	49.3	46.3	49.3
Germany	49.3	51.2	50.9	49.0	47.1	49.7	50.6	50.1
France	45.7	49.3	47.9	47.3	48.9	49.6	48.5	49.7
United Kingdom	53.4	51.1	52.5	49.0	50.9	52.8	51.8	53.6
Australia	47.1	50.8	51.6	51.0	50.6	51.8	54.1	55.1

Expansion > 50

Contraction < 50

Source: PMI S&P.

The **US** GDP expanded significantly in the second quarter after contracting in the first few months of the year. The initial estimate for second-quarter GDP growth was revised upward due to stronger non-residential investment and consumption of non-durable goods, which offset the downward revision for durable goods and government spending. Compared to the first quarter, the recovery in durable consumption, possibly in anticipation of the definition of tariffs in the US (see Box 1), offset the decline in investment.

Table 2
USA: SEASONALLY ADJUSTED GROWTH
(Annualized quarterly rates)

	Weight	Q1.23	Q2.23	Q3.23	Q4.23	Q1.24	Q2.24	Q3.24	Q4.24	Q1.25	Q2.25 2nd Est.
GDP	100.0	2.8	2.4	4.4	3.2	1.6	3.0	3.1	2.4	-0.5	3.3
Personal consumption	69.0	4.9	1.0	2.5	3.5	1.9	2.8	3.7	4.0	0.5	1.6
Durable	8.9	17.1	-0.3	4.2	2.9	-1.8	5.5	7.6	12.4	-3.7	2.6
Non-durable	14.7	2.5	-0.4	3.1	3.6	-0.8	1.7	4.6	3.1	2.1	2.3
Services	45.5	3.8	1.6	2.1	3.5	3.4	2.7	2.8	3.0	0.6	1.2
Gross investment	18.5	-8.9	8.0	10.1	0.7	3.6	8.3	0.8	-5.6	23.8	-13.8
Fixed Investment	18.5	3.1	8.6	2.6	3.5	6.5	2.3	2.1	-1.1	7.6	3.3
Non-residential	15.4	5.3	9.9	1.1	3.8	4.5	3.9	4.0	-3.0	10.3	5.7
Residential	3.3	-4.3	4.5	7.7	2.5	13.7	-2.8	-4.3	5.5	-1.3	-4.7
Exports	11.1	2.0	-4.8	4.9	6.2	1.9	1.0	9.6	-0.2	0.4	-1.3
Imports	-15.4	-0.8	-3.1	4.7	4.2	6.1	7.6	10.7	-1.9	37.9	-29.8
Government spending	16.8	5.1	2.9	5.7	3.6	1.8	3.1	5.1	3.1	-0.6	-0.2
Memo											
Contribution from inventories	-	-2.2	0.0	1.3	-0.5	-0.5	1.1	-0.2	-0.8	2.6	-3.3

Source: US Bureau of Economic Analysis.

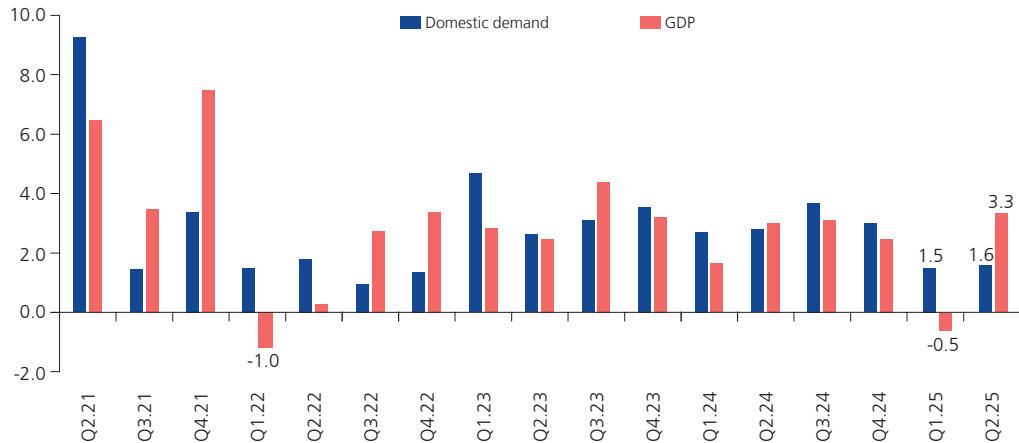
Leading indicators suggest a slowdown in economic growth so far in the third quarter. The manufacturing PMI remained in contraction territory, and labor market data suggested a slowdown in job creation.





Similarly, other monthly indicators such as retail sales, durable goods orders, and industrial production slowed in June and July. These developments are consistent with the lower growth expected for the third and fourth quarters.

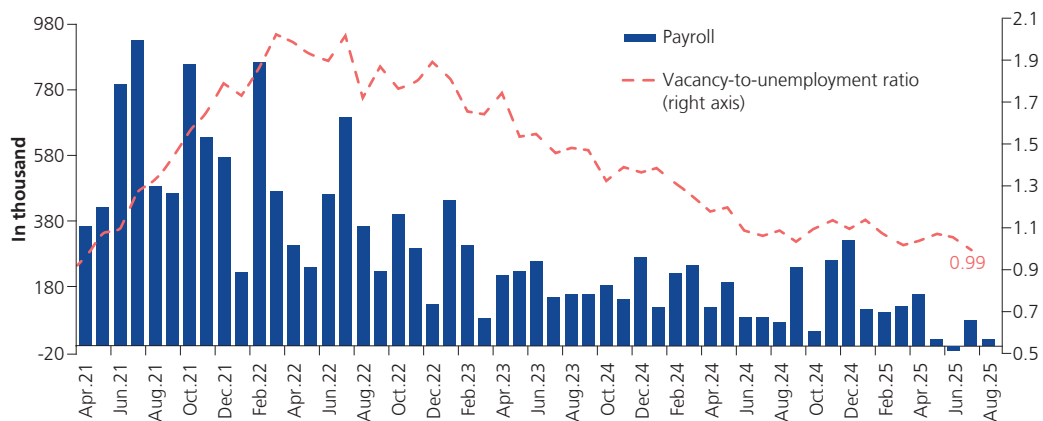
Graph 3
US: GDP GROWTH AND DOMESTIC DEMAND
(Annualized % change)



Source: U.S. Bureau of Economic Analysis.

Added to this are the weakening of the housing sector, falling consumer confidence, and a sharp slowdown in employment. Regarding the latter, earlier this month, the official BLS agency presented a sharp downward revision in non-farm payroll creation for the period March 2024–March 2025 by 911,000 jobs. The sectors with the largest corrections were trade, transportation, and public services; leisure and hospitality; and professional and business services. The ratio of job openings to unemployed persons, an indicator that reflects the dynamism of the labor market, stood at 0.99 in July, after remaining at 1.1 in recent months (below the average for recent years).

Graph 4
USA: LABOR MARKET BALANCE



Source: BLS.

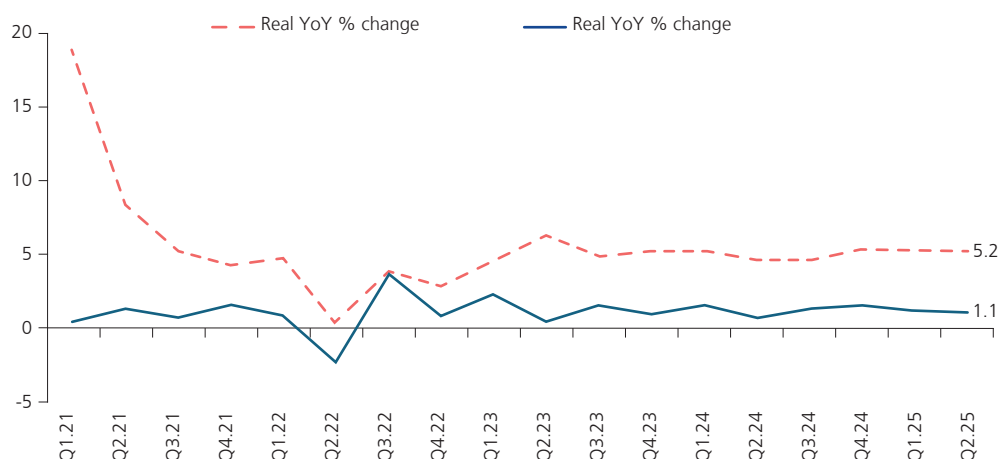
8. The **eurozone** economy recorded quarterly growth of 0.1 percent during the second quarter of the year, marking its lowest level since the end of 2023. The slower pace of expansion follows first-quarter growth (0.6 percent) due to anticipation of tariffs, while persistent uncertainty on US trade policies has led to greater caution among businesses

and consumers. By country, France (0.3 percent) and Spain (0.7 percent) stood out with their expansions, which offset the contractions in Germany (0.1 percent) and Italy (0.1 percent).

However, some leading indicators in recent months suggest that the economy will return to a faster pace of expansion. The (preliminary) manufacturing PMI moved from contraction to expansion, production in the mining sector advanced, and retail sales rose between June and July. On the expenditure side, private consumption should continue to be supported by improved credit conditions as a result of successive ECB rate cuts and lower inflation.

9. Among emerging economies, **China** grew 5.2 percent in the second quarter of 2025, exceeding expectations. As in the previous quarter, activity was driven by higher foreign sales in anticipation of the entry into force of US tariffs and diversification into other markets.

Graph 5
CHINA: QUARTERLY GROWTH RATE



Source: National Bureau of Statistics of China.

Activity indicators for July and August continue to show low momentum in manufacturing activity, accompanied by demand affected by high private debt and an environment of uncertainty associated with trade tensions. Added to this are adverse weather conditions—unusually high temperatures and heavy rains in various regions—which have affected economic activity. As a result, growth in industrial production and retail sales has slowed, while the value of new loans made by banks in July contracted for the first time since 2005. In contrast to manufacturing, PMIs in the services sector were in expansionary territory, benefiting from an increase in business confidence.

The external sector performed better than expected in July ahead of the end of the tariff truce in August, which was subsequently extended until November. However, growth rates slowed in August. 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 fell for five consecutive months.

The real estate sector continues to be sluggish due to low consumer confidence. High inventories and low demand persist, contributing to the continuing downward trend in housing prices.





Table 3
CHINA: SELECTED INDICATORS

Indicators	2024				2025							
	Mar.	Jun.	Sep.	Dec.	Jan.	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.
PMI services - S&P ^{1/}	52.7	51.2	50.3	52.2	51.0	51.4	51.9	50.7	51.1	50.6	52.6	53.0
Non-manufacturing PMI - official ^{1/}	53.0	50.5	50.0	52.2	50.2	50.4	50.8	50.4	50.3	50.5	50.1	50.3
Manufacturing PMI - S&P ^{1/}	51.1	51.8	49.3	50.5	50.1	50.8	51.2	50.4	48.3	50.4	49.5	50.5
Manufacturing PMI - official ^{1/}	50.8	49.5	49.8	50.1	49.1	50.2	50.5	49.0	49.5	49.7	49.3	49.4
Industrial Production ^{2/}	4.5	5.3	5.4	6.2		5.9	7.7	6.1	5.8	6.8	5.7	5.2
Investment in fixed assets ^{3/}	4.5	3.9	3.4	3.2		4.1	4.2	4.0	3.7	2.8	1.6	0.5
Retail sales ^{2/}	3.1	2.0	3.2	3.7		4.0	5.9	5.1	6.4	4.8	3.7	3.4
Exports ^{2/}	-7.5	8.6	2.4	10.7		2.3	12.4	8.1	4.8	5.8	7.2	4.4
Imports ^{2/}	-1.9	-2.3	0.3	1.0		-8.4	-4.3	-0.2	-3.4	1.1	4.1	1.3
Bank loans ^{2/}	9.6	8.8	8.1	7.6	7.5	7.3	7.4	7.2	7.1	7.1	6.9	6.8
Consumer price index ^{2/}	0.1	0.2	0.4	0.1	0.5	-0.7	-0.1	-0.1	-0.1	0.1	0.0	-0.4
Housing price index ^{2/}	-2.2	-4.5	-5.8	-5.3	-5.0	-4.8	-4.5	-4.0	-3.5	-3.2	-2.8	-2.5
Producer price index ^{2/}	-2.8	-0.8	-2.8	-2.3	-2.3	-2.2	-2.5	-2.7	-3.3	-3.6	-3.6	-2.9

1/ Diffusion index: 50 = neutral level.

2/ Annual % change.

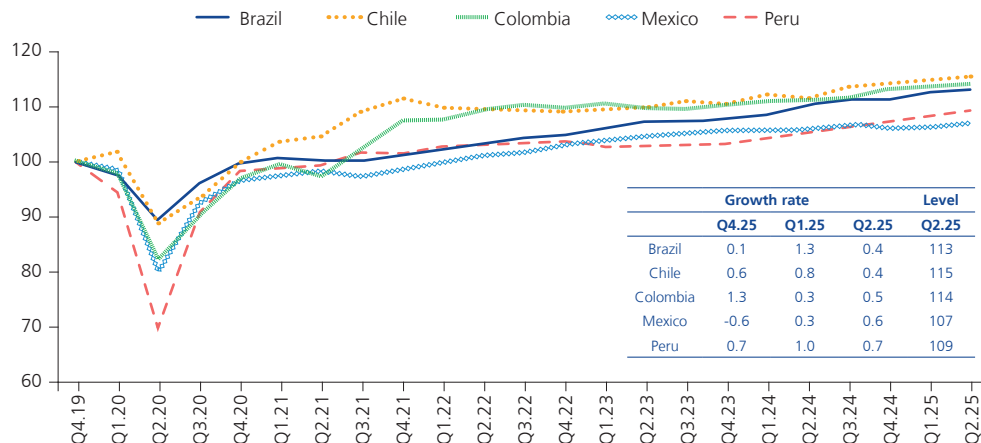
3/ Cumulative annual % change.

Source: Trading Economics.

10. In **Latin America**, economic activity continued to show positive growth rates in the second quarter. After Peru, Mexico recorded the highest rate of continuous growth, in a context in which exports remain resilient and foreign direct investment inflows reached a record level.

Chile and Colombia maintain robust domestic demand, driven mainly by investment growth. In particular, Chile was affected by higher mining production, while Colombia saw an expansion in industrial activity. In Brazil, activity slowed due to the contraction of the agricultural sector, offset by growth in the extractive industries.

Graph 6
LLATIN AMERICA: QUARTERLY GDP*
(Index 100 = Q4.19)



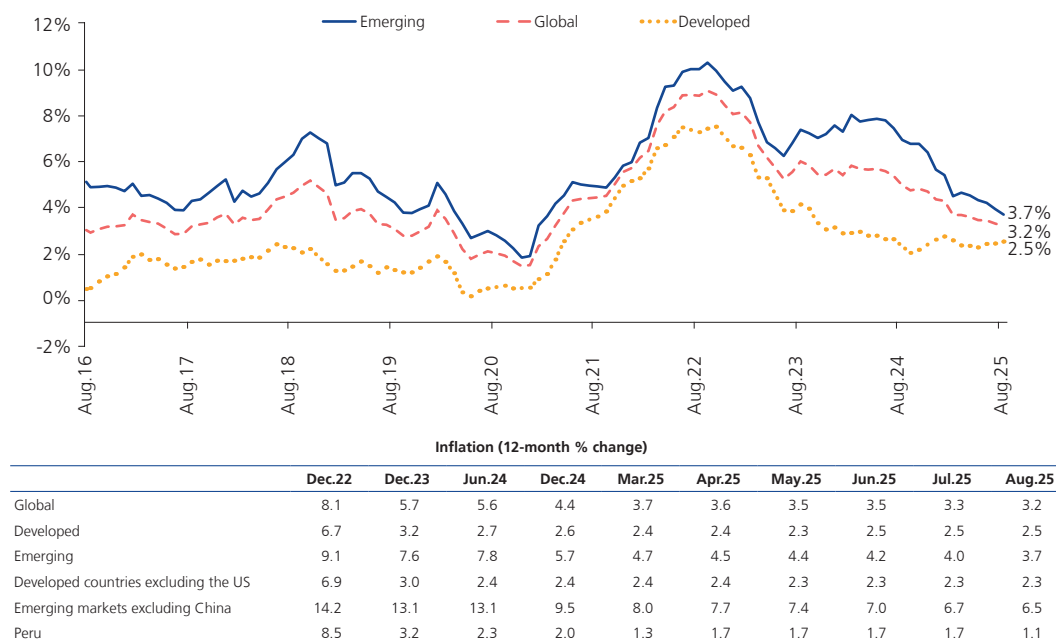
* Seasonally adjusted series.

Source: Statistical institutes and central banks.

Recent developments in inflation

11. In recent months, inflation has fallen slightly from 3.5 percent in June to 3.2 percent in August. This result reflects the reduction in inflation in emerging economies (from 4.2 to 3.7 percent) and its stability in developed economies (2.5 percent).

Graph 7
INFLATION: GLOBAL, DEVELOPED COUNTRIES, AND EMERGING ECONOMIES
(12-month % change)

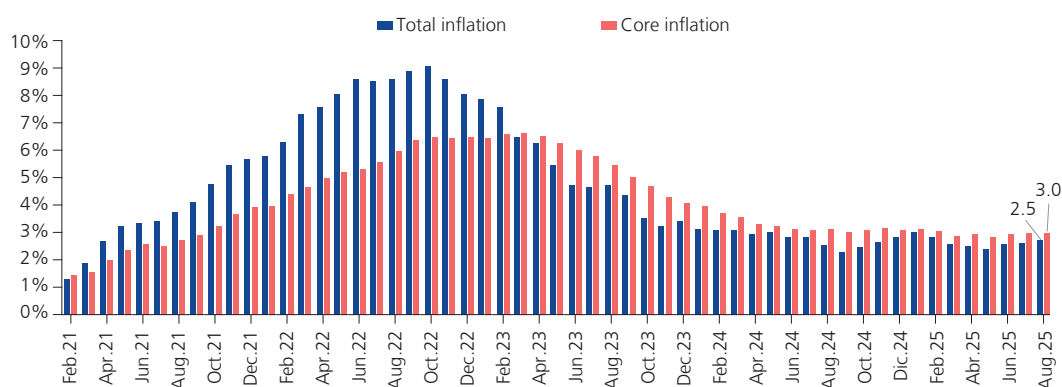


Prepared by: BCRP.
Source: Reuters.

12. In **developed economies**, the inflation rate reversed its slight but steady downward trend. Noteworthy are the increases in inflation in the US, the UK, and Sweden, and the decreases in Japan, Germany, and Canada. It should be noted that, in the cases of Canada and the eurozone, inflation is on target.

Meanwhile, core inflation accelerated in recent months and has remained around 3 percent since mid-2024, exceeding central bank targets. This behavior implies that the non-core component —excluded due to its greater volatility— has shown greater persistence.

Graph 8
TOTAL AND CORE INFLATION IN DEVELOPED ECONOMIES*
(12-month % change)



* Includes the EU, Canada, Japan, Switzerland, the United Kingdom, and the United States.
Source: Reuters.

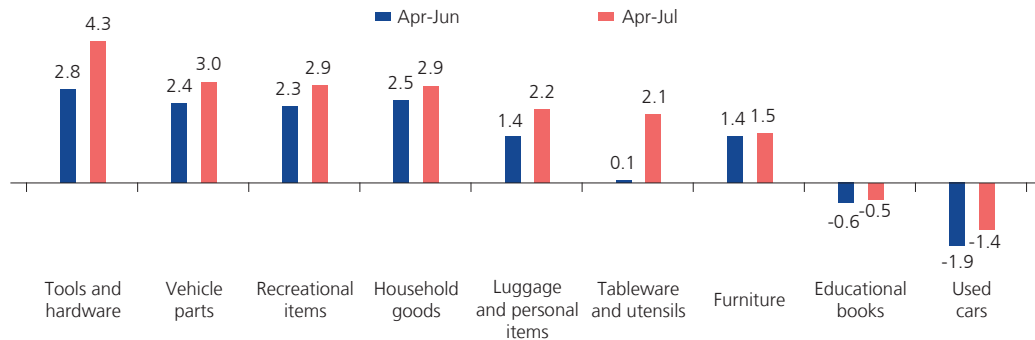
13. In the case of the US, in July, total inflation in annual terms remained stable, although core inflation showed an acceleration. This behavior was mainly due to the rise in prices of certain goods —particularly used and new vehicles— and some services, such as medical and transportation.





At the close of this report, there is no evidence of a widespread impact of tariffs on tradable prices. Only some categories of these types of goods —such as tools and hardware, vehicle parts, recreational and household items —recorded above-average increases.

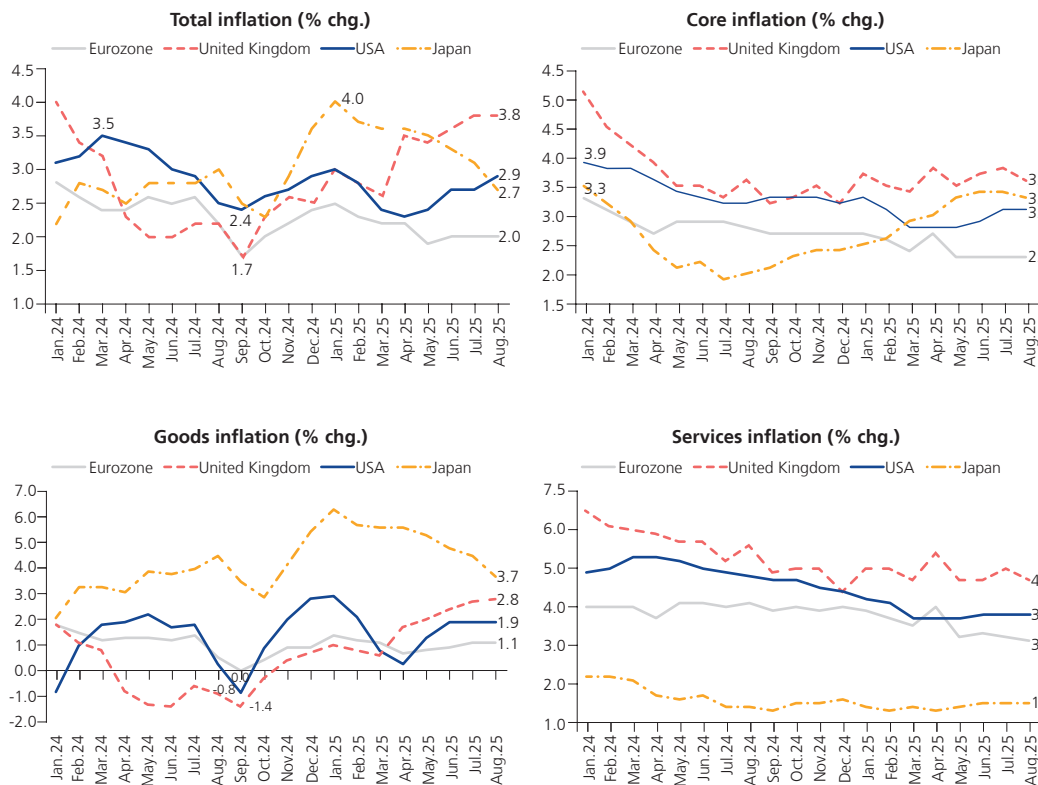
Graph 9
CUMULATIVE PCE INFLATION (APRIL-JULY) FOR GOODS MOST EXPOSED TO TARIFFS (%)



Source: Trading Economics.

Inflation behaved differently in other developed countries. Countries such as the United Kingdom and Switzerland showed an upward trend, although in the former case the rate reached 3.8 percent (the highest since January 2024), while in Switzerland it rose slightly (to +0.2 percent) from a negative rate in May (-0.1 percent). In the eurozone, inflation remained at 2.0 percent in June, July, and August, in line with the inflation target. In Japan, the slowdown continued: after peaking at 4 percent, the rate fell to 2.7 percent.

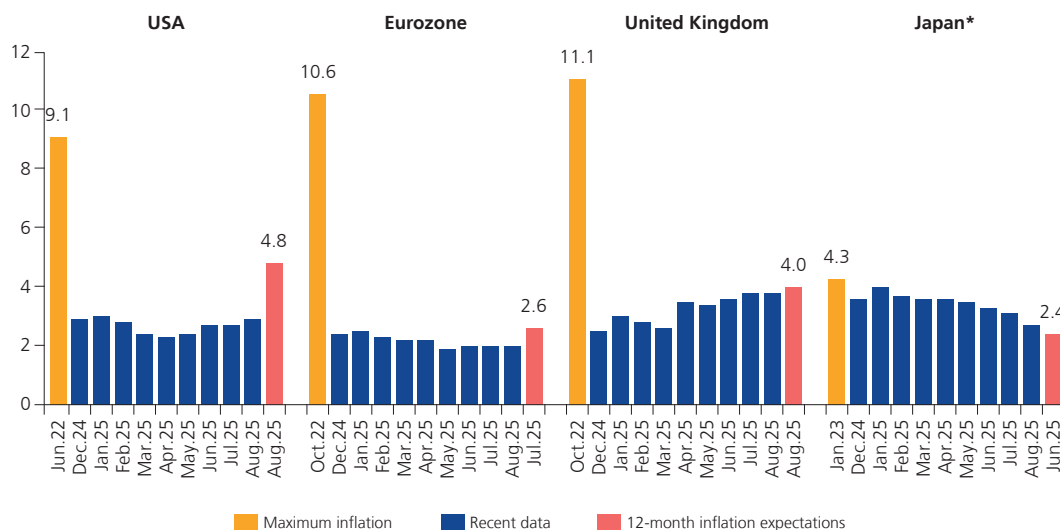
Graph 10
INFLATION IN DEVELOPED COUNTRIES



Source: Trading Economics

14. In most developed economies, **inflation expectations** have moderated, in line with developments in trade. However, in the case of the US, 1-year expectations have risen again, influenced by downward resistance in actual inflation and the possible impact of tariffs on the price of tradable goods.

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

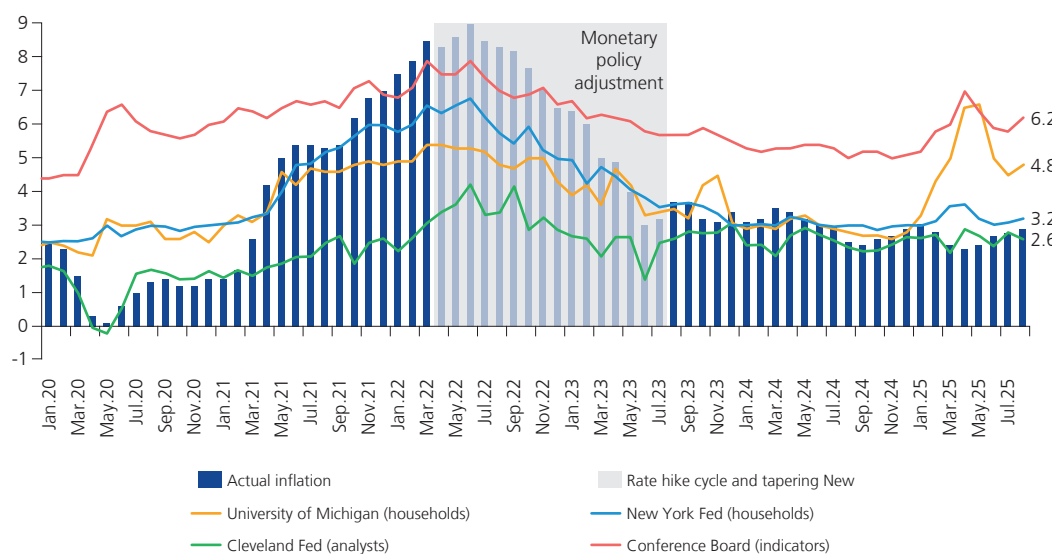


Source: Trading Economics

*12-month expectations correspond to the first quarter of 2025.

As shown in the following graph, in previous periods, inflation expectations have been influenced by changes in actual rates. In contrast, this year, consumer expectations have risen despite relatively stable inflation. This suggests that agents would expect greater price pressures mainly due to the increase in tariffs and, to a lesser extent, expansionary fiscal policy.

Graph 12
USA: 12-MONTH INFLATION EXPECTATIONS (%)



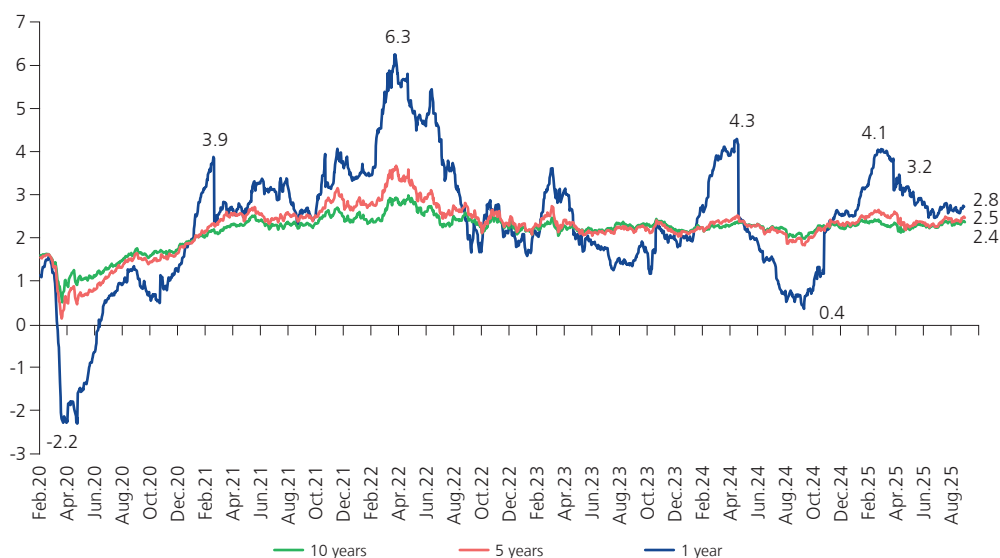
Source: University of Michigan, Reuters, New York Fed, and Cleveland Fed.





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) yields. In the case of the US, despite the recent decline, inflation expectations for the next twelve months remain above the target (2 percent). Meanwhile, the 5- and 10-year breakeven rates reflect expectations of a gradual reduction in inflation in the medium term, but still remaining above 2 percent.

Graph 13
U.S. BREAKEVEN INFLATION RATES
(%)

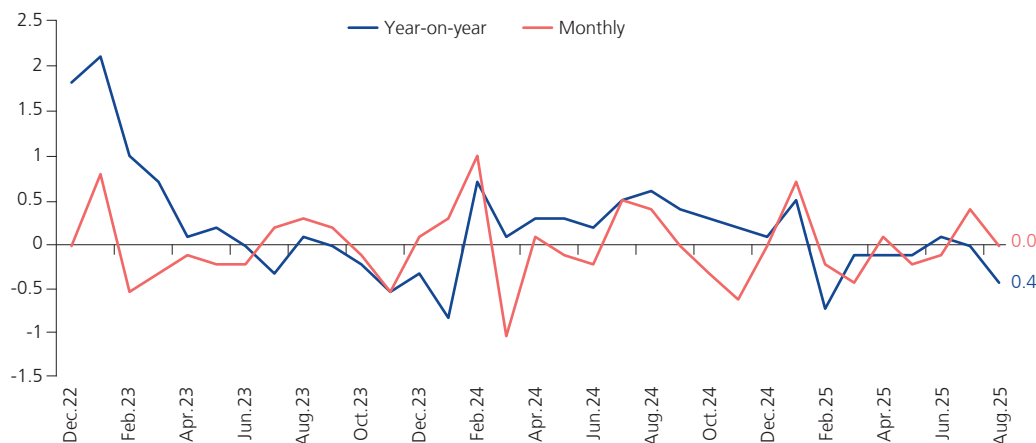


Fuente: Reuters.

15. In **emerging economies**, deflationary pressures continue in China. After reversing the negative rates observed since February, the consumer price index returned to deflation in August. These developments were influenced by specific factors such as government subsidies for consumer goods and some supply shocks associated with adverse weather conditions.

Meanwhile, the producer price index contracted by 2.9 percent in August, marking 35 consecutive months of year-on-year deflation.

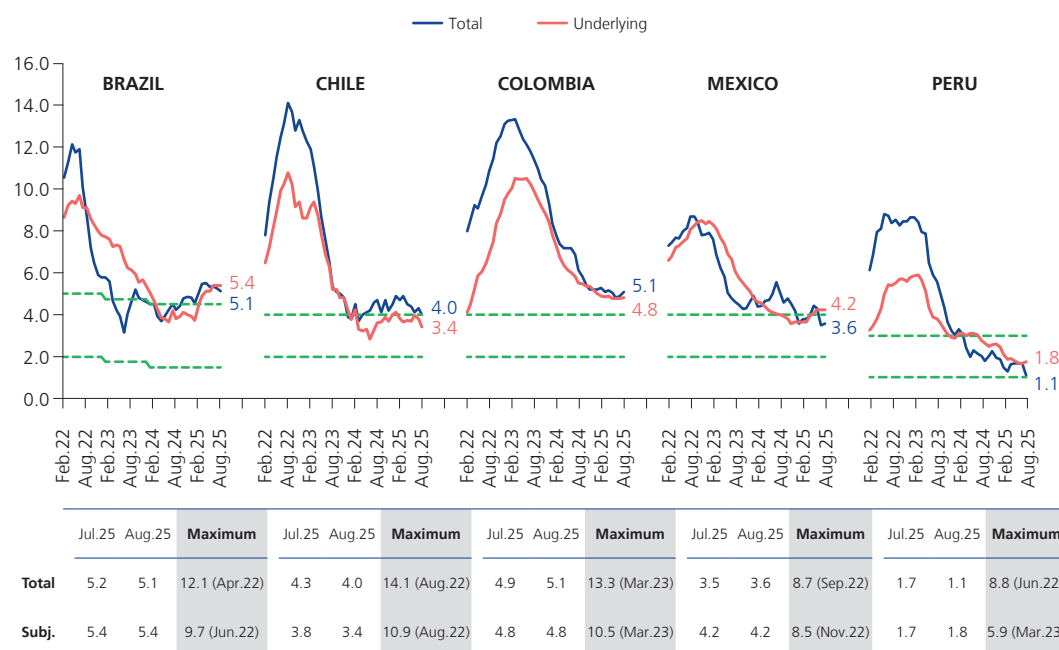
Graph 14
CHINA INFLATION
(% Chg.)



Fuente: Trading Economics.

In **Latin America**, inflation in most countries in the region, with the exception of Brazil and Colombia, was within the target range. **Core inflation** remained relatively stable, except in Chile, where it slowed. It should be noted that, in the cases of Chile and Colombia, total inflation is above core inflation.

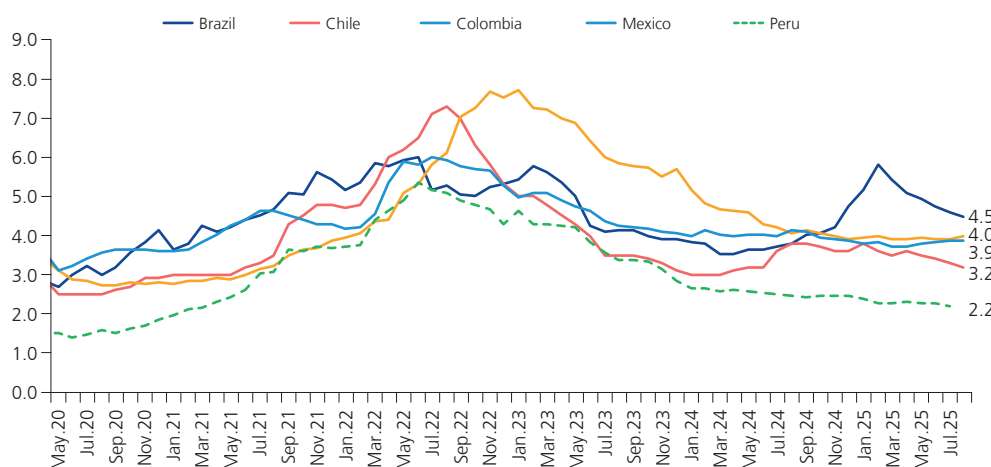
Graph 15
INFLATION IN LATIN AMERICA
(Change over the last 12 months)



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

In recent months, expectations remained relatively stable or declined in Chile and Brazil. In all economies, expectations are within the inflation target range—in Brazil and Colombia, expectations are at the upper limit—.

Graph 16
12-MONTH INFLATION EXPECTATIONS IN LATIN AMERICA
(In %)



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

16. After maintaining rates throughout 2025, in September the Fed reduced its rate by 25 basis points to a range of 4.00-4.25 percent. This reduction is consistent with the deterioration of the labor market, although it noted that it faces a dilemma due to the high level of inflation. The Fed indicated that this cut is preventive and that additional reductions will depend on future economic data. The Fed's projection revised inflation upward for 2026, although it estimates that this variable will reach its target by 2028.

Table 4
FED PROJECTIONS*
(%)

	2025		2026		2027		2028	Long term	
	Jun.25	Sep.25	Jun.25	Sep.25	Jun.25	Sep.25	Sep.25	Jun.25	Sep.25
Growth**	1.4	1.6	1.6	1.8	1.8	1.9	1.8	1.8	1.8
Unemployment rate**	4.5	4.5	4.5	4.4	4.4	4.3	4.2	4.2	4.2
Inflation (PCE)**	3.0	3.0	2.4	2.6	2.1	2.1	2.0	2.0	2.0
Core inflation (core PCE)**	3.1	3.1	2.4	2.6	2.1	2.1	2.0	-	-

Note: The core CPI excludes food and energy.

Interest rate (%)***	3.9	3.6	3.6	3.4	3.4	3.1	3.1	3.0	3.0
Interest rate range (%)	3.6-4.4	2.9-4.4	2.6-4.1	2.6-3.9	2.6-3.9	2.4-3.9	2.6-3.9	2.5-3.9	2.6-3.9

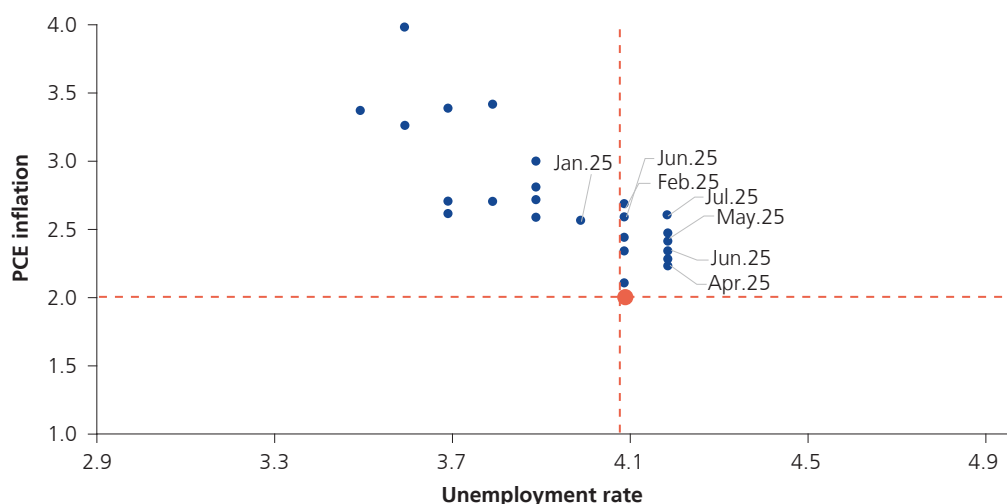
* Incorporates 19 data points from individual projections by Fed members at the end of the period.

** Growth and inflation projections correspond to the fourth quarter of the indicated year compared to the same period of the previous year. The unemployment rate projection is the average for the fourth quarter of the indicated year.

*** The interest rate corresponds to the midpoint of the Fed's benchmark rates.

Source: Fed.

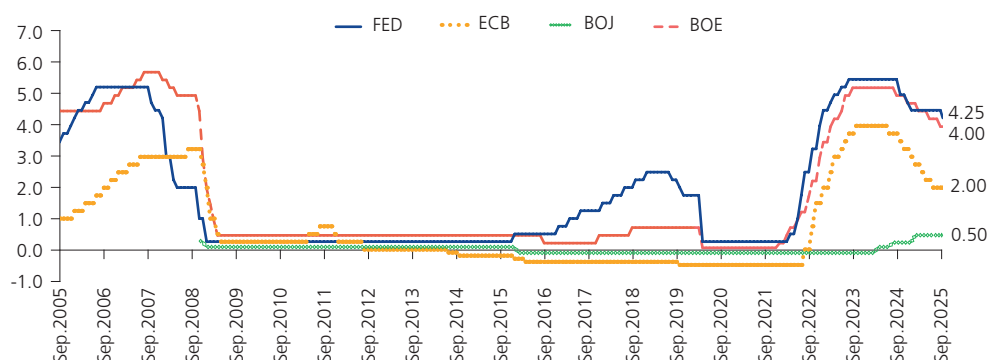
Graph 17
US: PCE INFLATION AND UNEMPLOYMENT FROM 2022 TO 2025
(%)



Source: Fred

In the case of the ECB, after four 25 basis point interest rate cuts, the last one in June, the institution decided to maintain interest rates at its July and September policy meetings. This decision was made considering total inflation similar to its target (2 percent) and core inflation stable at 2.3 percent. According to ECB statements, current inflation levels and uncertainty surrounding the impact of tariffs justify a "wait and see" policy. In the case of the Bank of England, after lowering interest rates in early August, it decided to pause the cycle of cuts in light of persistent inflationary pressures. The Bank of Japan, in a divided decision, kept its benchmark interest rate in line with market expectations.

Graph 18
POLICY INTEREST RATE*
(%)



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

17. In the case of **emerging economies**, interest rates fell in several countries in Latin America, Asia, and Europe. In most cases, these decisions are in line with a reduction in inflation and persistent trade uncertainty. Outside Latin America, the reductions in Indonesia and Poland stand out.

Table 5
MONETARY POLICY INTEREST RATE
(%)

EXECUTED											Change in percentage points respect to:	
Dec. 2024	Jan. 2025	Feb. 2025	Mar. 2025	Apr. 2025	May. 2025	Jun. 2025	Jul. 2025	Sep.* 2025	Jul. 2025	Dec. 2024		
Developed economies												
United States	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.25	-25	-25	
Canada	3.25	3.00	3.00	2.75	2.75	2.75	2.75	2.75	2.50	-25	-75	
Eurozone	3.00	2.75	2.75	2.50	2.25	2.25	2.00	2.00	2.00	0	-100	
United Kingdom	4.75	4.75	4.50	4.50	4.50	4.25	4.25	4.25	4.00	-25	-75	
Sweden	2.50	2.50	2.25	2.25	2.25	2.25	2.00	2.00	2.15	15	-35	
Switzerland	0.50	0.50	0.50	0.25	0.25	0.25	0.00	0.00	0.00	0	-50	
Japan	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0	25	
South Korea	3.00	3.00	2.75	2.75	2.75	2.50	2.50	2.50	2.50	0	-50	
New Zealand	4.25	4.25	3.75	3.75	3.50	3.25	3.25	3.25	3.00	-25	-125	
Australia	4.35	4.35	4.10	4.10	4.10	3.85	3.85	3.85	3.60	-25	-75	
Israel	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	0	0	
Latin America												
Brazil	12.25	13.25	13.25	14.25	14.25	14.75	15.0	15.0	15.0	0	275	
Colombia	9.50	9.50	9.50	9.5	9.25	9.25	9.25	9.25	9.25	0	-25	
Peru	5.00	4.75	4.75	4.75	4.75	4.50	4.50	4.50	4.25	-25	-75	
Chile	5.00	5.00	5.00	5.00	5.00	5.00	5.00	4.75	4.75	0	-25	
Mexico	10.00	10.0	9.50	9.00	9.00	8.50	8.00	8.00	7.75	-25	-225	
Uruguay	8.75	8.75	9.00	9.00	9.25	9.25	9.25	9.00	8.75	-25	0	
Costa Rica	4.00	4.00	4.00	4.00	4.00	4.00	4.00	3.75	3.75	0	-25	
Asia												
China	3.10	3.10	3.10	3.10	3.10	3.00	3.00	3.00	3.00	0	-10	
Malaysia	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.75	2.75	0	-25	
India	6.50	6.50	6.25	6.25	6.00	6.00	5.50	5.50	5.50	0	-100	
Thailand	2.25	2.25	2.00	2.00	1.75	1.75	1.75	1.75	1.50	-25	-75	
Indonesia	6.00	5.75	5.75	5.75	5.75	5.50	5.50	5.25	4.75	-50	-125	
Europe												
Czech Republic	4.00	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	0	-50	
Poland	5.75	5.75	5.75	5.75	5.75	5.25	5.25	5.0	4.75	-25	-100	
Russia	21.0	21.0	21.0	21.0	21.0	21.0	20.0	18.0	17.0	-100	-400	
Romania	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	0	0	
Africa												
South Africa	7.75	7.50	7.50	7.50	7.50	7.25	7.25	7.00	7.00	0	-75	

* The latest rate decision data covers the period from August 1 to September 19.

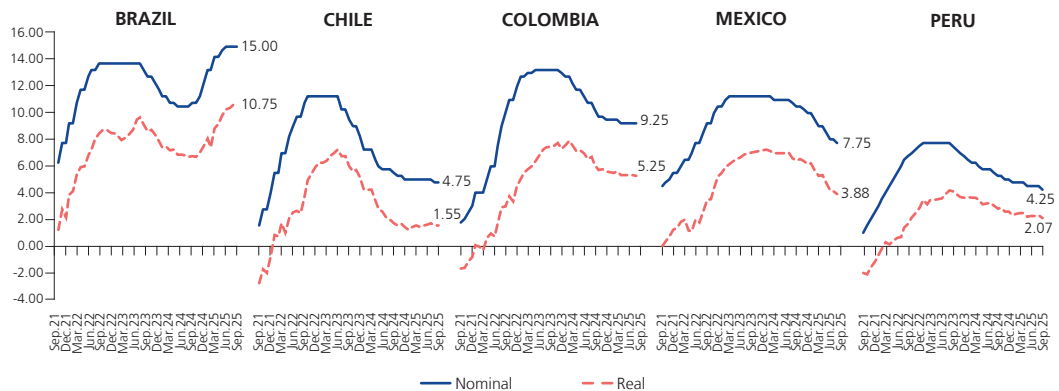
** The numbers underlined in bold correspond to the latest decisions taken.
For the Eurozone, the Deposit Facility Rate is used; for China, the Loan Prime Rate.
Source: Central banks of each country.





In **Latin America**, Colombia maintained its interest rate after the reductions recorded in the first half of the year. Brazil also left its rate unchanged after raising it by 275 basis points in previous months in response to inflationary pressures and growth above its potential rate. Other economies, such as Chile, Mexico, and Peru, decided to reduce monetary policy rates by 25 bps, while Costa Rica and Uruguay reduced them by 50 bps.

Graph 19
MONETARY POLICY INTEREST RATES IN LATIN AMERICA 2021-2025
(%)

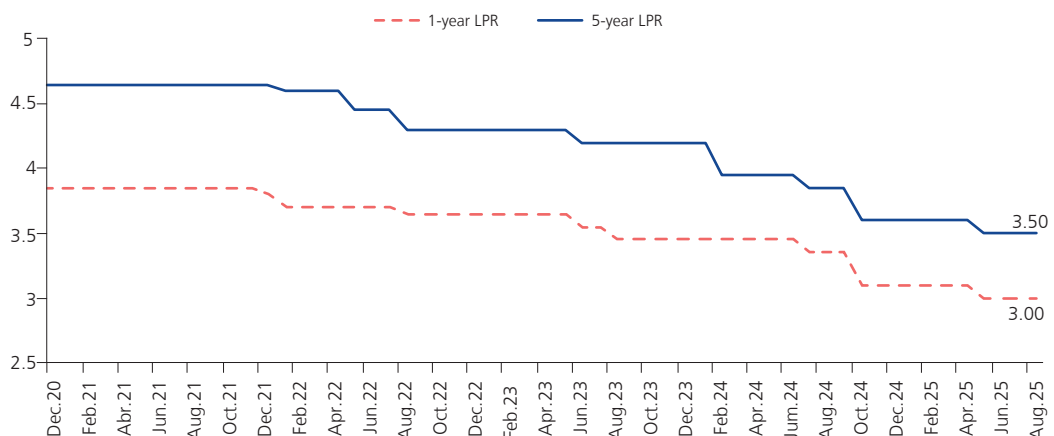


Note: Real interest rates based on 12-month inflation expectations. For Colombia and Mexico, the latest data corresponds to August.
Source: Statistical institutes and central banks of each country.

On the other hand, **China's** central bank (PBoC) maintained a neutral stance following the support measures implemented in the second quarter, while assessing the impact of US tariff policies before introducing further easing. Added to this is the pressure facing the banking system from falling margins, weak credit demand, and the need to grant cheaper loans in a context of deflation, real estate crisis, and global volatility.

In line with this, it maintained LPR (loan prime rate) interest rates. Thus, the 1-year LPR rate, which is the rate for most corporate and domestic loans, stands at 3.0 percent, and the 5-year rate, which is the benchmark for mortgages, stands at 3.5 percent, both at minimum levels.

Graph 20
INTEREST RATES
(%)

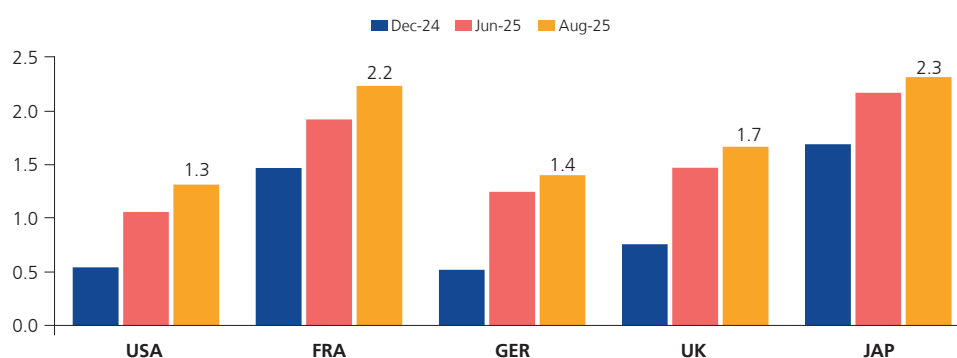


Note: LPR (loan prime rates) serve as a reference for new loans: 1-year for corporate and domestic loans; 5-year for mortgages. These are based on a weighted average of the lending rates of 18 commercial banks.
Source: Trading Economics.

18. With regard to fiscal policy in developed economies, the measures approved in early July in the US stand out, including, among others, the extension of tax exemptions that were due to expire in 2026 and an increase in defense and immigration control spending. According to the Congressional Budget Office, these measures would increase the fiscal deficit by USD 2.4 trillion over the next ten years and raise debt in the medium term.

These measures were preceded by Moody's downgrade of the country's credit rating, which withdrew the highest rating (AAA); this decision follows similar downgrades by S&P (2011) and Fitch (2023). Furthermore, fears about long-term fiscal sustainability coincide with an increase in the spread between long-term bond yields (particularly 30-year bonds) and two-year bond yields.

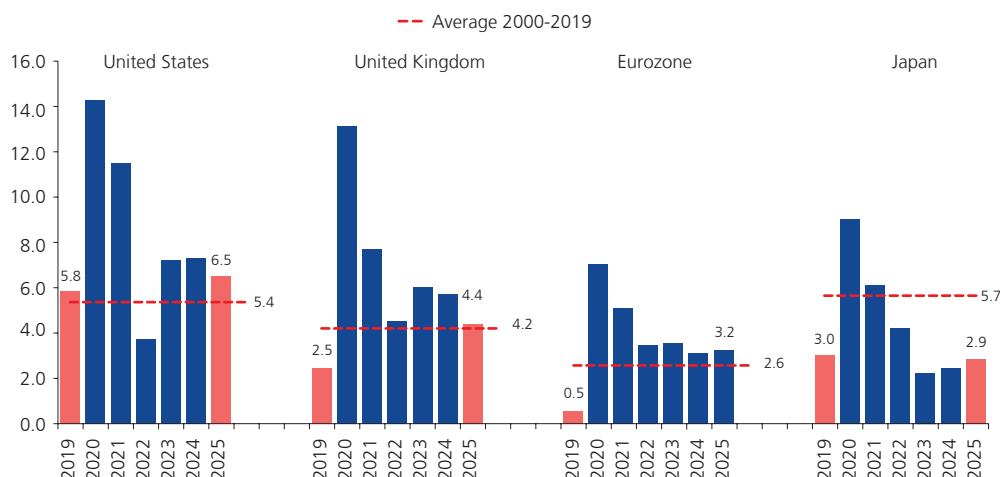
Graph 21
SPREAD BETWEEN 30-YEAR AND 2-YEAR SOVEREIGN YIELDS
(In % points)



Source: Reuters. As of August 29.

19. In other developed economies, particularly in Europe, the dilemma of achieving fiscal consolidation amid growing spending pressures remains, particularly following the decision by European NATO member countries to increase defense spending to 5 percent of GDP. This is compounded by growing demands for pensions and social spending associated with demographic changes. In this context, there is uncertainty surrounding the approval of budgets, particularly in France and Germany, where spending adjustments and tax increases are being considered.

Graph 22
GENERAL GOVERNMENT FISCAL DEFICIT
(% GDP)



Source: IMF.





Global economic outlook

20. For **2025**, the global growth projection is revised upward from 2.7 to 2.9 percent. This revision is mainly explained by better-than-expected second quarter data, particularly in the case of the US and China. For 2026, growth rates are revised slightly upward, also due to the revision in China's growth, although they remain below the average growth rate prior to the pandemic (3.2 percent in 2010-2019 and 3.0 percent in 2000-2009).

Table 6
GLOBAL GROWTH
(Annual % changes)

	PPP*	2024	2025		2026	
			IR Jun	IR Sep	IR Jun	IR Sep
Developed economies	39.9	1.8	1.1	1.4	1.2	1.2
<i>Of which</i>						
1. United States	14.9	2.8	1.3	1.6	1.1	1.1
2. Eurozone	11.6	0.9	0.8	1.1	1.1	1.1
3. Japan	3.3	0.1	0.8	0.8	0.6	0.7
4. United Kingdom	2.2	1.1	0.8	1.0	1.1	1.1
5. Canada	1.3	1.5	0.8	1.0	0.8	1.0
Developing economies	60.1	4.3	3.8	4.0	3.8	3.9
<i>Of which</i>						
1. China	19.5	5.0	4.0	4.5	3.9	4.2
2. India	8.3	6.5	6.2	6.2	6.3	6.3
3. Russia	3.5	4.1	1.7	1.7	1.1	1.1
4. Latin America and the Caribbean	7.2	2.4	2.0	2.0	2.1	2.2
World Economy	100.0	3.3	2.7	2.9	2.7	2.8

* Base 2024.

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

For the US, growth of 1.6 percent for **2025** is consistent with substantially higher-than-expected actual growth and lower (annualized quarterly) growth rates for the third and fourth quarters. This trend would reflect weaker consumption in line with the weakening labor market, falling consumer confidence, and lower demand for durable goods.

For **2026**, the growth projection is revised slightly upward due to China's growth amid expectations of a slight recovery in domestic demand (in response to stimulus measures) and less uncertainty regarding trade policy.

21. Most of the risk factors and uncertainties identified in the June Report remain in place over the projection horizon.
- (i) First, with regard to **global trade tensions**, risks remain on the projection horizon. Although the tariff rates applied by the US to most countries have been defined, the final terms of the agreement with China are still pending. Following the renewal of the truce for an additional 90 days, a final agreement is expected in November. The central projection scenario assumes that the preliminary agreements will remain in place and will also include exceptions to avoid significantly affecting the global supply chain.
- In addition, there are other announcements that are still under review and could potentially lead to tariff increases on critical minerals, semiconductors, and pharmaceutical products.
- (ii) In terms of geopolitics, as of the closing of this report, expectations for a truce in the conflict between Ukraine and Russia have diminished. The persistence of the conflict increases the

likelihood of directly or indirectly involving European Union countries, which have recently committed to increasing defense spending. This situation, coupled with the conflict in the Middle East, could increase global risk aversion and generate upward pressure on oil and food prices.

- (iii) On the economic front, there is a possibility that the Fed will maintain a less flexible stance than anticipated in the baseline scenario if inflationary pressures persist. First, there is uncertainty about the impact that tariff policy would have on prices, especially considering that some trade decisions, such as those mentioned above, are still pending. Likewise, the fiscal measures that have been approved could generate pressure on the output gap, which could hinder monetary policy easing and also generate pressure on long-term rates.
- (iv) With regard to the Chinese economy, there is a possibility that the recent recovery will not be sustained in the coming quarters if trade agreements with the US impact the technology sector and affect the supply chain. In addition, the impact of measures to stimulate consumption and investment could be limited due to the high level of private sector debt.

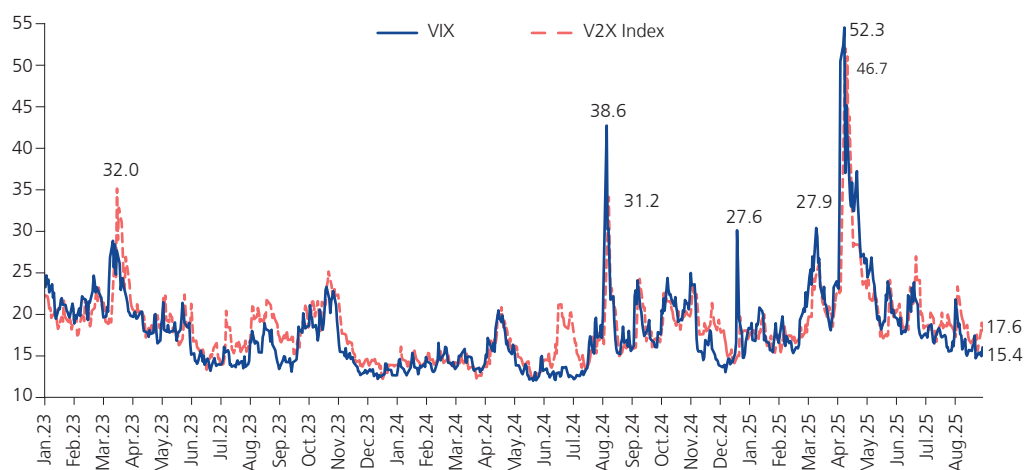
International financial markets

22. In July and August, global financial markets were driven by two distinct trends associated with economic performance in the US and developments in global trade and geopolitics.

Thus, during July, mostly favorable economic data was released: second quarter GDP grew well above expectations, partly due to strong consumption of durable goods. On the other hand, uncertainty over tariff policy raised concerns about the impact it could have on inflation. Both factors reduced expectations that the Fed would make its first rate cut so far this year.

This scenario led to an appreciation of the dollar and higher yields on US sovereign bonds. In the stock markets, second-quarter corporate earnings offset the factors mentioned above and allowed the major stock indices to reach new all-time highs that month.

Graph 23
VOLATILITY INDICES: VIX (US STOCK MARKET) AND V2X
(Eurozone Stock Market)



Source: Reuters.

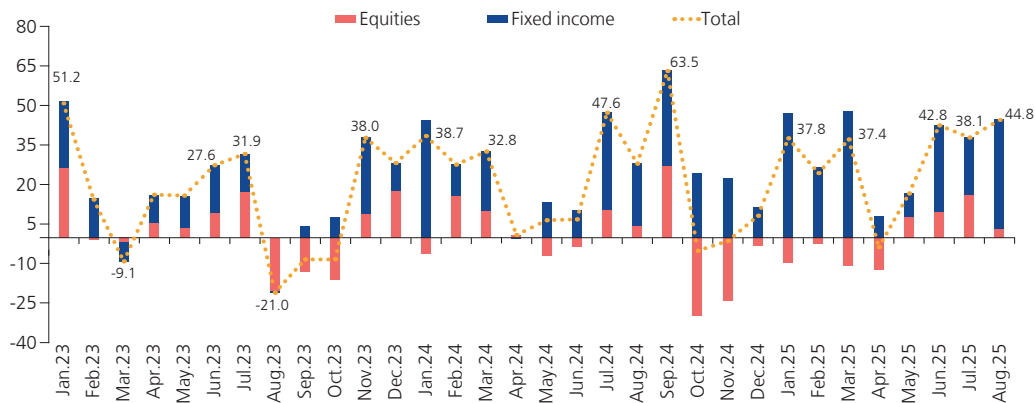




However, this trend changed in late July and early August, particularly after the release of labor market data which, as noted, showed modest employment growth. This, coupled with Powell's statements in Jackson Hole in August, heightened expectations that the Fed would begin cutting interest rates at upcoming meetings. All of this resulted in a reversal of the dollar's appreciation trend and a fall in US bond yields, particularly in the short-term tranche in the US. Stock markets continued to rise in August, reaching new highs for US markets.

The high appetite for risk in July and August was reflected in strong capital inflows to emerging economies, much of which corresponded to fixed-income instruments.

Graph 24
NON-RESIDENT CAPITAL FLOWS TO EMERGING MARKETS
(Billion USD)



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

23. With regard to foreign exchange markets, the dollar recovered against other currencies during the third quarter after depreciating in the first half of 2025 (in June, it was at its lowest level since February 2022).

In July, the DXY dollar appreciated amid the release of a higher-than-expected June PCE index and solid GDP growth in the second quarter. All of this contributed to the idea that the U.S. economy remained resilient. The subsequent depreciation —following the deterioration of the labor market in July, continued political pressure from the Trump administration on the Fed, and expectations of a more expansionary monetary policy— only partially offset the initial gains.

Graph 25
DXY DOLLAR INDEX*



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

Table 7
EXCHANGE RATES*
(In U.M. per dollar, except euro and pound)

		Dec.24 (a)	Jun.25 (b)	Aug.25 (c)	% change**	
					(c) / (b)	(c) / (a)
DXY Dollar Index***	US Dollar Index	108.49	96.88	97.77	0.9	-9.9
Euro	Euro	1.035	1.179	1.168	-0.9	12.9
United Kingdom	Pound	1.251	1.373	1.350	-1.7	7.9
Japan	Yen	157.18	144.01	147.02	2.1	-6.5
Brazil	Real	6.184	5.432	5.430	0.0	-12.2
Colombia	Peso	4,402	4,088	4,008	-2.0	-9.0
Chile	Peso	993	931	966	3.7	-2.7
Mexico	Peso	20.82	18.74	18,64	-0.5	-10.5
Argentina	Peso	1,030.00	1,203.00	1,345.00	11.8	30.6
Peru	Sol	3.761	3.544	3.533	-0.3	-6.1
South Africa	Rand	18.85	17.75	17.64	-0.6	-6.4
India	Rupee	85.55	85.69	88.14	2.9	3.0
Turkey	Lira	35.34	39.78	41.10	3.3	16.3
Russia	Rublo	113.50	78.20	79.90	2.2	-29.6
China	Yuan (onshore)	7.299	7.164	7.130	-0.5	-2.3
South Korea	Won	1,477	1,352	1,389	2.7	-6.0
Indonesia	Rupiah	16,090	16,230	16,485	1.6	2.5
Thailand	Bath	34.26	32.41	32.28	-0.4	-5.8
Malaysia	Ringgit	4.468	4.210	4.222	0.3	-5.5
Philippines	Peso	58.08	56.28	57.11	1.5	-1.7

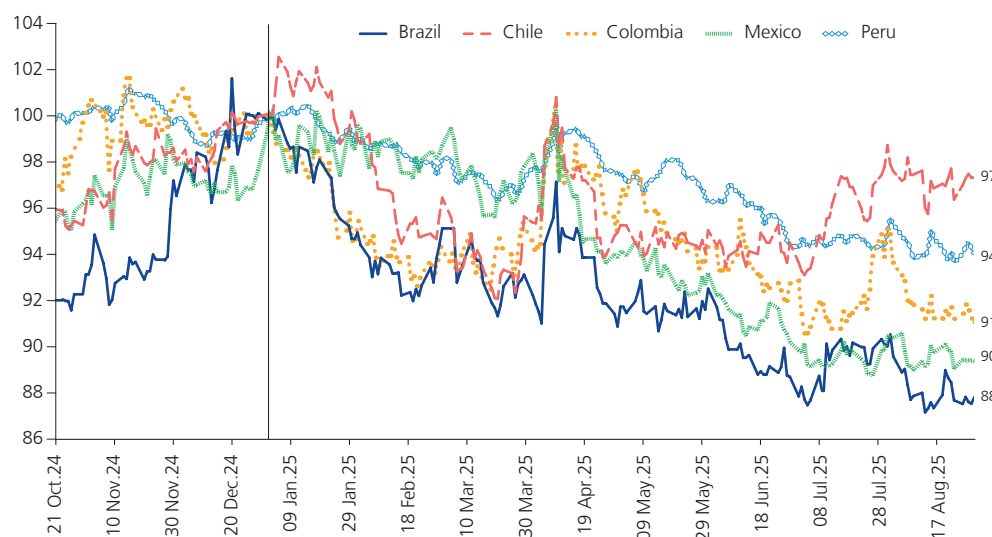
* Prepared as of August 29, 2025.

** 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 a basket of currencies consisting of the euro, yen, pound, Canadian dollar, Swedish krona, and Swiss franc.

Source: Reuters.

Graph 26
PERFORMANCE OF THE LAC5 CURRENCIES
(Base 100 = Dec. 31, 2024)



Source: Reuters.

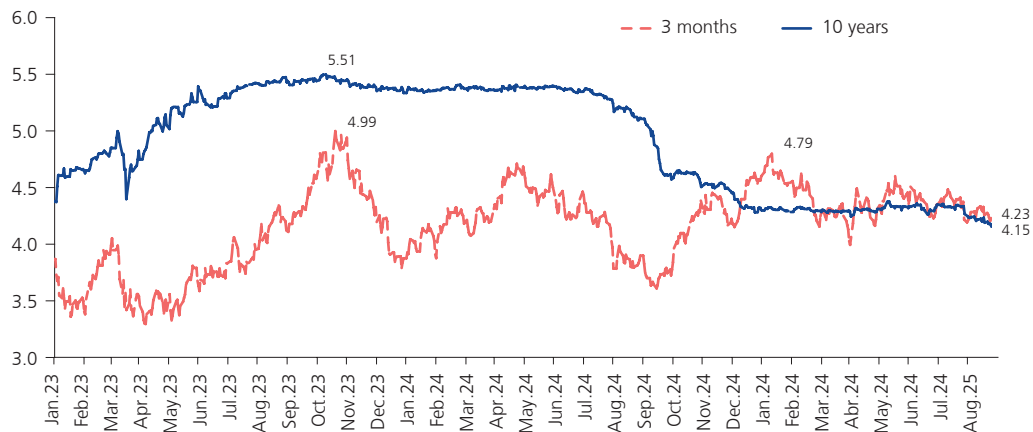
24. In **fixed income markets**, US sovereign yields rose at the start of the third quarter until mid-July following the resilience of the economy, inflation concerns stemming from tariffs, and the passage of fiscal measures that increase medium-term debt projections.





However, this trend subsequently moderated and reversed for the short end of the yield curve at the end of July and during August. This came after the deterioration in July's labor data, the slowdown in the manufacturing and services sectors, and Jerome Powell's speech at the *Jackson Hole* symposium in August, where he signaled possible interest rate cuts for upcoming meetings.

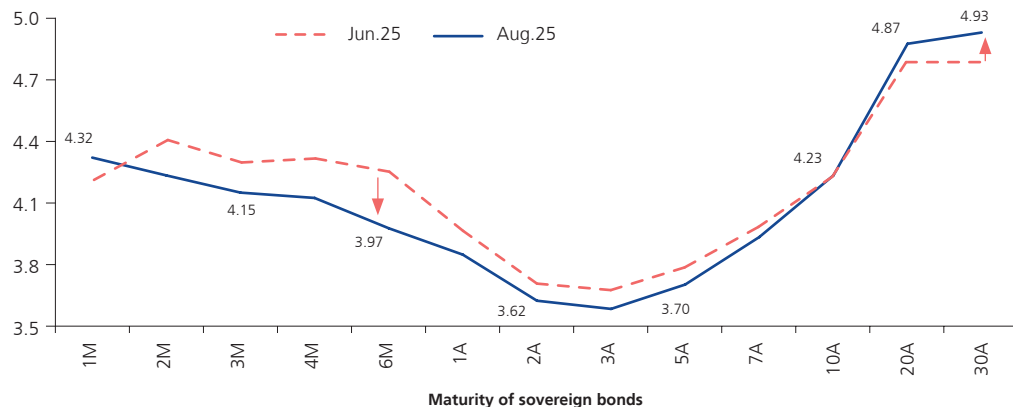
Graph 27
U.S. SOVEREIGN YIELDS
(%)



Source: Reuters.

As a result, the US yield curve has steepened. While short-term yields declined, long-term yields rose, affected by fears of inflation from tariffs and high debt levels. As a result, the 3-month yield fell 15 basis points to 4.15 percent, the 10-year yield remained at 4.23 percent, and the 30-year yield rose 15 basis points to 4.93 percent.

Graph 28
US SOVEREIGN YIELD CURVE
(In %)



Source: Reuters

In the eurozone, yields rose over recent months in line with uncertainty about the impact of tariffs on inflation and, in the case of France, uncertainty surrounding the approval of its fiscal budget. In the United Kingdom, yields also rose following higher inflation in services and concerns about fiscal management (the 30-year yield rose to its highest level since 1998).

In Japan, yields rose and the 10-year bond yield reached a 17-year high, against a backdrop of higher inflation projections—which fell for the third consecutive month but still stood

above 3 percent in July— and wages, as a result of the tight labor market, improved economic activity, and expectations that the BoJ will raise interest rates again next year.

Table 8
10-YEAR SOVEREIGN BOND YIELDS*
(%)

	Dec.24 (a)	Jun.25 (b)	Aug.25 (c)	Difference (bps)	
				(c) - (b)	(c) - (a)
United States	4.57	4.23	4.23	0	-34
Germany	2.36	2.61	2.72	12	36
France	3.19	3.28	3.51	23	32
Italy	3.52	3.48	3.59	11	6
Spain	3.06	3.24	3.33	9	27
Greece	3.22	3.29	3.41	12	20
United Kingdom	4.56	4.49	4.72	23	16
Japan	1.09	1.43	1.60	17	51
Brazil	15.16	13.52	13.93	41	-123
Colombia	11.88	12.26	11.35	-90	-53
Chile	6.00	5.70	5.63	-7	-37
Mexico	10.42	9.30	8.97	-33	-146
Peru	6.63	6.41	6.29	-13	-34
South Africa	10.31	9.95	9.60	-35	-72
India	6.76	6.32	6.57	24	-19
Turkey	26.81	28.40	28.38	2	157
China	1.68	1.65	1.79	14	11
South Korea	2.87	2.81	2.81	1	-6
Indonesia	6.97	6.62	6.34	-27	-63
Thailand	2.25	1.60	1.29	-31	-96
Malaysia	3.81	3.51	3.39	-12	-43
Philippines	6.05	5.89	5.76	-13	-29

* Prepared as of August 29, 2025.
Source: Reuters.

In Latin America, yields also fell for the most part amid high risk appetite and elevated prices for some metals. The exception to this trend was Brazil, which saw a deterioration in fiscal accounts, an increase in policy interest rates, prospects of an economic slowdown, and the unexpected imposition of a 50 percent tariff by the US.

25. In **equity markets**, US stocks advanced in July, buoyed by high risk appetite following the resilience of the economy and positive second-quarter corporate results, which pushed the main indices to new all-time highs at the end of the month.

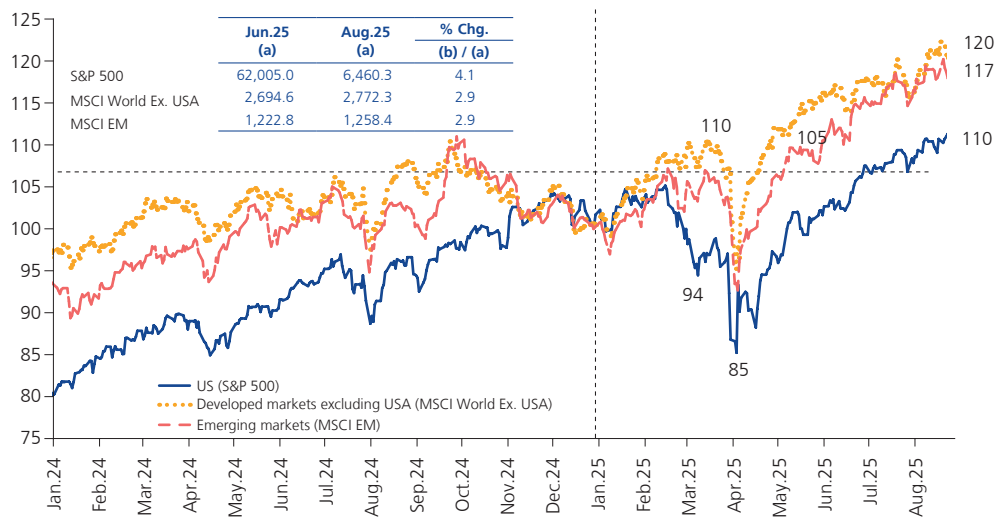
However, in August, US stock markets initially corrected in response to the deterioration of the labor market, trade tensions, and political pressure on the Fed, before recovering completely and reaching new historic highs, supported by expectations of interest rate cuts.

Thus, US stock markets recorded six consecutive days of record highs towards the end of August, and the S&P 500 index accumulated a 4.1 percent gain between June and August. Other stock markets followed a similar upward trend: emerging market stock exchanges rose 2.9 percent, while developed markets excluding the US rose 2.9 percent over the same period.





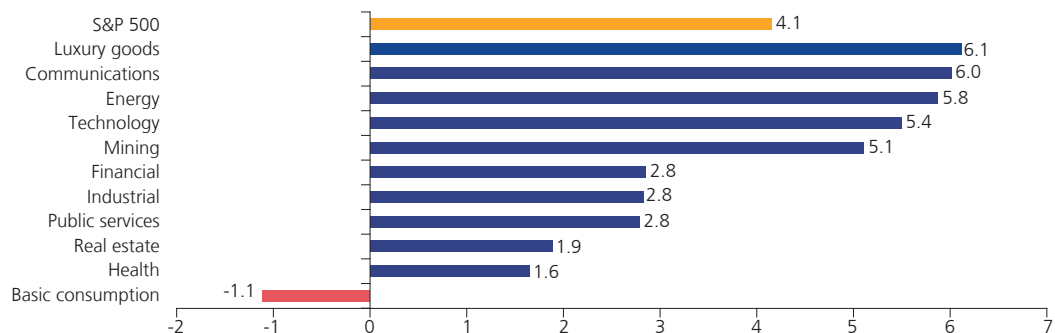
Graph 29
STOCK MARKET PERFORMANCE INDICES
(100 = 12/31/2024)



Source: Reuters.

At the sector level in the US, luxury consumer, communications, energy, and technology stocks led the stock market's advance. It should be noted that various technology firms (Apple, Microsoft, Meta, and Amazon) posted solid corporate results in the second quarter. However, performance was moderate following the US Department of Commerce's announcement of a 10 percent non-voting stake in Intel, which led to corrections in companies such as Nvidia and AMD, amid expectations of increased competition. On the other hand, real estate, healthcare, and energy stocks recovered from their second-quarter declines, while consumer staples stocks continued to fall.

Graph 30
PERFORMANCE OF THE S&P 500 STOCK INDEX SECTORS: AUG. 25 / JUN. 25
(%)



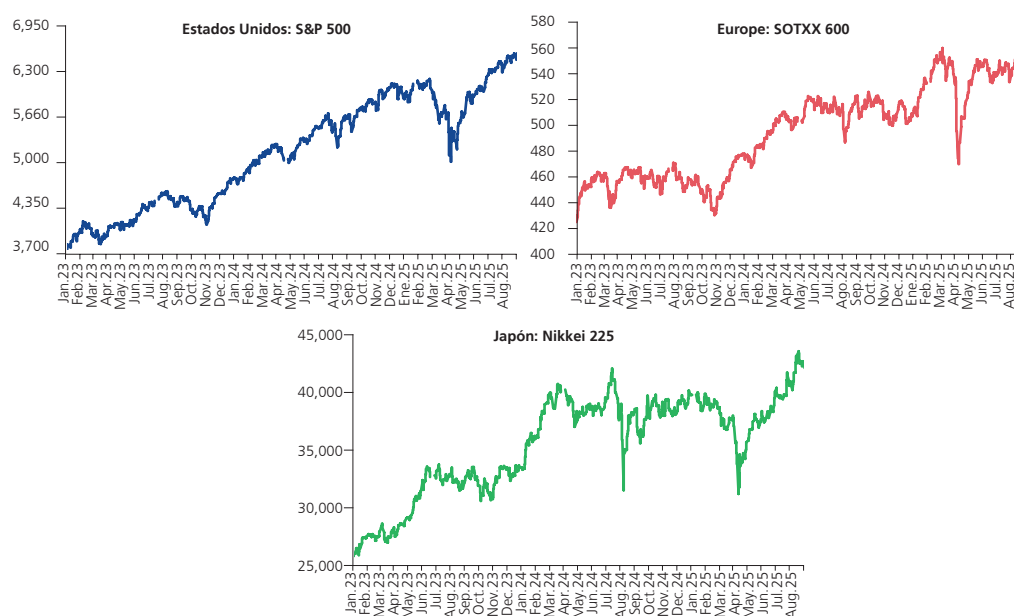
Source: Reuters.

As mentioned above, the upward trend was also evident in other developed markets. In Europe, stock markets benefited in part from the trade agreement with the US, which prevented an escalation of trade tensions, and from expectations of a more expansionary monetary policy. However, episodes of political uncertainty (such as in France over the approval of the budget) limited gains.

On the other hand, Japanese stock markets reached new all-time highs due to higher-than-expected GDP growth in the second quarter and the trade agreement with the US, which includes a commitment to reduce tariffs on Japanese cars. These

factors boosted appetite for exporters and technology stocks, such as Sharp and Advantest. However, certain downward pressures are considered. Prime Minister Shigeru Ishiba announced his resignation after losing the majority in the Upper House in the July elections, adding to the lack of control in the Lower House, and will remain in office until a new prime minister is elected. Added to this were prospects of eventual monetary tightening by the BoJ in the face of increased wage pressures.

Graph 31
STOCK MARKET INDICES



Source: Reuters.

Table 9
WORLD STOCK MARKETS*
(Indices)

		Dec.24 (a)	Jun.25 (b)	Aug.25 (c)	% change (c) / (b) (c) / (a)	
VIX**	S&P 500	17.35	16.73	15.36	-1.4	-2.0
USA	Dow Jones	42,544	44,095	45,545	3.3	7.1
USA	S&P 500	5,882	62.05	6,460	4.1	9.8
USA	Nasdaq	19,311	20,370	21,456	5.3	11.1
Germany	DAX	19,909	23,910	23,902	0.0	20.1
France	CAC 40	7,380	7,666	7,704	0.5	4.4
Italy	FTSE MIB	34,186	39,792	42,196	6.0	23.4
Spain	IBEX 35	11,595	13,992	14,936	6.7	28.8
Greece	ASE	1,470	1,868	2,022	8.2	37.6
UK	FTSE 100	8,173	8,761	9,187	4.9	12.4
Japan	Nikkei 225	39,895	40,487	42,718	5.5	7.1
Brazil	Ibovespa	120,283	138,855	141,422	1.8	17.6
Colombia	COLCAP	1,380	1,668	1,846	10.6	33.8
Chile	IPSA	6,710	8,248	8,900	7.9	32.6
Mexico	IPC	49,513	57,451	58,709	2.2	18.6
Argentina	Merval	2,533,635	1,994,825	1,984,845	-0.5	-21.7
Peru	MSCI Nuam General Index	28,961	32,726	34,930	6.7	20.6
South Africa	JSE	84,095	96,430	101,836	5.6	21.1
India	Nifty 50	23,645	25,517	24,427	-4.3	3.3
Turkiye	XU 100	9,831	9,949	11,288	13.5	14.8
China	Shanghai C.	3,352	3,444	3,858	12.0	15.1
South Korea	KOSPI	2,399	3,072	3,186	3.7	32.8
Indonesia	JCI	7,080	6,928	7,830	13.0	10.6
Thailand	SET	1,400	1,090	1,237	13.5	-11.7
Malaysia	KLCI	1,642	1,533	1,575	2.8	-4.1
Philippines	Psei	6,529	6,365	6,156	-3.3	-5.7

* Prepared on August 29, 2025.

** Data and variations are expressed in points.

Source: Reuters.

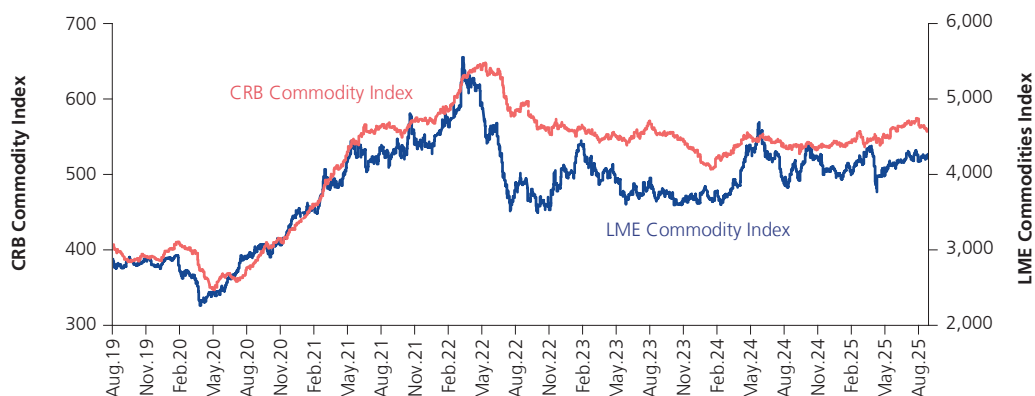




Commodity prices

26. Since the publication of the latest inflation report, commodity prices have remained relatively stable, although they have not yet fully recovered from the decline recorded in April (following the announcement of tariffs by the US).

Graph 32
LME AND CRB COMMODITY INDICES



Source: Reuters.

The price of **industrial metals** has shown mixed performance. US trade measures and the recent economic slowdown have put downward pressure on several metals, particularly copper and aluminum. However, some fundamentals suggest potential upward pressure: the energy transition, despite recent events, would put pressure on demand for copper and lithium, while the partial recovery in construction would favor demand for ferrous metals and zinc.

As for **oil**, its price fell in the last two months due to successive announcements of monthly production increases by OPEC and the impact of initial progress toward a truce between Ukraine and Russia. Markets also corrected downward following the truce between Israel and Iran at the end of June. Future developments are subject to considerable uncertainty, largely due to geopolitical factors. In the case of **grains**, prices were down mainly due to supply factors.

Copper

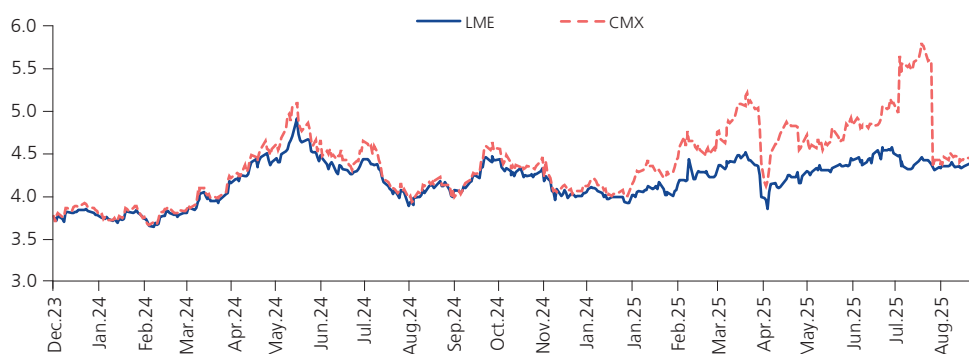
27. La cotización promedio del **cobre** disminuyó 2 por ciento en los últimos dos meses, al pasar de USD/lb. 4,46 en junio a USD/lb.4,38 en agosto de 2025. A pesar de este descenso, la cotización del cobre acumuló un incremento de 8 por ciento en lo que va del año 2025.

Copper prices fell in the last two months due to the greater-than-expected expansion of refined copper production in China. The use of recycled copper, such as scrap, offset the shortage of concentrates. The high prices of some by-products, such as sulfuric acid and gold, as well as increased production in Peru and Brazil (which offset the decline in Chile), also encouraged refined copper production.

In this context, the market perceives a slack in metal availability, even in a context of strong demand in China, particularly for the production of electric cars. Demand, which is precautionary in nature, also underwent a correction following the exclusion of concentrated and refined copper from the scope of the tariffs applied by the US, which were limited to semi-finished products such as tubes, cables, and electrical components.

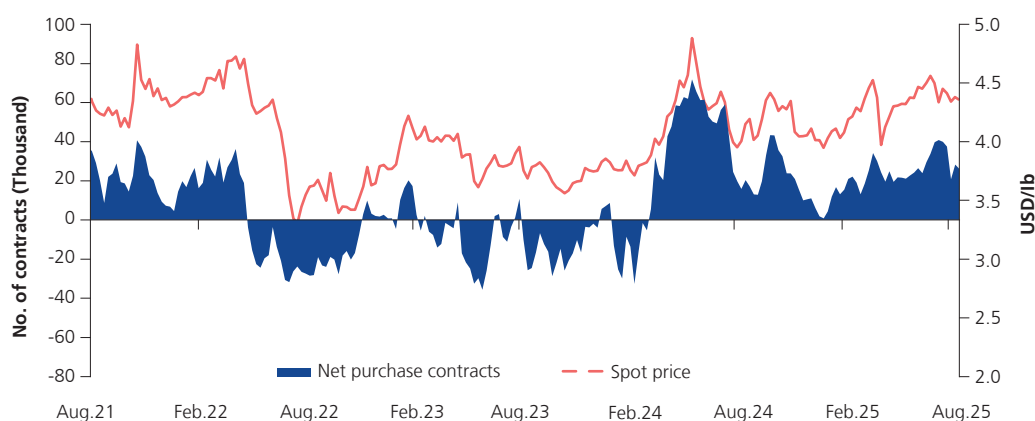
This led to a recovery in copper inventories on the London Metal Exchange—which rose 75 percent in the last two months, after reaching a low for the year on June 30—and a reduction in the spread between the North American and London market prices.

Graph 33
COPPER PRICE BY MARKET
(USD/lb.)



Source: Reuters.

Graph 34
COPPER: NON-COMMERCIAL CONTRACTS



Note: The Commodity Futures Trading Commission's Copper Speculative Net Positions are 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.

Consequently, the copper price projection was revised downward from the estimate in the June Inflation Report for the projection horizon. In addition to the factors mentioned above, there are also fundamental factors that point to a supply surplus as a result of expected higher production in the Democratic Republic of Congo and Mongolia, and increased refining capacity in China and Congo.

Table 10
SUPPLY AND DEMAND FOR REFINED COPPER^{1/}
(Thousands of metric tons of copper)

	2021	2022	2023	2024	1 Week 2024	1 Week 2025
Global Mining Production	21,223	21,911	22,368	22,990	11,134	11,438
Total Refined Production (Primary and Secondary)	24,900	25,272	26,502	27,486	13,716	14,212
Global Refined Oil Consumption	25,259	25,857	26,604	27,353	13,321	13,960
Refined Balance ^{2/}	-359	-585	-102	133	395	251

^{1/} ICSG monthly report for February 2025.

^{2/} The refined balance is calculated as the difference between global refined production (supply) and refined use (demand).

Source: ICSG.

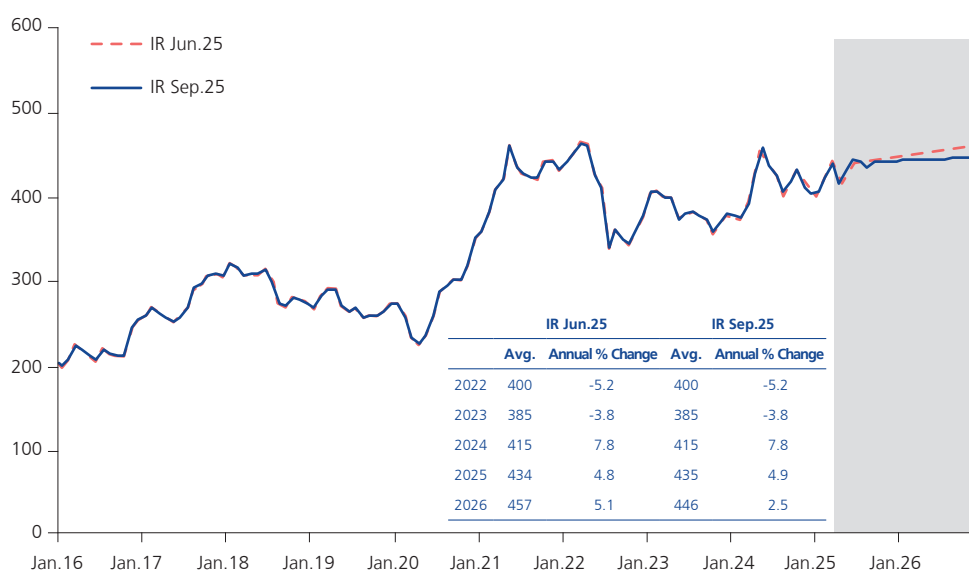




Among the main downside risk factors for copper prices is the risk of a more pronounced slowdown in China and the United States. On the supply side, the reopening of idled mines such as Cobre Panamá could increase availability in the international market and reinforce the oversupply in the short term. Finally, in the long term, technological advances in substitute materials, such as the growing use of aluminum in wiring applications, represent a structural threat that could limit sustained growth in demand for copper.

On the contrary, persistent underinvestment in new mining projects poses a structural risk, as it would limit the capacity to expand supply and generate deficits, particularly if demand in China consolidates, both in sectors linked to the energy transition and in transportation, construction, and electrical infrastructure.

Graph 35
COPPER: JANUARY 2016 - DECEMBER 2026
(Ctv. USD/lb.)



Source: Reuters and BCRP.

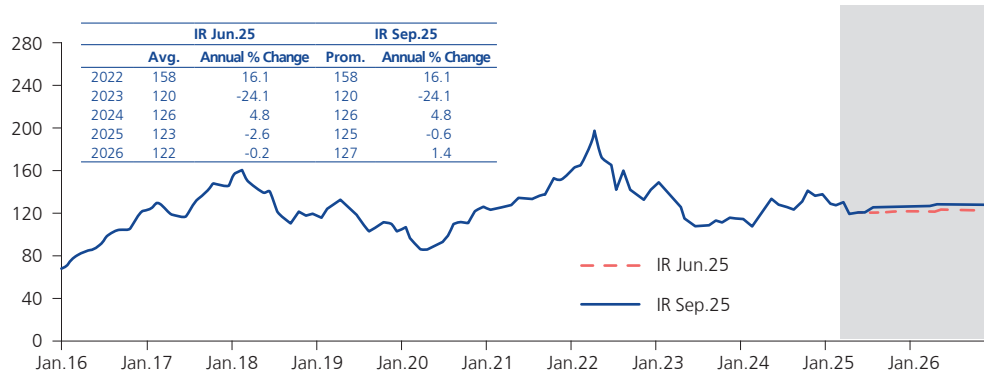
Zinc

28. The average international price of zinc rose by 5 percent in the last two months, from USD/lb. 1.20 in June to USD/lb. 1.26 in August 2025. As a result, the price of zinc has fallen by 8 percent so far this year.

Zinc prices have risen over the last two months due to various factors that have drastically restricted supply. The most visible factor has been the drop in LME inventories, which fell by more than 52 percent since the end of June and have accumulated a reduction of more than 76 percent so far this year. This reduction reflects, on the one hand, cuts in global production and, on the other, increased demand from India (from the steel sector) and China's announcement of a 1.2 trillion yuan (approximately USD 170 billion) hydroelectric megaproject for the next decade that would increase demand for galvanized steel.

In line with these developments, the price of zinc has been revised upward from the projection in the June Inflation Report.

Graph 36
ZINC: JANUARY 2016 - DECEMBER 2026
 (Ctv. USD/lb.)



Source: Reuters and BCRP.

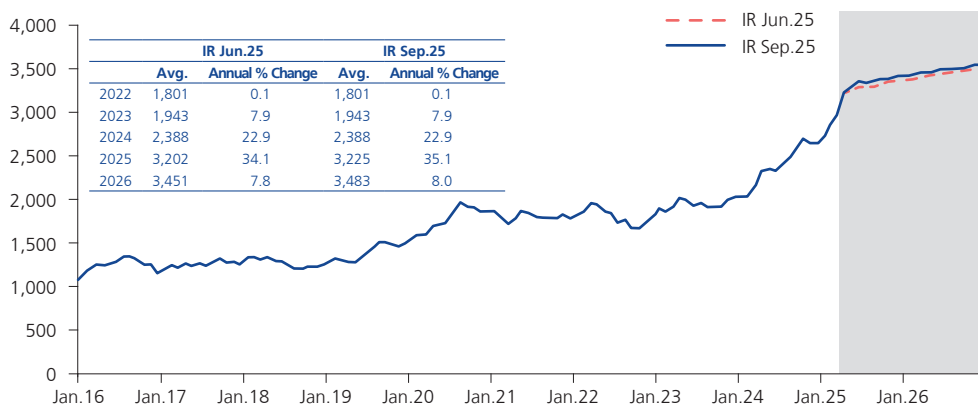
Gold

29. After a significant increase in the first half of the year, the average price of gold remained relatively stable in the last two months, reaching a level of USD/oz.tr. 3368 in August 2025. As a result, the price of gold has accumulated an increase of 28 percent so far this year.

After reaching a historic high in mid-June, gold prices remained high due to persistent demand factors. Noteworthy factors include the depreciation of the dollar and expectations of further monetary policy easing by the Fed. Added to this are the persistent geopolitical tensions mentioned above. Furthermore, there has been an increase in purchases by some central banks, such as those of China, Russia, and Turkey, and by gold-backed exchange-traded funds (ETFs).

In line with the data, the gold price projection has been revised slightly upward compared to the June Inflation Report. The projection is highly uncertain, as it will depend largely on the evolution of interest rates and the dollar, as well as geopolitical factors affecting global risk aversion. Demand for jewelry is also expected to moderate, in line with high retail prices.

Graph 37
GOLD: JANUARY 2016 - DECEMBER 2026
 (Ctv. USD/oz.tr.)



Source: Reuters and BCRP.





Gas

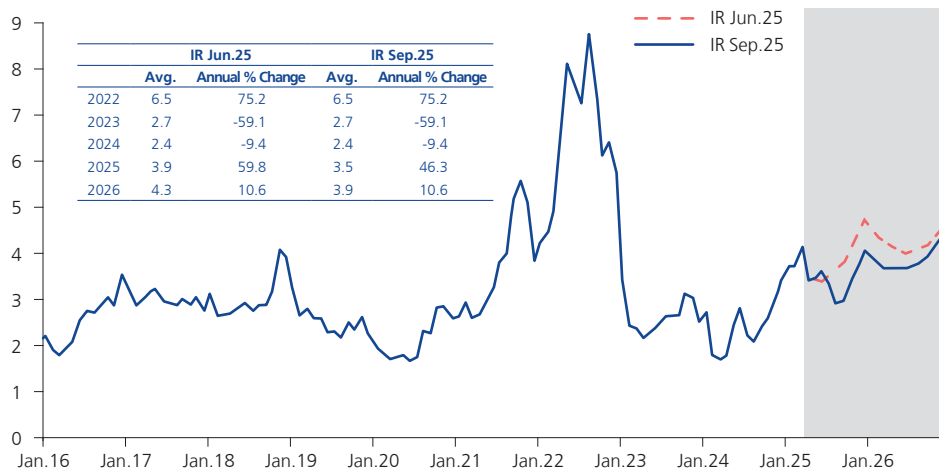
30. In the last two months, the average price of **Henry Hub natural gas** fell by 21 percent. As a result, the price of gas has fallen by 15 percent so far in 2025. Similarly, the price on the European market (UK NBP) fell by 12 percent in the last two months and has accumulated an 18 percent drop so far in 2025.

The price of natural gas in the US has fallen over the last two months, mainly due to higher than expected supply in the previous inflation report, as well as lower demand for heating (due to milder weather) and industrial uses in the US, and high inventory levels that eased seasonal pressure on prices. In addition, the growth in global liquefied natural gas (LNG) capacity is limiting rapid growth in export volumes, which has helped to moderate domestic premiums, cushioning sharp price recoveries.

For its part, the downward trend in gas prices in Europe is due to the growing availability of LNG on the global market. By mid-August, storage levels in the European Union had already reached nearly 70 percent of capacity, reducing the need for new purchases. At the same time, demand remains subdued due to moderate economic growth and the progressive development of alternative renewable and nuclear energy sources. In addition, there are expectations of an increase in global LNG supply by 2026, particularly from expected imports from the US, which could also generate downward pressure in the medium term.

For the projection horizon, the average price of Henry Hub natural gas has been revised downward, mainly due to lower-than-expected demand in line with slower global growth. Despite this adjustment, prices are expected to remain at historically high levels. The biases in this central projection are linked to the evolution of conflicts in both the Middle East and Ukraine.

Graph 38
HENRY NATURAL GAS: JANUARY 2016 - DECEMBER 2026
(USD/MBTU)



Source: Reuters and BCRP.

Oil

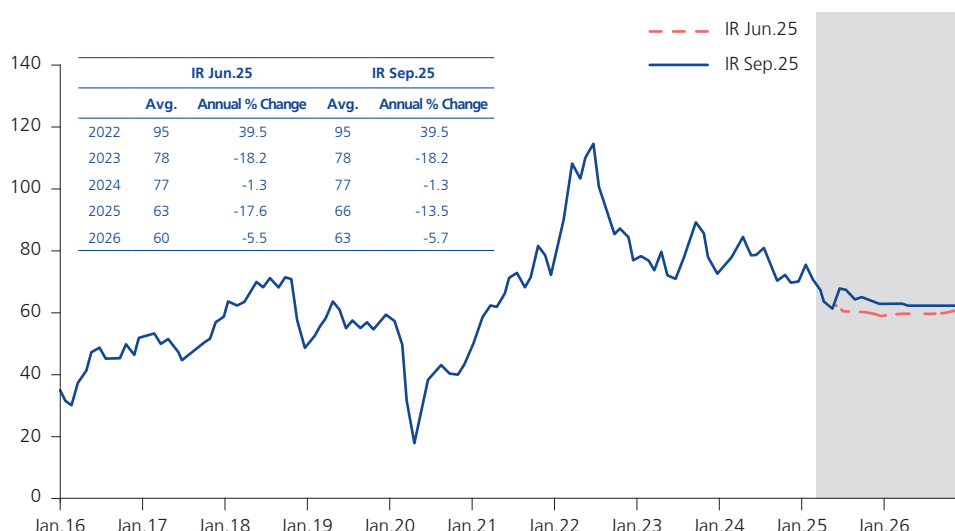
31. In the last two months, the average price of WTI **oil** fell by 6 percent (from USD/barrel 69 in June to USD/barrel 65 in August 2025). This represents a cumulative decline of 7 percent compared to December 2024.

The drop in prices is due to growing expectations of a market surplus. On the supply side, OPEC+ has continued to normalize its production (through the gradual elimination of voluntary cuts), which led to an increase in global supply of approximately 1 percent.

On the demand side, the expected slowdown in the global economy in the second half of the year, particularly in the US, reduced the outlook for oil consumption. In addition, the acceleration of the energy transition in China, with greater deployment of electric vehicles and liquefied natural gas-powered transport, is reducing its structural dependence on crude oil, adding downward pressure on prices.

For the projection horizon, the average oil price has been revised downward compared to the June Inflation Report, given the prospects of a surplus market due to the reintroduction of production and the deterioration of demand prospects noted above. However, reduced drilling activity in the US and other non-OPEC producers due to rising costs and regulatory uncertainty introduce a high degree of uncertainty into the projection horizon. This uncertainty is reinforced by geopolitical factors such as negotiations with Iran and developments in the armed conflict between Russia and Ukraine and in the Gaza Strip.

Graph 39
WTI CRUDE OIL: JANUARY 2016 - DECEMBER 2026
(USD/bl)



Source: Reuters and BCRP.

Food

32. Prices for agricultural products, particularly **cereals**, declined in the last two months of the year due to the perception of a more relaxed market in the 2025/26 season with the arrival of new supply. However, a modest recovery in prices is expected for 2026 due to the stabilization of global consumption driven by population growth and increased demand from the livestock sector and the biofuel industry.

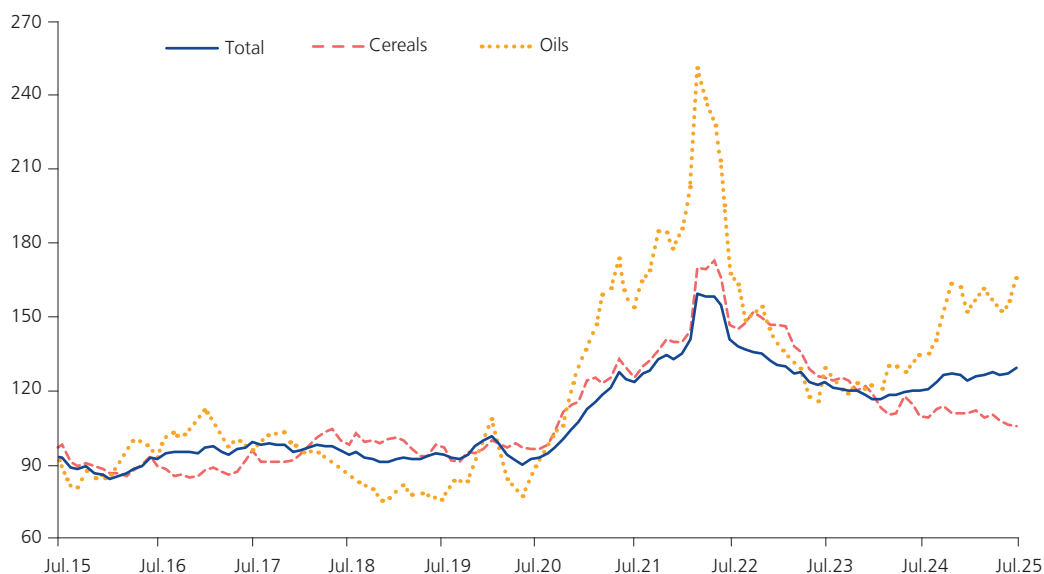
It should also be noted that so far this year there has been a shift toward neutral climatic conditions, characterized by average sea temperatures in the central and eastern Pacific. This new climatic scenario has particularly favored corn production in the US.

Meanwhile, the increase in the price of **soybean oil** in 2025 is largely explained by growing demand from the biodiesel industry in the US, favored by public policies that promote its use and the deterioration in the supply of palm oil (a substitute for soybean oil).





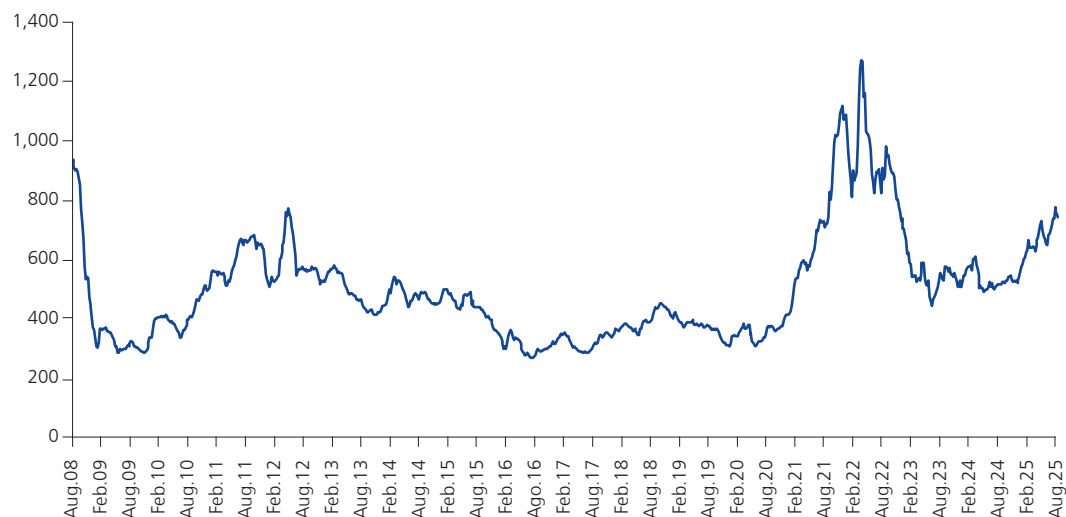
Graph 40
FAO FOOD PRICE INDEX
(Base 2014-2016 = 100)



Source: FAO.

This trend occurred despite the increase in fertilizer prices, due to both higher global demand—which is expected to continue for the rest of the year—and trade restrictions. China has imposed limits on its exports to ensure domestic supply, while Belarus and Russia face sanctions and tariffs from the European Union. Added to this is a shortage in production, with notable deficits, especially in the case of urea.

Graph 41
GREEN MARKETS NORTH AMERICA FERTILIZER PRICE INDEX
(Index Jan. 7, 2002 = 100)



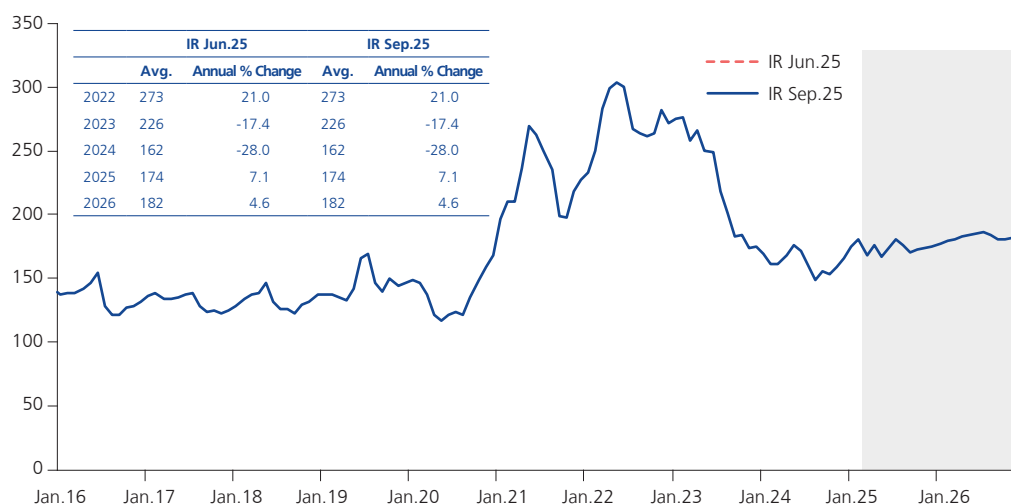
Fuente: Reuters.

- The price of **maize** fell by 11 percent in the last two months, reaching an average monthly price of USD/MT 144 in August 2025. As a result, the price of corn has fallen by 12 percent so far in 2025.

Corn prices have fallen over the last two months, mainly due to the prospect of a market surplus. On the supply side, a record harvest is anticipated in the US for 2025, complemented by improvements in Brazil and other key producers. This has also allowed global inventories to normalize. At the same time, demand is estimated to weaken compared to the previous report due to the impact of lower Chinese demand for US grain in the context of trade tensions.

In this context, the corn price projection remains unchanged from the June Inflation Report. The main risk factor is associated with changes in demand from countries such as China and Mexico, which could eventually apply retaliatory measures to imports from the US (in the event of a possible escalation of trade tensions).

Graph 42
MAIZE: JANUARY 2016 - DECEMBER 2026
(USD/MT)



Source: Reuters y BCRP.

- b. The price of **wheat** fell 8 percent in the last two months of the year, from USD/MT 202 in June 2025 to USD/MT 185 in August 2025. As a result, the price of wheat accumulated a 9 percent drop compared to December 2024.

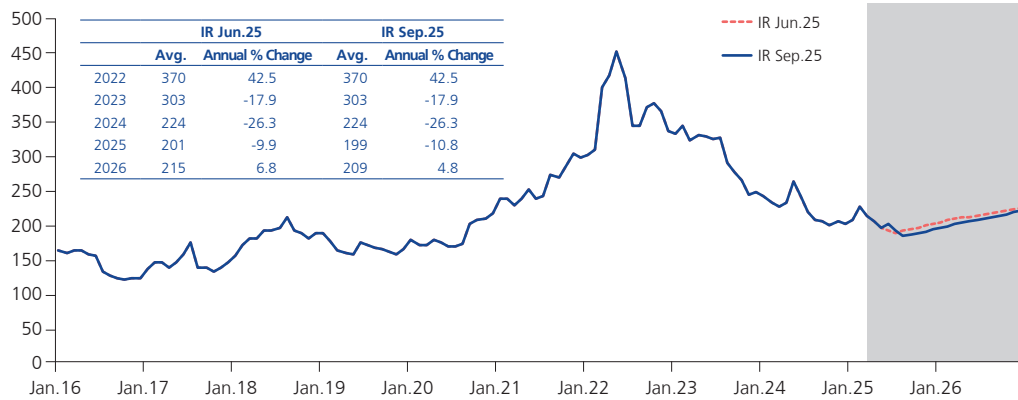
As in the case of corn, wheat prices have fallen mainly due to an improvement in global supply prospects. This change is largely attributed to harvests in the northern hemisphere, which account for more than three-quarters of global production and have increased grain availability. This increase offsets projected declines in China, the US, and Australia.

In this regard, for the projection horizon, the price of wheat is revised slightly downward compared to the prices projected in the June Inflation Report. Downside risks are associated with large harvests in the northern hemisphere yielding higher yields and areas than estimated. The evolution of supply from Ukraine and Russia also remains a factor of uncertainty.





Graph 43
WHEAT: JANUARY 2016 - DECEMBER 2026
(USD/MT)



Source: Reuters and BCRP.

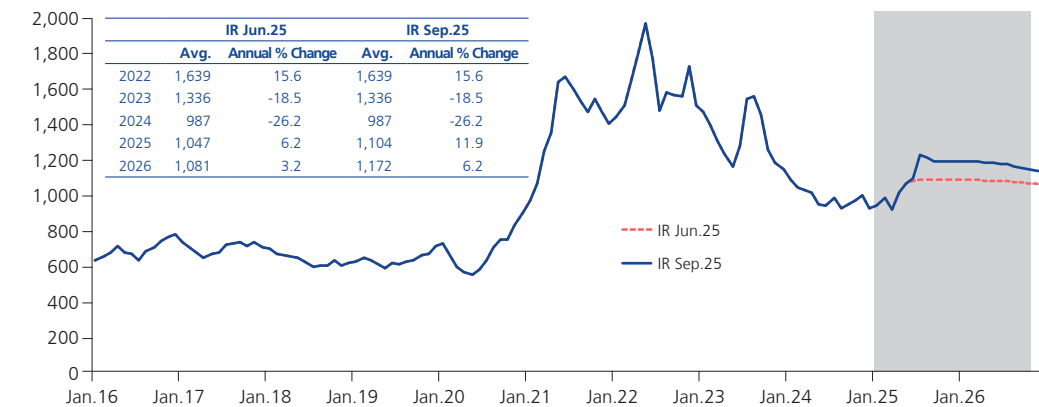
- c. The price of **soybean oil** averaged USD/MT 1215 in August 2025, up 11 percent from USD/MT 1097 in June 2025. As a result, the price of soybean oil accumulated a 30 percent increase compared to December 2024.

The price of soybean oil has increased in the last two months, driven mainly by growing demand from the biodiesel industry, which has been boosted by public policies promoting its use. The US government extended tax benefits for clean fuel producers until 2029 and, through the Environmental Protection Agency, increased the mandatory quotas for biodiesel in fuel blends.

In the US, biodiesel and renewable diesel production has led to a prioritization of oil over soybean meal, raising its share of total consumption to over 50 percent, up from 40 percent five years ago. In Brazil, the biodiesel blending mandate (B14, with a target of B15) also continues to drive domestic demand for soybean oil.

Considering these recent developments, prices are projected to trade above the estimate in the previous Inflation Report.

Graph 44
SOYBEAN OIL: JANUARY 2016 - DECEMBER 2026
(USD/MT)



Source: Reuters and BCRP.

Box 1 BARRIERS TO FOREIGN TRADE IN 2025

President Trump's current administration continues to pursue trade policies focused on increasing tariffs. Unlike during his first term, the current trade policy has been implemented more quickly and with a broader geographical scope. This box analyzes the main tariff measures adopted to date, including those that are in force, temporarily suspended, or under review, as well as the responses of trading partners.

I. Tariff increases at the country level

The first table shows the countries and trading blocs with tariff increases of more than 10 percent by the US, which can be classified into reciprocal tariffs, border tariffs, fentanyl tariffs, and other specific tariff sanctions.

COUNTRIES AND TRADE BLOCS WITH TARIFF INCREASES OF MORE THAN 10 PERCENT SINCE THE START OF TRUMP'S SECOND TERM

Country	"Liberation Day" (02/04/25)	Current		Country	"Liberation Day" (02/04/25)	Current	
1. Lesotho	50%	15%	-	37. Malaysia	24%	19%	-
2. Cambodia	49%	19%	-	38. Vanuatu	22%	15%	-
3. Laos	48%	40%	-	39. Ivory Coast	21%	15%	-
4. Madagascar	47%	15%	-	40. Namibia	21%	15%	-
5. Vietnam	46%	20%	-	41. European Union*	20%	15%	-
6. Myanmar	44%	40%	-	42. Jordan	20%	15%	-
7. Sri Lanka	44%	20%	-	43. Nicaragua	18%	18%	=
8. Falkland Islands	41%	10%	-	44. Zimbabwe	18%	15%	-
9. Syria	41%	41%	=	45. Israel	17%	15%	-
10. Mauritius Islands	40%	15%	-	46. Malawi	17%	15%	-
11. Iraq	39%	35%	-	47. Philippines	17%	19%	+
12. Guyana	38%	15%	-	48. Zambia	17%	15%	-
13. Bangladesh	37%	20%	-	49. Mozambique	16%	15%	-
14. Botswana	37%	15%	-	50. Norway	15%	15%	=
15. Liechtenstein	37%	15%	-	51. Venezuela	15%	15%	=
16. Serbia	37%	35%	-	52. Nigeria	14%	15%	+
17. Thailand	36%	19%	-	53. Chad	13%	15%	+
18. Bosnia and Herzegovina	35%	30%	-	54. Equatorial Guinea	13%	15%	+
19. Macedonia	33%	15%	-	55. Cameroon	11%	15%	+
20. Angola	32%	15%	-	56. Democratic Republic of Congo	11%	15%	+
21. Fiji	32%	15%	-	57. Afghanistan**	10%	15%	+
22. Indonesia	32%	19%	-	58. Bolivia**	10%	15%	+
23. Taiwan	32%	20%	-	59. Costa Rica**	10%	15%	+
24. Libya	31%	30%	-	60. Ecuador**	10%	15%	+
25. Moldova	31%	25%	-	61. Ghana**	10%	15%	+
26. Switzerland	31%	39%	+	62. Iceland**	10%	15%	+
27. Algeria	30%	30%	=	63. New Zealand**	10%	15%	+
28. Nauru	30%	15%	-	64. Papua New Guinea**	10%	15%	+
29. South Africa	30%	30%	=	65. Trinidad and Tobago**	10%	15%	+
30. Pakistan	29%	19%	-	66. Turkey**	10%	15%	+
31. Tunisia	28%	25%	-	67. Uganda**	10%	15%	+
32. Kazakhstan	27%	25%	-	68. Brazil***	-	50%	
33. India***	26%	50%	-	69. Canada***	-	35%	
34. South Korea	25%	15%	-	70. China***	-	30%	
35. Brunei	24%	25%	+	71. Mexico***	-	25%	
36. Japan	24%	15%	-				

Notes: *For the European Union, if the current tariff on the good is higher than 15%, no reciprocal tariff is applied and the current tariff remains in place. Otherwise (current tariff lower than 15%), the difference between 15% and the current tariff is added. ** The shaded countries were not included in the second phase of reciprocal tariffs on "Liberation Day." The US has a trade deficit with these countries in 2024. *** Countries subject to specific tariff sanctions imposed by the US.





a. Reciprocal tariffs

The **reciprocal** base tariff of 10 percent¹ remains in effect since April 5. At the close of the June 2025 Inflation Report, markets were awaiting the implementation of higher reciprocal tariffs for 56 countries or trading blocs, with the exception of China, under the current trade truce. The US has a trade deficit with all of these countries.

On July 31, 2025, the US decided **to impose higher reciprocal tariffs** on 67 countries or trading blocs, which are described in the first table. Thus, the US government added 11 countries (such as Bolivia, Ecuador, Costa Rica, and others, shaded in the table) with which the US also has a trade deficit. The higher reciprocal tariffs took effect on August 7. The rest of the countries in the world, including Peru, maintain a base reciprocal tariff of 10 percent.

b. Border tariffs and fentanyl tariffs

Border tariffs and **fentanyl tariffs** remain in effect (for more information, see Box 1 of the June 2025 Inflation Report). China and the US agreed to extend the trade truce for an additional 90 days, until November 10, 2025. The additional 30 percent tariff on **China** described in the first table is broken down into 20 percent due to fentanyl tariffs and 10 percent corresponding to the reciprocal base tariff.

With regard to **Canada**, border tariffs increased from 25 percent to 35 percent on August 1 on goods not covered by the USMCA. For **Mexico**, the US government decided to suspend the increase in border tariffs from 25 percent to 30 percent for 90 days, until October 30.

c. Other tariff measures targeting countries as sanctionss

The US decided to sanction **Brazil** and **India** with higher tariffs. In the case of Brazil, the 50 percent tariffs described in the first table are broken down into 10 percent reciprocal base tariffs and an additional 40 percent (effective August 6) in response to what the US government considers “political persecution against former President Bolsonaro.” In India, a 25 percent tariff was added due to Russian oil imports, which is in addition to the 25 percent reciprocal tariff, accumulating to a 50 percent tariff as indicated in the table above.

II. The increase in tariffs at the product level

Regarding the June 2025 Inflation Report, the US intensified its measures to protect specific goods. This includes tariffs of 50 percent on the value of copper content in semi-finished products and copper-intensive derivatives; therefore, this tariff does not apply to concentrated or refined copper. In addition, the US extended tariffs on steel, aluminum, and derivatives to 407 additional goods, including motorcycles, auto parts, and furniture components. President Trump also announced that he could impose tariffs of up to 100 percent on semiconductors, 250 percent on pharmaceuticals, and 100 percent on forestry products.

The second table in this box summarizes the tariff increases on US products and regions currently in effect, the tariff retaliations by other countries, and the new US tariffs that have been temporarily suspended or are under review.

1 Except for Canada, Mexico, Russia, Belarus, North Korea, and Cuba. In addition, reciprocal tariffs were not applied to the following products: steel and steel products, aluminum and aluminum products, copper concentrate and refined copper, automobiles and auto parts, wood, pharmaceuticals, semiconductors, smartphones, critical minerals, civil aircraft and aircraft parts, and others.

U.S. TARIFF INCREASES IN EFFECT, TARIFF RETALIATION BY OTHER COUNTRIES, AND NEW U.S. TARIFFS TEMPORARILY SUSPENDED OR UNDER EVALUATION

New tariffs in effect	Retaliatory measures by other countries	New tariffs temporarily suspended or under review
<p>i. Reciprocal tariffs: Higher than 10 percent for 67 countries, and 10 percent for the rest of the world except for certain countries and products (see footnote number 1).</p> <p>ii. Tariffs on fentanyl from China: The first stage imposed an additional tariff of 10 percentage points on all imports from China, effective February 4. The second stage, effective March 4, applied a new increase of 10 percentage points on the same products, cumulative to the previous one.</p> <p>iii. Border tariffs on Canada and Mexico: For Canada, 35 percent on the non-energy sector (it was 25 percent between March 4 and August 7) and 10 percent on the energy and potash (fertilizer) sector. For Mexico, 25 percent on imports. In both countries, imports benefiting from the USMCA are exempt from these tariffs indefinitely.</p> <p>iv. Tariffs on steel and aluminum in all forms: 50 percent tariff (except for the United Kingdom, with tariffs of 25 percent). It came into effect on June 4 (between March 12 and June 3, the tariff was 25 percent).</p> <p>v. Tariffs on automobiles and auto parts: Additional tariff of 25 percentage points on all imports from around the world, with the following exceptions: for USMCA importers, the tariff of 25 p.p. applies only to non-US content, and for the UK, a tariff of 10 p.p. for the first 100,000 imported cars. The tariff on cars came into effect on April 3. For auto parts, it came into effect on May 3. President Trump signed a proclamation on April 29 allowing U.S. vehicle manufacturers to import auto parts duty-free for 3.75 percent of the vehicle's sale price (then 2 percent from May 1, 2026, to April 30, 2027).</p> <p>vi. Tariffs on semi-finished copper and copper-intensive derivatives: 50 percent tariff on all imports worldwide, does not apply to refined or concentrated copper.</p> <p>vii. Additional tariffs on Brazil and India: Additional tariffs of 40 percent on Brazil on specific goods for "political persecution against former President Bolsonaro." Additional tariffs of 25 percent on India for purchasing Russian oil.</p>	<p>i. China is the only country that retaliated with reciprocal tariffs: Additional tariffs of 125 percentage points were implemented on April 12, then reduced to 10 percentage points on March 12 in the context of a trade truce until November 10. Negotiations will determine the future stance of trade policy.</p> <p>ii. China responded to tariffs on fentanyl: In the first and second stages, the Chinese government imposed additional tariffs of 10 percent (as of February 10) and 15 percent (as of March 10) on certain specific goods. The Peterson Institute for International Economics (PIIE) estimates that this measure increases the weighted tariff by 1.4 percentage points.</p> <p>iii. Canada retaliated against all new tariffs affecting it.</p> <p>iv.1 Response to border tariffs: 25 percent tariff on specific products worth USD 21 billion, effective from March 4 to September 1. After this date, only products included in the USMCA will be exempt from this tariff. On the other hand, Mexico opted for negotiations.</p> <p>v.2 Response to tariffs on steel and aluminum in all forms: 25 percent tariff on imports of steel, aluminum, and other specific goods. Effective March 13.</p> <p>vi.3 Response to tariffs on automobiles and auto parts: 25 percent tariff on imports of automobiles with exceptions for those listed in the USMCA. In effect since April 9.</p>	<p>i. Tariffs on refined copper are being evaluated for mid-2026: The Department of Commerce must issue a report by June 30, 2026, based on which President Trump would determine whether to impose a 15 percent tariff on refined copper starting January 1, 2027, and a 30 percent tariff starting January 1, 2028.</p> <p>ii. President Trump stated that he would impose a 100 percent tariff on semiconductors: He added that companies that move their factories to the US would be exempt from payment.</p> <p>iii. President Trump said he would apply a tariff of up to 250 percent on pharmaceutical products: He also indicated that he would initially impose a "small tariff" on pharmaceutical imports, before increasing it to 150 percent in 18 months and then to 250 percent.</p> <p>iv. Tariffs on rare minerals and forest products are expected: The Department of Commerce will issue a report before October 12 and November 26, respectively, based on which President Trump will decide whether to impose tariffs on these products.</p> <p>v. A reduction in tariffs on automobiles is expected: Trade negotiations with the European Union and Japan involve a decrease in additional tariffs applied to automobiles from these countries, from 25 to 15 percentage points.</p>

Note: This table is an update of the one presented in Box 1 of the June 2025 Report.





III. The current tariff structure

The third table shows the weighted tariff in force between China, the US, and the rest of the world. The tariffs recorded in April represent the intensification of trade tensions, with additional tariffs of 125 p.p. from China and the US, while the data for August incorporates the trade truce that began in May and has been extended until November 2025.

The table distinguishes between the tariff applied to China and the rest of the world. As of September 19, 2025, the weighted tariff of the US to China is 37 p.p. higher than that in force in January of the same year, despite the current trade truce. This increase is composed of the following: (i) the additional border tariff of 20 p.p.; (ii) the weighted tariff of 4.7 p.p. for the 50 percent tariffs on steel, aluminum, and derivatives; (iii) the additional weighted tariff of 2.5 percent for automobiles and auto parts. (iv) the increase in the reciprocal tariff of 6.5 percentage points, considering exemptions (nominal 10 percentage points) due to the trade truce; (v) the weighted additional tariff of 0.4 percent for semi-finished copper and derivatives; and (vi) the 2.6 percentage point increase due to the expansion of 407 goods affected by tariffs on steel, aluminum, and derivatives on August 18. These tariffs are in addition to those adopted in the 2018-2019 trade war, which were not reversed by the trade truce reached in early 2020.

WEIGHTED TARIFF RATE IN FORCE BETWEEN CHINA, THE US, AND THE REST OF THE WORLD
(%)

	Dec. 2017	Jan. 2020	Jan. 2025	Mar. 2025	Apr. 2025	Jun. 2025	September 19 2025
From China to the US	8	22	21	23	148**	33	33****
From China to the rest of the world	8	7	7	7	7	7	7
From the US to China	3	21	21	42	124***	55	58*****
From the US to the rest of the world	2	3	3	5*	12	15	21

Source: PIIE

* The 5 percent incorporates the BCRP's estimates of border tariffs applied to Canada and Mexico with recent data, not considered by the PIIE.

** 148 percent shows the increase following the entry into force of the additional tariffs of 125 p.p.

*** 124 percent includes PIIE estimates of effective reciprocal tariffs (the nominal tariff is 125 p.p., but considering exemptions under Executive Order 14257, the effective value is 82 p.p.).

**** Following the trade truce, 33 percent consider, with respect to January 2025: (i) a 1.4 percentage point increase in response to the fentanyl tariff and (ii) an effective 10 percentage point increase resulting from the May 12 trade truce.

***** Following the trade truce, 58 percent consider, with respect to January 2025: (i) a 20 p.p. increase due to the tariff on fentanyl, (ii) a 4.7 p.p. increase due to 50 percent tariffs on steel, aluminum, and derivatives, (iii) a 2.5 p.p. increase due to tariffs on automobiles and auto parts, (iv) the effective increase of 6.5 p.p. (nominal 10 p.p.) due to the trade truce of May 12; (v) the increase of 2.6 p.p. due to the expansion of 407 goods affected by tariffs on steel, aluminum, and derivatives on August 18.

IV. New trade agreements

The US and **the UK** have published the initial terms of their new bilateral trade agreement. The US will apply a preferential tariff of 10 percent to the first 100,000 cars imported from the UK, a volume equivalent to the total number of British vehicles entering the country in 2024, according to information from investment houses. Units exceeding this quota will be subject to the global tariff of 27.5 percent. Imports of steel, aluminum, and derivatives from the United Kingdom remain subject to a 25 percent tariff, lower than the 50 percent tariff in effect for the rest of the world. For its part, the United Kingdom will grant tariff-free quotas for 1.4 billion liters of ethanol and 13,000 tons of beef from the United States.

The US and the **European Union** issued a joint statement on the trade agreement reached at the end of July. The statement highlights the following: (i) the European Union will eliminate tariffs on all US industrial products; (ii) the US will impose a 15 percent tariff on most products from the European Union; (iii) the US will reduce tariffs on cars and auto parts from 27.5 percent to 15 percent after the European Union's tariff reduction takes effect.

The US and Japan agreed to reduce reciprocal tariffs from 25 percent to 15 percent, along with commitments for Japanese investments in the US worth USD 550 billion, while Japan will not impose

tariffs on the US. The Japanese prime minister stated that tariffs on automobiles and auto parts would be 15 percent for Japan, compared to the 25 percent imposed on most countries.

V. Peruvian exports exempt from tariffs

The US has maintained a reciprocal base tariff of 10 percent on exports from Peru since April 5, 2025. This tariff does not apply to the goods listed in section 2 of this box (which have tariffs on specific products) or to certain products exempt from tariffs.

The following table shows Peru's exports to the US that are exempt from the 10 percent reciprocal tariff and from tariffs on specific products, which represent 26 percent of total exports to the US in 2024, equivalent to USD 2.521 billion out of a total of USD 9.534 billion.

**PERU'S EXPORTS TO THE US EXEMPT FROM THE 10 PERCENT RECIPROCAL TARIFF.
(GROUPED BY TARIFF CHAPTER)**

Products	Millions USD	% of total exempted
Precious metals (gold and silver) and derivatives	629	6.6
Refined and concentrated copper	571	6
Tin alloys and derivatives	380	4
Fuels, mineral oils, and derivatives	347	3.6
Phosphate and similar products	320	3.4
Zinc concentrate, alloy, oxide, and derivatives	238	2.5
Other	37	0.4
Total exports to the US exempt from the 10% tariff	2,521	26.4
Total exports to the US	9,534	100
Percentage of exempt exports relative to total exports to the US	26%	

Note: This table only includes tariff items published by the US that do not have reciprocal tariffs of 10%. Copper sulfate is the main item included under "Others."

The main products benefiting from this exemption are precious metals (gold and silver) and refined and concentrated copper, whose exports grew steadily during 2024, driven by growing demand for these metals as safe-haven assets and linked to the construction of copper-intensive data centers.

Likewise, exports of tin and zinc (and their derivatives) together represent USD 618 million, equivalent to 6.5 percent of total exports to the US. These products are considered critical minerals for the US due to their technological importance and vulnerability in supply. The Department of Commerce will send an investigation and policy recommendations on critical minerals to President Trump by October 12, 2025, based on which the president will decide whether or not to impose tariffs on these products.





II. Balance of payments

Terms of trade and trade balance of goods

33. **Terms of trade** increased by 16.2 percent year-on-year in the second quarter of 2025. The increase was mainly due to higher **export prices** (11.1 percent), primarily for traditional mining products such as gold, copper, and zinc, and agricultural products such as coffee, as well as non-traditional products from the fishing, iron & steel, and chemical sectors. Gold rose due to the depreciation of the dollar, the Fed's caution, geopolitical tensions, and trade uncertainty, while copper concentrates benefited from their precious metal content. In the non-traditional sector, the fishing industry benefited from high squid prices due to low supply in 2024.

The increase in export prices was accompanied by a year-on-year decrease in **import prices** (-4.3 percent), mainly associated with lower prices for oil and oil products, following increased production by OPEC+ and fears of recession in the US and China. Prices for industrial inputs (iron & steel, plastics, and textiles) also fell due to cost deflation in China resulting from excess capacity and global competition.

The terms of trade in 2025 are projected to grow at a rate of 13.9 percent, representing an upward revision from the 9.9 percent growth forecast in the previous report. This change is mainly due to a greater increase in export prices than expected in June (from 7.3 to 11.1 percent) and, to a lesser extent, to a greater than expected decline in import prices (from -2.4 to -2.5 percent).

The upward revision in export prices is based on: (i) recent developments in international gold prices, which reached a historic high in mid-June; (ii) expectations of a depreciation of the dollar, monetary easing by the Fed, and geopolitical tensions for the remainder of the year; and (iii) recent restrictions on global zinc production, coupled with increased demand from India and China (announcement of a mega hydroelectric project).

The downward revision of import prices stems from: (i) persistently low oil prices; and (ii) deflationary pressures in China (the main trading partner).

Terms of trade would grow by 1.8 percent in 2026, slightly above the 1.6 percent increase expected in the previous report. The boost to export prices in that year would come mainly from persistently high mineral prices.

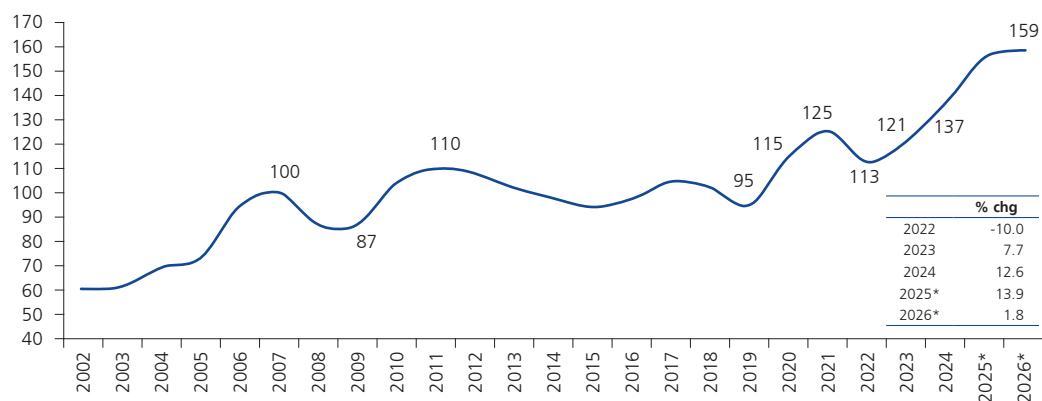
Table 11
TERMS OF TRADE: 2023–2026

	2023	2024	2025*			2026*	
			Jan-Jun	IR Jun.25	IR Sep.25	IR Jun.25	IR Set.25
<u>Terms of trade</u>							
Annual % change (average)	<u>7.7</u>	<u>12.6</u>	<u>16.3</u>	<u>9.9</u>	<u>13.9</u>	<u>1.6</u>	<u>1.8</u>
Export prices							
Annual % change (average)	<u>-2.6</u>	<u>7.9</u>	<u>12.4</u>	<u>7.3</u>	<u>11.1</u>	<u>2.1</u>	<u>2.4</u>
Copper (ctv USD per pound)	385	415	424	434	435	457	446
Zinc (ctv USD per pound)	120	126	124	123	125	122	127
Gold (USD per ounce)	1,943	2,388	3,067	3,202	3,225	3,451	3,483
Import prices							
Annual % change (average)	<u>-9.6</u>	<u>-4.2</u>	<u>-3.3</u>	<u>-2.4</u>	<u>-2.5</u>	<u>0.5</u>	<u>0.5</u>
Oil (USD per barrel)	78	77	68	63	66	60	63
Wheat (USD per MT)	303	224	217	201	199	215	209
Maize (USD per MT)	226	162	171	174	174	182	182
Soybean oil (USD per MT)	1,336	987	986	1,047	1,104	1,081	1,172

* Projection.
Source: BCRP.

The terms of trade index (100 in 2007) is expected to increase from 137 in 2024 to 159 in 2026, the highest level since 1950.

Graph 45
TERMS OF TRADE, 2002–2026
(Index 100 = 2007)



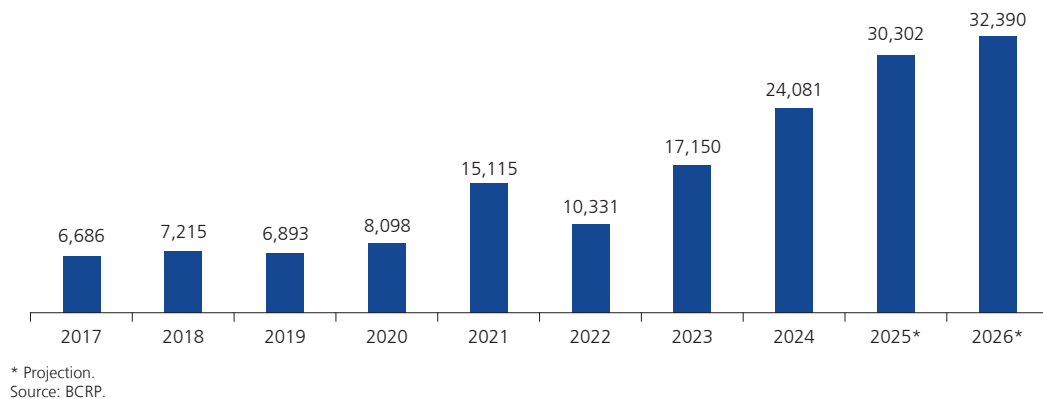
* Projection.
Source: BCRP.

34. The **trade surplus in goods** reached USD 5.663 billion in the second quarter of 2025, USD 542 million higher than in the same quarter of 2024. The year-on-year expansion was mainly due to a USD 1.686 billion (9.6 percent) increase in the value of exports, which was explained, first, by higher average export prices and, second, by increased shipments abroad of non-traditional fishery and agricultural products, in response to favorable supply conditions in both sectors. This increase exceeded the USD 1,144 million (9.1 percent) expansion in imports due to the overall growth in import volumes, particularly industrial inputs, durable consumer goods, and capital goods other than construction materials.

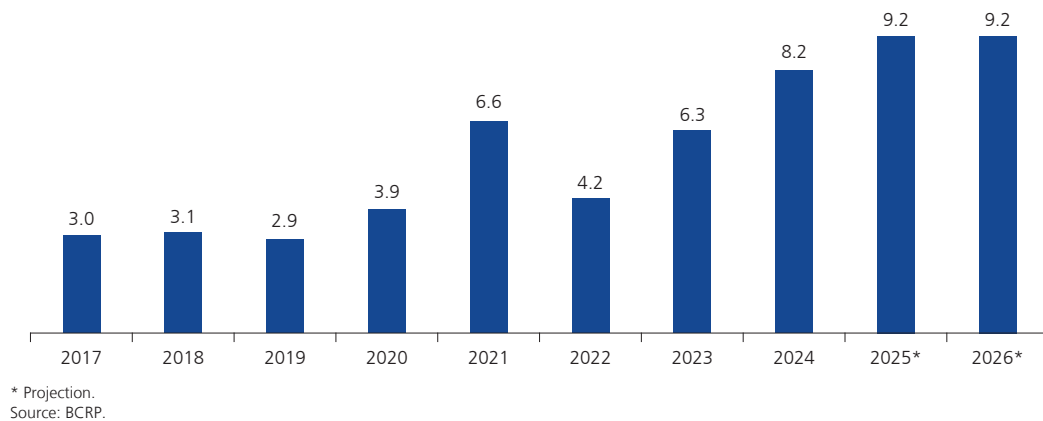




Graph 46
BALANCE OF TRADE IN GOODS, 2017–2026
(Million USD)



Graph 47
BALANCE OF TRADE IN GOODS, 2017–2026
(% GDP)



The trade surplus is expected to maintain an upward trend throughout the projection horizon, reaching USD 30.302 billion in 2025 and USD 32.390 billion in 2026. These figures represent an upward revision compared to the June Report, which is based on improved prospects for the terms of trade. For 2025, the revision is also based on a further acceleration in export volumes of non-traditional agricultural and fishery products, in line with the favorable performance of these sectors in the second quarter.

The current baseline scenario incorporates the effect of lower local production on shipments of traditional products in 2025 and 2026, such as copper concentrates, petroleum derivatives, and fishmeal, as well as the impact of US tariffs on non-traditional (iron & steel) shipments in 2026. However, these negative effects would be offset by the factors mentioned above.

Thus, the trade surplus would be equivalent to 9.2 percent of GDP over the projection horizon, the highest level recorded since 2006 (10.3 percent).

External account results

35. The annualized **balance of payments** for the second quarter of 2025 showed a current account surplus of USD 5.953 billion (1.9 percent of GDP) and a net capital inflow of USD 8.527 billion, flows that resulted in an accumulation of net international reserves (NIR) of USD 13.848 billion (4.5 percent of GDP) between the second quarter of 2024 and 2025.

This result implied a reduction in the current account of USD 437 million compared to the end of 2024 (2.2 percent of GDP), which was mainly explained by higher profits from companies with foreign participation, primarily in banking services due to better margins and a reduction in delinquency, and in mining, in line with high metal prices. To a lesser extent, higher expenditures on travel services —due to an increase in tourists residing abroad— and freight costs due to higher import volumes also contributed.

Table 12
BALANCE OF PAYMENTS
(Million USD)

	2024	2025*			2026*	
		Q2.2025 ^{3/}	IR Jun.25	IR Sep.25	IR Jun.25	IR Sep.25
I. CURRENT ACCOUNT BALANCE	6,390	5,953	6,030	6,421	7,837	7,070
Percentage of GDP	2.2	1.9	1.9	1.9	2.3	2.0
1. Trade balance	24,081	26,652	28,407	30,302	30,677	32,390
a. Exports	76,172	81,980	84,495	87,066	89,316	91,370
Of which:						
I) Traditional	55,451	59,423	61,803	63,979	65,854	68,658
II) Non-Traditional	20,505	22,356	22,472	22,846	23,268	23,502
b. Imports	52,091	55,329	56,088	56,764	58,639	58,980
2. Services	-7,916	-8,147	-7,280	-7,847	-7,022	-7,329
3. Primary income (factor income)	-17,379	-20,281	-22,674	-23,837	-23,753	-26,180
4. Secondary income (transfers)	7,604	7,730	7,577	7,803	7,934	8,189
Of which: Remittances from abroad	4,934	5,102	5,186	5,227	5,342	5,384
II. FINANCIAL ACCOUNT^{1/}	-1,995	-8,527	-3,447	-4,256	1,494	3,317
Percentage of GDP	-0.7	-1.1	-1.1	-1.3	0.4	0.9
1. Private sector	3,277	1,995	483	930	2,862	5,018
a. Long term	169	655	252	-956	1,550	2,774
b. Short term	3,108	1,340	230	1,886	1,312	2,244
2. . Public sector^{2/}	-5,272	-10,522	-3,930	-5,186	-1,368	-1,701
III. NET ERRORS AND OMISSIONS	-1,331	-3,221	-2,646	-3,178	0	0
IV. BALANCE OF PAYMENTS RESULTS	7,054	11,260	6,830	7,499	6,343	3,753
IV = (I+III) - II (1-2)						
1. Change in RIN balance	7,954	13,848	7,982	9,482	6,343	3,753
2. Valuation effect	900	2,588	1,152	1,983	0	0

1/ The financial account and its components (private and public sectors) are expressed as net assets minus 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 second quarter of 2025.

* Projection.

Source: BCRP.

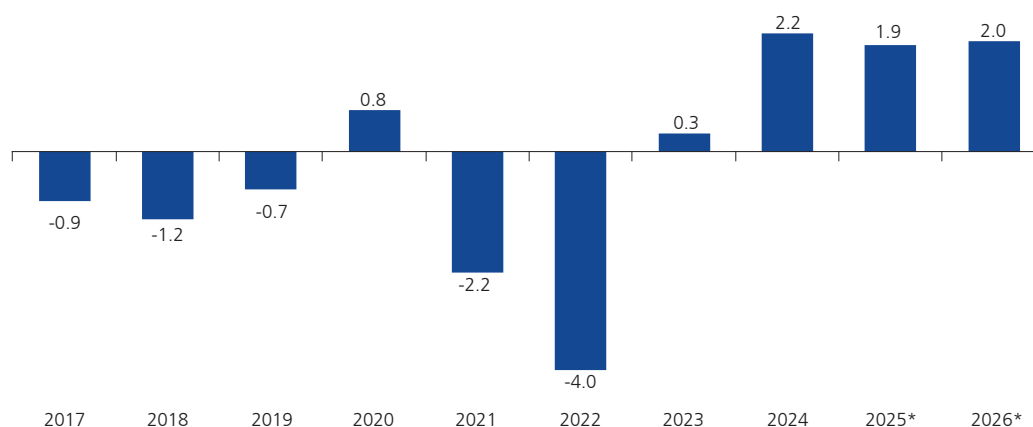
A current account surplus of USD 6.421 billion (1.9 percent of GDP) and total net external financing of USD 4.256 billion (1.3 percent of GDP) are projected for 2025. Meanwhile, by 2026, the current account surplus is expected to reach USD 7.07 billion (2.0 percent of GDP), while net external debt is expected to decline, resulting in net capital outflows of USD 3.317 billion (0.9 percent of GDP).



The nominal increase in the current account over the projection horizon would be supported by the continued expansion of the trade surplus, the reduction in the services deficit, mainly due to transportation and travel, and the growth in secondary income, in line with the expected evolution of remittances from abroad. Meanwhile, the evolution of total net external financing would be driven by the public sector's external borrowing operations, in response to its requirements.

The projections for 2025 and 2026 would mean four consecutive years of current account surpluses, something not seen since the commodity price boom between 2004 and 2007.

Graph 48
CURRENT ACCOUNT, 2017-2026
(% GDP)



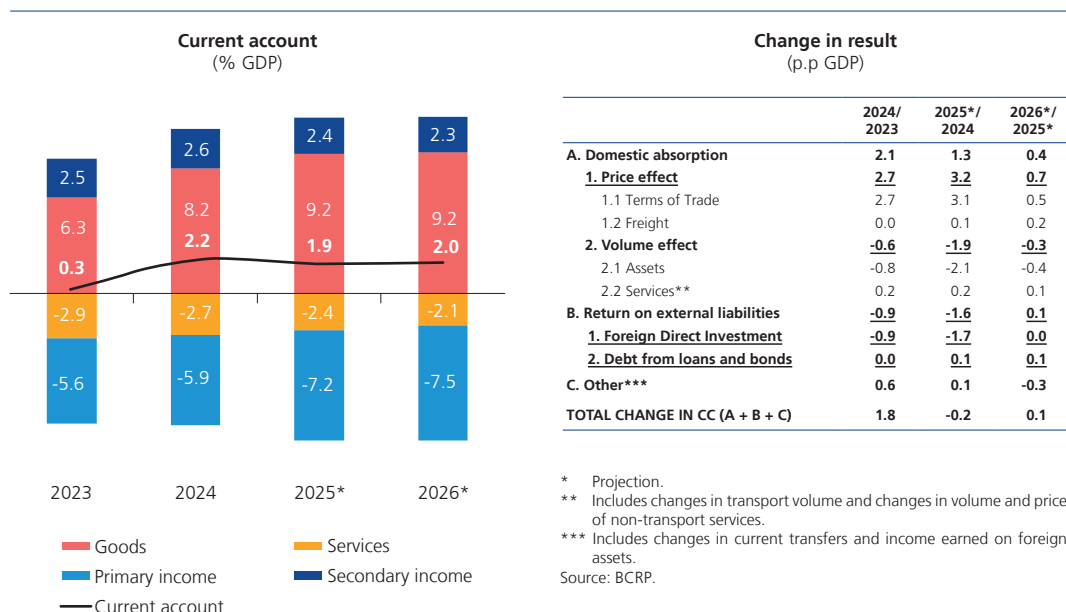
* Projection.
Source: BCRP.

36. 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 **higher returns paid on FDI liabilities (-1.7 p.p.)**, explained by an expected increase in profits of 37.7 percent this year, credited to higher mining exports. This trend will be reinforced by a negative volume effect (-2.1 p.p.) from net trade in goods, a result explained by lower shipments of traditional products (copper, natural gas, fishmeal, and gold) and non-traditional products such as textiles, chemicals, and iron & steel. Secondly, this negative contribution is the result of more dynamic import volumes, mainly of durable consumer goods, industrial inputs, and capital goods, in line with the recovery in domestic spending and production.

The factors mentioned in the previous paragraph would be mitigated by **lower domestic absorption (1.3 p.p.)**, explained in turn by a positive price effect (3.2 p.p.), basically caused by the growth in the terms of trade and, to a lesser extent, by the fall in freight rates (-10.0 percent). This dynamic will be slightly reinforced by a **positive volume effect from services (0.2 p.p.)**, resulting from the recovery in inbound tourism.

Table 13
DETERMINANTS OF THE CHANGE IN THE CURRENT ACCOUNT BALANCE, 2024-2026



Lower domestic absorption (0.4 p.p.), mainly due to the price effect, would be the main determinant of the expected increase in the current account surplus in 2026. This contribution would be reinforced by the positive impact of the fall in the return paid on **external debt in the form of loans and bonds (0.1 p.p.)**, due to the lower balance of such external liabilities in the private sector; and by a **positive volume effect of services (0.1 p.p.)**, resulting from the continued recovery of tourism over the projection horizon.

37. By the second quarter of 2025, most economies in the region were running current account deficits, with the exception of Peru, which has maintained a surplus since the fourth quarter of 2023.

Chile, Colombia, and Mexico would show a larger current account deficit, driven by the primary income deficit, resulting from higher profits of foreign-owned companies, and by the deterioration of the services balance. In contrast, Brazil is projected to have a smaller deficit in services and primary income, factors that would reduce its current account deficit. Peru is the only country in the region that is expected to record a solid surplus at the end of the projection horizon.

Table 14
LATIN AMERICA: CURRENT ACCOUNT OF THE BALANCE OF PAYMENTS
(Annualized, % GDP)

	2021	2022	2023	2024	Q1.2025	Q2.2025 ^{1/}	2025*	2026*
Brazil	-2.4	-2.2	-1.3	-2.7	-3.2	-3.4	-2.6	n.a.
Chile	-7.4	-8.9	-3.2	-1.5	-1.8	-2.2	-1.8	-1.8
Colombia	-5.6	-6.0	-2.2	-1.8	-1.8	-2.1	-2.5	-3.2
Mexico	-0.3	-1.3	-0.7	-0.9	-0.2	-0.1	-0.9	-1.3
Peru	-2.2	-4.0	0.3	2.2	-2.2	1.9	1.9	-2.0

* Projection.

^{1/} Shows the cumulative result for the last four quarters through the second quarter of 2025.

Source: Central banks of each country.





38. 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 956 million in 2025, given the higher FDI loans observed in the second quarter, higher profit reinvestment, and scheduled debt capitalizations that would take place this year.

Compared to the June forecast, net long-term private external financing has been revised upward by USD 1,208 million for 2025, reflecting a higher flow of FDI liabilities, mainly through debt instruments (observed in the second quarter) and the reinvestment of profits. These effects would be reinforced by higher loan disbursements than expected in the previous edition, earmarked for natural gas distribution projects.

Conversely, net external debt was revised downward in 2026. This change reflects lower foreign direct investment (a correction of USD 1.151 billion) due to lower-than-expected reinvestment of profits in the previous edition of the Report (USD 897 million).

Table 15
PRIVATE SECTOR FINANCIAL ACCOUNT^{1/}
(Million USD)

	2024	2025*			2026*	
		Q2.25 ^{5/}	IR Jun.25	IR Sep.25	IR Jun.25	IR Sep.25
PRIVATE SECTOR (A + B)	3,277	1,995	483	930	2,862	5,018
Percentage of GDP	1.1	0.6	0.1	0.3	0.8	1.4
A. LONG TERM (1 - 2)	169	655	252	-956	1,550	2,774
1. ASSETS	7,852	7,439	7,910	8,661	8,066	8,536
Direct investment	1,174	918	1,899	1,535	2,366	2,366
Portfolio investment ^{2/}	6,679	6,521	6,011	7,126	5,700	6,170
2. LIABILITIES^{3/}	7,683	6,784	7,658	9,616	6,516	5,762
Direct investment	6,799	9,177	9,292	10,875	8,141	6,990
Portfolio investment ^{4/}	2,487	2,485	229	301	160	60
Long-term loans	-1,603	-4,878	-1,863	-1,560	-1,785	-1,288
B. SHORT TERM	3,108	1,340	230	1,886	1,312	2,244

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 CAVALL.

5/ Shows the cumulative annual result for the second quarter of 2025.

* Projection.

Source: BCRP.

Net **short-term capital** outflows in 2025 would decrease by USD 1,223 million compared to 2024, and then increase by USD 358 million at the end of the projection horizon. The change in the 2025 figures compared to the previous report is mainly explained by a reduction in liabilities of private banks and the rest of the financial system, and in 2026 by a greater acquisition of assets from the non-financial sector.

39. The cumulative **public sector financial account** for the second quarter of 2025 recorded an increase in net external debt equivalent to USD 10.522 billion, which exceeds the net financing flow received in 2024 by USD 5.25 billion. This dynamic was the result of an increase in the pace of net purchases of sovereign bonds by non-residents and the auction of global bonds for USD 3 billion earmarked for the repurchase of bonds with nearby maturity dates under the Debt Management Operation (DMO) of June 2025.

A gradual reduction in net external financing of the public sector is projected over the projection horizon. This downward trend is explained by lower net borrowing (decline in disbursements and increase in repayments) in 2025 and the absence of global bond issues—compared with 2025 and 2024—combined with a slowdown in bond purchases by nonresidents toward the end of the projection horizon.

Compared to June forecasts, net capital inflows to finance the public sector have been revised upward for both years: USD 1.257 billion and USD 333 million, respectively. For 2025, this revision reflects the issuance of global bonds under the June DMO, while for 2026 it reflects a combination of lower portfolio amortizations and a slight acceleration in the pace of sovereign bond purchases by nonresidents.

Table 16
PUBLIC SECTOR FINANCIAL ACCOUNT^{1/}
(Million USD)

	2024	2025*			2026*	
		Q2. 25 ^{4/}	IR Jun.25	IR Set.25	IR Jun.25	IR Set.25
I. ASSETS	-35	12	141	35	140	104
II. LIABILITIES (1 + 2)^{2/}	5,237	10,535	3,907	5,221	1,600	1,805
1. Portfolio investment	4,387	11,179	2,984	5,999	1,329	1,542
Issues	3,300	6,400	0	3,880	0	0
Depreciation	-2,252	-1,864	-774	-1,879	-1,289	-1,093
Other operations (a - b) ^{3/}	3,338	6,643	3,758	3,998	2,617	2,635
a. General government bonds acquired by non residents	3,589	7,214	3,877	4,240	2,617	2,635
b. Global bonds acquired by residents	250	570	119	242	0	0
2. Loans	851	-644	923	-778	272	263
Disbursements	1,968	676	2,372	680	1,423	1,423
Depreciation	-1,117	-1,321	-1,449	-1,457	-1,151	-1,160
III. TOTAL (I - II)	-5,272	-10,522	-3,766	-5,186	-1,460	-1,701

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/ 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 second quarter of 2025.

* Projection.

Source: BCRP.

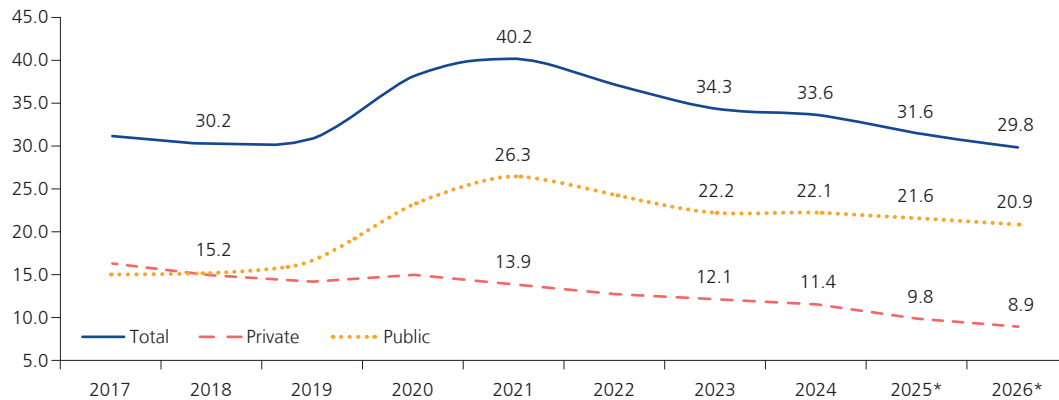
40. The **balance of medium- and long-term external debt**—mainly loans and bonds—increased by USD 6.113 billion between 2024 and the second quarter of 2025, mainly due to the increase in public sector liabilities by USD 7.870 billion, as a result of a higher balance of sovereign bonds acquired by non-residents and external debt of the general government. In contrast, the medium- and long-term debt of the private sector decreased by USD 1,757 million.

In terms of output, this balance is expected to decline from 33.6 percent of GDP in 2024 to 29.8 percent at the end of the projection horizon, due mainly to the reduction in private sector debt from 11.4 percent of GDP to 8.9 percent over the same period. To a lesser extent, the reduction of 1.3 p.p. would contribute to this decline of public external debt, in line with lower fiscal requirements, in response to the expected reduction in the fiscal deficit.





Graph 49
MEDIUM- AND LONG-TERM EXTERNAL DEBT BALANCE
(% GDP)



* Projection.

Memo: The stock of external public debt is the gross public sector debt held abroad, to which is added the holding of BTPs held by non-residents and subtracted the holding of global bonds held by residents.

Source: BCRP.

Net International Reserves

41. As of September 17, **net international reserves (NIR)** had grown by USD 9.656 billion compared to the end of last year, reaching USD 88.642 billion.

International reserves will represent 26.3 percent of GDP at the end of the projection horizon and are expected to cover slightly more than 6 times the balance of short-term external debt and more than 11 times the sum of these liabilities plus the current account balance. These indicators reflect solid support against possible external shocks.

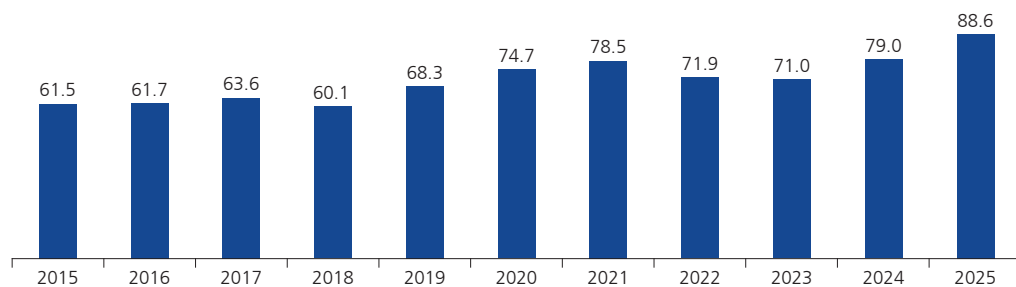
Table 17
INTERNATIONAL COVERAGE INDICATORS

	2022	2023	2024	2025*	2026*
International reserves as a percentage of:					
a. GDP	28.9	26.1	26.8	26.7	26.3
b. Short-term external debt ^{1/}	460	348	437	585	610
c. Short-term external debt plus current account deficit	281	364	676	1,016	1,144

^{1/} Includes short-term debt balance plus one-year amortizations for the private and public sectors.

* Projection.

Graph 50
NET INTERNATIONAL RESERVES, 2015–2025
(Billion USD)



* As of September 17, 2025.

Source: BCRP.

III. Economic activity

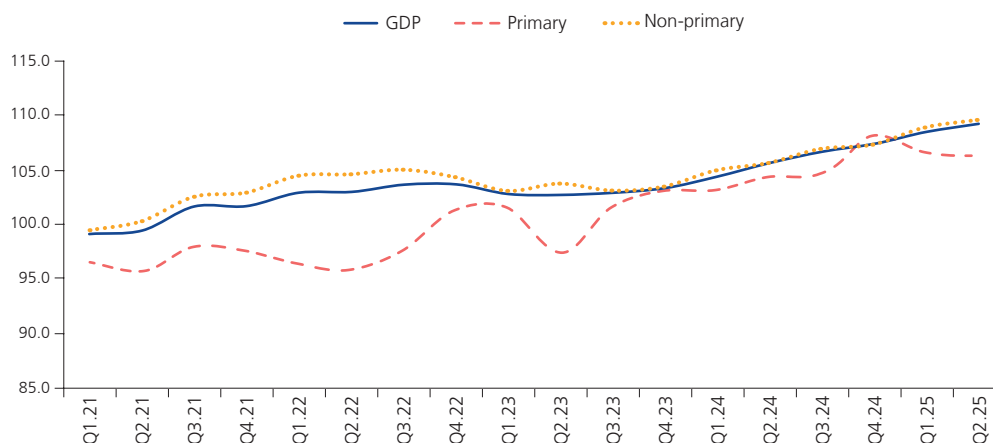
Sectoral GDP

42. Economic activity grew by 2.8 percent in the second quarter of 2025, driven by robust private spending, which boosted growth in non-primary activities (3.2 percent), particularly in the construction, services, and trade sectors. Construction benefited in particular from progress in both private and public infrastructure projects.

Primary activities showed mixed performance. Following declines in April and May, the rebound in June allowed the quarter to close with growth of 1.5 percent. This result reflected strong performance in the agricultural, manufacturing, and metal mining sectors. Growth in the former was due to products destined for agricultural exports, thanks to favorable weather conditions. Meanwhile, the evolution of the primary manufacturing sector was associated with increased production of flour, fish oil, and canned and frozen fish. In metal mining, the increase was due to higher production of most metals, with the exception of molybdenum (lower grades) and iron (Shougang shutdown in May and June). Expansion in the three sectors was limited by the decline in fishing, due to lower anchovy catches, and hydrocarbons, affected by maintenance.

The seasonally adjusted GDP indicator has been showing positive growth since the third quarter of 2023. In the second quarter of 2025, it grew by 0.7 percent compared to the previous period, driven by growth in non-primary activities. However, the decline in the primary sectors mitigated this growth.

Graph 51
SEASONALLY ADJUSTED ECONOMIC ACTIVITY INDICES
(Base 100 = 4Q-2019)



Source: BCRP.

The economy is projected to grow by 3.2 percent in 2025, following an expansion of 3.3 percent in 2024. This slight reduction is due, on the one hand, to the expected greater dynamism of the non-primary sectors, whose growth is expected to increase from 3.0 to 3.5 percent, driven by private spending, in an environment characterized by low inflation, solid labor market growth, increased business confidence, and high terms of trade. Within these sectors, construction stands out, benefiting from the recovery in self-





construction and progress in public and private works. However, the primary sectors are expected to show a lower rate of expansion than in the previous year, due to the high base of comparison associated with the recovery of fishing and primary manufacturing in 2024, as well as the expected slowdown in metal mining.

Compared to the June Report, the growth projection for 2025 has been revised upward from 3.1 to 3.2 percent. This revision is mainly based on the positive impact of accelerated private spending on non-primary activities. The stronger-than-expected rebound in private investment will favor the expansion of the construction sector and increase demand for capital goods in the manufacturing industry. Private consumption will also boost manufacturing and services.

In addition, production destined for agricultural exports has been revised upward, supported by more favorable weather conditions than in the previous season and greater growth in metal mining, explained by the earlier-than-expected resumption of Shougang's operations. These effects would be partially offset by lower than expected growth in fishing and related manufacturing, due to the early end of the first fishing season in the north-central region, as well as in hydrocarbons, due to slower progress so far this year.

The economy is expected to grow by 2.9 percent in 2026, the same rate as presented in the June Report. The baseline scenario assumes favorable weather conditions for primary activities, as well as a context of sociopolitical stability that strengthens the confidence of private sector agents.

Table 18
GDP BY ECONOMIC SECTOR
(Real % changes)

	2024	2025*			2026*	
		Jan.-Jul.	IR Jun.25	IR Sep.25	IR Jun.25	IR Sep.25
Primary GDP	4.3	2.9	2.1	1.9	2.4	2.1
Agriculture	5.4	3.6	3.2	3.7	3.0	3.0
Fishing	24.9	7.5	8.6	2.8	-3.1	1.6
Metal mining	2.2	2.3	0.3	0.5	2.3	1.0
Hydrocarbons	2.1	-2.7	4.0	3.5	3.6	3.8
Manufacturing	8.5	5.5	4.1	2.6	1.8	3.1
Non-primary GDP	3.0	3.5	3.4	3.5	3.1	3.1
Manufacturing	2.6	2.3	2.5	2.8	2.9	2.9
Electricity and water	2.4	1.8	2.8	2.5	2.7	2.7
Construction	3.6	5.2	3.8	4.3	2.0	2.0
Trade	3.0	3.1	2.9	2.9	2.8	2.8
Services	3.1	3.6	3.6	3.7	3.3	3.3
Gross Domestic Product	3.3	3.4	3.1	3.2	2.9	2.9

IR: Inflation Report.

* Projection.

Source: BCRP.

43. As for the projections for each economic sector:

- The **agricultural sector** grew 2.8 percent in the second quarter, thanks to a good season for agricultural exports (avocado, mango, blueberry, and olive), which benefited from improved weather conditions. This resulted in cumulative growth of 3.6 percent for the January-July period.

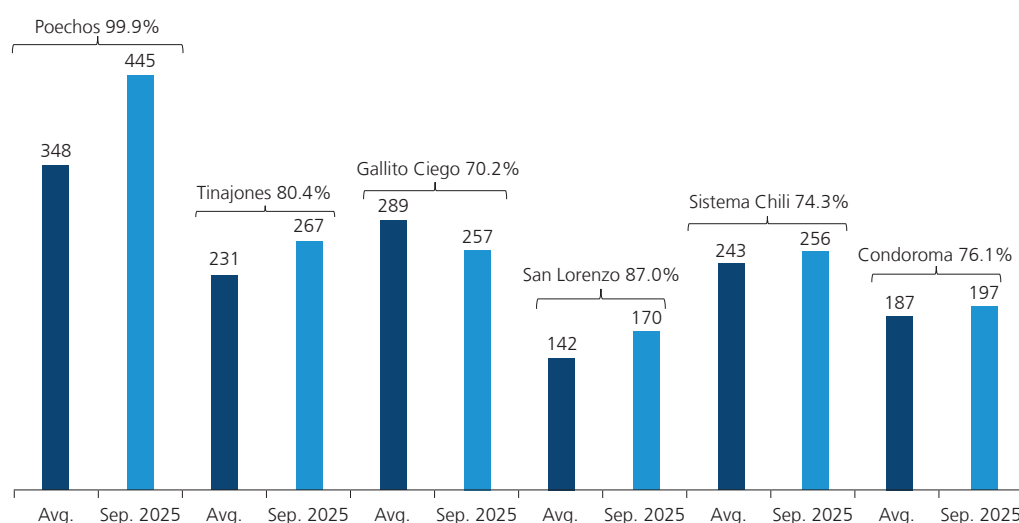
Growth is expected to be boosted in the second half of the year by increased potato planting. In addition, avocado and olive production is expected to recover from the impact of El Niño weather anomalies during the flowering stage in 2024. Higher blueberry production is also expected, with increased yields.

For **2025**, the annual growth projection is revised to 3.7 percent, based on forecasts of higher blueberry and olive production, with better weather conditions than in the previous season.

The growth projection of 3.0 percent remains unchanged for **2026**. This is based on a scenario of normal weather conditions, which would allow the impact of the delayed rainy season on production for the domestic market (potatoes and rice) in the first half of 2025 to be overcome. In addition, the dynamism of export fruit production would continue in that year.

As of September 3, 2025, the volume of water relative to storage capacity in the country's main reservoirs is high. All dams exceed 70 percent of their storage capacity, and the Poechos, Tinajones, and San Lorenzo reservoirs exceed 80 percent.

Graph 52
STORED VOLUME OF MAJOR RESERVOIRS^{1/}
(In million cubic metres)



1/ As of September 3, 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.

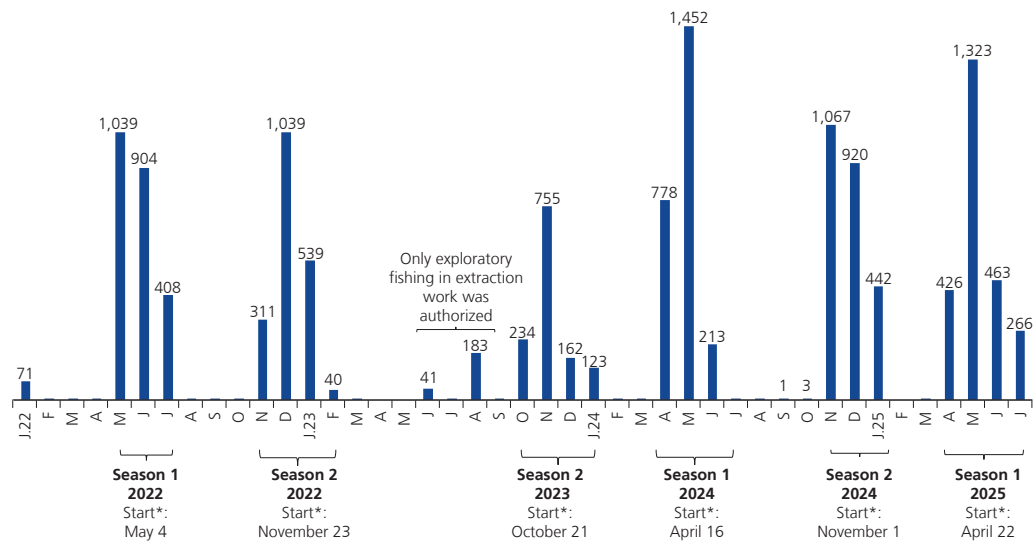
- b. In the second quarter of 2025, the **fishing sector** declined by 4.3 percent. This performance is mainly explained by industrial fishing, given the lower anchovy catch. In addition, the catch for human consumption saw a notable decline in horse mackerel (-75 percent), scallops (-58.6 percent), bonito (-23.8 percent), and octopus (-91.2 percent).

On April 22, the first anchovy fishing season was authorized in the north-central zone. As of June 30, 2.2 million MT had been caught, representing 73.7 percent of the allocated quota (3 million MT). It should be noted that the decline in anchovy catches during the second quarter is due to a base effect, given that in 2024, the first season began a week earlier. The season ended on July 23, with a total of 2.5 million MT (82.6 percent of the quota).





Graph 53
ANCHOVY CATCH FOR INDUSTRIAL CONSUMPTION IN THE NORTH-CENTRAL ZONE
 (Thousand tons)



Source: Ministry of Production.

The sector is expected to grow by 2.8 percent in 2025. The downward revision from the previous projection (8.6 percent) is due to lower-than-expected anchovy catches, given the early conclusion of the first season in the north-central region.

The sector is expected to grow by 1.6 percent in **2026**. This projection assumes normal weather conditions and anchovy quotas in line with historical levels observed in previous years.

- c. The **metal mining sector** grew by 1.5 percent during the second quarter of 2025, mainly due to increased production of copper, gold, zinc, silver, lead, and tin, which offset declines in molybdenum and iron.

During the quarter, **copper** production grew by 3.2 percent, mainly due to Las Bambas and Chinalco, which increased copper extraction with the contribution of the new Chalcobamba pit and the expansion of Toromocho, respectively. Meanwhile, Marcobre, Quellaveco, and Constancia processed more ore. The higher production was partially offset by lower yields at Antamina, Cerro Verde, and Antapaccay.

Gold production increased by 1.8 percent during the second quarter. Higher production was recorded at Yanacocha, Las Bambas, Gold Field, and Paltarumi. Zinc production grew by 26.7 percent, mainly due to the recovery of zinc grades reported by Antamina and increased processing at Volcan and Los Quenuales. **Silver and lead** grew by 8.0 percent and 12.9 percent, respectively, with Volcan and Antamina making significant contributions in both cases. **Tin** production grew by 2.2 percent, driven by Minsur.

On the other hand, **iron** production decreased by 52.8 percent due to lower production at Shougang. This was due to the shutdown of its operations between May and June, following an accident involving its only ship loader, which led to a halt in exports and an accumulation of inventories. **Molybdenum** production fell by 19.2 percent, with lower grades at Antamina, Cerro Verde, and Quellaveco standing out.

Growth in the sector has been revised upward for **2025**, from 0.3 percent to 0.5 percent. This is mainly based on the earlier-than-expected resumption of operations at Shougang and the revision of production plans at other units. With the revision for 2025, growth for **2026** has been revised from 2.3 percent to 1.0 percent.

- d. Activity in **the hydrocarbons sector** declined by 4.7 percent in the second quarter. Production of **natural gas liquids and natural gas** decreased by 14.2 percent and 7.9 percent, respectively. The lower performance is the result of various maintenance activities carried out during the quarter, which affected production in blocks 56, 57, and 88. The sector's negative performance was partially offset by higher oil production, which grew 15.4 percent due to increased production in lot 95 and the resumption of operations in lot 8 (which had been shut down since the pandemic). As a result, the sector recorded a 2.7 percent decline in the January-July period.

Growth for **2025** has been revised downward from 4.0 to 3.5 percent due to lower performance reported by gas lots. With the 2025 revision, growth for 2026 rises from 3.6 to 3.8 percent.

- e. Activity in **the primary manufacturing subsector** increased by 2.4 percent in the second quarter of 2025, mainly due to higher production of canned and frozen fish, oil refining, and meat products.

The subsector is expected to grow by 2.6 percent in **2025**, mainly due to increased production of canned and frozen fish products, associated with the recovery of squid fishing. For **2026**, an increase of 3.1 percent is expected.

- f. **Non-primary manufacturing** activity grew 2.1 percent in the second quarter of the year. The sectors that recorded the highest growth were those related to goods for the external market, such as canned foods, artificial fibers, woven and knitted fabrics, clothing, and yarns. As a result, the sector accumulated growth of 2.3 percent in the January-July period.

In **2025**, the sector's growth is revised from 2.5 percent to 2.8 percent, given the improved outlook for private consumption. For **2026**, the growth projection of 2.9 percent remains unchanged.

- g. The **construction sector** grew 4.8 percent in the second quarter of 2025, due to increased progress in public and private works. This resulted in cumulative growth of 5.2 percent in the first seven months of the year.

For **2025**, growth in the sector has been revised upward from 3.8 percent to 4.3 percent, and for **2026**, the growth projection remains at 2.0 percent. All of this is supported by increased private investment.

- h. During the second quarter of 2025, the **trade** sector grew by 3.0 percent, due to higher wholesale (2.7 percent) and retail (3.0 percent) sales. Between January and July, it accumulated growth of 3.1 percent.

For **2025** and **2026**, activity in the sector is expected to increase by 2.9 percent and 2.8 percent, respectively.

- i. The **services** sector grew 3.3 percent in the second quarter, a period marked by growth in transportation services (4.9 percent) due to increased demand for passenger





and freight transportation. As a result, the sector accumulated growth of 3.6 percent during the January-July period.

For 2025 and 2026, services are expected to grow by 3.7 and 3.3 percent, respectively.

Spending GDP

44. On the expenditure side, domestic demand grew 6.2 percent in the second quarter, a rate similar to that observed in the first quarter, as a result of growth in all its components. In particular, private investment accelerated its growth from 8.9 to 9.2 percent between the first and second quarters, which more than offset the slower pace of public spending. The upturn in private investment occurred in an environment of business confidence, improved financial conditions —reflected in lower interest rates— lower construction material prices, and an increase in capital goods imports. Private consumption grew 3.6 percent in the second quarter, supported by a strong labor market and controlled inflation, factors that contributed to the growth of real household income.

Economic growth in the quarter was dampened by the slowdown in public spending, which grew 3.4 percent compared to 6.2 percent in the first quarter. This performance was due to the moderation of public investment to 2.7 percent, after reaching double-digit growth rates in 2024 and in the first quarter of 2025. Finally, the period was characterized by lower external demand: exports of traditional goods declined due to lower shipments of certain metals and coffee, while imports accumulated three consecutive quarters of double-digit growth, driven mainly by higher purchases of durable consumer goods, capital goods, and industrial inputs.

The 3.2 percent growth in GDP in 2025 would be supported by the recovery of household purchasing power following lower inflation and improvements in labor market indicators, as well as by optimism in the private sector, favorable financial conditions, and high terms of trade, factors that would favor both consumption and private investment. However, this growth would be mitigated by lower growth in external demand, mainly explained by the expansion of imports of consumer and capital goods.

The upward revision in the growth forecast for 2025, compared to the June forecast, reflects stronger private spending, especially non-residential non-mining private investment, as reflected in sustained growth in capital goods imports. Meanwhile, the upward revision in private consumption and the greater contribution of inventories reflect the progress made so far this year.

On the other hand, the current projection incorporates an increase in the volume of goods imported, particularly durable consumer goods, industrial inputs, and capital goods. In contrast, goods exports are adjusted downward due to the contraction recorded in the second quarter, largely explained by lower copper production and delays in shipments due to adverse maritime conditions.

The economy is projected to grow by 2.9 percent in 2026, the same rate as projected in June, with private spending as the main driver of growth. This projection considers a slowdown in public investment, consistent with fiscal consolidation targets, and more limited growth in private spending in the midst of an election year. The 2025-2026 projection scenario is based on assumptions that include a stable macroeconomic and financial environment, which favors the recovery of business confidence and private spending, as well as an orderly development of the 2026 electoral process.

Table 19
GDP BY TYPE OF EXPENDITURE
(Real % changes)

	2024	2025*			2026*	
		Jan.-Jun.	IR Jun.25	IR Sep.25	IR Jun.25	IR Sep.25
Domestic demand	3.9	6.2	4.4	5.1	3.0	3.0
Private consumption	2.8	3.7	3.3	3.5	2.9	2.9
Public consumption	2.1	4.2	2.2	2.2	2.5	2.5
Private investment	3.3	9.0	5.0	6.5	3.5	3.5
Public investment	14.7	6.4	6.5	6.5	1.0	1.0
Inventory change (contribution)	0.5	1.1	0.7	0.9	0.0	0.0
Exports	6.1	4.3	3.8	3.3	3.5	2.6
Imports	8.4	14.9	8.6	10.2	3.7	3.1
Gross Domestic Product	3.3	3.3	3.1	3.2	2.9	2.9

IR: Inflation Report.

* Projection.

Source: BCRP.

45. 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 sector —boosted by improved weather conditions and strong agro-exports— as well as in services and commerce, in line with the growth in private spending. At the same time, nominal formal wages continue to perform well, associated with both real average income growth and job expansion.

Table 20
FORMAL JOBS IN THE PRIVATE SECTOR
(Thousand jobs)

				Jan-Jul					
	2023	2024	2025	Change 2025/2024		2024	2025	Change 2025/2024	
				Thousands	%			Thousands	%
Total	4,049	4,166	4,410	244	5.9	4,162	4,437	275	6.6
Agriculture ^{1/}	417	402	488	86	21.3	420	523	103	24.4
Fishing	19	18	20	2	12.1	18	20	1	6.3
Mining	117	123	130	7	6.0	122	128	7	5.6
Manufacturing	486	492	502	10	2.1	497	510	14	2.7
Electricity	16	16	17	1	5.1	16	17	1	8.1
Construction	215	228	244	16	7.1	219	234	16	7.1
Trade	689	707	734	27	3.9	714	744	30	4.2
Services	2,068	2,131	2,202	72	3.4	2,114	2,195	81	3.8
Not specified	22	50	73	23	n.a.	42	65	23	n.a.

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

Source: Sunat

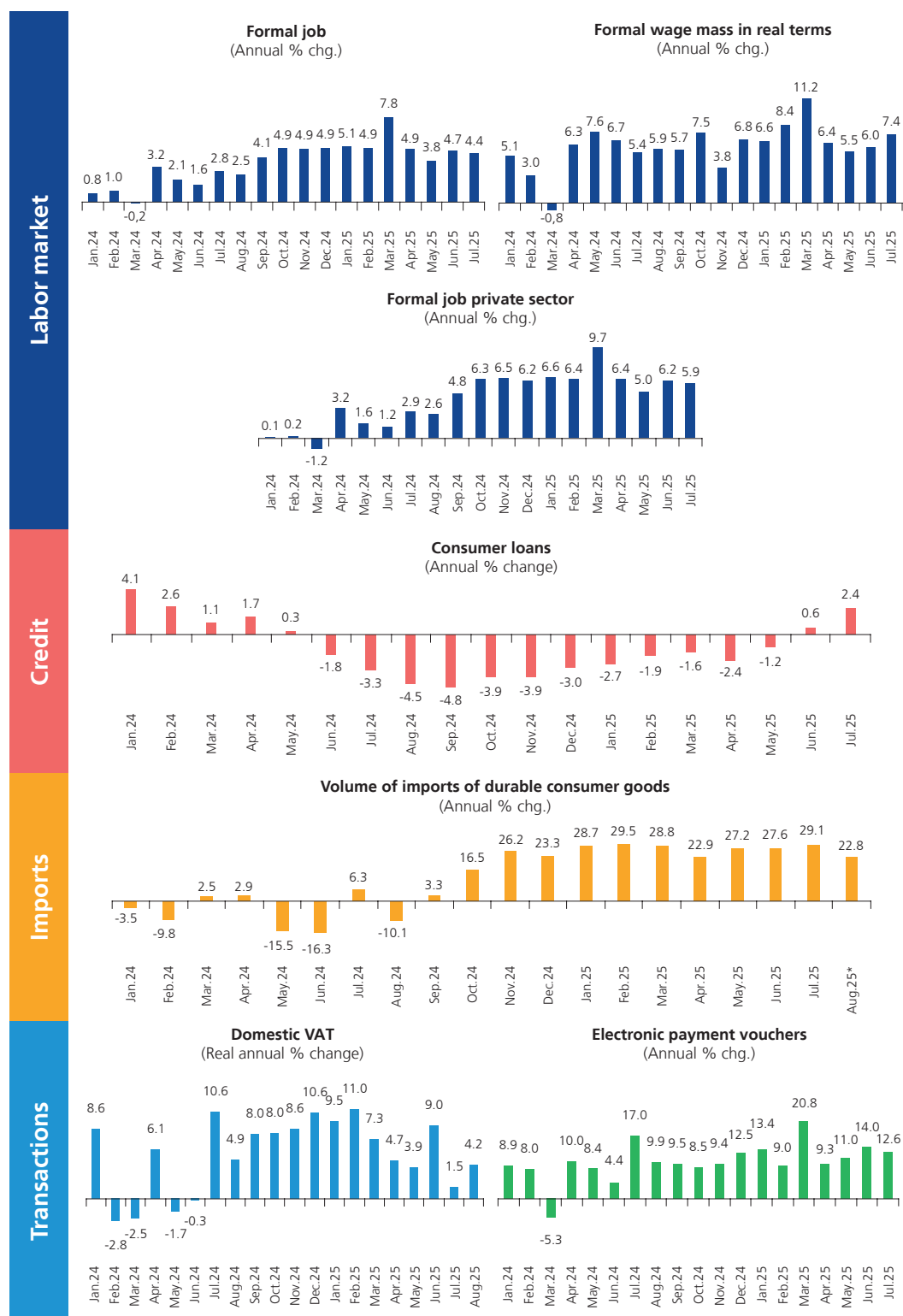
Consumer credit in real terms began to register positive growth rates in June, with foreign currency consumer credit standing out, in a context of appreciation of the sol and reduction in foreign currency interest rates. The volume of imports of durable consumer goods continues to grow at a double-digit rate, explained by increased purchases of automobiles and household appliances.





Transactional indicators, such as the issuance of payment receipts, showed a positive and sustained trend. Domestic VAT growth rebounded in August, after moderating in July, partly due to a temporary effect of the use of a tax credit in the hydrocarbons sector.

Graph 54
INDICATORS RELATED TO PRIVATE CONSUMPTION



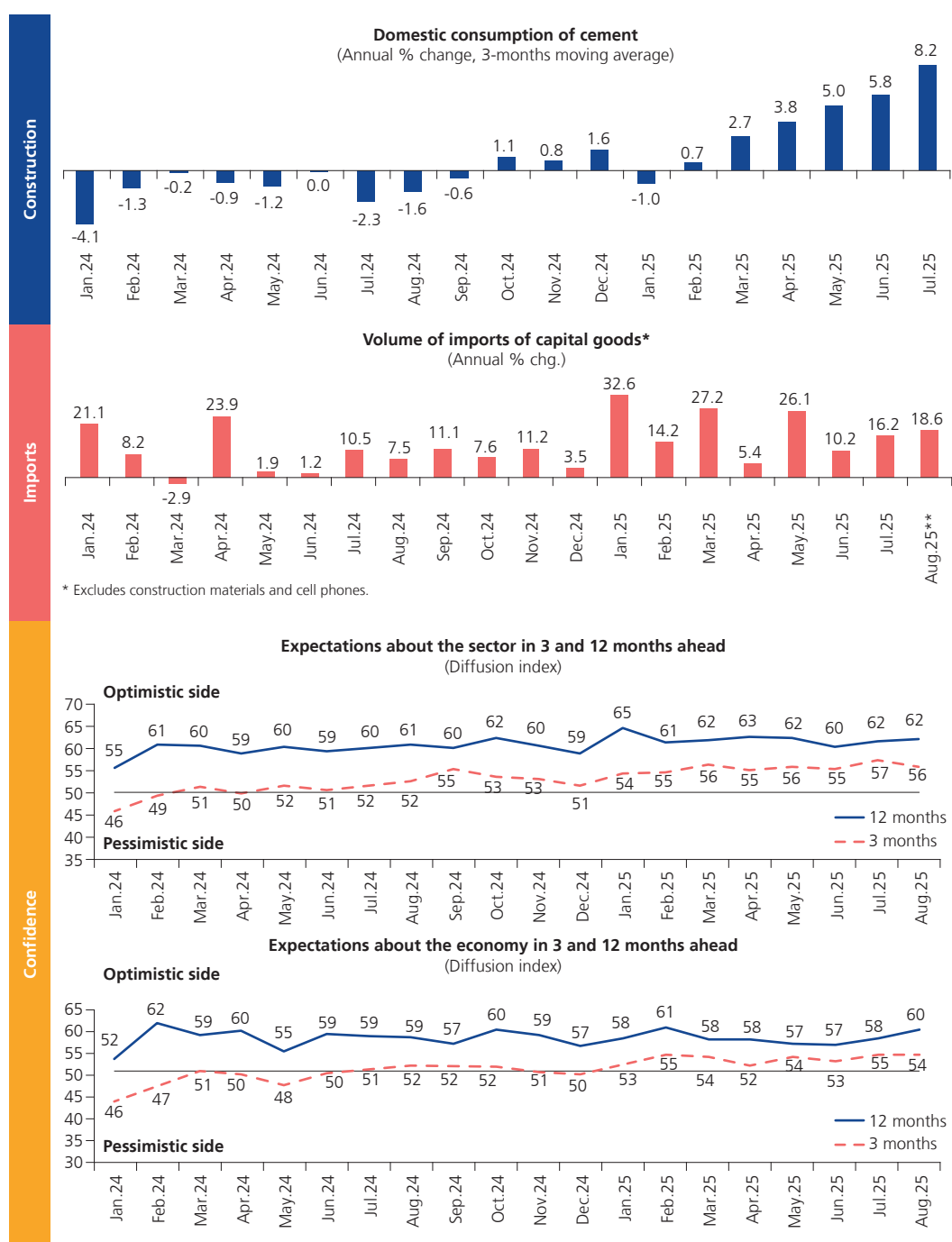
* Preliminary.

Source: BCRP, INEI, and Sunat.

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

On the one hand, expectations for the economy and the sector at 3 and 12 months remain optimistic. Likewise, the volume of capital goods imports (excluding construction materials and mobile phones) continues to show double-digit growth rates. Complementarily, domestic cement consumption, measured as the year-on-year change in the three-month moving average, maintains an upward trend, mainly associated with the dynamism of the self-construction segment and the progress of private and public works.

Graph 55
INDICATORS RELATED TO PRIVATE INVESTMENT



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





47. The August **Macroeconomic Expectations Survey** shows that economic agents expect GDP growth of between 3.0 and 3.1 percent for 2025 and between 2.9 and 3.0 percent for 2026.

Table 21
MACROECONOMIC EXPECTATIONS SURVEY: GDP GROWTH
(% change)

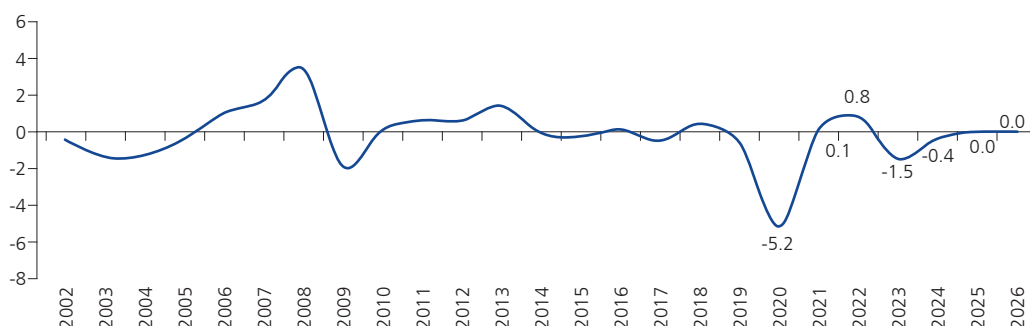
	IR Mar.25	IR Jun.25	IR Sep.25*
Financial System			
2025	3.0	3.1	3.1
2026	2.9	2.8	2.9
Economic Analysts			
2025	3.1	3.0	3.0
2026	3.0	2.8	2.9
Non-financial companies			
2025	3.0	3.2	3.0
2026	3.0	3.0	3.0

* Survey conducted on August 29.
Source: BCRP.

48. 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. Potential GDP growth in line with this projection is 2.8 and 2.9 percent for 2025 and 2026, respectively.

The projection of potential GDP considers the observed and expected evolution of investment, in a context of business confidence and favorable financial conditions. It also envisages a recovery in productivity, driven by the dissipation of supply shocks, in an environment of price and socio-political stability that strengthens private sector confidence. 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 56
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 information available at the time of preparation of this Inflation Report.
Source: BCRP

49. **Private consumption** expanded 3.6 percent year-on-year in the second quarter, slightly lower than in the first quarter, accumulating seven consecutive quarters of expansion. This performance was due to the strength of the labor market and controlled inflation, factors that boosted formal wages and allowed for a recovery in household purchasing power. In line with this, there was an increase in imports of durable consumer goods, vehicle sales, and retail sales. Likewise, consumer credit reversed its downward trend beginning in June, in a context in which the number of credit cards issued by commercial banks accelerated and bank delinquencies continued to decline.

By 2025, private consumption is expected to grow by 3.5 percent, a higher rate than that forecast in the June Report, in line with the performance of contemporary and leading indicators, as well as the upward revision in imports of durable consumer goods. By 2026, growth is expected to moderate to 2.9 percent, similar to the previous report. This growth is supported by a favorable outlook for inflation, the recovery of consumer credit, and a reduction in household bank delinquencies.

50. **Private investment** grew 9.2 percent year-on-year in the second quarter of 2025, driven mainly by the dynamism of non-residential non-mining investment, which advanced 11.6 percent, accumulating four consecutive quarters with double-digit growth rates. 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, meanwhile, was buoyed 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. Finally, the mining sector, boosted by higher profits, saw an upturn in spending on infrastructure projects.

Looking ahead, private investment is expected to grow by 6.5 percent in 2025, a rate higher than that projected in June and the highest since 2013, excluding the pandemic period. This growth would respond both to the progress made in the first half of the year and to the improved outlook for the second half. In particular, non-residential non-mining investment is expected to continue accelerating its pace of expansion, driven by progress in the execution of large infrastructure projects, mainly in the transport and telecommunications sectors, as well as by the start of work on PPP projects awarded in previous years. Added to this are higher expenditures aimed at expanding and renovating installed capacity by large companies, in line with the observed growth in imports of capital goods—excluding construction materials and mobile phones—.

The projection for residential investment in 2025 is due to the recovery shown by the self-build segment and the greater dynamism of the real estate sector. In addition, an increase in mining investment is projected, given the context of high export prices.

A favorable investment environment is assumed, with an electoral process in 2026 that poses no threat to macroeconomic stability, no adverse weather events, and local financial conditions that encourage credit and strengthen business confidence. In this context, private investment is estimated to expand by 3.5 percent in 2026.



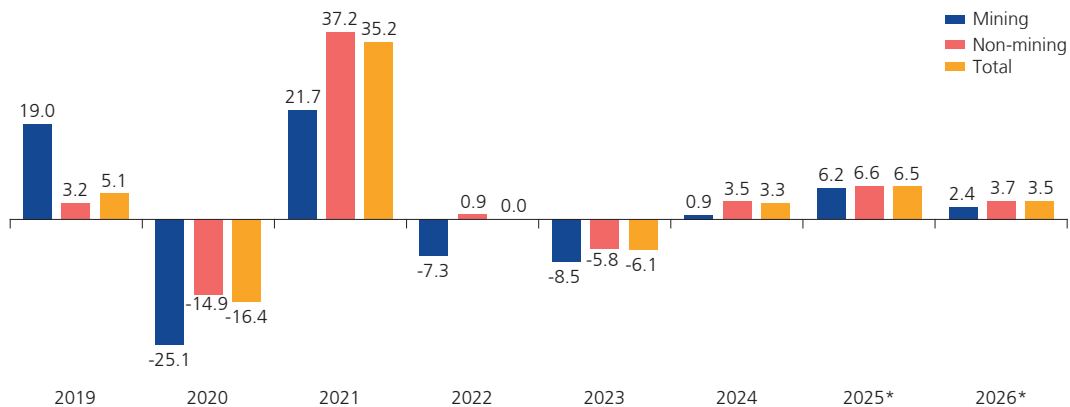


Table 22
PRIVATE INVESTMENT
(Real % change)

	Weight relative to GDP in 2024 ^{1/}	2019	2020	2021	2022	2023	2024	2025*		2026*	
								IR Jun.25	IR Sep.25	IR Jun.25	RI Sep.25
Private investment	19.3	5.1	-16.4	35.2	0.0	-6.1	3.3	5.0	6.5	3.5	3.5
Residential investment	5.4	4.7	-14.5	35.4	-0.3	-8.8	-7.3	3.0	3.0	3.0	3.0
Non-residential investment	14.0	5.3	-17.2	35.1	0.2	-4.8	8.0	5.7	7.9	3.7	3.7
Mining investment	1.9	19.0	-25.1	21.7	-7.3	-8.5	0.9	7.3	6.2	3.7	2.4
Non-mining investment	12.0	2.3	-15.2	38.2	1.7	-4.1	9.3	5.5	8.2	3.7	3.9

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

Graph 57
PRIVATE INVESTMENT
(Real % change)



*Projection.
Source: BCRP.

- In the **mining sector**, investments in the January–July 2025 period amounted to USD 2.823 billion, mainly from the companies Antamina (USD 255 million), Southern Peru CC (USD 243 million), and Las Bambas (USD 230 million). The projection for the 2025–2026 period considers the construction of San Gabriel, Antamina Replacement, and Tía María.
- In **non-mining sectors**, progress on Line 2 and a branch of Line 4 of the Lima Metro stands out, with an investment of USD 5.3 billion. The project includes a total of 35 stations, of which four have been completed, 15 are more than 90 percent complete, and the other stations are at various stages of completion. The project has reached 72 percent physical progress. It is worth mentioning that a section of stage 1A has been in operation since December 2023.

In telecommunications, Viettel is deploying the necessary infrastructure for 4G technology in more than 3,800 rural locations, while Entel Peru is investing in the expansion of mobile service coverage with 4G and 5G technologies in provinces. In electricity, the Yapay Electricity Consortium was awarded the concession for the 500 kV Huánuco-Tocache - Celendín - Trujillo transmission line (USD 335 million) and work began on the Illa Solar Photovoltaic Plant (USD 342 million). It should be noted that, in 2026, construction will begin on the construction of 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).

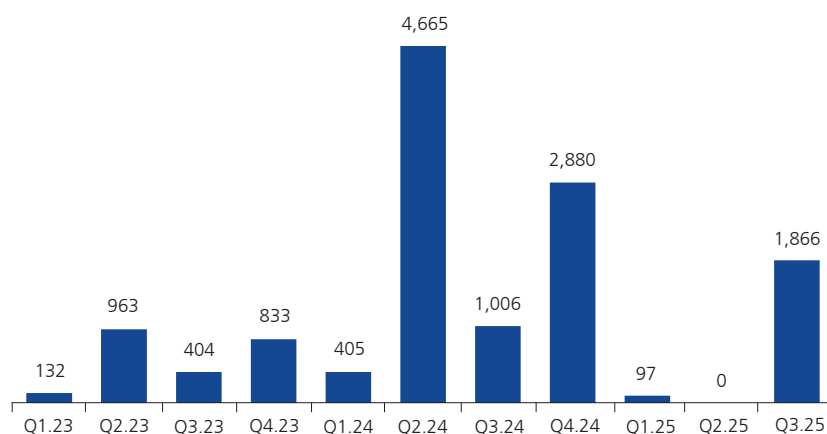
Table 23
MAJOR INVESTMENT PROJECTS: 2025 - 2026

SECTOR	COMPANY/CONSORTIUM	PROJECT
MINING	Antamina Southern Peru CC Buenaventura	Antamina replacement Tía María San Gabriel
HYDROCARBONS	Cálida Natural Gas of Peru Promigas Peru	Wide-Scale Use of Natural Gas Distribution of Natural Gas
ELECTRICITY	Huallaga Hydro Luz del Sur Yapay Electric Consortium Joya Solar	Hydropower plant Huallaga I Hydropower plant Santa Teresa II Transmission Line 500 Kv Huanuco-tocache-Celendin-Trujillo Illa Photovoltaic Solar Power Plant
INDUSTRY	Unacem Arca Continental Lindley Siderperu	Environmental sustainability program Environmental sustainability program Plant capacity expansion Plant capacity expansion
TRANSPORT	New Lima Metro Consortium Anillo Vial Concession Company Shougang Hierro Peru APM Terminals	Line 2 of the Metro network of Lima and Callao Peripheral Road Ring in Lima San Nicolás Port Terminal (Marcona) Modernization of the North Pier of Callao
TELECOMMUNICATIONS	América Móvil Perú Viettel Perú Entel Perú	Fiber optic networks Mobile services with 4G technology Mobile services with 4G and 5G technology

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

- c. Since January 2023, Proinversión has awarded projects totaling USD 13.25 billion. These projects mainly involve improvements in the transport sector (USD 5.543 billion) and electricity transmission lines (USD 2.266 billion). The latest award is for the Longitudinal de la Sierra tranche 4 project, which consists of the construction, operation, and maintenance of approximately 905 km of roads for a projected investment of USD 1.582 billion.

Graph 58
PROJECTS AWARDED BY PROINVERSIÓN: 2023-2025
(Million USD)



Source: Proinversión.





Table 24
PROJECTS AWARDED BY PROINVERSIÓN
(Million USD)

Year	Quarter	Project	Sector	Modality	Projected Investment (Excluding VAT)
2023	I	Transmission line 220 kv Ica – Poroma, extensions and substations and transmission line ITC 220 kv Caclic – Jaén Norte (2 circuits), extensions and substations	Electricity	Concession	132
	II	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	FITEL projects	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	Concession	323
		Transmission Line 500 kv Piura Nueva-Frontera Substation (Second Call)	Electricity	Concession	223
	III	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	Concession	181
2024	IV	Transmission line 500 kv Huánuco – Tocache – Celendín – Trujillo, extensions and substations and transmission line 500 kv Celendín – Piura, extensions and substations	Electricity	Concession	833
	I	New Port Terminal of San Juan de Marcona	Ports	Private initiative	405
		Peripheral Road Ring	Transport	Concession	3,396
	II	Group 1: Transmission Plant Projects (Ica and Arequipa)	Electricity	Concession	329
		Addendum to the transfer contract of the Bayóvar mining concession	Mining	Concession	940
2025	III	Modernization of Huancayo - Huancavelica Railway	Transport	Concession	565
		Group 2: Transmission Plant Projects (Lima, Ica and Ayacucho)	Electricity	Concession	441
	IV	Group 4: Transmission Plant Projects (Áncash, Junín and Ucayali)	Electricity	Concession	127
2025		El Algarrobo Mining Project	Mining	Private initiative	2,753
	I	Wastewater Treatment Plant Project - PTAR Chíncha	Sanitation	Concession	97
	II				
	III*	Operation and Maintenance of the New Emergency Hospital in Villa El Salvador	Health	Concession	284
		Longitudinal de la Sierra Section 4	Transport	Concession	1,582
Cumulative					13,250

Note: 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.

(*) Data as of September 5, 2025.

Source: Proinversión.

- d. As of September 5, 2025, Proinversión has a portfolio of USD 29.4 billion in investment projects to be awarded for the 2025-2027 period.

Table 25
INVESTMENT PROJECTS: PORTFOLIO FOR 2025-2027
(Millions of USD)

	Estimated investment
To be awarded	29,378
18 Conservation Projects of the National Road Network	4,630
Integrated Gas Transportation System - Southern Zone	4,321
Chinecas Project	2,950
Institute for Andean Political Studies (IEPA) Sechura	2,157
8 projects of Wastewater Treatment System	1,952
Ancón Industrial Park	1,261
Project of Bayóvar phosphates - Piura	940
Operation and Maintenance of Backbone Fiber Optic Network	879
Gate of the Pacific Peninsula	767
Evitamiento Highway - Cusco	738
New Central Military Hospital	726
Header works for water supply in Lima (1st stage)	696
Integral Water System Chancay Valley-Lambayeque	619
Schools in risk: Metropolitan Lima	504
Schools in risk: Other districts	489
Chavimochic projects (3rd stage)	450
Group 2 - Electrical projects in the 2025-2034 Transmission Plan	444
Sanitation Wash in 8 provinces	385
Choquequirao Tourism Project	363
Chimbote Port Terminal	354
Group 3 - Electricity projects in the 2023-2032 Transmission Plan	323
Third group of airports	315
New port terminal in Pucallpa	315
National Hospital Hipólito Unanue	250
Group 1 - Electricity projects of the 2025-2034 Transmission Plan	234
Management of the Instituto Nacional del Niño - San Borja	233
Operation and maintenance of the Cajamarca hospital	198
Operation and maintenance of Sullana Hospital	193
New port terminals in Loreto (Saramiriza and Iquitos)	181
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 2023-2032 Transmission Plan	137
Rural Sanitation in Loreto	130
Group 4 - Electricity projects in the 2025-2034 Transmission Plan	122
Reinforcement of infrastructure, equipment and maintenance of Cusco School	99
Lima Convention Center (operation and maintenance)	88
Expansion of the Panamericana Village	66
Wide-scale use of natural gas - Southwest Concession	60
Desalination Plant - Lambayeque	49
Huascarán Tourism Project	30
El Pinar Shopping Center	17

Note: Estimated investment without VAT.
Source: Proinversión.

51. **Public investment** increased by 2.7 percent in real terms year-on-year in the second quarter, showing a slowdown compared to 11.2 percent in the first quarter. This development is mainly explained by lower disbursements in prioritized projects within of the National Sustainable Infrastructure Plan for Competitiveness (PNISC), due to the high degree of progress achieved in some projects such as Bicentennial Schools. Likewise, in the second quarter, there was a contraction in the accrual of the National Infrastructure

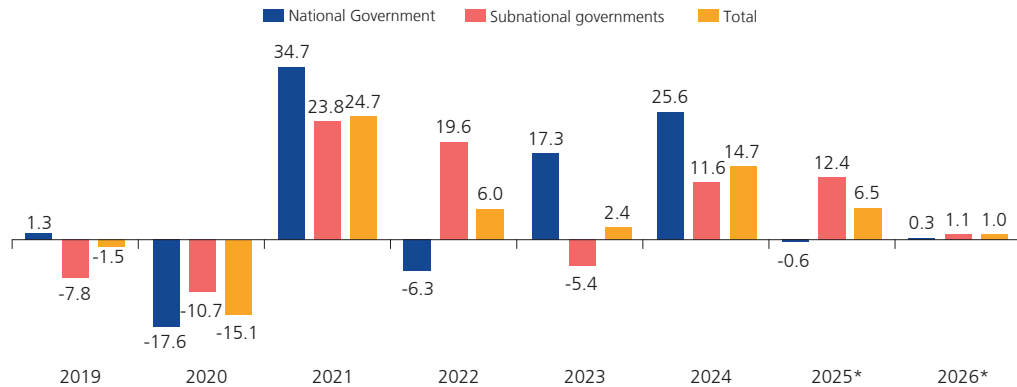




Authority (ANIN) interventions in flood protection works in various regions of the country. Local governments also saw a contraction in their execution, with declines in 10 of the 25 departments, associated in part with adverse weather effects.

Public investment is estimated to grow by 6.5 percent in 2025 and 1.0 percent in 2026, figures similar to those projected in the June Report, given a scenario of fiscal consolidation.

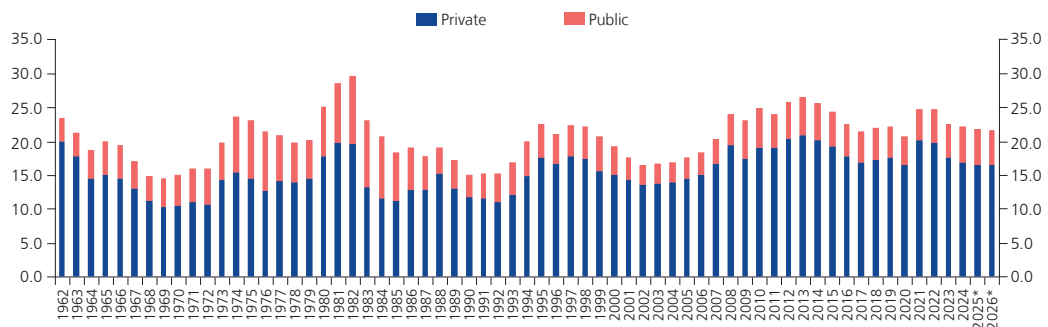
Graph 59
PUBLIC INVESTMENT
(Real % change)



Memo: Public investment is made up of investment by the National Government, Subnational Governments and investment by public companies.
* Projection.
Source: BCRP.

52. **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 21.8 percent of GDP in 2025 and remain relatively stable in 2026.

Graph 60
GROSS FIXED INVESTMENT: PRIVATE AND PUBLIC, 1962-2026
(% GDP)



* Projection.
Source: BCRP.

Box 2

IMPACT OF RECENT SHOCKS (PANDEMIC, SEVERE EL NIÑO PHENOMENON, AND SOCIAL CONFLICTS) ON GDP

Since 2020, the Peruvian economy has been affected by various negative shocks that have had an impact on both GDP levels and growth rates. First, there was the sharp decline in output as a result of COVID in 2020. GDP contracted by 10.9 percent that year due to the pandemic and the extreme social isolation measures implemented in the country. In 2021, political uncertainty intensified, ushering in a record period of pessimistic business confidence that lasted until mid-2024. Between late 2022 and early 2023, social conflicts intensified and a severe coastal El Niño was recorded in the latter year. Below is an estimate of these successive adverse events on the GDP trend².

The decline in economic activity in 2023

GDP declined by 0.4 percent in 2023 as a result of three main factors:

1. Climate shocks: The coastal El Niño phenomenon and a drought caused significant losses in production. In the agricultural sector, activity fell by 2.0 percent in 2023, affected by thermal anomalies along the coast. This is the largest contraction recorded in more than three decades. Key crops such as rice, lemons, potatoes, cotton, and avocados were among the most affected. In the fishing sector, the temporary suspension of anchovy fishing in the north-central zone caused an annual contraction of 21.2 percent, with a strong impact on the fishmeal and fish oil industry, one of the country's main export items.
2. Social conflicts and political crisis: Protests in the first quarter delayed investment decisions and affected economic activity. Private investment fell 11.4 percent year-on-year in that quarter. This was the worst quarterly result since 2009, excluding 2020.
3. Low business confidence: Weakened since the pandemic, it remained at low levels and was exacerbated by political and social instability. The 3-month economic expectations index remained in negative territory for 35 consecutive months, from April 2021 to February 2024, reflecting a prolonged period of business mistrust. The lowest level was recorded in January 2023, with a value of 31.9 points. Similarly, the 3-month sector expectations index also remained in pessimistic territory during the same period, reaching its lowest point in January 2023 with 39.7 points.

The combined effect created an atypical “perfect storm” that interrupted economic growth. The December 2023 Inflation Report quantified the impact of these factors, as well as others that affected the Peruvian economy during 2023³. It was estimated that, together, these shocks had an impact of -2.7 percentage points on GDP in 2023. The shock that detracted most from the growth of the Peruvian economy was the coastal El Niño, followed by the social conflicts at the beginning of the year.

2 For further details, see the boxes “Long-term effects of COVID-19 in Peru” in the December 2021 Inflation Report and “Impact of social instability on economic activity in recent years” in the September 2023 Inflation Report.

3 See the box “Shocks affecting the Peruvian economy in 2023” in the December 2023 Inflation Report, which analyzes in greater detail each of the shocks that affected the level of activity in 2023, as well as the methodology used to quantify the impact of each of them.



**IMPACT OF THE SHOCKS ON THE PERUVIAN ECONOMY IN 2023**

(Percentage points of GDP)

Shock	Impact on GDP 2023 (percentage points)
Droughts	-0.1
Bird flu	-0.1
Social conflicts	-0.8
Coastal El Niño	-1.1
Loss of business confidence	-0.3
Lower non-traditional exports	-0.2
Lower investment by subnational governments	-0.1
TOTAL	-2.7

Source: December 2023 Inflation Report

However, since 2024, the economy has shown signs of recovery, supported by the impact on consumption of an improvement in the labor market and a slowdown in inflation⁴, a favorable external environment with terms of trade at record levels, and the boost in investment associated with a gradual recovery in business confidence. Thus, the projections in this Report for 2026 would be 0.9 percent above the long-term level consistent with the pre-2023 trend, as can be seen in the graph presented in the following subsection.

Structural challenges

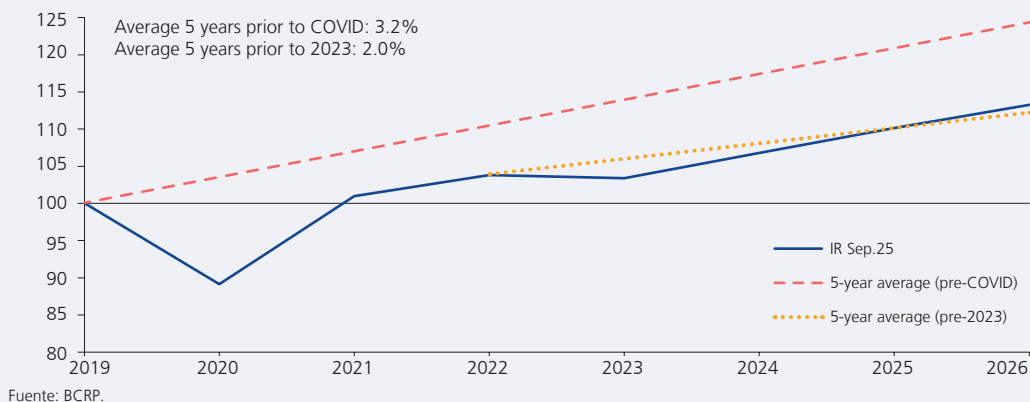
The recovery following the 2023 recession mainly reflects a cyclical rebound, supported by macroeconomic stabilization and the BCRP's monetary policy, which helped contain inflation and normalize expectations. However, GDP remains below what it would have been had it followed the pre-pandemic trend.

To quantify the cost of the recent shocks described in the previous section, the observed level of activity is compared with what would have been achieved in a counterfactual scenario, i.e., one in which these shocks had not occurred. To do this, the GDP trajectories that would have been observed in Peru if the shock scenarios analyzed had not occurred can be calculated. One way to find these trajectories is to construct them based on growth projections that existed before the shocks occurred or to assume that GDP would have grown at an average growth rate. The latter option is used in this box, considering the growth rate for the five years prior to the shock.

Thus, taking into account the average growth rate prior to the pandemic, it is estimated that GDP in 2025 (solid line) will still be 8.6 percent below the level it would have reached in the absence of COVID-19 (dashed line). This figure would reflect a loss of output that the economy has not yet been able to recover.

GDP LEVELS DUE TO SHOCKS

(Index: 2019 = 100)



4 In April 2024, inflation returned to the target range after 34 months

Returning to the growth trajectory projected before 2020 does not depend solely on managing the cycle, but mainly on raising the long-term trend or potential growth of the economy. In this area, the challenge lies in implementing structural reforms that transcend monetary policy. Among the most relevant are:

1. Institutional and public management strengthening: simplify administrative processes, ensure compliance with regulations, and improve legal certainty in order to promote confidence, competition, and investment. Greater institutional capacity is needed to coordinate and implement public policies in a coordinated manner among different public administration bodies and levels of government, as well as to effectively reduce bureaucratic barriers that limit business development.
2. Education: improve the quality and coverage of educational services to increase human capital and labor productivity, seeking to align technical training with productive needs.
3. Infrastructure: close gaps in transportation, logistics, and connectivity, both to sustain domestic growth and to facilitate foreign trade, accelerating the implementation of the National Competitiveness and Productivity Plan.
4. Public spending: ensure efficient, transparent, and modern management of spending. The coverage and quality of public services need to be expanded, which would also have a positive effect on private sector productivity.
5. Labor market: promote greater flexibility and formalization, reducing the rigidity of hiring and firing that limits the creation of quality jobs, in order to generate productivity gains for workers and improve resource allocation.

Without progress on these reforms, the economy will continue to operate at a lower level of output, with structurally lower growth than projected before the pandemic⁵.

Final comments

Recent GDP figures show signs of recovery in the short term, but the trend still points to insufficient growth to recover what was lost after the pandemic. The challenge is to transform the current recovery into a strategy that raises the long-term growth path of the Peruvian economy, rather than accepting a new normal of lower dynamism.

5 For more information, see the following boxes from previous Inflation Reports: "Quality of public spending and potential GDP" (March 2023), "Challenges to increase the potential growth of the peruvian economy" (September 2023), "Urban transport congestion and its economic effects" (December 2024), "The quality of regulation and the competitiveness of the economy" (March 2025).





Box 3

ESTIMATES OF THE SUPPLY-DEMAND BALANCE IN THE ELECTRICITY SECTOR, 2024–2028

A secure and continuous electricity supply is one of the requirements for ensuring sustained economic growth without inflationary pressures. For this reason, the BCRP monitors the supply and demand balance (SDB) of the electricity sector⁶. This SDB is a projection of the reserve margin⁷ that is used to estimate whether there is a risk of insufficient future electricity generation that could cause power outages or rationing, with possible impacts on inflation and economic growth.

In this regard, the starting point for this analysis is December 2024, characterized by an **available supply of 11,379 MW** in the National Interconnected System (SEIN) generation park.⁸ This figure is lower than the effective power⁹ of 13,792 MW because it takes into account supply constraints such as weather conditions (which reduce hydroelectric supply due to low rainfall, mainly during low water periods, usually May–November),¹⁰ limitations on natural gas transport capacity, the exclusion of solar Renewable Energy Resources (RER) plants¹¹ (because peak demand occurs during peak hours, from 6 p.m. to 11 p.m., when these plants do not produce energy), and the unavailability of plants due to maintenance. Maximum demand was 7,794 MW. As a result, the **reserve margin in 2024 was 47.8 percent**.¹²

With this reserve margin, the risks of power outages or rationing are reduced.¹³ However, the challenge of meeting demand on a permanent basis remains, because the supply of generation depends on the type of electricity source. In particular, the presence of hydroelectric and wind power plants means that the electricity produced at any given time can decrease sharply in relation to the effective power or capacity. This is due, for example, to severe low water levels in the case of hydroelectric generation, or very low wind speeds in the case of wind generation. In this regard, according to the SEIN's Economic Operation Committee (COES), Peru's generating capacity consists mainly of hydraulic sources (38 percent) and thermal sources that use natural gas from Camisea (29 percent). Wind power plants account for 7 percent, and solar power plants for 3 percent. Generation supply is concentrated in the center of the country (69 percent), compared to the south (24 percent) and north (7 percent).

For the projection, an annual growth in available supply of 2.0 percent is considered between 2024 and 2028, which includes the 10 generation projects reported by COES¹⁴ that would come into operation during that period (mainly 255 MW in four hydroelectric plants and 1,220 MW in 6 wind farms). It should be noted that the effective power of these plants is adjusted for the supply constraints mentioned above. In addition, maximum demand in the electricity sector is expected to grow by an average of

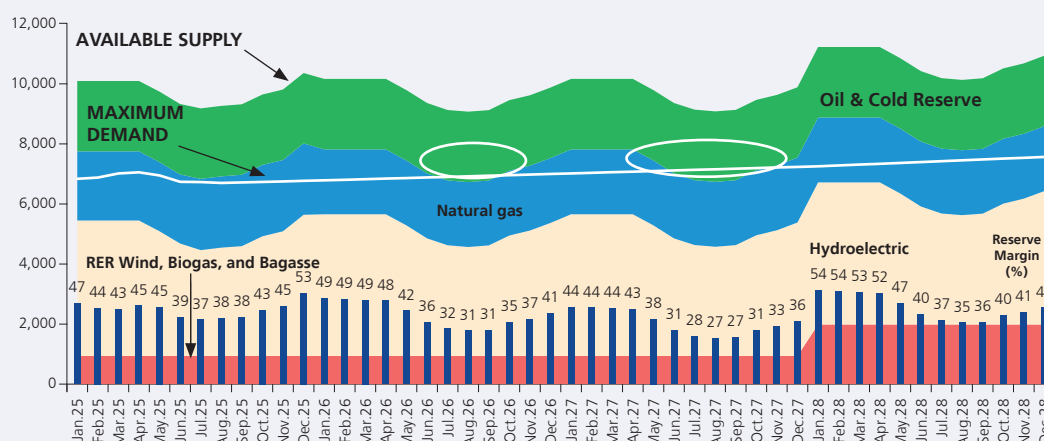
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- 6 The first Inflation Report presenting the balance of electricity supply and demand was published in January 2008.
- 7 The reserve margin is calculated as the available generation supply minus peak demand, expressed as a percentage of peak demand.
- 8 Sources of supply and demand not connected to the SEIN, such as small units for self-consumption, are excluded from the analysis.
- 9 Effective power is the maximum electrical power supply at a given moment under optimal operating conditions.
- 10 Other low-flow periods considered in this box are the months of December 2026 to 2028, taking into account potential alterations due to the El Niño phenomenon.
- 11 Both existing power plants and investment projects for new solar power plants are excluded.
- 12 If the reserve margin is calculated using effective power rather than available generation supply, the result is 77 percent.
- 13 However, risks of interruptions in the supply, transport, and/or distribution of natural gas or restrictions on transmission lines remain.
- 14 Hydroelectric and wind power plant projects contained in the COES presentation "Transmission Plans and Expansion of the SEIN" (July 2025, Expo Energía Perú 2025) are considered.

2.7 percent per year, which includes demand from new projects, as well as GDP growth at an average annual rate of 2.9 percent¹⁵.

Based on these assumptions, it is estimated that the reserve margin would be above 30 percent for most of the analysis period.¹⁶ This trajectory implies that there are no significant risks of interruption or rationing during this period, although in the event of more severe low water flows or delays in the start-up of generation projects, the reserve margin would be reduced.¹⁷ For this reason, it is important to continue with the gradual expansion of the electricity infrastructure in line with demand growth.

However, it is estimated that during the dry months of 2026 and 2027, demand may need to be met by oil-fired thermal power plants, which have higher marginal costs. This would mean a significant increase in the spot price¹⁸ during those months. It should be noted that an increase in the spot price has already been observed on previous occasions due to water stress events (for example, in the last two months of 2022¹⁹ and from June to September 2023²⁰). Although this would not raise rates for regulated users in the short term, if the necessary investments are not made, long-term rates could increase in response to insufficient supply relative to demand.

ELECTRICITY SECTOR SUPPLY AND DEMAND BALANCE 2025-2028 (MW)



Memo: The periods highlighted in red represent temporary reductions in the reserve margin, requiring the entry of oil-fired thermal power plants.
Source and preparation: BCRP.

- 15 The GDP growth projections published in this report are considered: 3.2 percent in 2025 and 2.9 percent in 2026. For the purposes of this analysis, a GDP growth rate of 2.9 percent is also considered for 2027 and 2028. The projected growth from mining projects is below GDP growth, which explains the lower growth in electricity demand.
- 16 In 2028, six wind farms will come online (Caravelí, in Arequipa, with 220 MW, and five farms in Marcona, in Ica, with a total of 1,000 MW), which is expected to increase the reserve margin in that year. The hydroelectric plants considered are San Gabán III (Puno) and Centauro I (Áncash), both in 2025, Anashiorini (Junín) in 2026, and Centauro II (2027).
- 17 As a reference, COES calculates a scenario without cold reserve that results in lower reserve margins, ranging from 32.3 percent in 2025 to 24.5 percent in 2028.
- 18 For reference, according to COES data on variable costs for thermal power plants, the natural gas plant with the highest variable costs reports a variable cost of USD 50.3 per MWh, while the average variable cost for oil-fired plants is USD 254.4 per MWh, a difference of 405.9 percent.
- 19 With annual increases of 265 percent in November and 291 percent in December.
- 20 With annual increases of 201 percent in June, 359 percent in July, 447 percent in August, and 465 percent in September.





IV. Public Finance

53. The cumulative fiscal deficit over the last twelve months decreased from 3.5 to 2.4 percent of GDP between December 2024 and August 2025. This result is mainly due to the increase in current revenues as a percentage of GDP, associated with economic growth and higher export prices. To a lesser extent, the reduction in non-financial spending as a percentage of GDP, tax measures implemented since mid-2024 (VAT on digital services and the ISC and taxes on remote gambling) and tax enforcement actions also contributed.

Current revenues as a percentage of GDP increased from 18.7 to 19.5 percent between December 2024 and August 2025. By component, this expansion is mainly attributable to tax revenues, especially higher income tax (IR) collections, largely due to regularization and, to a lesser extent, income tax from individuals and legal entities, as well as tax amnesties and special tax debt installment plans, transfer of deductions, and fines. To a lesser extent, higher non-tax revenues contributed, especially those related to transfers of profits from public entities to the general government.

Annualized non-financial expenditures decreased as a percentage of GDP from 20.8 to 20.6 percent between December and August, due to lower annualized current and investment expenditures, offset by higher capital transfers due to financial support for Petroperú in 2025 through the honor of the foreign trade credit guarantee granted by the Banco de la Nación (D.U. No. 013-2024).

54. During the January-August 2025 period, current expenditure saw a notable increase in goods and services (service contracts, CAS contracts, medical supplies, rentals, and travel, among others). Remuneration also increased, mainly due to increases granted to the education sector (in March), defense and interior (in January and July), and to the different labor regimes in the public sector in January 2025. Finally, current transfers reflected the implementation of programs such as Access and Retention of High Academic Performance Population to Quality Higher Education, Pension 65, Cuna Más, and the National School Feeding Program.

Capital expenditure in the January-August period was notable for increased investment at all three levels of government, particularly local governments, and the implementation of the National Plan for Sustainable Infrastructure for Competitiveness (PNISC), Investments for Optimization, Marginal Expansion, Rehabilitation, and Replacement (IOARR), and infrastructure projects for transportation, hospitals, sanitation, and sports.

55. In annual terms, the fiscal deficit is projected to fall from 3.5 percent of GDP in 2024 to 2.4 percent of GDP in 2025, and then continue to decline to 2.1 percent of GDP in 2026. Thus, the deficits projected for 2025 and 2026 are above the convergence path to the fiscal rule established in Legislative Decree No. 1621.

By 2025, revenues are expected to recover from the previous year with real growth of 8.8 percent, reaching 19.2 percent of GDP (compared to 18.7 percent of GDP in 2024). The projection includes higher payments for income tax regularization (which include extraordinary income from the sale of companies in the electricity distribution sector), and

more payments on account from companies associated with the impact of high export prices and GDP growth in 2024 on tax obligations.

Measures such as the application of VAT to digital services provided by non-domiciled companies and the selective consumption tax (ISC) on remote gaming and remote sports betting, as well as extraordinary payments resulting from tax administration enforcement actions, will also contribute to the increase in annual tax revenues.

The projection envisages a reduction in non-financial expenditure as a percentage of GDP, resulting from the reduction 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 to this company would continue to be honored; This will allow total spending to fall from 20.8% to 20.3% of GDP between 2024 and 2025. It should be noted that continuing to honor this guarantee would complicate compliance with the spending rule for this year.

In addition, higher operating results are expected from state-owned companies (particularly Petroperú, due to the aforementioned honorarium and lower expenses on goods and services); and lower interest payments on external public debt associated with lower rates and the appreciation of the sol observed so far in 2025.

By 2026, the deficit is expected to continue declining, reaching a level of 2.1 percent of GDP. The planned fiscal consolidation process is based on a decrease in non-financial expenditures as a percentage of GDP, with current spending falling from 14.5 to 14.3 percent of GDP between 2025 and 2026, and gross capital formation spending falling from 5.0 to 4.8 percent of GDP. It should be noted that the reduction in other capital expenditures from 0.8% to 0.5% of GDP assumes that in 2026 there will be no new capitalization or financial support from the Treasury to Petroperú.

56. Compared to the **June Report**, the fiscal deficit projection for 2025 has been reduced from 2.5 percent to 2.4 percent of GDP, while the deficit forecast for 2026 remains at 2.1 percent of GDP. The projected deficit for 2025 is reduced because the forecast for non-financial expenditure, excluding support for Petroperú, has been revised downward, associated with a smaller supplementary credit than in the previous year. This lower expenditure more than offsets the lower forecast for tax revenues, which is mainly due to the slower progress in revenue collection through August compared to the June Report, particularly in income tax and higher tax refunds.

The projection of 2.1 percent of GDP remains unchanged for 2026, which implies an increase in tax revenues in line with expected GDP growth, while it is assumed that expenditure growth will be controlled, at 2 percent in real terms (excluding support for Petroperú for the guarantee fees planned for 2025).

The reduction in the fiscal deficit contained in this scenario emphasizes the need for prudent public spending and tax policy over the projection horizon. The current context of high terms of trade and extraordinary tax revenues should be used to rebuild fiscal space more quickly and ensure the long-term sustainability of public finances. Despite the projected reduction in the fiscal deficit, net debt will continue to rise over the projection horizon²¹.

21 This increase would occur even if the fiscal deficit rule were met in the period 2025 and 2026.





The scenario also shows that, in order to ensure a downward trajectory for the deficit in the coming years, it is necessary to increase permanent tax revenues. To this end, it is a priority to reduce high levels of tax evasion and, complementarily, to implement new measures to broaden the tax base. In this regard, bills seeking new tax incentives complicate not only fiscal consolidation but also the government's ability to meet the population's public goods needs.

Table 26
NON-FINANCIAL PUBLIC SECTOR
(% GDP)

	2024	2025*			2026*	
		August ^{1/}	IR Jun.25	IR Sep.25	IR Jun.25	IR Sep.25
1. General Government Current Revenue	18.7	19.5	19.4	19.2	19.5	19.2
Real % change	2.4%	12.4%	9.3%	8.8%	3.7%	3.7%
2. Non-financial government expenditure General	20.8	20.6	20.3	20.3	20.0	19.7
Real % change	7.4%	6.7%	3.0%	3.8%	1.8%	0.5%
Of which:						
Current expenditure	14.7	14.5	14.6	14.5	14.4	14.3
Real % change	1.5%	2.8%	5.1%	4.9%	2.2%	2.3%
Gross capital formation	5.0	4.9	5.0	5.0	4.9	4.8
Real % change	16.3%	5.1%	6.7%	6.9%	1.1%	0.7%
3. Others^{2/}	0.2	0.5	0.0	0.3	0.1	0.1
4. Primary balance (1-2+3)	-1.8	-0.7	-0.9	-0.8	-0.4	-0.4
5. Interest	1.7	1.7	1.6	1.6	1.7	1.7
6. Overall Balance	-3.5	-2.4	-2.5	-2.4	-2.1	-2.1

1/ The ratios on percentage of GDP and real % changes represent accumulated in the last 12 months as of August. The real change is with respect to the 12-month period.

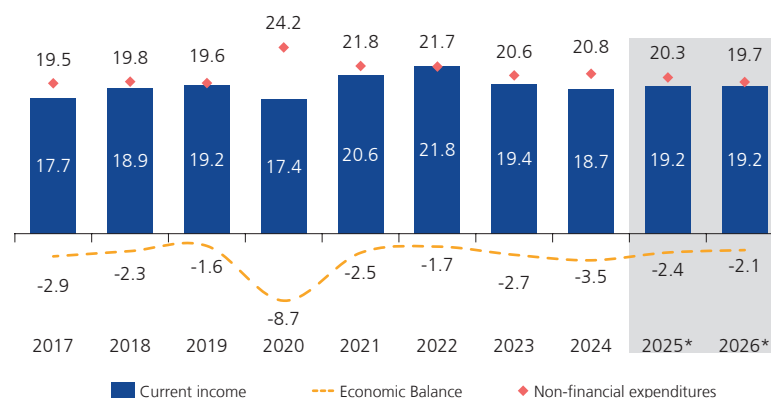
2/ Includes capital income of the general government and primary balance from state-owned companies.

* Projection.

IR: Inflation Report.

The projected evolution of public spending could be affected if new spending initiatives and new financial support for Petroperú are approved.

Graph 61
ECONOMIC BALANCE OF THE NON-FINANCIAL PUBLIC SECTOR: 2017-2026
(% GDP)



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

* Projection.

Source: BCRP.

Current income

57. By 2025, current revenues are expected to show real growth of 8.8 percent and represent 19.2 percent of GDP, 0.5 percentage points higher than in 2024.

The real increase in revenue should be due to higher regularization payments and income tax payments on account, associated with greater economic dynamism and high prices for export metals (copper, gold, zinc), as well as higher revenue collection due to amnesty and special tax debt installment plans.

By 2026, revenues as a percentage of GDP are projected to remain at 19.2 percent, with real growth of 3.7 percent. This increase is mainly explained by higher payments on account by companies, offset by lower payments of fines and tax installments, as well as the elimination of the temporary effects of extraordinary revenues recorded in 2025 (linked to revenues from the sale of a company in the electricity distribution sector, as well as from SUNAT audits). Payments on account by companies are expected to increase in 2026 due to the expected increase in economic activity and the terms of trade in 2025, while fines and tax installments are expected to decrease due to the temporary impact of the Special Installment Plan approved at the end of 2024, which had a greater effect on revenue collection in 2025.

Compared to **the June Report**, the projection for current revenues as a percentage of GDP has been revised downward from 19.4 to 19.2 percent for 2025 and from 19.5 to 19.2 percent for 2026. For 2025, this decline is attributed to lower-than-expected corporate income tax collection, lower VAT, and higher tax refunds, as well as the statistical effect of the upward revision of nominal GDP (which reduces the ratio). Real revenue growth is also adjusted for 2025, from 9.3 to 8.8 percent. In 2026, the projection is revised downward due to the lower base in 2025, as real tax revenue growth (3.7 percent) is similar to that forecast in the previous report.

Table 27
CURRENT REVENUES OF THE GENERAL GOVERNMENT
(% GDP)

	2024	2025*			2026*	
		August ^{1/}	IR Jun.25	IR Sep.25	IR Jun.25	IR Sep.25
TAX REVENUES	14.5	15.1	15.1	14.9	15.1	14.9
Income tax	5.9	6.4	6.6	6.4	6.5	6.5
Value Added Tax (VAT)	8.0	8.0	8.0	7.9	8.0	7.9
Excise tax	0.8	0.8	0.8	0.8	0.8	0.8
Import duties	0.1	0.1	0.1	0.1	0.1	0.1
Other tax revenues	1.8	2.0	1.9	2.0	1.9	1.9
Tax refund	-2.2	-2.3	-2.3	-2.4	-2.3	-2.3
NON-TAX REVENUES	4.3	4.4	4.3	4.3	4.4	4.3
Social contributions	1.9	1.9	1.9	1.9	2.0	1.9
Own resources and transfers	1.0	1.1	1.1	1.1	1.0	1.1
Canon and Royalties	0.6	0.6	0.6	0.6	0.6	0.6
Rest	0.8	0.8	0.8	0.7	0.8	0.7
TOTAL	18.7	19.5	19.4	19.2	19.5	19.2

^{1/} Represents accumulated in the last 12 months as of August.

* Projection.

IR: Inflation Report.

Non-financial expenditure

58. Real growth in **non-financial expenditure** is expected to reach 3.8 percent by 2025, although a reduction is forecast as a percentage of GDP compared to 2024 (from 20.8 to 20.3 percent of GDP). This reduction is associated with the fact that in 2025, financial support for Petroperú would be lower than in the previous year and with the decrease in current expenditure on goods and services and transfers.





In real terms, the various items of non-financial expenditure would increase, with the exception of other capital expenditure. During the year, real growth in the remuneration category would be noteworthy, due mainly to the salary increases implemented between January and July, as well as higher payments of other remuneration and supplements, and the increases provided for in the Budget Law in November and December for the teaching profession, defense, and the interior. Likewise, higher spending on gross capital formation would be noteworthy, particularly in subnational governments, in line with the progress observed in August.

On the other hand, higher spending is expected on the acquisition of goods and services for CAS, service rentals, maintenance services, and medical supplies, in addition to higher spending in the Interior sector; as well as in current transfers, associated with higher subsidies in social programs, among which Pension 65 stands out—in which the bimonthly subsidy was increased from S/ 250 to S/ 350 per beneficiary—Cuna Más, and Programa Nacional de Alimentación Escolar.

By 2026, spending is expected to continue declining, reaching 19.7 percent of GDP. Current spending would fall from 14.5 to 14.3 percent of GDP, particularly in the acquisition of goods and services and transfers, although in real terms these would expand at a moderate rate. Spending on gross capital formation would decrease from 5.0 to 4.8 percent of GDP, although it would increase in real terms due to greater spending by subnational governments, while lower spending by the national government would reflect the change in administration. Finally, other capital expenditures would decrease from 0.8 to 0.5 percent of GDP, as no financial support for Petroperú is expected in 2026.

Spending on remuneration as a percentage of GDP would remain constant, although it would grow in real terms due to the increases scheduled for 2025. Added to the latter are the provisions contained in the 2026 Budget Bill: 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

Table 28
NON-FINANCIAL EXPENDITURES OF THE GENERAL GOVERNMENT
(% GDP)

	2024	2025*			2026*	
		August ^{1/}	IR Jun.25	IR Sep.25	IR Jun.25	IR Sep.25
CURRENT EXPENDITURE	14.7	14.5	14.6	14.5	14.4	14.3
National Government	9.2	9.1	9.3	9.1	9.2	9.1
Regional governments	3.8	3.7	3.7	3.7	3.6	3.6
Local governments	1.7	1.7	1.6	1.7	1.6	1.6
CAPITAL EXPENDITURE	6.1	6.1	5.7	5.8	5.5	5.4
Gross Capital Formation	5.0	4.9	5.0	5.0	4.9	4.8
National Government	2.0	1.9	2.1	1.9	2.0	1.8
Regional governments	1.2	1.2	1.2	1.2	1.2	1.2
Local governments	1.7	1.7	1.7	1.9	1.7	1.8
Others	1.1	1.2	0.7	0.8	0.6	0.5
TOTAL	20.8	20.6	20.3	20.3	20.0	19.7
National Government	12.3	12.2	12.0	11.7	11.8	11.5
Regional governments	5.0	4.9	5.0	5.0	4.8	4.8
Local governments	3.5	3.5	3.4	3.6	3.3	3.4

1/ Represents accumulated in the last 12 months as of August.

* Projection.

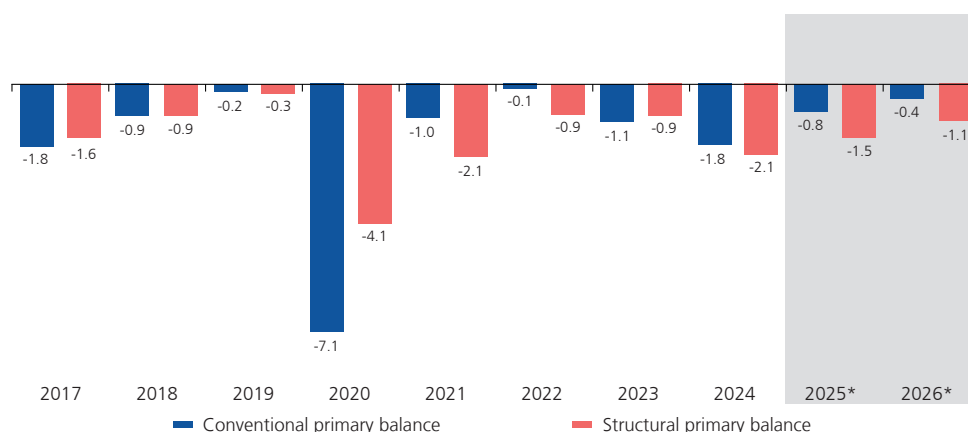
IR: Inflation Report

Fiscal stance

59. 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 1.5 percent and 1.1 percent of potential GDP for 2025 and 2026, respectively, 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 in 2025 and 2026 compared to the conventional balance, not only because of higher terms of trade (which generate cyclically higher revenues), but also because so far in 2025, the general government has received a series of temporary revenues, notably those generated by the sale of an electricity distribution company and by the tax audit of a financial system company. For 2026, the difference between the conventional and structural primary results is explained to a greater extent by the cyclical component associated with the terms of trade. This means that closing the structural balance gap in the years after 2026 will require continued efforts to reduce the fiscal deficit.

Graph 62
CONVENTIONAL AND STRUCTURAL PRIMARY BALANCE OF THE
NON-FINANCIAL PUBLIC SECTOR: 2017-2026
(% GDP and Trend GDP)



* Projection.

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

Financing and debt

60. **Financing requirements** are expected to decrease in 2025 and 2026 compared to 2024, mainly due to the reduction in the fiscal deficit and lower debt amortization. In terms of **financing sources**, the projection for 2025 incorporates Debt Management Operations (DMOs) in June 2025. For 2026, the lower financing requirement is mainly due to the effect of the 2025 DMOs on debt service.
61. Compared to **the June report**, the projection for financing requirements in 2025 has been revised upward due to the increase in debt amortization derived from the June DMOs, which was addressed with a larger bond issue. For 2026, financing requirements are reduced compared to the previous report due to lower amortization service, which would translate into lower use of deposits.





Table 29
**FINANCIAL REQUIREMENTS AND FINANCING OF THE
 NON-FINANCIAL PUBLIC SECTOR**
 (Million S/)

	2024	2025*			2026*	
		Jan-Aug	IR Jun.25	IR Sep.25	IR Jun.25	IR Sep.25
I. USES	69,978	31,407	50,586	56,096	40,217	36,817
1. Amortization	31,711	24,603	20,622	26,886	13,344	9,961
a. External	9,625	7,973	6,222	10,008	8,533	7,541
b. Domestic	22,086	16,630	14,400	16,878	4 811	2,420
Of which: recognition bond ^{1/}	500	302	451	467	550	550
2. Economic balance ^{2/}	38,266	6,804	29,964	29,211	26,872	26,856
II. SOURCES	69,978	31,407	50,586	56,096	40,217	36,817
1. Disbursements and other	50,949	45,623	49,053	52,643	37,187	37,029
a. External loans	7,331	864	8,607	2,438	5,187	5,029
b. Global and sovereign bonds ^{3/}	43,618	44,759	40,447	50,204	32,000	32,000
2. Change in deposits and Others ^{4/}	19,029	-14,216	1,533	3,454	3,030	-212
Note:						
<u>Percentage of GDP</u>						
Gross public debt balance	32.1	31.2	32.2	31.3	32.6	32.0
Net public debt balance	23.5	22.3	24.2	23.7	25.1	24.8
Balance of public deposits	8.6	8.9	8.1	7.5	7.5	7.2

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.

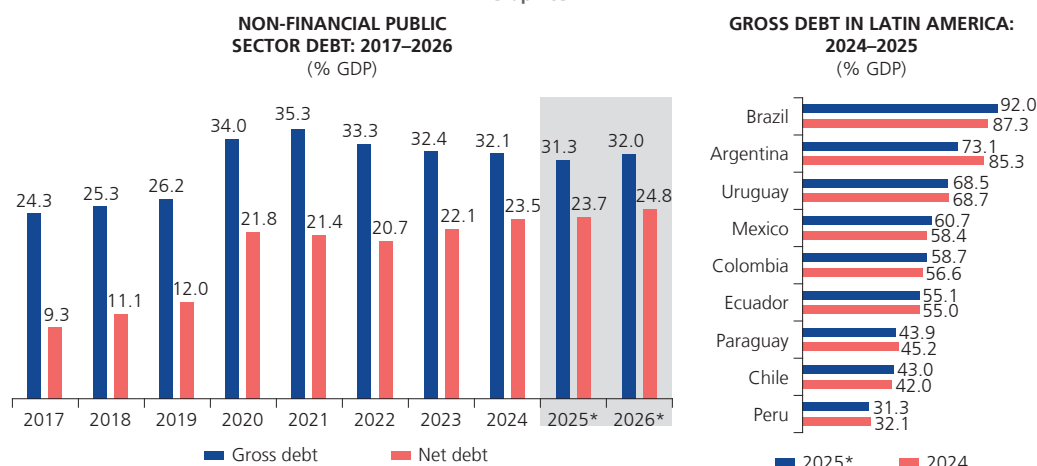
* Projection.

IR: Inflation Report.

62. The **net** deposit **debt** of the non-financial public sector is estimated to increase from 23.5 percent to 23.7 percent of GDP between 2024 and 2025 and to reach 24.8 percent of GDP in 2026. Meanwhile, the gross debt of the non-financial public sector is expected to fall from 32.1 percent to 31.3 percent of GDP between 2024 and 2025, and rise to 32.0 percent of GDP by 2026. Thus, fiscal deficit levels above the fiscal rule limit (1 percent of GDP) in recent years have not had a major effect on public debt as a percentage of GDP.

A further reduction in the financial assets of the non-financial public sector is projected, from 8.6 percent of GDP in 2024 to 7.2 percent of GDP in 2026. To the extent that the reduction in the fiscal deficit is not consolidated, the eventual depletion of available deposits would mean that any future fiscal deficit would be immediately reflected in a higher public debt balance, unlike what has been happening so far. The current and projected level of debt, which is below that observed in other countries in the region, represents an economic strength of the country that should be preserved.

Graph 63

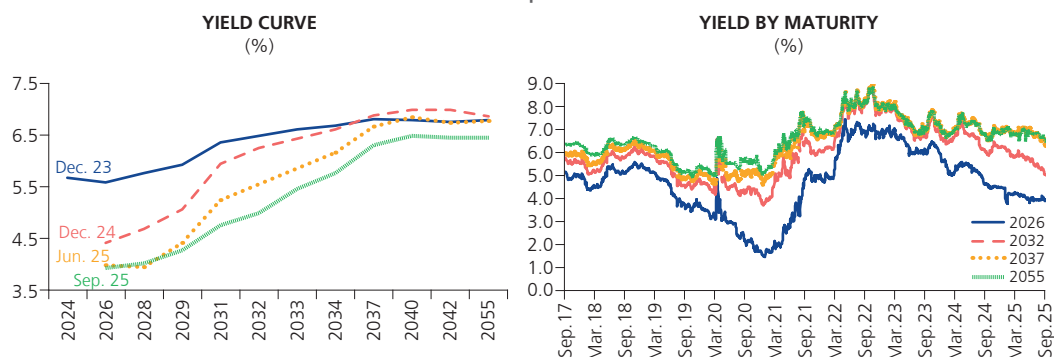


* Projection.

Source: BCRP (Peru), Medium-Term Fiscal Framework - 2025 (Colombia) and Fiscal Monitor (April 2025).

63. In the third quarter of 2025, the yield rates on fixed-rate Public Treasury Bonds (BTP) denominated in soles fell by an average of 29 basis points, in line with the reduction in global bond interest rates (-43 basis points), US bond yields (-19 basis points up to 10 years) and the lower country risk spread (from 154 basis points in June to 123 basis points in September). The positive performance of Peruvian securities comes amid uncertainty about the outlook for global economic growth and persistent trade tensions.

Graph 64



As of September 12.

Source: MEF.

64. On June 25, 2025, the Ministry of Economy and Finance (MEF) announced the completion of an DMO that included:
- The issuance of two new global bonds totaling USD 3 billion with maturities of 11 and 30 years: (i) USD 1.6 billion of a global bond maturing in 2036 issued with a coupon rate and yield of 5.500 percent and 5.543 percent, respectively; and (ii) USD 1.4 billion of a global bond maturing in 2055 with a coupon rate and yield of 6.200 percent and 6.237 percent, respectively. The bonds received a credit rating of BBB²².
 - The exchange and/or repurchase of global bonds in dollars maturing in 2025, 2026, 2027, 2030, and 2031 for the new 2036 global bond. The offer began on June 25

22 Rating assigned by Fitch.





and ended on July 1. A total of USD 951 million in sovereign bonds were accepted (USD 516 million for the exchange of the recently issued 2036 global bond and USD 434 million for the repurchase of bonds in exchange for cash).

- iii. The cash repurchase of global bonds in euros totaled EUR 230 million in bonds maturing in 2026 and 2030.
- iv. Therefore, considering the amounts of the issues for repurchase and exchange, a total of USD 2.08 billion in nominal value of the 2036 global bond was issued. The balance of the global government bonds resulting from the transaction was a net increase of USD 2.53 billion and a reduction of EUR 230 million.

Table 30
PLACEMENT OF GLOBAL BONDS IN THE INTERNATIONAL MARKET
(Million USD)

	Global 2036	Global 2055
Auction Date	25-Jun-25	25-Jun-25
Issue Date	30-Jun-25	30-Jun-25
Maturity Date	30-Mar-36	30-Jun-55
Term	10 years	30 years
Market	International	
Issue amount	1,600	1,400
Coupon Rate	5.500	6.200
Price	99.628	99.407
Rate of return	5.543	6.237
Spread	125	140
Credit Rating		
Moody's		Baa1
Fitch		BBB-
S&P		BBB
	Global 2036	Global 2055
Guide Rate*	Treasury + 155 bps	Treasury + 175 bps
Treasury Rate	4.29	4.83
Global Bond Rate	5.55	6.19
Sovereign Bond Rate	6.51	6.78
Spread		
Spread over Treasury	125	140

* The Initial Price Talk (IPT) is the rate that the issuer believes investors should bid. It is the maximum rate that the issuer is willing to pay. It can be expressed as a rate or a spread.

Table 31
RESULT OF THE GLOBAL BOND EXCHANGE AND CASH REDEMPTION TRANSACTION
(Million USD and EUR)

Bond	Coupon Rate (%)	Currency	Balance as of June 25	Price Offered in DMO*		Exchange	Repurchase	Nominal Amount Accepted	% Offer Accepted on Balance as of June 25		
				Exchange	Repurchase				Exchange	Repurchase	Total
Global 21Jul2025	7.35	USD	425	1,007.9	1,004.1	60	70	130	14	16	31
Global 23Jan2026	2.39	USD	346	992.2	988.5	20	45	65	6	13	19
Global 25Aug2027	4.13	USD	618	1,004.7	1,000.9	44	125	169	7	20	27
Global 20Jun2030	2.84	USD	645	919.0	915.6	116	64	180	18	10	28
Global 23Jan2031	2.78	USD	3,207	900.7	897.3	278	130	408	9	4	13
Global 30Jan2026	2.75	EUR	845		1,004.1		155	155	0	18	18
Global 1Mar2030	3.75	EUR	935		1,031.0		75	75	0	8	8
Total Globales USD			5,241			517	434	951			
Total Globales EUR			1,780				230	230			
Total Globales (USD)			7,323			517	703	1,220	7	10	17

*Per USD 1,000 / EUR 1,000 nominal value.

65. Additionally, on August 25, 2025, the MEF announced an DMO to exchange BTPs maturing in 2026 and 2028 for the 2034 BTP, with the aim of contributing to the development of the public debt market and improving the maturity profile of domestic public debt.
- The reopening of the BTP maturing in 2034 for S/ 2,568 million. The bond has a coupon rate of 5.40 percent.
 - The exchange of sovereign bonds maturing in 2026 and 2028 for the 2034 sovereign bond. A total of S/ 2.359 billion was accepted.
 - In net terms, considering the amount of the issue for the exchange, the balance of government sovereign bonds resulting from the operation was a net increase of S/ 209 million.

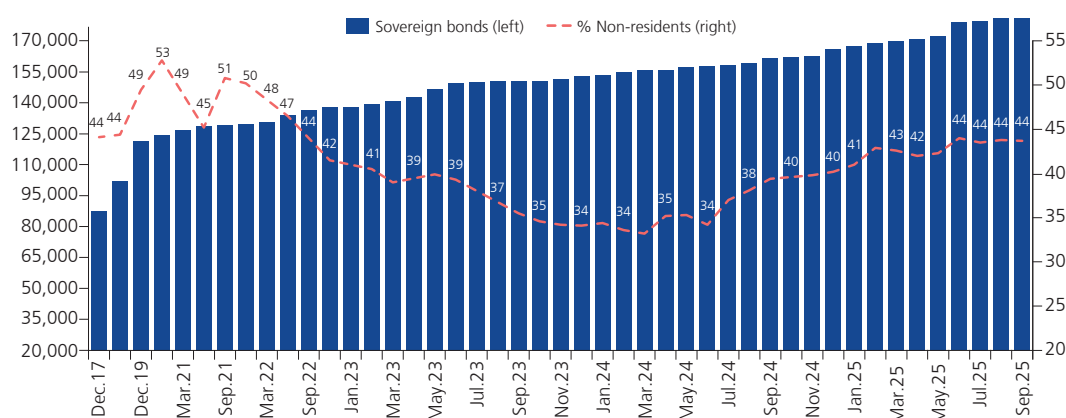
Table 32
RESULT OF THE SOVEREIGN BOND EXCHANGE OPERATION
(Million S/)

Bond	Coupon Rate (%)	Balance as of August 25	Exchange rate*	Nominal Amount Accepted	% Offer Accepted on Balance as of August 25 August
			Exchange		Total
BTP 12Aug2026	7.35	3,603	1,041.4	2,056	57
BTP 12Aug2028	2.39	4,057	1,065.4	303	7
Total		7,660		2,359	31

*Per S/ 1,000 of nominal value.

66. The balance of sovereign bonds as of September 12 stands at S/ 182.5 billion, up S/ 3.5 billion from the balance in June 2025. In the third quarter, banks and pension fund administrators (AFPs) were the main buyers, while non-resident investors sold bonds in July and bought in August. The share of non-resident investors fell from 44.0 percent to 43.6 percent between June and September 2025.

Graph 65
BALANCE OF SOVEREIGN BONDS AND PARTICIPATION OF NON-RESIDENT INVESTORS
(Million S/ and %)



As of September 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. As of March 2021, nominal sovereign bonds and VAC are included and GDN are excluded.

Source: BCRP, CAVALI, MEF, and SBS.





V. Monetary policy and financial market conditions

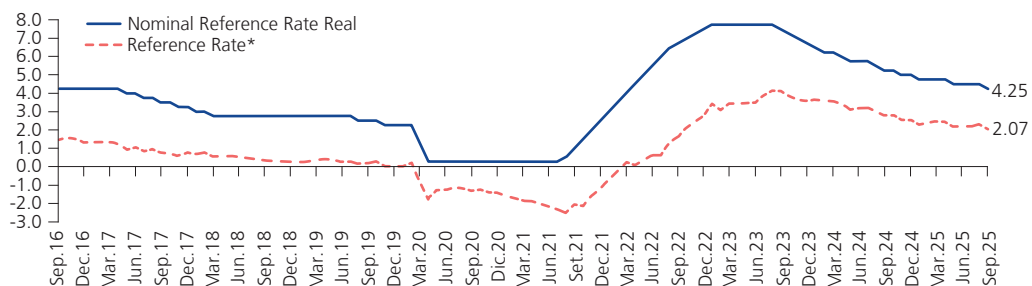
Monetary policy actions

67. The Board of Directors of the Central Bank of Peru (BCRP) decided to reduce the benchmark interest rate by 25 basis points to 4.25 percent at its September Monetary Policy Committee meeting, after keeping it unchanged at its July and August meetings. As a result, the real benchmark interest rate currently stands at 2.07 percent, very close to the estimated neutral level (around 2.0 percent)²³. This level is consistent with inflation projections and their determinants, in a context where inflation, 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 this regard, our country is one of the few in the region where inflation has returned to its target after the episode of high global inflation in 2021-2023.

In the July and August policy statements, the message was reiterated that future adjustments to the benchmark interest rate would be contingent on new information about inflation and its determinants. Additionally, in the September statement, it was emphasized that the interest rate is very close to the estimated neutral level. Likewise, in these communiqués, the Board reaffirmed its commitment to take the necessary actions to keep inflation within the target range

68. During the monetary policy interest rate cut cycle, between September 2023 and September 2025, the benchmark interest rate accumulates a reduction of 350 basis points.

Graph 66
REFERENCE INTEREST RATE
(%)



* With inflation expectations.
Source: BCRP.

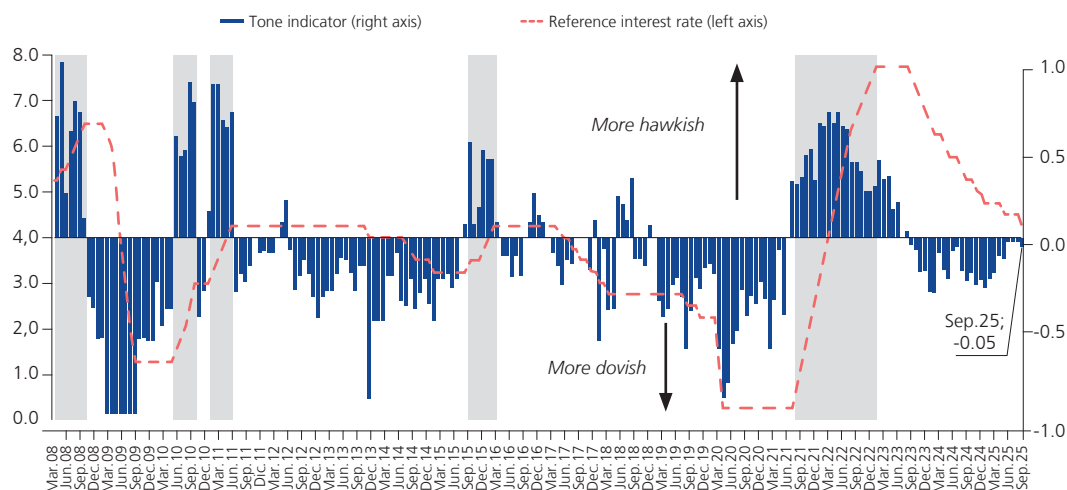
69. Since May 2024, monetary policy statements have emphasized that the Board will be attentive to new information on inflation and its determinants, including developments in inflation excluding food and energy (SAE)²⁴. This indicator has been on a downward trend since the last quarter of 2024, standing at 1.8 percent at the end of August 2025, and is projected to remain around 2 percent.

23 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/september/inflation-report-september-2023-box-5.pdf>

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

70. With regard to the tone of the Informative Note and monetary policy communication signals, the tone indicator used by the BCRP remained in the *dovish* zone, although its value has fallen to more neutral levels in the last four months.

Graph 67
REFERENCE INTEREST RATE AND MONETARY POLICY TONE INDICATOR*
(Percentage and index value)



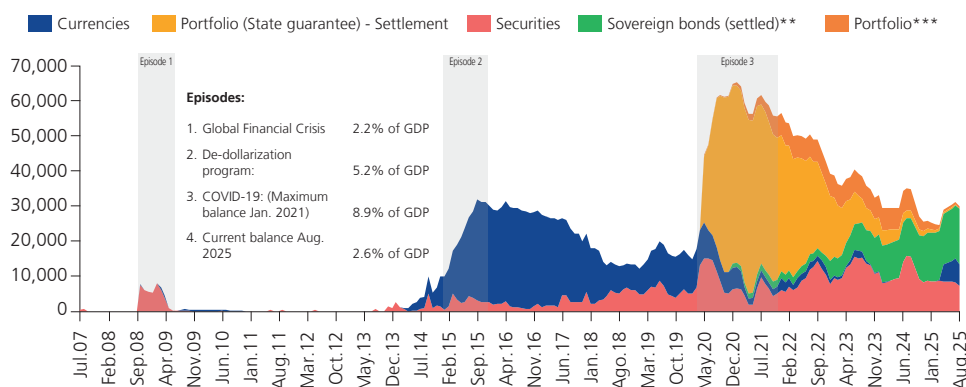
* For the monetary policy tone indicator, the positive values of the index mean a tone in favor of a contractionary position (hawkish), while negative values imply communication with an expansive position (dovish). Shaded areas correspond to periods of rising interest rates.

Monetary Operations

71. The BCRP's operations were aimed at ensuring adequate levels of liquidity in the interbank market.

The total balance of liquidity injection operations was S/ 29.98 billion at the end of August 2025, while the balance of BCRP Certificates of Deposit (CD BCRP) was S/ 37.862 billion on the same date. In terms of nominal GDP, at the end of August, the balance of liquidity injection operations was equivalent to 2.6 percent of GDP.

Graph 68
BALANCE OF BCRP INJECTION OPERATIONS*
(In Million S/)



* As of August 2025.

** The purchase of Public Treasury bonds, in line with article 61 of the BCRP Organic Law.

*** Repos operations of portfolio loans.

Source: BCRP





As of August, the balance of the State-Guaranteed Portfolio Repo (Reactiva Perú) amounted to S/ 69 million, and the balance of repurchase agreement operations under the credit rescheduling program amounted to S/ 949 million (S/ 207 million in Securities Repo and S/ 742 million in Portfolio Repo). The maturity of the reporting operations of the Reactiva Perú Program would occur at the end of 2025, while that of the Reprogramming Program operations is scheduled for the end of September.

Table 33
REPO OPERATIONS OF THE CREDIT RESCHEDULING PROGRAM
(In million S/)

	Maturities						Balance
	May	June	July	August	September	Jun.- Sep.	August
Rescheduling	-101	-127	-234	-75	-949	-1,386	949
Values	0	-126	-232	-70	-207	-635	207
Portfolio	-101	-1	-2	-4	-742	-750	742

Source: BCRP.

72. Regarding the composition of the BCRP balance sheet, the balance of BCRP injection operations fell from 5.4 percent to 5.3 percent of BCRP net assets between the end of May and August 2025, mainly due to the reduction in the share of securities repos (from 2.4 percent to 2.1 percent). During the same period, the share of public sector deposits in the BCRP's net liabilities increased from 18.9 percent to 19.6 percent, while the share of financial system deposits decreased from 27.8 percent to 26.0 percent. Finally, the BCRP's sterilization instruments (BCRP CDs, overnight deposits, and window deposits) increased their share of the BCRP's net liabilities from 12.4 percent in May 2025 to 12.8 percent in August 2025, and currency in circulation increased its share from 24.3 percent to 25.6 percent in the same period.

Table 34
SIMPLIFIED BALANCE SHEET OF THE BCRP**
(As % of Net Assets)

	Dec.23	Dec.24	May.25	Aug.25
I. Net assets	100%	100%	100%	100%
1. Net international reserves	87.1%	91.1%	90.0%	89.9%
	(USD 71,033 million)	(USD 78,987 million)	(USD 85,957 million)	(USD 87,753 million)
2. BCRP injection instruments	9.1%	4.4%	5.4%	5.3%
Securities Repo	3.6%	2.6%	2.4%	2.1%
Currency Repo	0.1%	0.0%	1.5%	1.8%
Portfolio Repo	2.1%	0.7%	0.2%	0.2%
State Guaranteed Portfolio repos	1.6%	0.4%	0.1%	0.0%
Auction of Public Treasury Deposits	1.7%	0.7%	1.1%	1.2%
3. Bonds (Sovereign and Global)	3.8%	4.5%	4.5%	4.8%
II. Net liabilities	100%	100%	100%	100%
1. Total public sector deposits	25.4%	18.8%	18.9%	19.6%
In domestic currency	19.9%	12.6%	14.0%	12.4%
In foreign currency	5.5%	6.2%	4.9%	7.2%
2. Total financial system deposits	20.3%	24.9%	27.8%	26.0%
In domestic currency	4.8%	4.4%	3.7%	4.0%
In foreign currency	15.5%	20.5%	24.1%	22.0%
3. BCRP sterilization instruments	13.7%	13.4%	12.4%	12.8%
CD BCRP	11.6%	11.2%	10.6%	11.0%
CDR BCRP	0.2%	0.0%	0.0%	0.0%
Term deposits	1.1%	1.8%	1.8%	1.8%
Overnight deposits	0.9%	0.4%	0.0%	0.0%
4. Currency circulation	24.9%	25.7%	24.3%	25.6%
5. Others*	15.7%	17.2%	16.5%	16.0%

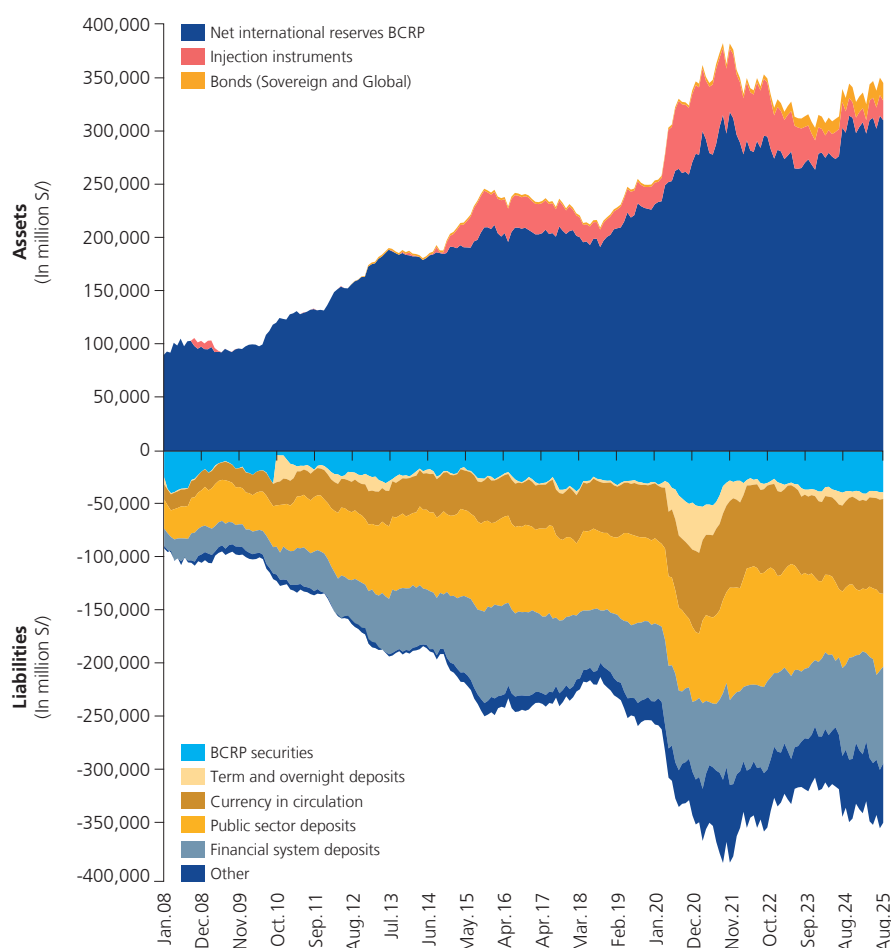
* Includes equity and other accounts.

** Information as of August 2025.

Source: BCRP.

With regard to the size of the BCRP balance sheet, in August 2025, BCRP assets amounted to S/ 344,671 million, equivalent to 29.9 percent of GDP, lower than at the end of May 2025 (30.6 percent of GDP).

Graph 69
EVOLUTION OF THE BCRP BALANCE SHEET: 2008-2025



Source: BCRP.

73. Between the end of May and August 2025, the residual maturity of injection operations fell by 3 days (from 53 to 50 days). This change is mainly explained by the amortization of Repo with State Guarantee and the higher amount of Regular Currency Repo placements with a 1-month maturity, compared to longer maturities.

Meanwhile, the residual maturity of sterilization operations increased by 20 days (from 83 to 103 days) between May and August 2025. This increase is explained by the higher amount of BCRP CDs placed for terms longer than 3 months.

As a result, between the end of May and August 2025, the weighted net residual maturity of BCRP operations²⁵ decreased by 17 days. Thus, the average maturity of monetary sterilization instruments (BCRP liabilities) exceeded that of liquidity injection instruments (BCRP assets) by 58 days.

25 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 using the following formula

$$\text{Weighted Net Residual Term} = \frac{\text{Injection balance}}{\text{Injection Balance} + \text{Sterilization balance}} * PR \text{ Injection} - \frac{\text{Sterilization balance}}{\text{Injection Balance} + \text{Sterilization Balance}} * PR \text{ Sterilization}, \text{ where } PR \text{ refers to the residual terms of injection and sterilization operations, respectively.}$$



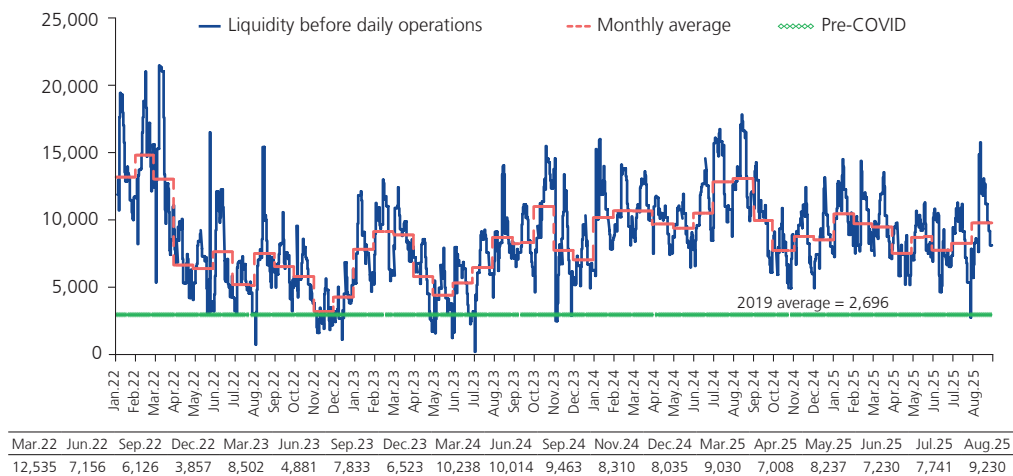

Graph 70
WEIGHTED NET RESIDUAL TERM OF BCRP OPERATIONS
(In days)



Note: At the end of August.
Source: BCRP.

Meanwhile, between the end of May and the end of August 2025, the daily average liquidity before operations of banking companies²⁶ increased from S/ 8,237 million to S/ 9,230 million. This increase is mainly explained by the fiscal injection associated with the payment of sovereign bond coupons in August.

Graph 71
LIQUIDITY BEFORE OPERATIONS OF BANKING COMPANIES
(In millions of soles)



Note: At the end of August.
Source: BCRP.

Financial markets

74. In the third quarter of 2025, financial conditions in local currency remained flexible, although to a lesser extent than in the second quarter of the year, in a period in which the reference rate was reduced by 25 basis points from 4.50 percent in June to 4.25 percent in September. Lower-risk and shorter-term rates continued to decline between June and September.

26 It is considered to be the aggregate current account of banking companies at the BCRP at the start of the day. Specifically, it considers the balance before transactions 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.

In the unsecured interbank lending market, the overnight interbank interest rate remained at its reference level. During the third quarter, the average daily trading volume fell to S/ 1.425 billion, which is lower than the average traded in the second quarter (S/ 1.589 billion). This reduction is explained by the greater availability of liquidity in banking companies, resulting both from the injection of funds through the BCRP's securities repo operations and from the payment of coupons on Public Treasury Bonds (BTP) made in August 2025.

Table 35
INTEREST RATES IN NATIONAL CURRENCY^{1/}
(%)

	Dec.22	Dec.23	Dec.24	Mar.25	Jun.25	Sep.25	Hist. Avg. ^{2/}
Passive							
90-day corporate prime	8.1	6.7	4.5	4.5	4.5	4.4	3.9
TIPMN	3.0	3.5	2.4	2.3	2.3	2.2	2.4
FTIPMN	3.7	3.1	2.2	2.4	2.3	2.4	2.3
Deposits up to 30 days	7.4	6.7	4.4	4.2	4.2	4.2	3.6
Individuals	3.7	3.3	3.3	3.1	3.0	2.9	2.5
Business	7.4	6.7	4.4	4.2	4.2	4.2	3.6
Term deposits from 31 to 90 days	7.5	6.6	4.4	4.2	4.3	4.2	3.8
Individuals	3.7	6.1	3.9	3.6	3.8	3.8	2.3
Business	7.8	6.8	4.7	4.5	4.5	4.5	3.9
Term deposits from 91 to 180 days	7.6	6.2	4.1	4.0	3.9	4.0	3.9
Individuals	4.8	5.9	3.7	3.6	3.6	3.6	2.9
Business	8.5	6.9	4.8	4.6	4.5	4.5	4.2
Term deposits from 181 to 360 days	7.6	5.7	4.2	4.1	4.0	4.1	4.1
Individuals	6.9	5.0	3.7	3.7	3.8	3.9	3.8
Business	7.8	6.2	4.6	4.5	4.3	4.3	4.3
Term deposits over 360 days	6.8	5.4	4.1	3.8	3.6	3.9	4.3
Individuals	5.9	5.0	3.7	3.4	3.3	3.7	4.3
Business	7.8	6.0	4.5	4.4	4.5	4.4	4.3
CTS	2.6	2.0	2.0	3.3	2.0	2.9	3.0
Active							
90-day corporate prime	9.2	7.5	5.1	5.0	5.0	5.0	4.7
TAMN	14.5	15.9	15.0	14.8	15.1	15.3	15.6
FTAMN	28.3	28.4	27.5	28.5	30.3	30.5	21.9
Corporate	8.9	8.1	5.8	5.7	5.8	6.0	5.4
Large Companies	10.6	10.2	8.4	7.7	7.8	7.9	7.1
Medium-sized companies	14.1	13.3	10.3	10.5	9.8	10.9	10.4
Small Businesses	22.5	22.9	19.8	20.2	19.8	20.4	20.4
MicroBusiness	35.7	37.7	46.3	65.1	65.7	68.3	35.1
MicroBusiness ^{3/}	39.3	43.9	48.8	58.0	55.6	55.5	41.3
Consumer	49.6	56.9	59.9	57.0	57.0	56.2	44.3
Consumer ^{3/}	47.7	54.3	55.6	60.2	56.3	57.7	48.4
Mortgage	9.9	9.1	8.2	8.0	7.9	7.9	8.4

1/ Annualized rates for banking companies' operations over the past 30 days.

2/ Average since September 2010. In the case of consumer credit, this is the average since October 2019.

3/ Corresponds to the average for the financial system.

On July 14, 2023, the SBS published Resolution No. 2368-2023, modifying the definitions of companies' credit segments, which became effective October 1, 2024.

As of September 12.

Source: BCRP and SBS.

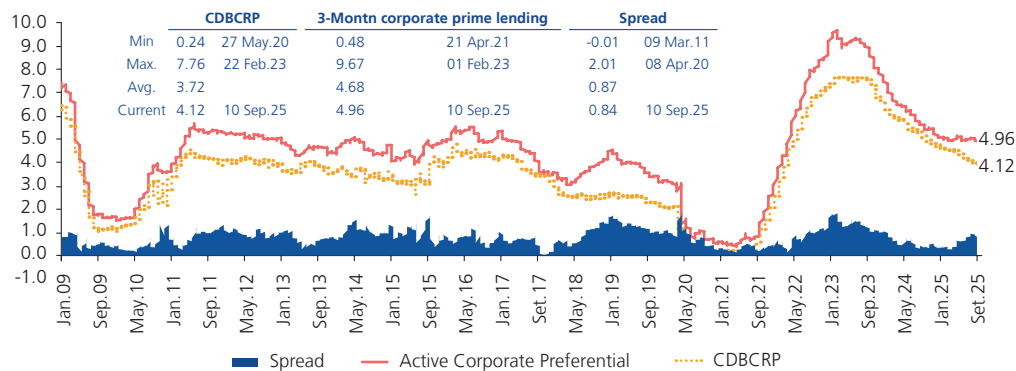
In the case of active and passive corporate preferential interest rates, which are representative of the market and the financial conditions of banking companies, these decreased across all maturities during the third quarter, with the largest decrease occurring in overnight maturities. This behavior is associated with market expectations that the cycle of monetary policy rate reductions has come to an end. Thus, between June and September 2025, lending and borrowing rates between overnight and twelve-month terms accumulated average reductions of 11 and 10 basis points, respectively (17 and 18 basis points, respectively, for the overnight term).

The spread between the corporate preferential lending rate and the 3-month BCRP CD rate increased between the second and third quarters of 2025 from 88 to 84 basis points, as the reduction in the BCRP CD rate was greater than the preferential rate.





Graph 72
3-MONTH CORPORATE PRIME LENDING AND 3-MONTH CD-BCRP RATES
(%)



As of September 12, 2025.
Source: BCRP and SBS.

75. In the bank credit market, lending rates in local currency increased in most segments, especially those with higher credit risk. In line with this, in the third quarter of 2025, interest rates for micro and medium-sized enterprises increased by 263 and 112 basis points, respectively.

During the same period, the average interest rate on mortgage loans rose from 7.85 percent to 7.89 percent, while the yield on 10-year Peruvian sovereign bonds fell from 6.17 percent to 5.87 percent between June and September. The balance of mortgage loans held by banks increased from S/ 64.5 billion to S/ 64.8 billion between June and July 2025.

In the bank deposit market, interest rates showed mixed performance, with smaller reductions compared to the second quarter. By type of depositor, among the interest rates paid to individuals, the reduction for terms of up to 30 days (23 basis points) and the increase for terms of more than 360 days (23 basis points) stand out. Meanwhile, interest rates paid to companies decreased for terms of up to 30 days and over 360 days by an average of 6 basis points. The interest rate on CTS deposits rose from 1.98 percent in June 2025 to 2.89 percent in September 2025. The balance of this type of deposit in national currency increased between December 2024 and July 2025 from S/ 4,447 million to S/ 4,859 million.

76. The difference between the monetary policy interest rates of the BCRP and the Federal Reserve (Fed) has decreased from 2.25 percentage points in August 2023 to zero in September 2025. During this period, the Fed rate fell from 5.50 to 4.25 percent, while the BCRP reference interest rate fell from 7.75 percent in August 2023 to 4.25 percent in September 2025. This reduction in the policy rate differential was passed on from June 2024 to 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 September 12, the corporate credit segment maintained a negative spread in January, February, and March (-0.32, -0.12, and -0.10 percentage points, respectively); while in the deposit market, individuals with up to 30 days presented a negative spread in February (-0.09 percentage points). In the case of total savings deposits, the spread was negative in January, April, and May 2025 (-0.03, -0.03, and -0.02 percentage points, respectively).

Table 36
INTEREST RATE DIFFERENTIALS IN SOLES AND US DOLLARS
(In %)

Money Markets								
	Dec.23	Mar.24	Jun.24	Sep.24	Mar.25	Jun.25	Aug.25	Sep.25
Monetary Policy	1.25	0.75	0.25	0.25	0.25	0.00	0.00	0.00
Interbank	1.25	0.75	-0.08	0.25	0.25	0.13	0.00	0.00
Active Corporate Preference								
1 month	1.26	0.57	-0.05	-0.08	0.54	0.66	0.58	0.54
3 months	1.22	0.41	-0.01	-0.03	0.59	0.69	0.57	0.61
6 months	1.16	0.33	-0.16	0.12	0.59	0.68	0.59	0.64
Corporate Passive Preference								
1 month	1.58	0.85	0.41	0.29	0.78	0.85	0.77	0.80
3 months	1.45	0.67	0.35	0.25	0.75	0.87	0.83	0.88
6 months	1.32	0.60	0.26	0.38	0.74	0.89	0.87	0.94
Credit markets								
	Dec.23	Mar.24	Jun.24	Sep.24	Mar.25	Jun.25	Aug.25	Sep.25
Credit								
Corporate	0.58	-0.18	-0.80	-0.33	-0.10	0.14	0.60	0.47
Large Companies	1.39	0.60	0.58	0.59	0.49	0.73	0.89	1.08
Medium-sized enterprises	3.50	3.16	2.04	3.25	1.80	0.89	2.01	2.02
Small business	9.61	8.84	8.35	8.50	10.36	10.23	10.84	11.19
MicroBusiness	22.21	29.94	30.41	32.02	51.60	46.02	44.07	44.28
MicroBusiness ^{1/}	27.77	34.97	35.00	34.40	38.61	39.16	35.24	35.24
Consumer	10.95	9.63	11.61	8.57	10.89	10.07	8.19	7.14
Consumer ^{1/}	13.48	11.78	9.78	12.08	10.75	8.22	9.90	9.90
Mortgage	1.20	1.17	1.34	1.50	0.95	0.90	0.83	0.88
TAMN-TAMEX	5.00	4.68	4.68	3.93	4.87	5.44	5.63	5.59
FTAMN-FTAMEX	15.48	14.84	12.40	13.79	16.36	19.27	18.32	18.90
Deposits markets								
	Dec.23	Mar.24	Jun.24	Sep.24	Mar.25	Jun.25	Aug.25	Sep.25
Individuals								
Up to 30 days	-0.11	0.05	-0.17	-0.07	0.60	0.24	0.43	0.25
31-90 days	2.22	1.86	1.32	1.09	0.84	1.06	0.96	1.00
91-180 days	2.64	1.73	1.02	0.97	0.86	1.03	1.02	0.98
181-360 days	2.31	1.98	1.35	0.77	0.89	1.04	1.16	1.17
More than 360 days	1.99	1.99	1.35	1.40	1.06	0.63	1.22	1.20
Legal entities								
Up to 30 days	1.62	0.60	0.43	0.21	0.79	0.77	0.72	0.72
31-90 days	1.63	0.93	0.70	0.20	0.79	0.89	0.91	0.85
91-180 days	1.86	0.64	0.44	0.27	1.19	0.97	0.96	1.04
181-360 days	0.71	0.63	-0.05	0.69	1.49	0.80	1.71	0.91
More than 360 days	0.74	0.52	0.22	0.34	0.84	0.91	1.12	1.14
Total								
Savings	0.04	-0.01	-0.02	-0.09	0.00	0.00	0.19	0.23
Up to 30 days	1.62	0.60	0.44	0.21	0.79	0.78	0.72	0.72
31-90 days	1.81	1.05	0.82	0.38	0.70	0.97	0.94	0.86
91-180 days	2.64	1.51	0.53	0.81	1.11	0.99	1.19	1.05
181-360 days	2.28	1.68	0.89	0.88	1.29	1.14	1.49	1.24
More than 360 days	1.25	1.50	1.10	1.22	1.36	0.75	1.39	1.40
Term	1.63	0.64	0.47	0.23	0.79	0.78	0.74	0.72
CTS	1.13	2.37	1.36	1.34	2.24	1.01	1.79	1.78
TIPMN - TIPMEX	1.61	1.24	0.91	0.59	0.74	0.79	0.76	0.82
FTIPMN-FTIPMEX	-0.18	-0.36	-0.78	-0.81	-0.25	-0.41	-0.43	-0.41

1/ Corresponds to the financial system average.
As of September 12, except for the US monetary policy rate, which is as of September 17.
Source: BCRP and SBS.

Most real interest rates rose slightly during the third quarter of 2025, in line with the reduction in nominal interest rates and inflation expectations that approached the center of the target range. Thus, the 3-month preferential lending rate fell by 8 basis points, while the real preferential rate rose by 1 basis point. The real reference rate fell from 2.23

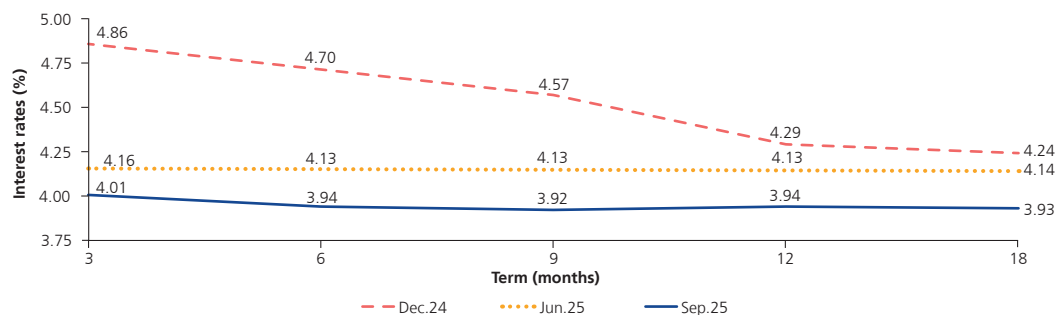




percent in June to 2.07 percent in September 2025. In the case the real mortgage rate stood at 5.74 percent in September, up from 5.57 percent in June.

77. The curve for Certificates of Deposit (CD BCRP) shows a flattening for terms between 6 and 18 months. The quarterly variation in yield rates for terms between 3 and 12 months corresponds to an average reduction of 19 basis points, below the variation in the second quarter (27 basis points), a behavior that reflects market expectations regarding the terminal phase of the reference interest rate normalization cycle. Since the beginning of the third quarter of 2024, the BCRP has been regularly auctioning long-term CDBCRP (between 12 and 18 months), and the new benchmark is helping to form a short-term curve for the private sector.

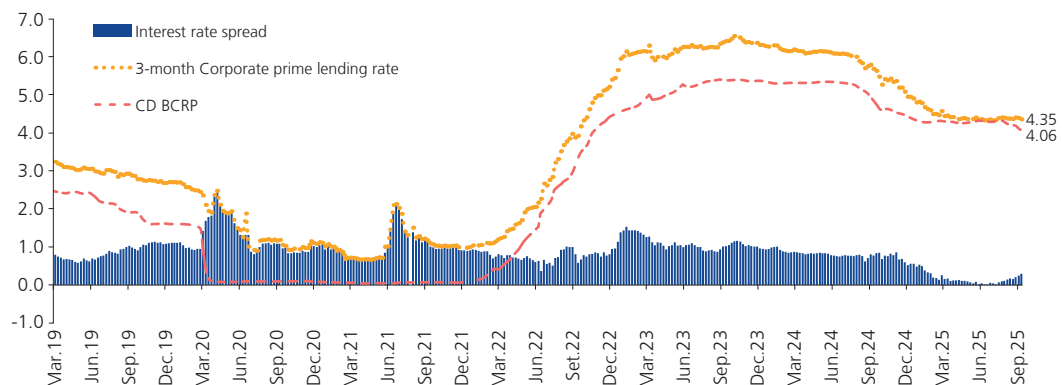
Graph 73
YIELD CURVE OF CD-BCRP SECURITIES^{1/}
(%)



^{1/} Yield rate of the primary and secondary market for BCRP CDs.
As of September 15.
Source: BCRP.

78. In the dollar money market, interest rates remained stable in the third quarter of 2025, associated with the futures market's expectation of further cuts in the Federal Reserve rate. In the interbank market, the overnight interest rate has remained at 4.50 percent since December 2024, in line with the US monetary policy interest rate. Preferential interest rates showed mixed behavior, with a notable reduction in deposit rates across all maturities. The 3-month Term SOFR fell from 4.30 percent in June to 4.06 percent in September. The spread between the preferential lending rate and the 3-month Term SOFR rate increased from 0.04 to 0.29 percentage points over the same period.

Graph 74
3-MONTH CORPORATE PRIME LENDING AND 3-MONTH CD-BCRP RATES
(%)



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

In the foreign currency bank loan market, interest rates for lower credit risk continued to decline in the third quarter of 2025, particularly in the large enterprise segment, which saw a quarterly reduction of 19 basis points. On the other hand, the microenterprise and consumer sectors accumulated the largest increases. The mortgage loan interest rate rose from 6.95 to 7.01 percent between June and September 2025, while the yield on 10-year global bonds fell from 5.47 to 5.00 percent over the same period.

Meanwhile, most longer-term dollar deposit rates declined in the third quarter of 2025, mainly those paid to companies. In the case of the interest rate on CTS deposits in banking companies, it rose from 0.97 percent in June to 1.11 percent in September.

Table 37
INTEREST RATE IN FOREIGN CURRENCY^{1/}
(%)

	Dec.22	Dec.23	Dec.24	Mar.25	Jun.25	Sep.25	Hist. Avg. ^{2/}
Passive							
90-day corporate prime	4.7	5.3	4.8	3.7	3.6	3.5	1.6
TIPMEX	1.2	1.9	1.7	1.6	1.5	1.4	0.8
FTIPMEX	2.3	3.3	2.8	2.6	2.7	2.8	1.1
Deposits up to 30-days	3.6	5.1	3.7	3.4	3.5	3.5	1.4
Individuals	1.1	3.4	2.8	2.5	2.8	2.6	1.0
Business	3.6	5.1	3.7	3.4	3.5	3.5	1.4
On 31 to 90-day term deposits	3.3	4.8	3.8	3.5	3.3	3.4	1.6
Individuals	1.7	3.8	3.1	2.8	2.8	2.8	1.0
Business	3.4	5.1	4.1	3.7	3.6	3.6	1.7
On 91 to 180-day term deposits	3.4	3.6	3.1	2.9	2.9	2.9	1.4
Individuals	2.1	3.2	2.9	2.7	2.6	2.6	1.2
Business	4.6	5.0	3.9	3.4	3.6	3.5	1.7
On 181 to 360-day term deposits	3.8	3.5	3.1	2.8	2.9	2.9	1.6
Individuals	3.2	2.7	2.7	2.8	2.8	2.7	1.4
Business	4.9	5.5	3.9	3.0	3.5	3.4	1.8
On more than 360-day term deposits	3.5	4.1	3.6	2.4	2.9	2.5	1.6
Individuals	2.9	3.0	2.4	2.4	2.7	2.5	1.5
Business	4.8	5.2	4.1	3.6	3.6	3.3	1.9
CTS	1.1	0.9	0.9	1.1	1.0	1.1	1.4
Active							
90-day corporate prime	6.0	6.3	4.8	4.4	4.3	4.3	2.7
TAMEX	9.3	10.9	10.6	9.9	9.7	9.7	8.1
FTAMEX	10.9	13.0	12.4	12.2	11.0	11.6	8.5
Corporates	6.1	7.5	6.3	5.8	5.6	5.5	3.7
Large Companies	7.8	8.8	7.5	7.2	7.0	6.8	5.8
Medium-sized enterprises	8.8	9.8	9.1	8.7	8.9	8.9	8.0
Small business	12.2	13.2	10.0	9.9	9.6	9.2	11.6
MicroBusiness	12.7	15.5	10.7	13.5	19.7	24.0	15.9
MicroBusiness ^{3/}	9.4	16.1	10.7	19.4	16.4	20.3	13.4
Consumer	41.0	45.9	48.3	46.1	46.9	49.1	33.3
Consumer ^{3/}	37.1	40.8	47.6	49.4	48.1	47.8	39.5
Mortgage	8.3	7.9	7.1	7.0	7.0	7.0	7.0

1/ Annual rates for banking company operations over the last 30 days.

2/ Average since September 2010. In the case of consumer credit, this is the average since October 2019.

3/ Corresponds to the financial system average.

On July 14, 2023, the SBS published Resolution No. 2368-2023, which modified the definitions of corporate credit segments, effective as of October 1, 2024.

As of September 12.

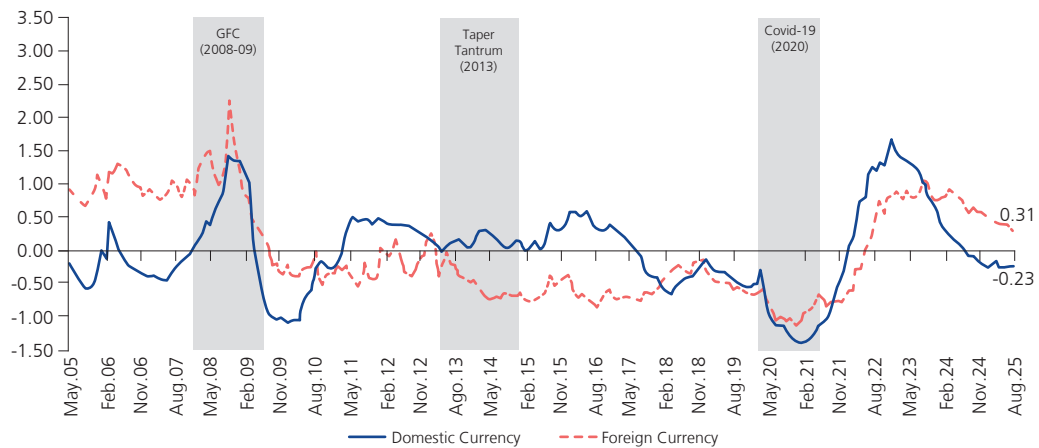
Source: BCRP and SBS.

79. In terms of financial conditions as of August, conditions in local currency remain flexible and at a level similar to that of June 2025, in line with a reference and preferential interest rate that remained stable over the analysis period. Meanwhile, financial conditions in foreign currency eased in the third quarter, against a backdrop of expectations of a reduction in the US Federal Reserve's monetary policy interest rate.





Graph 75
PERU FINANCIAL CONDITIONS INDICES (2005-2025)



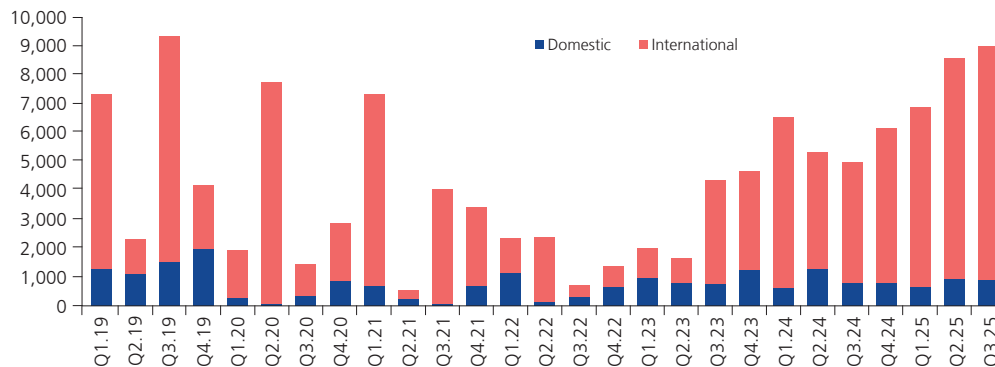
Note: Based on the document "Estimation of new financial condition indices for the Peruvian economy" by Pérez, F. (2024). Working Papers 2024-012, Central Reserve Bank of Peru. Principal component analysis methodology is used on a set of interest rate and spread data to construct the indices in both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

Source: BCRP.

Fixed income market

80. During the third quarter of 2025, Peruvian private companies placed securities for an amount greater than that recorded in the second quarter, mainly due to issues on the international market. On the local market, placements through public offerings amounted to S/ 938 million between July and September 2025, down from S/ 973 million in the previous quarter. Meanwhile, USD 1.58 billion²⁷, was issued on the international market, exceeding the total issued in the second quarter (USD 1.442 billion).

Graph 76
PRIVATE SECTOR BOND PLACEMENTS
(Million S/)

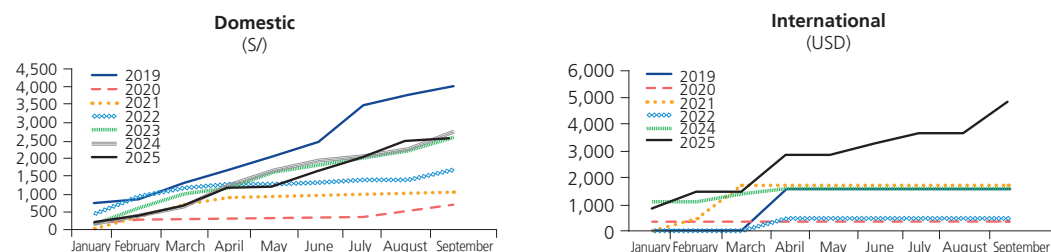


As of September 12.
Source: Reuters and SMV.

In the first nine months of 2025, cumulative local placements reached S/ 2.582 billion, exceeding the levels recorded in 2020, 2021, and 2022, but falling short of the total placed in 2019, 2023, and 2024. Meanwhile, cumulative international issuances in 2025 (USD 4.892 billion) exceeded the amounts placed in previous years, following a similar trend to that observed in sovereign issuances from emerging economies.

27 Scotiabank and BBVA issued USD 400 million and USD 100 million, respectively. In addition, Orazul Energy and Kallpa Generation placed securities worth USD 700 million and USD 380 million, respectively.

Graph 77
CUMULATIVE PLACEMENTS BY MONTH IN THE PRIVATE SECTOR
(In millions)



As of September 12.

Source: Reuters and SMV.

In the case of non-resident entities issuing securities in soles, so far in the third quarter of 2025 they have placed S/ 681 million in terms ranging from 3 months to 7 years, which is less than the total placed in the first and second quarters (S/ 1,018 million and S/ 392 million, respectively). The total placed in 2024 (S/ 1,049 million) is below the total for 2023 (S/ 1,347 million) and 2022 (S/ 1,883 million).

81. The value of portfolios managed by institutional investors increased during the third quarter of 2025, mainly due to growth in the portfolios of pension fund administrators (AFPs) and mutual funds.

In the case of the AFPs, the investment portfolio increased from S/ 113.5 billion as of June 30 to S/ 118.6 billion as of August 29, mainly due to the higher value of external mutual funds (S/ 3.063 billion) and Treasury Bonds (S/ 1.466 billion). On August 21, 2025, the Congress of the Republic enacted Law No. 32428, which increased the legal limit on foreign investments from 50 to 80 percent. As in previous years, the BCRP will continue to set the operating limit on foreign investments by these financial institutions.

Table 38
AFP MANAGED PORTFOLIO
(In millions of soles)

	Balance				Change	
	Dec.19	Dec.24	Jun.25	Aug.25	Aug.-Jun.25	Aug.25-Dec.19
A. Local Investments	95,347	58,516	59,795	61,323	1,528	-34,024
1. Fixed Income	66,309	28,522	30,560	31,329	770	-34,980
Of which:						
Government bonds	40,431	19,738	20,925	22,391	1,466	-18,040
Private Sector Bonds	25,878	8,190	8,638	8,373	-264	-17,505
Financial system	8,232	2,206	2,376	2,316	-60	-5,916
Non-financial system	17,647	5,984	6,262	6,057	-204	-11,589
2. Variable income	19,589	17,734	16,527	17,226	699	-2,363
3. Current accounts	884	108	105	105	1	-779
4. Deposits in the Financial System	2,969	5,267	6,512	6,723	211	3,754
5. Mutual and Investment Funds	5,336	3,996	3,574	3,480	-94	-1,856
6. Short Term (CD, Commercial Paper)	0	1,713	1,297	1,139	-158	1,139
7. Other	261	1,176	1,221	1,321	100	1,060
B. Investments Abroad	78,448	49,563	54,251	57,732	3,480	-20,716
1. Fixed Income	7,237	3,880	3,270	3,722	452	-3,514
2. Variable income	32	2,364	1,812	1,868	56	1,836
3. Deposits	151	183	357	380	23	230
4. Mutual and Investment Funds	70,705	42,119	47,378	50,440	3,063	-20,265
5. Current accounts	323	521	417	418	1	95
6. Others	0	497	873	873	0	873
Transit operations	1,028	-1,103	-534	-501	32	-1,530
Managed portfolio	174,823	106,976	113,513	118,554	5,041	-56,269
Foreign Investment / Managed Portfolio	44.9%	46.3%	47.8%	48.7%	0.9	3.8
Degree of dollarization of the portfolio	56.5%	60.9%	63.3%	63.5%	0.2	7.0
Deposits in local and foreign SF / Adm. portfolio	1.8%	4.9%	6.1%	6.0%	-0.1	4.2
Exchange rate (Soles per dollar)	3.384	3.757	3.540	3.530		

As of August 29.

Source: SBS.





For mutual funds, assets under management have increased from S/ 32.9 billion in December 2023 to S/ 56.1 billion in August 2025. The number of participants rose from 346,500 in December 2019 to 463,000 in August 2025, which is the highest level in the last six years. As of July 2025, individuals represent 84 percent of the managed portfolio of local mutual funds. In the case of insurance companies, their managed portfolio increased from S/ 61.8 billion in December 2023 to S/ 68.4 billion in December 2024, reaching S/ 73.2 billion in July 2025.

Currency market

82. The exchange rate fell from S/ 3.544 per dollar in June to S/ 3.493 per dollar on September 12, with the sol appreciating 1.4 percent so far in the third quarter of 2025. This performance occurred in a context of high volatility in global risk appetite and persistent trade tensions in the United States. During this period, the sol continued to record the lowest volatility among the main currencies in the region. On September 10, the exchange rate reached its lowest level of the quarter (S/ 3.480 per dollar), the lowest since June 2020 (S/ 3.479 per dollar).

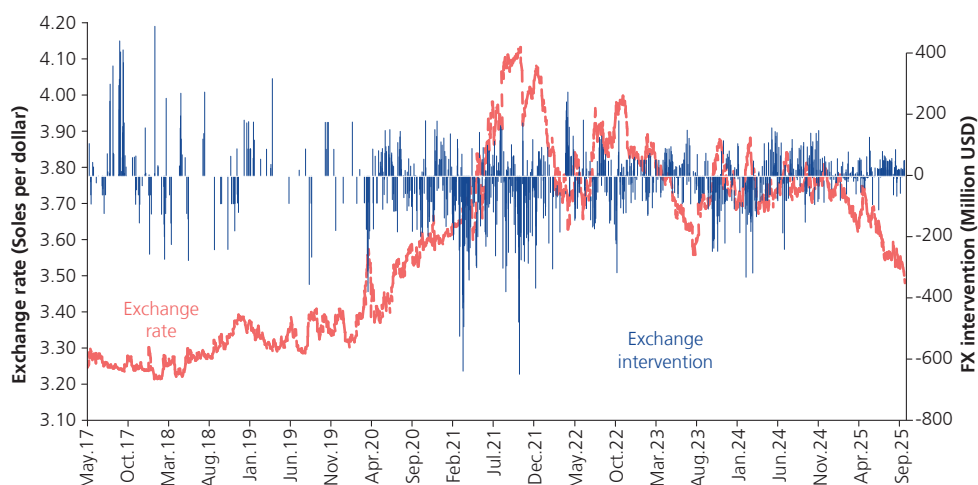
Local market participants recorded a net supply of USD 1.25 billion, mainly in the derivatives market (USD 1.924 billion), representing the largest quarterly net supply since the third quarter of 2024 (USD 1.615 billion). Lower exchange rate pressures were reflected in the reduction in the BCRP's balance of foreign exchange instruments in the third quarter of 2025, following the peak levels reached in the second quarter of 2024.

In July, the sol depreciated by 1.4 percent, in an environment of global dollar strengthening (3.2 percent) and continued global uncertainty due to trade tensions. The local foreign exchange market recorded a net supply of dollars amounting to USD 679 million.

In August, the sol appreciated by 1.7 percent, influenced by the weakening of the dollar (2.2 percent) amid growing market expectations of a cut in the US monetary policy rate in September. The month also saw an offer of dollars on the local exchange market (USD 269 million) and a 3.8 percent rise in the price of copper. On August 22, the exchange rate reached its lowest level (S/ 3.520 per dollar) in almost five years (S/ 3.517 per dollar on July 30, 2020), influenced by the more dovish tone than expected from the Federal Reserve chairman in Jackson Hole.

On September 12, the sol continued its downward trend, falling 1.1 percent, in line with the positive performance of Latin American currencies and the decline in the DXY index (0.2 percent) due to lower-than-expected US labor market data, which reinforced expectations of a reduction in the Fed's interest rate.

Graph 78
EXCHANGE RATE AND FX INTERVENTION^{1/}



1/ Includes: Purchases/sales of dollars on the spot market and placements of BCRP CDLDs, BCRP CDRs, and currency swaps.

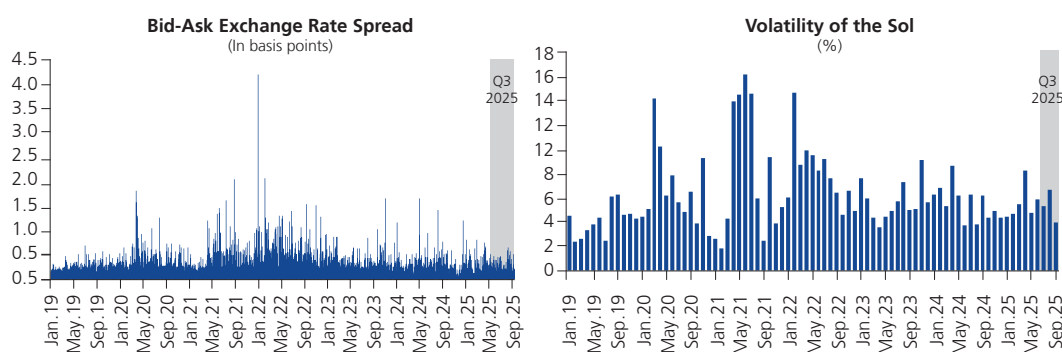
As of September 12.

Source: BCRP.

In terms of volatility, the sol registered a level of 5.7 percent in the third quarter, below the second quarter (6.4 percent) and the regional average (8.8 percent). During the third quarter of 2025, the exchange rate fluctuated between S/ 3.480 and S/ 3.594 per dollar, with daily appreciations in 56 percent of trading sessions (daily maximum of 0.54 percent on August 22), down from 61 percent in the second quarter.

The bid-ask spreads on exchange rates fluctuated between 0.06 and 0.65 basis points between July and September 2025, below the range for the second quarter (0.06 and 0.75 basis points).

Graph 79
SPREAD AND EXCHANGE RATE VOLATILITY



Monthly annualized daily standard deviation.

As of September 12.

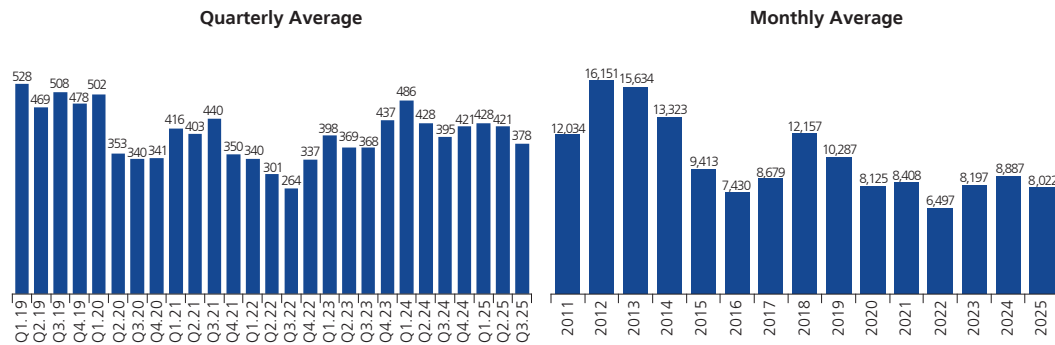
Source: Reuters and BCRP.

So far in the third quarter of 2025, the average daily trading volume on the interbank spot exchange market has been USD 378 million, below the averages seen in the second quarter of 2025 (USD 421 million), the first quarter of 2025 (USD 428 million), and the fourth quarter of 2024 (USD 421 million). In monthly terms, the average amount traded so far this year reaches USD 8,022 million, consolidating the upward trend observed since 2022 (USD 6,497 million).





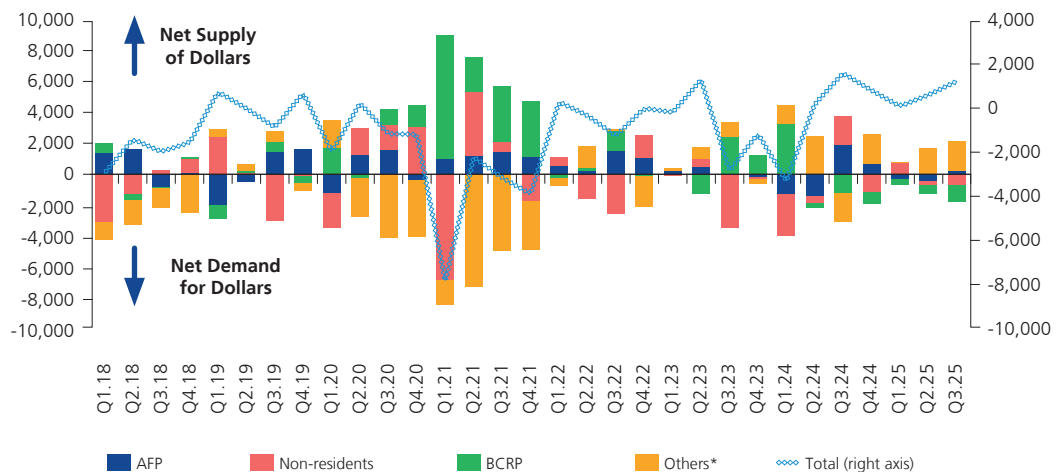
Graph 80
AVERAGE AMOUNT TRADED ON THE INTERBANK SPOT MARKET
(Million USD)



As of September 12.
Source: BCRP.

83. Foreign exchange flows from market participants in the third quarter of 2025, as of September 12, show a net supply of dollars (USD 1.25 billion), higher than the net supply in the second quarter (USD 619 million). The spot market recorded a net demand for dollars (USD 675 million), mainly driven by companies in the corporate sector (USD 1.73 billion), while on the supply side, mining companies stood out (USD 2.516 billion). In the derivatives market, there was a net supply (USD 1.924 billion) from the AFPs and companies in the corporate sector.

Graph 81
FLOWS TO THE FOREIGN EXCHANGE MARKET: SPOT AND DERIVATIVES
(Million USD)



	2021	2022	2023	Q1.2024	Q2.2024	Q3.2024	Q4.2024	2024	Q1.2025	Q2.2025	Q3.2025**	2025**
Spot	-6,892	1,281	-71	730	928	2,520	1,972	6,150	-542	-288	-675	-1,505
Derivatives	-10,279	-2,535	-2,766	-4,040	-723	-906	-1,142	-6,811	642	907	1,924	3,473
Total	-17,171	-1,254	-2,837	-3,309	205	1,615	830	-660	99	619	1,250	1,968
Change. Global Banking Exchange Position	-335	120	405	-25	84	-368	-61	-370	243	-93	-198	-48
BCRP intervention	17,506	1,134	2,433	3,334	-288	-1,246	-770	1,030	-343	-527	-1,051	-1,920

* 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 September 12.

Source: BCRP.

Non-resident investors had a total net demand for dollars of USD 741 million in the third quarter of 2025. In the spot market, demand rose to USD 309 million, up from USD 14 million in the second quarter. In the derivatives market, net demand in the third quarter was around USD 432 million, up from the second quarter (USD 290 million). Between June 1 and September 12, foreign investors purchased a net S/ 302 million in BTPs.

The AFPs recorded a net selling position in the third quarter of around USD 210 million, a change from the demand in the second quarter (USD 422 million). In the spot market, they demanded USD 351 million, below the net demand in the second quarter (USD 365 million), while in the derivatives market they offered a net USD 560 million, in contrast to the net demand in the second quarter (USD 57 million). Net purchases of foreign securities between July and August amounted to USD 632 million, above the second quarter (USD 550 million).

In the case of the non-financial sector, between June and September 2025, entities presented a net supply of USD 1.931 billion: (i) corporate sector companies: net demand of USD 1.617 billion, mainly in the spot market (USD 1.730 billion), below the total recorded in the second quarter (USD 2.377 billion); (ii) mining sector companies: net supply of USD 2,516 million in the spot market, below the net supply in the second quarter (USD 2,935 million); (iii) retail sector: net supply of USD 1,032 million in the spot market, below the net supply in the second quarter (USD 1,183 million).

For banking companies, the overall position increased from -USD 78 million in June to USD 121 million in September 2025. The balance of Non-Delivery Forward (NDF) net sales by banks with non-resident investors increased from USD 14,999 million in June to USD 15,748 million in September 2025.

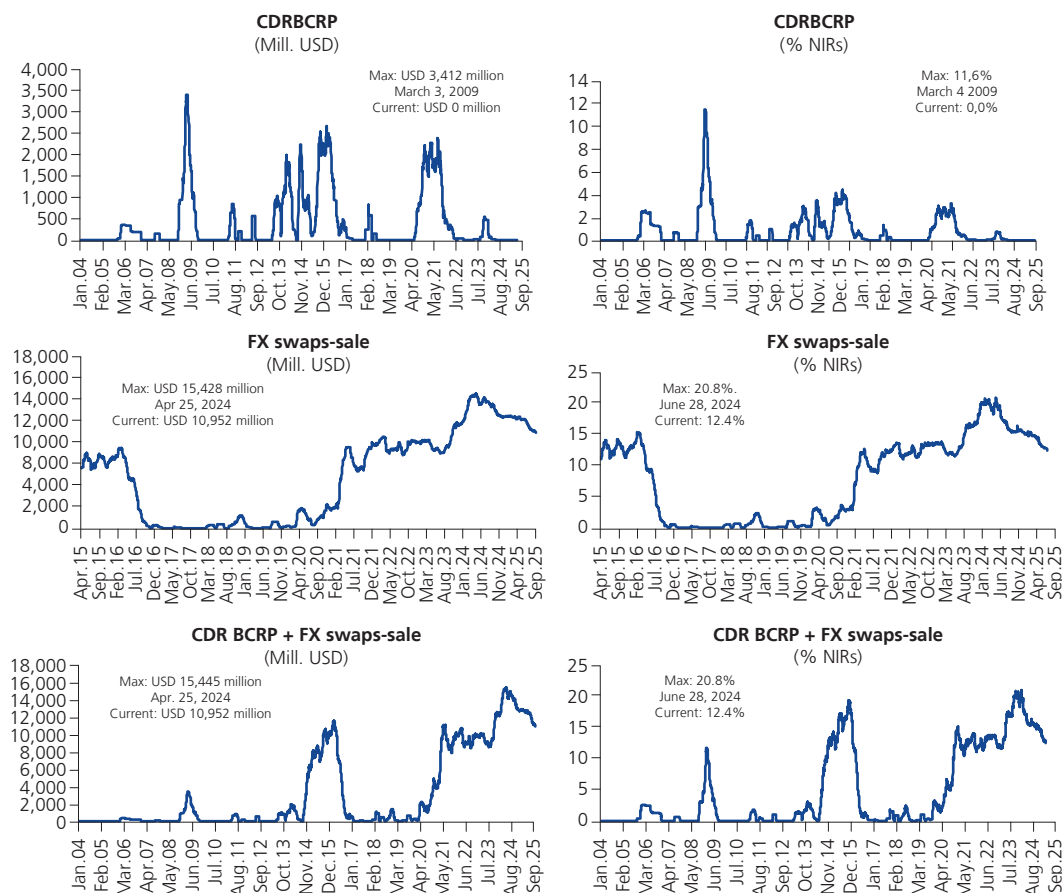
In this context, in the third quarter of 2025, the BCRP has placed foreign exchange swaps through variable rate auctions in order to partially offset the effect of foreign exchange instrument maturities, to a lesser extent than during the second quarter, and with the aim of reducing the volatility of the sol's price against the dollar, in a context of risk aversion in global financial markets. Thus, foreign exchange swaps (SCV) were placed for S/ 19.68 billion (USD 5.548 billion) at 3- and 6-month terms at variable rates, and S/ 24.492 billion (USD 6.599 billion) matured at variable rates.

84. The total balance of foreign exchange instruments (foreign exchange swaps and BCRP CDRs) as of September 12 stands at USD 10.952 billion, equivalent to 12.4 percent of Net International Reserves (NIR), down from the level on June 30 (USD 12.003 billion and 14.1 percent of NIR). Likewise, the balance of BCRP CDRs since May 8, 2024, is zero. So far in 2025, as of September 12, the balance of derivative instruments has decreased by USD 1.921 billion. Meanwhile, the balance of Net International Reserves (NIR) on the same date amounts to USD 88.346 billion, USD 9.36 billion higher than at the end of 2024, and the BCRP's Foreign Exchange Position amounts to USD 57.067 billion, USD 3.512 billion higher than in December 2024.





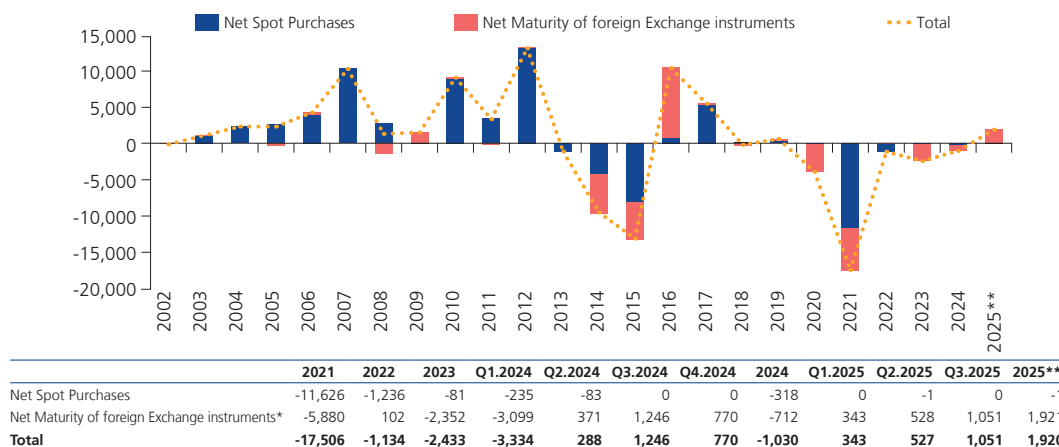
Graph 82
BALANCE OF EXCHANGE INSTRUMENTS OF THE BCRP
(Million USD and % of NIRs)



*As of September 12.
Source: BCRP.

As of September 12, the BCRP has recorded a net purchase position of USD 1.92 billion in the foreign exchange market in 2025 through the net maturity of currency swaps (USD 1.921 billion) and the sale of dollars in the spot market for USD 1 million.

Graph 83
BCRP INTERVENTIONS IN THE FOREIGN EXCHANGE MARKET
(Million USD)



* Includes net maturities of CDR BCRP and foreign exchange swap sales; and net placements of CDLD and exchange purchase swaps.

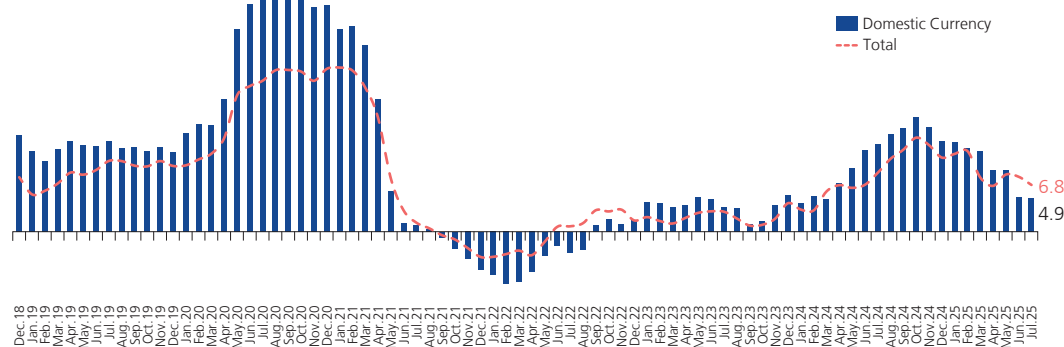
** As of September 12.

Source: BCRP.

Liquidity

85. The year-on-year growth rate of private sector deposits stood at 6.8 percent in July 2025. By currency, deposits in soles increased by 4.9 percent year-on-year, while those denominated in dollars increased by 10.7 percent year-on-year in the same period.

Graph 84
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 39
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	Jun.25	Jul.25
Currency in circulation (End-of-period)	4.7	37.3	16.0	-3.8	-5.6	11.4	11.8	11.1
Deposits in domestic currency	11.6	33.2	-5.5	1.7	5.4	13.2	5.0	4.9
Total deposits ^{1/}	9.6	23.8	-3.7	1.7	4.2	10.8	8.0	6.8
Broad money in domestic currency	10.0	32.3	-0.8	0.6	4.0	12.9	6.9	6.6
Total broad money ^{1/}	9.2	25.3	-0.3	1.0	3.3	10.7	8.5	7.4
Credit to the private sector in domestic currency	9.7	19.4	5.5	2.3	0.9	1.5	2.5	3.7
Total credit to the private sector ^{1/}	6.6	10.8	4.1	4.4	1.4	0.4	2.9	3.8
Total credit to the private sector (without Reactiva Peru Program) ^{1/}	6.6	-5.5	8.9	11.1	5.2	1.4	3.7	4.6

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

86. 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 CTS and contributions to the AFPs, as well as by the capital outflows observed in 2021. Thus, the ratio stood at 42.6 percent of GDP in December 2024, slightly down from December 2023. This year, the ratio has recovered slightly, to 42.8 percent of GDP in July 2025.





Table 40
FINANCIAL SAVINGS / GDP RATIO*
(%)

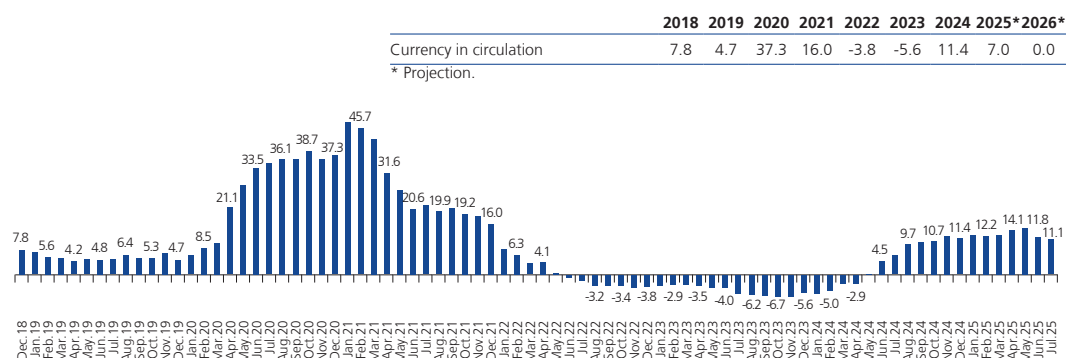
	Dec.19	Dec.20	Dec.21	Dec.22	Dec.23	Dec.24	Jun.25	Jul.25
Deposits	25.7	32.8	2.5	26.5	25.7	25.9	24.9	25.1
Of which: CTS	3.0	3.1	1.4	1.2	0.9	0.8	0.8	0.8
AFPs	22.0	22.3	14.8	11.0	12.0	9.6	9.8	9.9
Mutual Funds	4.7	6.1	3.2	2.7	3.0	4.2	4.6	4.7
Rest ^{1/}	2.1	2.5	2.3	2.5	2.9	3.0	3.2	3.1
TOTAL	54.5	63.7	46.8	42.7	43.6	42.6	42.5	42.8

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).

87. Currency in circulation increased by 11.1 percent in July 2025 (the lowest year-on-year rate since October 2024), mainly due to the increase in higher denomination banknotes. In the coming months, the growth rate of currency in circulation is expected to continue to moderate. As a result, a year-on-year variation rate of 7.0 percent is projected for 2025. For 2026, zero growth in currency in circulation is projected, which implies a substitution effect due to the expected increase in the use of digital payments.

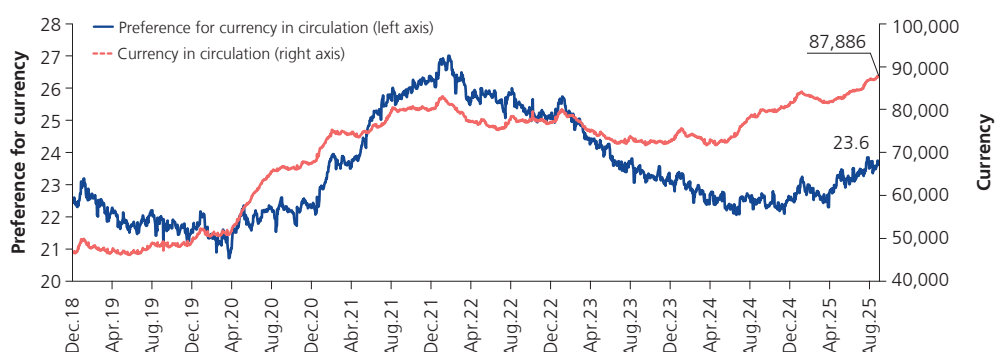
Graph 85
CURRENCY IN CIRCULATION
(12-month % chg.)



* Forecast.
Source: BCRP.

88. The preference for cash decreased steadily from February 2022 to November 2024, after growing steadily 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 August 2025, which would be associated with increased demand for high-denomination banknotes.

Graph 86
CURRENCY IN CIRCULATION AND PREFERENCE FOR CURRENCY IN CIRCULATION
(Million S/ and %)



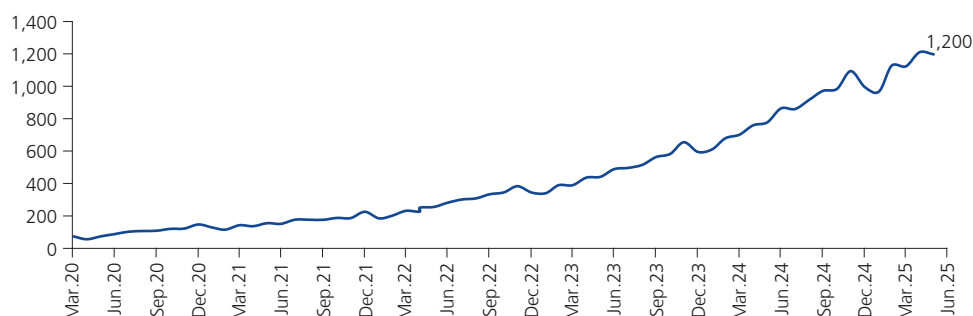
As of August 31, 2025.

Note: Preference for currency is equal to currency of depository business divided by liquidity in domestic currency of depository business.

Source: BCRP.

89. Part of the explanation for the reduction in the preference for cash in March 2025 is related to the significant increase in the use of digital payments in recent years. Thus, as of June 2025, there were 1.2 billion transactions.

Graph 87
DIGITAL PAYMENTS INDICATOR
(Millions of transactions)



Memo: Indicator of total digital payments for the month refers to transfers from RTGS clients, intrabank transfers, interbank transfers via Visa Direct, interbank transfers via CCE, direct debits, card payments and payments with electronic money (BIM).

Source: BCRP.

Credit to the private sector

90. Credit to the private sector grew 3.8 percent year-on-year in July 2025 (0.4 percent in 2024). Excluding loans from the Reactiva Perú program, the year-on-year growth rate of credit rose to 4.6 percent in the same period (1.4 percent in 2024). Credit to the private sector continued to recover in recent months, which can be explained by the corporate and large enterprise segments, and individuals, associated with the recovery of economic activity.
91. Credit to individuals accelerated in the last three months. It grew 4.9 percent in July 2025 (1.3 percent in 2024). The increase in credit to individuals is mainly due to growth in credit linked to credit cards (2.2 percent in July), mortgage credit (6.1 percent in July), and other consumer credit (4.6 percent in July). In this regard, consumer credit grew 4.1 percent in July 2025 (it would have grown 2.3 percent without considering the effect of the October 2024 reclassification).





92. Business lending showed a recovery in the last three months, which would be associated with the dynamism of lending to the corporate and large enterprise segment. In July, business lending increased by 3.1 percent (2.3 percent in June); while, excluding Reactiva Perú loans, it increased by 4.6 percent (3.7 percent in June). The corporate and large enterprise segment showed an increase of 9.3 percent, while the medium, small, and microenterprise segment contracted by 4.0 percent. Without the October 2024 reclassification, the medium, small, and microenterprise segment would have grown by 2.7 percent.

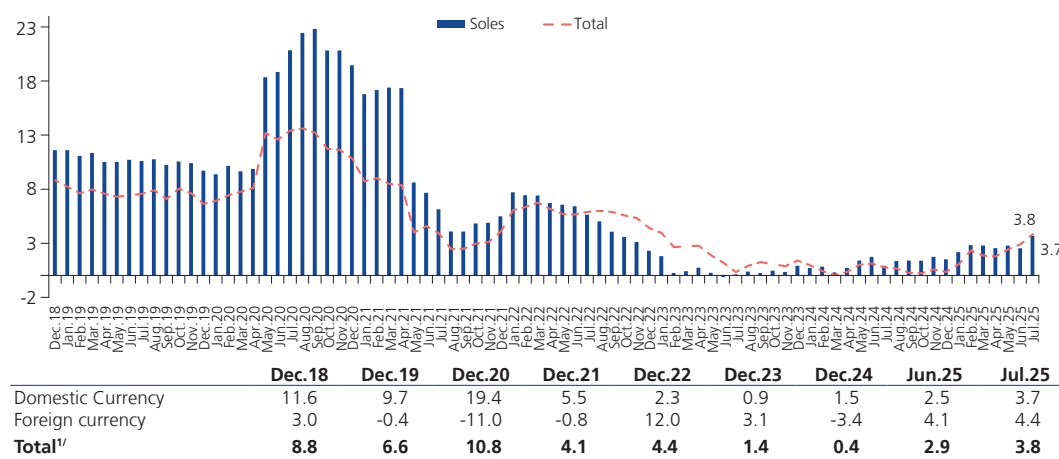
Table 41
CREDIT TO THE PRIVATE SECTOR^{1/}
(Annual growth rates)

	Dec.19	Dec.20	Dec.21	Dec.22	Dec.23	Dec.24	Jun.25	Jul.25
Business	3.8	19.9	3.7	-1.6	-2.1	-0.3	2.3	3.1
Corporate and large companies	3.4	6.6	8.1	0.6	0.1	4.9	9.7	9.3
Medium-sized and micro-enterprises ^{2/}	4.2	35.8	-0.5	-4.0	-4.6	-6.1	-5.9	-4.0
Individuals	11.4	-3.2	4.8	15.9	7.1	1.3	3.8	4.9
Consumer	13.3	-7.2	3.1	21.8	8.3	-1.1	2.4	4.1
Car loans	12.0	-2.2	7.4	15.9	11.4	2.8	1.7	3.1
Credit cards	13.4	-20.3	-41.1	32.6	10.4	-5.0	-0.8	2.2
Rest	13.3	-0.5	21.4	19.8	7.7	-0.3	3.1	4.6
Mortgage	8.7	2.9	7.1	8.0	5.4	5.0	5.8	6.1
TOTAL	6.6	10.8	4.1	4.4	1.4	0.4	2.9	3.8
Memo:								
Business without Reactiva	3.8	-7.0	11.6	8.1	3.8	1.5	3.6	4.3
Total without Reactiva Peru	6.6	-5.5	8.9	11.1	5.2	1.4	3.7	4.6
Medium-sized and micro-enterprises without reclassification ^{3/}	4.2	35.8	-0.5	-4.0	-4.6	0.0	0.7	2.7
Consumption without reclassification ^{3/}	13.3	-7.2	3.1	21.8	8.3	-2.8	0.6	2.3

1/ Resolution No. 02368-2023 will come into effect in October 2024, modifying the definition of the classification of loans to companies by segment.
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/ Unreclassified balances have been calculated based on the classifications of economic agents in September 2024, identified by their RUC or DNI.
Note: The exchange rate remains constant at the December 2024 rate.
Source: BCRP.

93. There has been a moderate recovery in the growth of credit in soles and credit in dollars. As of July 2025, credit in soles grew by 3.7 percent, and credit in dollars increased by 4.4 percent in the same period.

Graph 88
CREDIT TO THE PRIVATE SECTOR: TOTAL AND IN DOMESTIC CURRENCY^{1/}
(Annual growth rates)



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

Projection of credit to the private sector

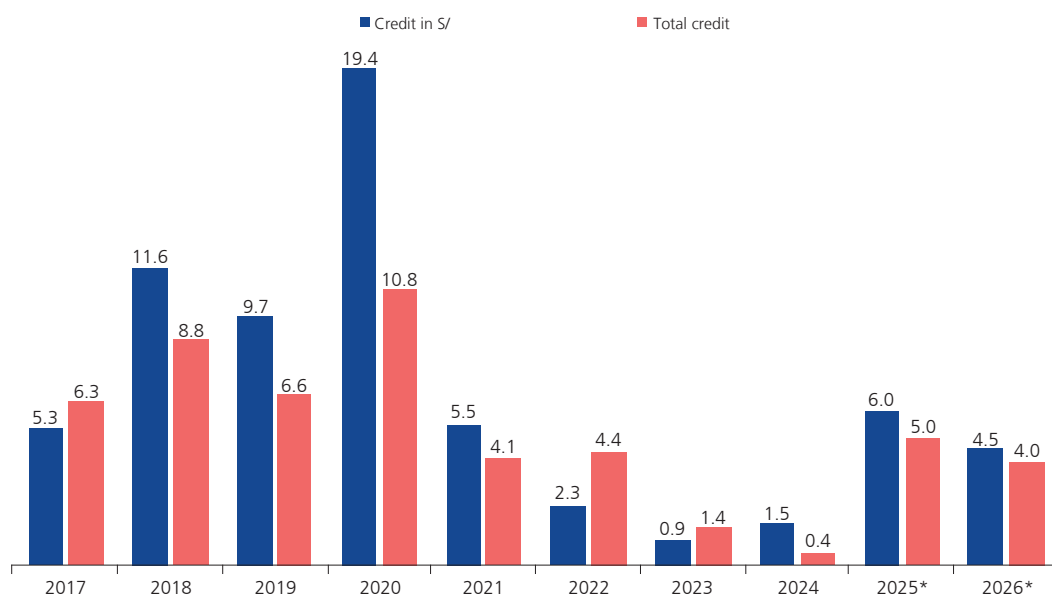
94. An increase in domestic currency lending is expected, in line with economic activity. With this, projected growth in domestic currency lending to the private sector would reach 6.0 percent in 2025. For next year, a growth rate of 4.5 percent is expected, taking into account the completion of the repayment of loans granted under the Reactiva Perú program. Thus, total credit would grow by 5.0 percent in 2025 (5.5 percent without the Reactiva Perú program), while a growth rate of 4.0 percent is estimated for 2026.

Similarly, in 2025 and the following year, credit to the private sector is expected to grow at a slower pace than nominal GDP.

Likewise, the growth rate of currency in circulation would be lower than that of nominal GDP over the projection horizon. Meanwhile, the growth rate of total liquidity would be lower than that of nominal GDP this year, and higher next year, mainly due to the evolution of deposits. The liquidity-to-GDP ratio would decline slightly in 2025 compared to 2024, from 45.8 percent to 45.5 percent, and would increase to 45.9 percent in 2026.

Meanwhile, the ratio of deposit companies' current assets to GDP would fall from 7.6 percent in 2024 to 7.5 percent in 2025 and 7.1 percent in 2026. Despite this reduction, the level would still be higher than that recorded prior to the COVID-19 pandemic.

Graph 89
CREDIT TO THE PRIVATE SECTOR
(% change)



Note: Calculated at constant exchange rate (December 2024).

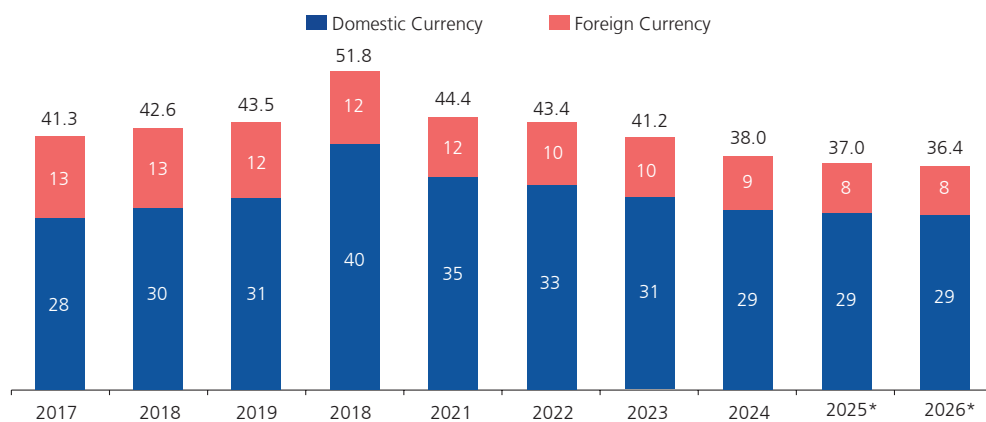
* Forecast.

Source: BCRP.



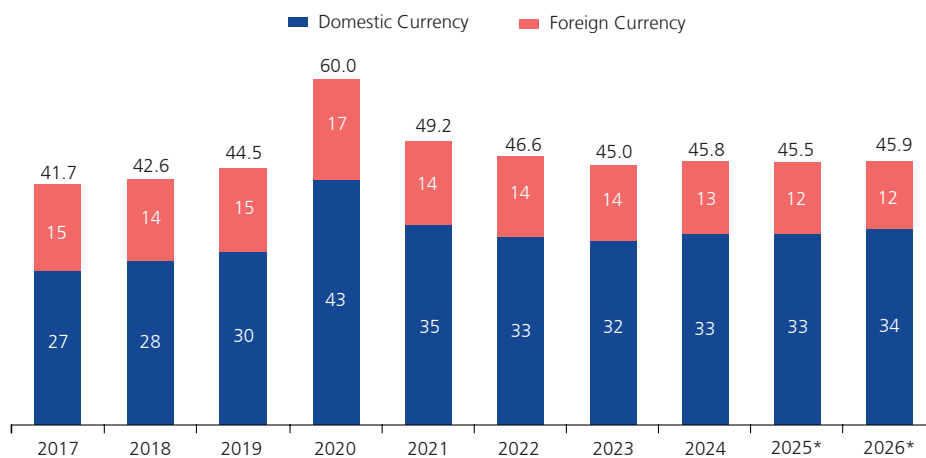


Graph 90
CREDIT/GDP RATIO
(%)



Note: Calculated at constant exchange rate (December 2024).
* Forecast.
Source: BCRP.

Graph 91
LIQUIDITY / GDP RATIO
(%)



Note: Calculated at constant exchange rate (December 2024).
* Forecast.
Source: BCRP.

Box 4

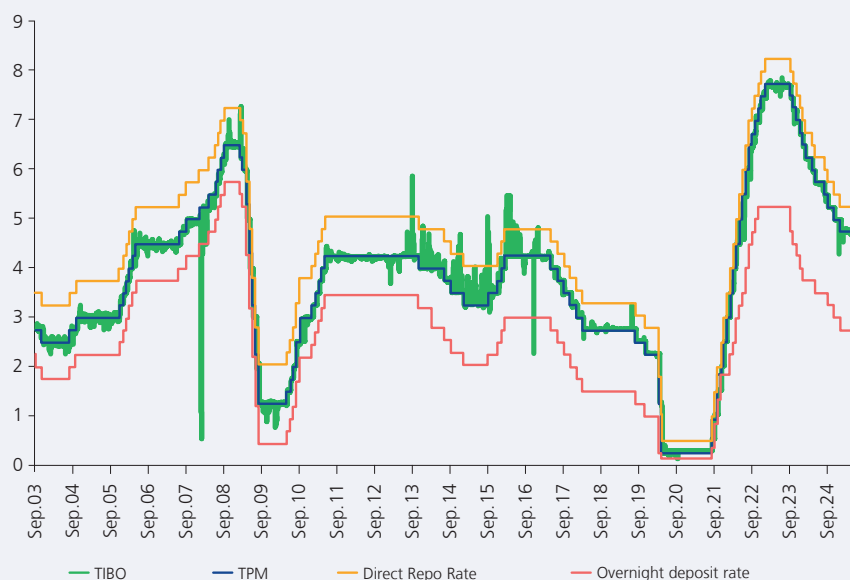
MONETARY POLICY TRANSMISSION: STYLIZED FACTS

This box aims to illustrate the transmission of monetary policy to lending rates in the Peruvian financial system. To this end, it analyzes the relationship between monetary policy decisions and the evolution of lending rates to the main business segments of the financial system. In this context, cycles of increases and reductions in the monetary policy rate are identified, and the evolution of other interest rates during these periods is studied. Finally, the measurement of the pass-through effect is formalized using an econometric model.

Pass-through of the monetary policy interest rate

In order to fulfill its constitutional mandate of monetary stability, the Central Reserve Bank of Peru (BCRP) decides on the level of the monetary policy interest rate (TPM) each month. In line with its operational goal in the implementation of monetary policy, the issuing entity seeks to stabilize the overnight interbank interest rate (TIBO)²⁸ at the level of the TPM.

MONETARY POLICY RATE, TIBO, AND INTEREST RATE CORRIDOR
(%)



The TIBOR defines the interest rate at which banks can access financing and grant short-term loans. Thus, by influencing the cost structure of banks and interbank lending market conditions, monetary policy decisions are transmitted to the rest of the financial system.

In general, changes in the benchmark interest rate are passed on to the interbank rate and, subsequently, to other rates in the financial system. In this context, the pass-through effect of the MPR measures how a change in the benchmark rate is reflected in interest rates in the system. For example, during the cycle of interest rate hikes between July 2021 and January 2023, the reference rate rose by 7.5 percentage points, an impact that was passed on to most lending rates, especially preferential corporate rates and lower-risk loans. Similarly, since August 2023, reductions in the reference rate have been reflected in market rates.

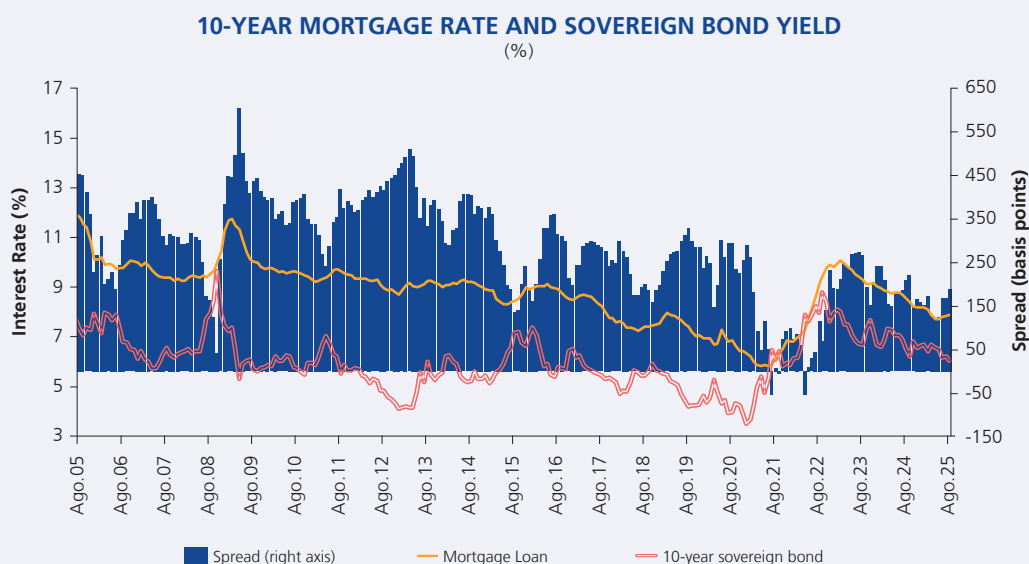
28 The TIBO is defined as the weighted average interest rate on unsecured loans made between private banking companies in local currency for a term of one business day, excluding extreme values to ensure the representativeness of the indicator. See BCRP (2023) for methodological details on its calculation. The TIBO is determined according to supply and demand conditions in the interbank lending market, where banking companies exchange liquid reserves in the form of one-business-day term loans.





This transfer is not uniform, but varies according to segment, product, or line of business. Choy et al. (2015) find that credit rates for small and microenterprises, as well as consumer rates, are mainly determined by operating costs and credit risk. Unlike the wholesale business segment, where the cost of funding is more relevant, in the retail and consumer business segment, operating costs and credit risk carry greater weight. This is because customers tend to be more informal, have limited credit history, and loans are smaller in amount. Consequently, these rates respond to a greater extent to factors other than monetary policy that are specific to each line of business.

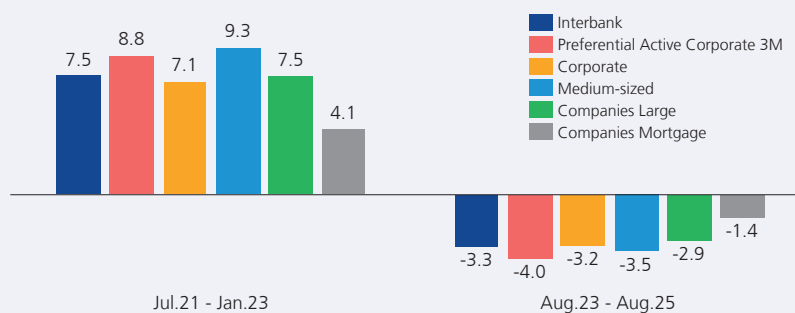
In the case of mortgage rates, these are influenced to a greater extent by long-term interest rates, given that these are long-term loans. In this regard, a key determinant is the 10-year sovereign bond rate, as it serves as a benchmark for the market by reflecting expectations of inflation, sovereign risk, and long-term macroeconomic conditions, in addition to directly influencing the cost of funding for financial institutions. As can be seen in the graph, mortgage rates follow the evolution of the 10-year sovereign bond rate, with a correlation of 0.5 over the last 20 years.



Source: SBS and Bloomberg. Information at the end of August.

Ultimately, changes in interest rates influence the consumption and investment decisions of economic agents, such as businesses and households, with the aim of keeping inflation within the target range. Therefore, the pass-through effect is considered a fundamental component in the transmission of monetary policy and provides a reference point for its effectiveness in influencing the country's macroeconomic conditions.

EVOLUTION OF THE INTERBANK INTEREST RATE AND INTEREST RATES IN THE FINANCIAL SYSTEM
(%)



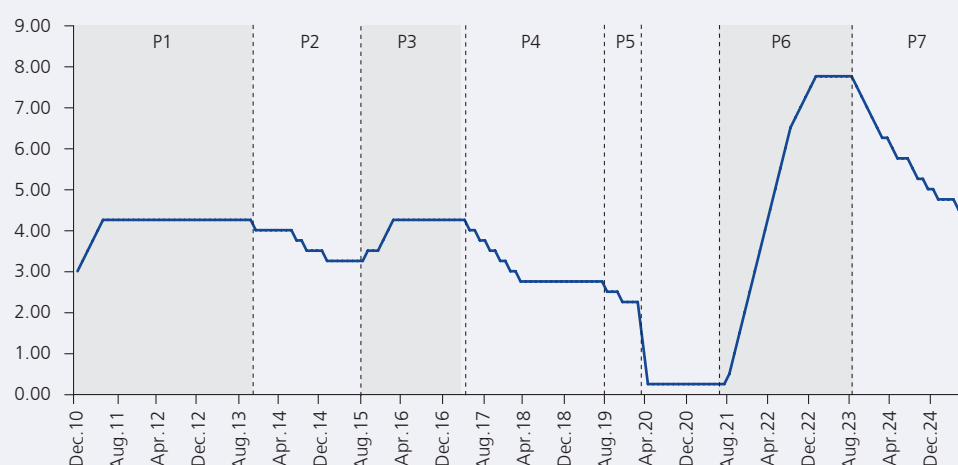
Source: SBS and BCRP. Information at the end of August.

Previous studies on the pass-through effect of the MPR in Peru show a high degree of effectiveness in the transmission of monetary policy to other interest rates in the financial system (Pérez Forero, 2021). With regard to lending rates, it can be seen that the transmission of monetary policy decisions to interest rates on loans granted to low credit risk segments tends to be complete. In other words, the evolution of these interest rates follows changes in the MPR at a ratio of 1:1. On the deposit interest rate side, a smaller pass-through is observed (Lahura, 2017; Alvarado, 2023). In general, international evidence supports these stylized facts (de Bondt, 2005; Apergis & Cooray, 2015; Holmes et al., 2015; Li et al., 2021; Gregor et al., 2021; Martinez et al., 2022). In the following section, the box analyzes the characteristics of the transmission of monetary policy decisions to lending rates in the financial system in Peru.

Evolution of lending rates during monetary policy cycles

Below is a descriptive analysis of the evolution of monetary policy transmission to lending rates in the financial system during cycles of increases and decreases in the MPR recorded between 2010 and 2025. On the one hand, cycles of increases are defined as those periods in which the BCRP made at least one increase in the MPR and in which no reductions were recorded. On the other hand, reduction cycles are defined as those periods in which the BCRP made at least one reduction in the MPR and in which no increases were recorded. As can be seen in the following graph, three cycles of increases and four cycles of reductions in the reference rate were identified during the analysis period.

PERIODS OF ANALYSIS: INCREASES AND DECREASES IN THE TPM (2010–2025)^{1/}



1/ The period between March 2020 and June 2021 is excluded due to distortions in the carry-over effect that may have been caused by the COVID-19 pandemic and the implementation of complementary long-term liquidity provision policies.

For each cycle of increase and reduction, a simple metric is presented for the transmission of monetary policy (β) to interest rates in the following low-risk credit segments: Preferential, Corporate, Large Enterprise, Medium Enterprise, and Mortgage²⁹. The metric used consists of the cumulative change in the interest rate studied ($R_T - R_O$) as a proportion of the cumulative change in the MPR ($MPR_T - MPR_O$) at the end of a monetary policy cycle.

$$\beta = \frac{R_T - R_O}{MPR_T - MPR_O}$$

29 Through Resolution No. 2368-2023, published on July 14, 2023, the SBS modified the definitions of the corporate loan segments, which came into effect in October 2024. Until September, the corporate segment included companies with sales exceeding S/ 200 million in the last two years; the large enterprise segment included those with sales between S/ 20 million and S/ 200 million or issuers in the capital market; and the medium-sized enterprise segment included those with debts greater than S/ 300,000 in the last six months that did not qualify as large or corporate.

Currently, the corporate segment maintains the threshold of S/ 200 million, and those that meet this threshold in the last year also qualify, if they have recently started operations. The large enterprise segment is defined as those with sales greater than S/ 20 million that are not corporate, and the medium-sized enterprise segment as those with sales greater than S/ 5 million that do not qualify in the previous categories.



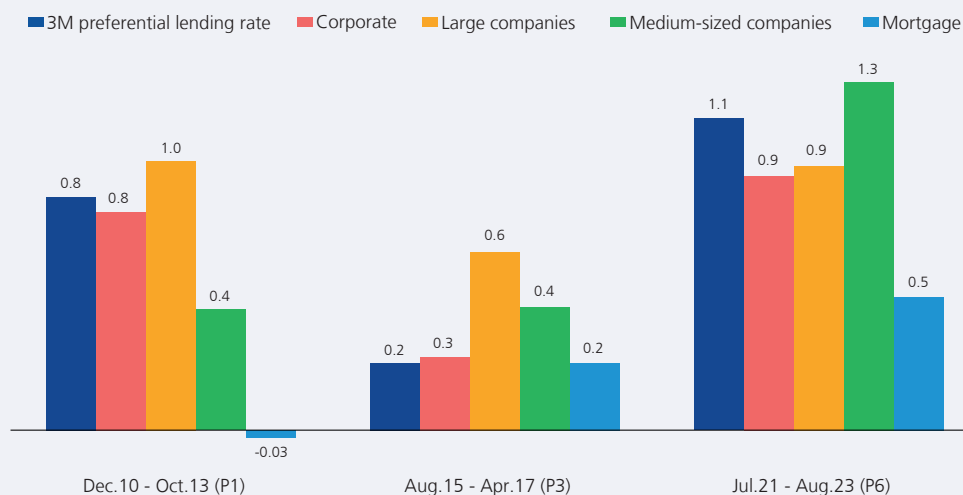


Increase cycles

Between 2010 and 2025, cycles of increases were recorded during the following three periods: Dec. 2010-Oct. 2013, Aug. 2015-Apr. 2017, and Jul. 2021-Aug. 2023. The following graph shows the evolution of the transmission of monetary policy decisions during each episode.

EVOLUTION OF LENDING RATES DURING INCREASE CYCLES^{1/}

(%)



^{1/} The carryover effect is taken on the penultimate date of the period in order to prevent the last observation from being biased by the anticipation of a change in monetary policy.
Source: SBS and BCRP.

During the first episode, between December 2010 and October 2013, the metric ranged between 0 and 1.0, showing a higher degree of transmission in the large enterprise segment, where increases in the MPR were passed on in full (100 percent). On the other hand, the cumulative variation in corporate and preferential rates reached 80 percent of the variation in the MPR. In contrast, the medium-sized enterprise segment recorded a lower transmission (0.4), showing a more limited response. In the case of the mortgage rate, it fell during the analysis period, in line with the decline in the yield on 10-year sovereign bonds during the period. Compared to other episodes, this cycle is characterized by greater heterogeneity in the pass-through between segments.

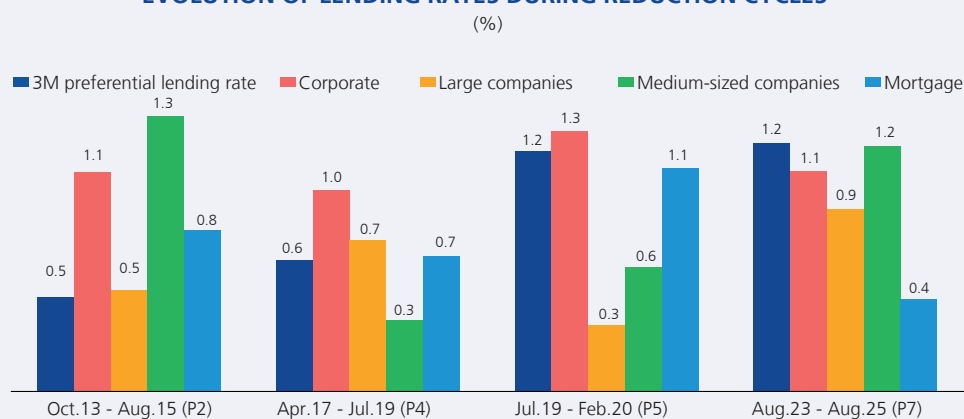
During the second episode, between August 2015 and April 2017, transmission was weaker and incomplete, with the ratio ranging between 0.2 and 0.6. The largest cumulative variation in rates was observed in lending to large companies, while the medium-sized and corporate segments showed ratios of 0.4 and 0.3, respectively. In the case of the 3-month preferential rate and the mortgage rate, the transmission was lower (20 percent).

During the third episode, between July 2021 and August 2023, the pass-through was higher and more complete compared to previous cycles. Overall, the metric ranged between 0.5 and 1.3. By segment, medium-sized companies recorded the highest relative increase in credit costs, with an increase equivalent to 1.3 percentage points for each point increase in the MPR. In the case of the preferential rate, the ratio was around 1.1, while for the corporate and large enterprise segment it was estimated at approximately 0.9, reflecting relatively similar conditions between these groups. Meanwhile, the mortgage rate registered an average increase of 0.5 percentage points in response to the one percentage point increase in the MPR.

Reduction cycles

Between 2010 and 2025, cycles of reduction in the MPR were recorded during the following four periods: Oct. 2013-Aug. 2015, Apr. 2017-Jul. 2019, Aug. 2019-Feb. 2020, and Sep. 2023-Jul. 2025. The following graph shows the evolution of the pass-through effect during each episode:

EVOLUTION OF LENDING RATES DURING REDUCTION CYCLES^{1/}



^{1/} The carryover effect is taken on the penultimate date of the period in order to prevent the last observation from being biased by the anticipation of a change in monetary policy.
Source: SBS and BCRP.

During the first episode, between October 2013 and August 2015, the metric ranged between 0.5 and 1.3, with marked heterogeneity between credit segments. The medium-sized and corporate segments recorded coefficients above one (1.3 and 1.1, respectively), indicating that their rates responded more than proportionally to reductions in the MPR. In contrast, the mortgage rate registered a ratio of 0.8, while the preferential rate and large enterprises showed the lowest cumulative variation with respect to the variation in the MPR (50 percent).

Between April 2017 and July 2019, the ratio ranged from 0.3 to 1.0. The corporate sector achieved the highest transmission (1.0), followed by large companies and the mortgage sector, with a transmission of 70 percent. Preferential rates showed an increase of 0.6 percentage points in response to one-point increases in the MPR, while the smallest response was observed in medium-sized companies, where the metric was 0.3.

Between July 2019 and February 2020, there was a greater cumulative variation with respect to the change in the MPR in preferential rates in the corporate and mortgage sectors, with coefficients of 1.2, 1.3, and 1.1, respectively. In contrast, the transmission was incomplete in medium-sized companies (60 percent) and even more reduced in large companies (30 percent).

During the fourth episode, between August 2023 and August 2025, the pass-through was, on average, higher than in previous episodes. In most segments (preferential, corporate, and medium-sized companies), a complete and homogeneous pass-through was observed, with metrics ranging between 1.1 and 1.2. The highest values corresponded to the preferential lending rate and medium-sized enterprises (1.2), and the corporate sector recorded a greater than proportional effect (1.1), in the context of the reference interest rate normalization cycle. Large enterprises showed a transmission of 90 percent and the mortgage sector, 40 percent.

The measurement of the pass-through effect is typically based on econometric time series models (Gregor et al., 2021). Next, to formalize the study of the relationship between monetary policy decisions and the evolution of lending rates in the financial system, estimates of the pass-through effect during

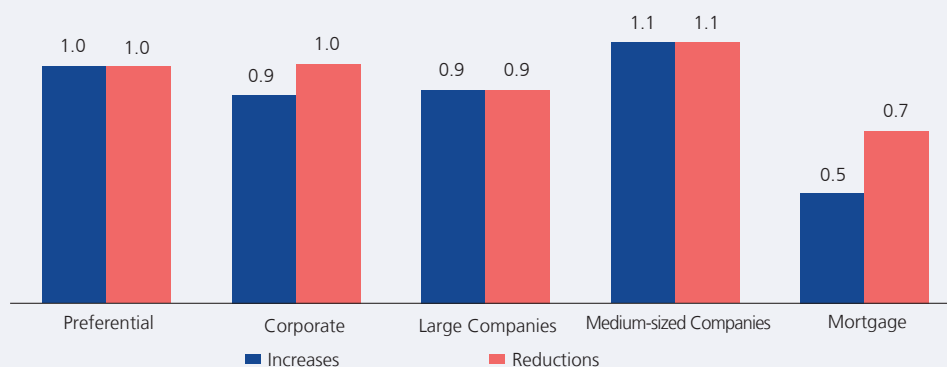




cycles of increases and reductions in the MPR are presented based on the Nonlinear Autoregressive Distributed Lag (NARDL) model, widely used in its measurement in academic literature (Apergis and Cooray, 2015; Li et al., 2021; Otero et al., 2024).

ECONOMETRIC ESTIMATION OF THE PASS-THROUGH EFFECT

(%)



Notas:

- (1) Bivariate models of the studied credit interest rate and the TPM are estimated.
- (2) The selection of the optimal number of lags is performed using Akaike's information criterion, allowing a maximum of four lags for both variables.
- (3) After estimating the NARDL model, the Wald test is performed to assess the existence of asymmetries during cycles of increases and decreases in the MPR. If a symmetric relationship is identified, equality is imposed on the coefficients associated with increases and decreases in the MPR.
- (4) To control for the potential existence of heteroscedasticity, estimates are made using White's standard errors.

According to the results, in the case of preferential credit rates, a complete and symmetrical pass-through is estimated during cycles of increases and reductions in the MPR (1.0). Conversely, in the case of the corporate credit segment, an asymmetric pass-through is evident. During cycles of MPR reductions, the transmission to corporate interest rates tends to be complete (1.00). During cycles of increases, the pass-through tends to be slightly lower, although close to complete (0.9). On the side of loans to large and medium-sized enterprises, a symmetrical transmission of changes in the MPR is observed. During cycles of increases and reductions, the estimated pass-through effect for interest rates on large and medium-sized enterprises is 0.9 and 1.1, respectively. In the case of mortgage rates, an asymmetric pass-through is observed. During cycles of MPR reductions, the pass-through tends to be higher (0.7) compared to cycles of increases (0.5).

Conclusions

Between 2010 and 2025, there was a significant transmission of monetary policy to lending rates in the Peruvian financial system. In particular, the analysis shows that interest rates on loans to companies closely follow monetary policy cycles. On the one hand, the study of sub-periods reflects that, although with heterogeneous transmission, monetary policy has been effective in influencing market rates at each point in time. On the other hand, the econometric estimation of the pass-through effect provides evidence of an almost complete and symmetrical transmission through cycles of increase and reduction of the MPR (in a range between 0.9 and 1.1).

Likewise, under both methods, a negative asymmetry is observed in the corporate and mortgage sectors. The descriptive analysis shows that the median cumulative variation in rates as a proportion of the change in the MPR during increases stands at 0.8 and 0.2, respectively, while during reductions it stands at 1.1 and 0.7, respectively. This is consistent with the results of the econometric model, in which the pass-through in the corporate segment increases from 0.9 in cycles of increases to 1.0 in cycles of cuts, and in the case of the mortgage segment, the pass-through goes from 0.4 to 0.7. This suggests that monetary policy transmission is heterogeneous and asymmetrical across segments and cycles.

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Box 5

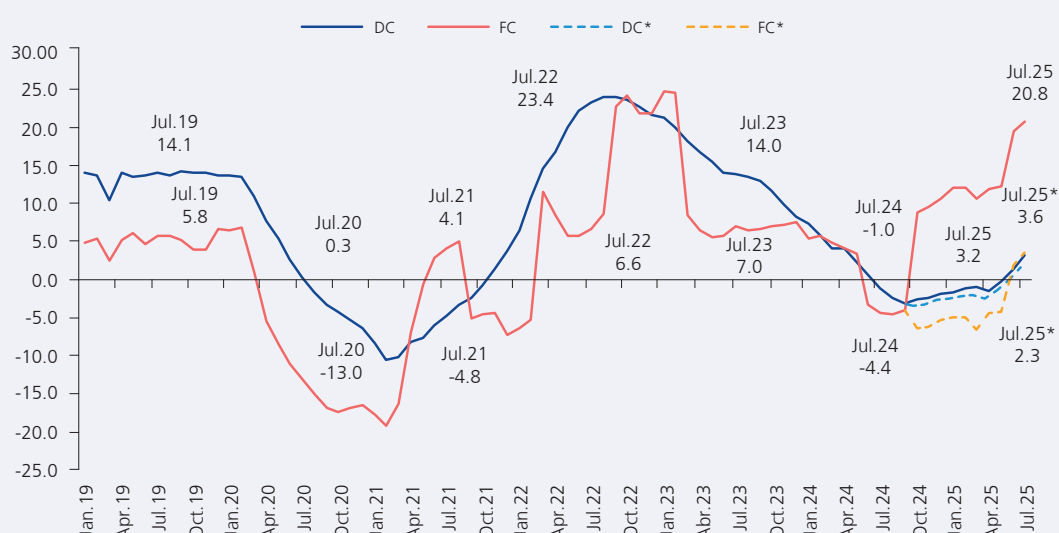
RECENT DEVELOPMENTS IN CONSUMER LOANS

This box analyzes recent developments in consumer credit, by currency and debt size, using information from balance sheets and the Consolidated Credit Registry (RCC). It then analyzes the evolution of low-value consumer credit (less than S/ 200), with an emphasis on non-revolving loans for free use granted by Other Deposit-Taking Companies³⁰ (OSCD).

Year-on-year growth in consumer credit as of July 2025 stands at 4.1 percent (2.4 percent in June). Excluding the effect of the reclassification announced in SBS Resolution No. 2368-2023, which modifies the definition in force in Resolution No. 11356-2008, estimated growth would have been 2.3 percent.

By currency, the dynamics have been different. Following the COVID-19 pandemic and the subsequent recovery, year-on-year growth in consumer credit in local currency has remained below the levels observed before the pandemic. Meanwhile, credit growth in foreign currency has recently accelerated, reaching 20.8 percent in July 2025, mainly due to a change in the definition of credit classification. Had this change in definition not occurred, year-on-year growth in foreign currency is estimated to have been 3.6 percent³¹.

YEAR-ON-YEAR GROWTH IN CONSUMER CREDIT^{1/}
(%)



	Dec.22	Dec.23	Mar.24	Jun.24	Sep.24	Dec.24	Mar.25	Jun.25	Jul.25
With reclassification									
Total	21.8	8.3	4.2	0.4	-3.1	-1.1	-0.4	2.4	4.1
DC	21.8	8.3	4.2	0.6	-3.1	-1.8	-1.0	1.4	3.2
FC	22.0	7.6	4.8	-3.3	-4.1	10.7	10.5	19.5	20.8
Without reclassification									
Total*	21.8	8.3	4.2	0.4	-3.1	-2.8	-2.1	0.6	2.3
DC*	21.8	8.3	4.2	0.6	-3.1	-2.6	-1.9	0.5	2.3
FC*	22.0	7.6	4.8	-3.3	-4.1	-5.3	-6.6	1.9	3.6

1/ Consumer loans disbursed by other deposit-taking institutions are included: banks, municipal savings banks, rural savings banks, finance companies, and Banco de la Nación. As of October 2024, unclassified balances have been calculated based on the classifications of economic agents in September 2024, identified by their RUC or DNI.

Source: Balance Sheet.

30 This group includes banking companies, municipal savings banks, rural savings banks, finance companies, and the Banco de la Nación.

31 As of October 2024, unclassified balances have been calculated based on the classifications of economic agents in September 2024, identified by their RUC (tax identification number) and DNI (national identification number).

The entry into force of SBS Resolution No. 2368-2023 meant that, as of October 2024, a portion of loans to medium-sized companies will be reclassified as consumer loans. This is mainly due to the incorporation of the following criterion: when the debtor has additional loans that are not intended to finance business activities, such loans must be classified as revolving consumer credit, non-revolving consumer credit, or mortgage loans for housing, as appropriate. Previously, under certain conditions, these loans were classified as loans to medium-sized companies³².

We estimate that the reclassification meant that 49,000 loans in local currency (equivalent to S/ 926 million) and 49,000 loans in foreign currency (equivalent to USD 232 million) from medium-sized companies became part of consumer credit in October 2024, which would mean an increase of 1.0 percent in local currency and 16.4 percent in foreign currency compared to the unclassified balance. As of July 2025, the magnitude of the increase has remained relatively stable both in terms of the number of loans and the balance.

IMPACT OF THE RECLASSIFICATION OF CONSUMER CREDIT, BY CURRENCY^{1/}

	Millions of S/ and USD						Thousands of loans					
	Sep.24	Oct.24	Dec.24	Mar.25	Jun.25	Jul.25	Sep.24	Oct.24	Dec.24	Mar.25	Jun.25	Jul.25
Domestic currency												
Balance with reclassification	94,273	95,092	95,695	96,199	97,883	98,294	4,864	5,185	5,291	5,554	5,711	5,830
Adjustment*	n.a.	926	849	843	862	862	n.a.	49	45	50	61	61
Balance without reclassification	n.a.	94,166	94,846	95,356	97,022	9,432	n.a.	5,136	5,247	5,504	5,650	5,769
(%) Adjustment/ Balance without reclassification	n.a.	1.0	0.9	0.9	0.9	0.9	n.a.	0.9	0.9	0.9	1.1	1.1
Foreign currency												
Balance with reclassification	1,429	1,650	1,643	1,631	1,671	1,702	278	339	342	355	368	362
Adjustment*	n.a.	232	239	254	247	243	n.a.	49	50	52	47	46
Balance without reclassification	n.a.	1,418	1,404	1,377	1,424	1,459	n.a.	290	292	303	321	316
(%) Adjustment/ Balance without reclassification	n.a.	16.4	17.0	18.5	17.3	16.7	n.a.	16.8	17.1	17.1	14.6	14.6

1/ Information from banks, municipal savings banks, rural savings banks, finance companies, and the Banco de la Nación is taken into account.

Using information from the RCC, as of July 2025, consumer loans show significant growth compared to their pre-pandemic level. By amount range, growth was most dynamic in loans over S/ 60,000, with a variation of 140.6 percent compared to December 2019. In contrast, loans under S/ 3,000 showed a decline of 16.9 percent. On the other hand, it can be seen that smaller loans (under S/ 20,000) have not yet recovered to their pre-pandemic level.

CONSUMER LOANS

(Millions of S/)

Ranges	Dec.19	Dic.22	Dec.23	Dec.24	Jul.25	Year-on-year % change				Jul.25/ Dec.19
						Dec.22	Dec.23	Dec.24	Jul.25	
Less than 3,000	8,116	7,118	6,953	6,489	6,743	14.4	-2.3	-6.7	4.2	-16.9
Between 3,000 and 8,000	10,404	9,901	10,289	9,556	9,584	20.4	3.9	-7.1	-0.4	-7.9
Between 8,000 and 20,000	16,364	16,331	17,494	16,590	16,349	23.7	7.1	-5.2	-2.0	-0.1
Between 20,000 and 60,000	26,986	31,736	35,168	33,740	33,533	19.9	10.8	-4.1	-2.0	24.3
Greater than 60,000	13,893	24,672	27,913	30,075	33,424	31.5	13.1	7.7	19.1	140.6
Total	75,762	89,758	97,817	96,451	99,633	23.1	9.0	-1.4	4.8	31.5

Note: Information from banks, municipal savings banks, rural savings banks, finance companies, and the National Bank is taken into account.
Source: RCC.

32 Previously, loans to individuals with debts in the financial system exceeding S/ 300,000 were considered loans to medium-sized companies. Under the new Resolution, only loans disbursed to legal entities and/or legal entities with annual sales of more than S/5 million and less than S/20 million are considered business loans, including legal entities with sales of less than S/5 million. Likewise, under the new Resolution, loans to individuals are exclusively for the micro and small business and consumer segments.





A similar pattern is observed for domestic currency, while for foreign currency there is growth in small loans. Consumer loans for amounts exceeding S/ 60,000 registered year-on-year growth of 142.5 percent and 137.5 percent in national and foreign currency, respectively, compared to December 2019. However, in recent months, year-on-year loan growth has been higher in foreign currency, mainly due to reclassification.

CONSUMER LOANS IN DOMESTIC CURRENCY

(Million S/)

Ranges	Dec.19	Dec.22	Dec.23	Dec.24	Jul.25	Year-on-year % change				Jul.25/ Dec.19
						Dec.22	Dec.23	Dec.24	Jul.25	
Less than 3,000	7 754	6 768	6 569	6 089	6 328	14.1	-2.9	-7.3	4.1	-18.4
Between 3,000 and 8,000	9 952	9 486	9 825	9 070	9 081	20.4	3.6	-7.7	-0.7	-8.8
Between 8,000 and 20,000	15 771	15 782	16 878	15 953	15 678	23.9	6.9	-5.5	-2.3	-0.6
Between 20,000 and 60,000	26 239	31 081	34 466	33 028	32 771	20.2	10.9	-4.2	-2.2	24.9
Over 60,000	12 492	22 737	25 786	27 331	30 290	29.5	13.4	6.0	15.7	142.5
Total	72 208	85 854	93 525	91 471	94 147	22.7	8.9	-2.2	3.5	30.4

Source: RCC.

CONSUMER LOANS IN FOREIGN CURRENCY

(Million USD)

Ranges	Dec.19	Dec.22	Dec.23	Dec.24	Jul.25	Year-on-year % change				Jul.25/ Dec.19
						Dec.22	Dec.23	Dec.24	Jul.25	
Less than 3,000	118	113	125	130	135	20.1	10.3	4.4	6.4	14.2
Between 3,000 and 8,000	156	143	159	167	174	19.1	11.6	4.8	5.2	11.5
Between 8,000 and 20,000	178	169	184	187	199	16.2	9.1	1.6	3.8	11.8
Between 20,000 and 60,000	165	133	145	149	160	2.0	9.7	2.6	5.0	-2.8
Over 60,000	342	495	543	709	811	67.5	9.8	30.4	71.9	137.5
Total	958	1,052	1,157	1,342	1,479	34.1	10.0	16.0	33.5	54.4

Source: RCC.

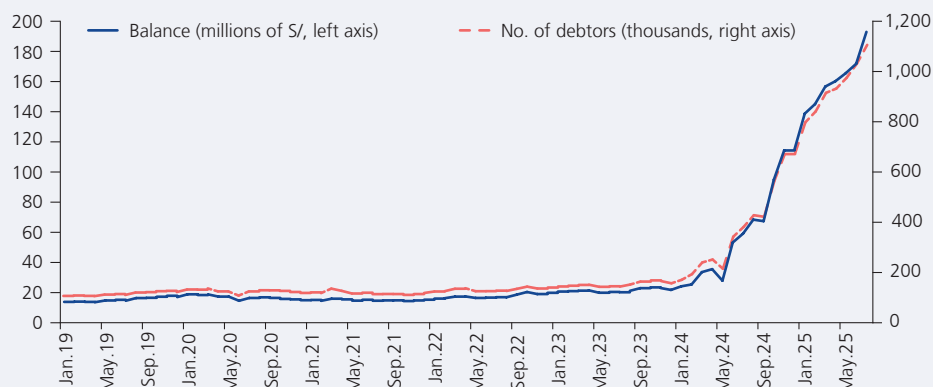
Consumer loans in foreign currency for amounts less than USD 1,000 registered year-on-year growth of 6.4 percent in July. By type of loan, this growth is explained by the increase in credit card loans.

CONSUMER LOANS IN FOREIGN CURRENCY OF AMOUNTS LESS THAN USD 1,000

(Million USD)

Ranges	Dec.19	Dec.22	Dec.23	Dec.24	Jul.25	Year-on-year % change				Jul.25/ Dec.19
						Dec.22	Dec.23	Dec.24	Jul.25	
Free Availability	0	1	1	0	0	-10.3	-32.6	-75.2	-33.3	34.5
Cards	118	112	123	130	134	20.4	10.3	5.0	6.7	14.1
Rest	0	0	1	1	0	27.0	124.4	-27.1	-34.3	22.6
Total	118	113	125	130	135	20.1	10.3	4.4	6.4	14.2

For their part, low-value consumer loans in local currency granted by OS CDs, specifically those under S/ 200, have been disbursed mainly through non-revolving loans for free use, with the latter accounting for the largest share (around 96.1 percent in the period from January 2019 to December 2020). However, recently, these have gained almost the entire share (99.9 percent in July 2025).

FREE-USE LOANS OF LESS THAN S/ 200^{1/}

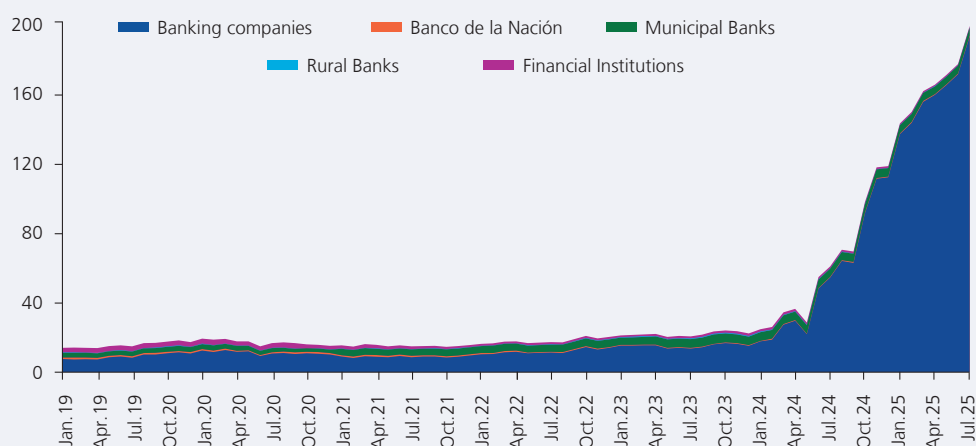
1/ Only disbursements of less than S/ 200 granted by Other Deposit-Taking Institutions are considered: banking companies, municipal savings banks, rural savings banks, finance companies, and Banco de la Nación.
Source: Consolidated Credit Registry (RCC)

Non-revolving low-amount freely available loans, which are typically very short-term, have remained stable over time. Thus, in the period from January 2019 to December 2023, the direct portfolio of this type of loan averaged S/ 16.9 million, with around 121,000 debtors (average debt of S/ 139.8), and where the share of banking companies in this portfolio represented 62.8 percent of the total.

However, since the beginning of 2024, its dynamics have been significantly affected. Thus, at the end of July 2025, the portfolio of these loans stood at S/ 192.9 million and the number of debtors at 1.1 million (average debt of S/ 175.4), representing year-on-year growth of 227.9 percent and 194.2 percent, respectively. Noteworthy is the gain in market share by banking companies, which rose to 97.0 percent in the same period, concentrated in a single bank that accounts for 95.8 percent of the total.

DIRECT PORTFOLIO: NON-REVOLVING CONSUMER LOANS FOR FREE USE^{1/}

(In millions of S/)



1/ Only disbursements of less than S/ 200 granted by Other Deposit-Taking Institutions are considered: Banking companies, Municipal Savings Banks, Rural Savings Banks, Financial Institutions, and Banco de la Nación.
Source: Consolidated Credit Registry (RCC).

For its part, the default ratio for this type of loan has also been affected in recent years, as the growth rate of the non-performing portfolio has not been the same as that experienced by the direct portfolio.

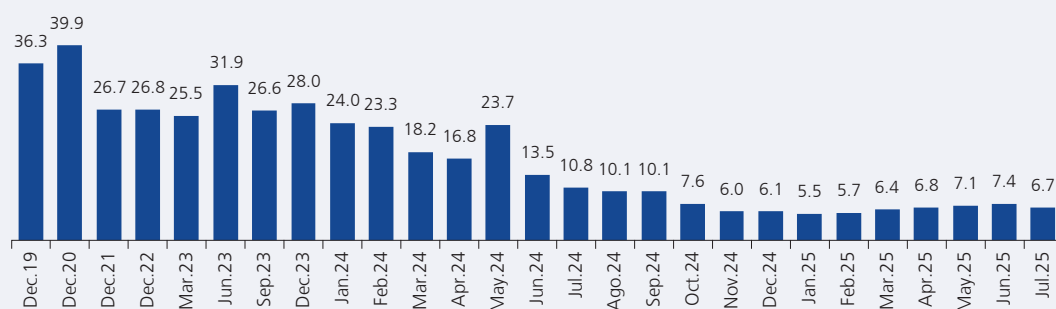




Thus, the ratio went from being in double digits (28.0 percent in December 2023) to single digits since October 2024 (6.7 percent in July 2025).

It also highlights the evolution of the non-performing loan ratio of banking companies which, unlike other types of financial institutions where this indicator appears to be more stable, shows a sustained decline from 19.3 percent in December 2023 to 5.7 percent in July 2025.

DELINQUENCY: NON-REVOLVING CONSUMER LOANS FOR FREE^{1/} (%)



	Dec. 19	Dec. 20	Dec. 21	Dec. 22	Dec. 23	Mar. 24	Jun. 24	Sep. 24	Dec. 24	Mar. 25	Jun. 25	Jul. 25
Banking Companies	33.7	45.6	24.2	21.3	19.3	10.7	9.0	6.8	4.1	5.1	6.3	5.7
Banco de la Nación	15.6	14.9	14.8	18.7	24.3	21.2	23.4	18.7	18.3	16.2	20.5	16.0
Municipal banks	36.1	24.4	30.1	36.0	40.9	42.5	42.2	40.6	38.6	36.4	36.9	36.1
Rural banks	39.2	42.4	40.5	40.0	55.2	54.4	51.3	45.6	42.9	43.3	45.8	47.3
Financial Institutions	52.2	38.4	41.8	58.3	69.1	66.0	64.5	58.1	62.5	63.4	63.5	61.8
Total	36.3	39.9	26.7	26.8	28.0	18.2	13.5	10.1	6.1	6.4	7.4	6.7

1/ Only disbursements of less than S/ 200 granted by Other Deposit-Taking Institutions are considered: Banking companies, municipal savings banks, rural savings banks, finance companies, and Banco de la Nación.
Source: Consolidated Credit Registry (RCC).

The recent increase in this type of low-value credit is mainly attributable to banking companies and coincides with the development of new products offered by digital wallets.

In summary, consumer credit registered year-on-year growth of 4.1 percent in July. By currency, consumer credit growth in soles has remained below pre-pandemic levels, while credit in foreign currency has accelerated, explained by the October 2024 reclassification. Likewise, recently, there has been significant growth in low-amount consumer credit (less than S/ 200), mainly explained by non-revolving credit for free disposal, driven by the greater dynamism of disbursements by banking companies. By debt size, loans over S/ 20,000 have shown greater growth since the pre-pandemic period, while loans under S/ 20,000 have decreased. By currency, this trend is only repeated in the national currency. Finally, this behavior coincides with the development of new products offered through digital wallets, which could be facilitating access to and disbursement of these loans, especially in segments of the population with a lower degree of banking penetration.

VI. Inflation and inflation risk balance

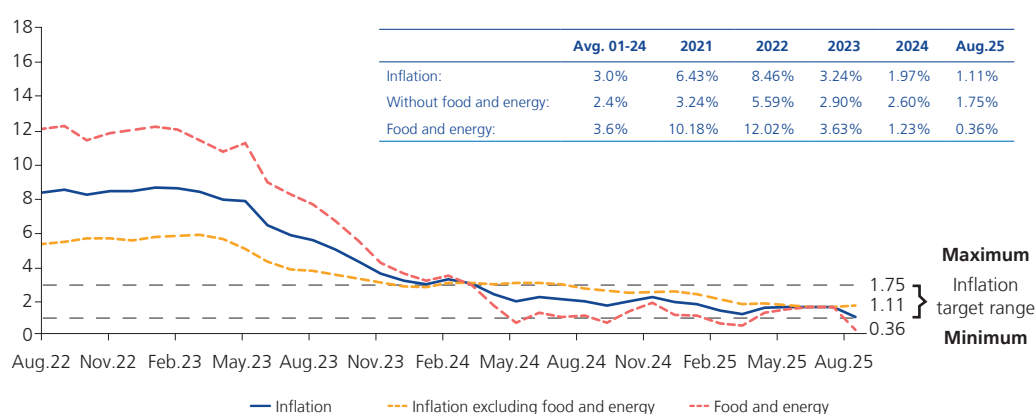
Recent

95. Year-on-year **inflation** fell from 1.69 percent in May to 1.11 percent in August, due to lower prices for some foods, such as potatoes and chicken, and utilities such as electricity, remaining within the target range.

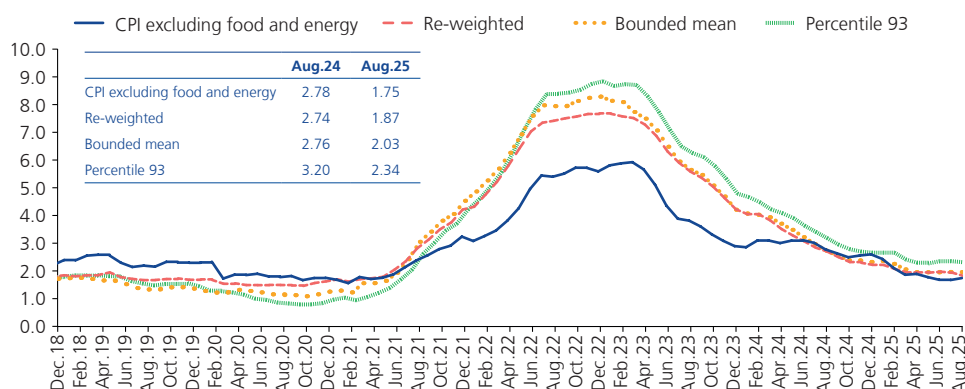
Inflation excluding food and energy (SAE) fell from 1.79 percent to 1.75 percent in the same period, with a slower rate of increase observed in items such as motor vehicles, package tours, and rents. Both goods and services included in the SAE were within the target range.

The various trend indicators remained within the target range between May and August.

Graph 92
INFLATION
(Last 12-month % change)



Graph 93
INFLATIONARY TREND INDICATORS
(Last 12-month % change)



Note:

1. CPI excluding food and energy: CPI excluding food, fuel, and electricity.
2. Re-weighted: Reduces the weight of items with greater volatility, considers the original weights of each item over the standard deviation of their monthly percentage changes.
3. Bounded mean: Weighted average of the percentage change of prices between the 34th and 84th percentiles.
4. Percentil 63: Corresponds to the percentage changes of the item placed in the 63th percentile.





96. Inflation excluding food and energy (SAE) registered a downward trend between May and July 2025, with a slight increase in August, mainly explained by services, including domestic services. Both SAE goods inflation and SAE services inflation were within the target range.

Graph 94
CPI EXCLUDING FOOD AND ENERGY
(Last 12-month % change)

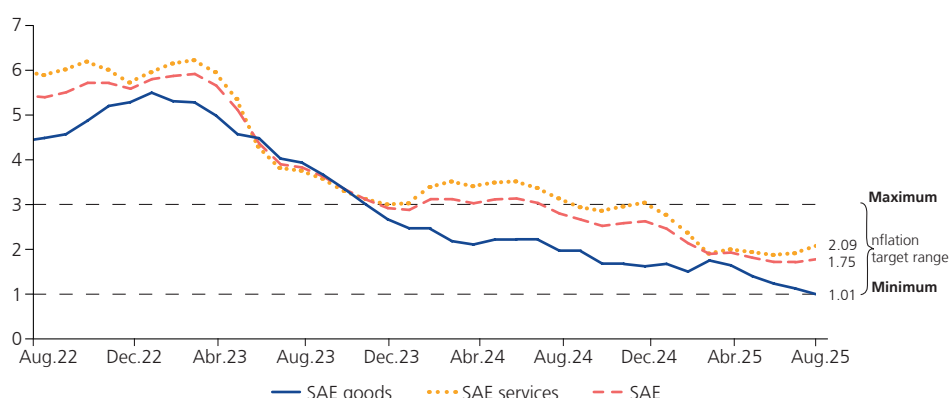
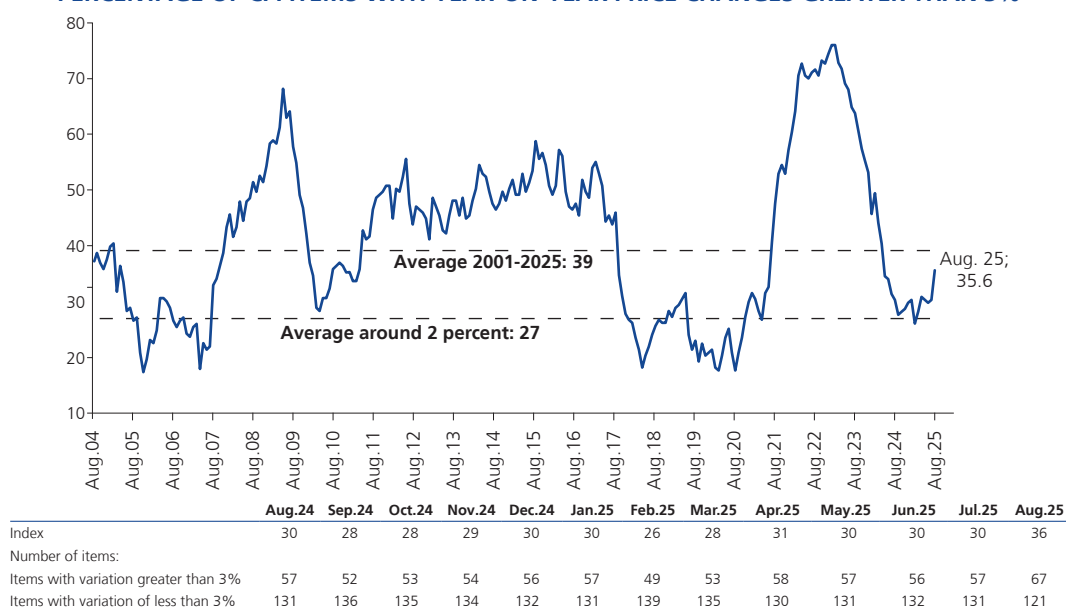


Table 42
SERVICE INFLATION
(12-month % chg.)

	Peso	Dec.21	Dec.22	Dec.23	Dec.24	Jan.25	Feb.25	Mar.25	Abr.25	May.25	Jun.25	Jul.25	Aug.25
Services	37.89	3.61	5.72	3.01	3.05	2.78	2.38	1.92	2.01	1.95	1.89	1.93	2.09
Education	8.61	1.60	3.92	6.40	5.09	5.14	5.23	4.42	4.26	4.12	4.07	4.00	4.06
of which:													
Primary	1.55	1.64	3.60	10.39	6.31	6.31	6.14	5.26	5.26	5.26	5.26	5.26	5.26
Secondary	1.26	1.64	3.83	10.74	6.42	6.42	6.40	5.42	5.42	5.42	5.42	5.42	5.42
Higher	4.26	1.64	4.09	3.86	3.96	3.96	4.18	3.64	3.34	3.35	3.23	3.23	3.29
Postsecondary, non-tertiary	0.51	1.64	6.34	4.03	3.72	4.60	4.88	3.72	3.44	2.22	2.22	2.22	2.22
Transport	9.14	3.69	12.30	2.89	3.83	2.56	2.41	1.13	1.46	1.15	0.82	1.07	1.44
of which:													
National ground	0.27	19.57	5.78	-5.23	12.35	1.38	1.57	-5.82	15.42	3.65	0.60	1.98	-1.38
Domestic	8.08	2.97	13.50	3.51	3.62	2.81	2.44	1.80	1.26	1.04	1.04	1.01	1.77
National air	0.24	45.44	-21.34	24.20	6.81	-4.68	7.87	-8.22	2.34	9.43	-1.22	0.75	3.18
International air	0.55	45.44	12.13	-9.05	2.09	1.42	0.34	-3.64	-1.00	-0.57	-2.13	1.76	-3.33
Health	1.48	2.82	7.30	3.28	1.59	1.47	1.01	0.46	0.50	0.70	0.89	1.02	1.06
Other services	5.03	8.92	3.89	3.23	2.43	2.49	2.35	2.60	2.71	2.81	2.91	2.77	2.87
of which:													
Tourist packages	0.16	0.00	8.09	5.32	8.21	8.13	10.25	13.22	14.66	17.81	16.67	8.37	5.68
Other personal services	3.37	2.50	2.55	2.39	1.79	1.87	2.04	2.12	2.29	2.62	2.98	3.25	3.56
of which:													
Domestic services	2.25	1.12	0.84	0.86	1.08	1.28	1.48	1.55	1.71	2.08	2.54	2.84	3.19
Public services	5.81	5.20	3.61	0.71	2.02	2.23	0.18	0.26	0.32	0.32	0.33	0.32	0.41
of which:													
Water	1.37	11.57	7.90	1.32	7.48	8.34	0.80	0.80	0.80	0.80	0.80	0.80	0.80
Rentals	4.45	1.76	2.38	-0.19	0.57	0.62	0.18	0.13	0.20	0.24	0.06	-0.11	-0.13

97. Of the 188 items in the Consumer Price Index, 36 percent registered a year-on-year variation of more than 3 percent in August. This indicator peaked at 76 percent in February 2023 and has been declining since March 2023.

Graph 95
PERCENTAGE OF CPI ITEMS WITH YEAR-ON-YEAR PRICE CHANGES GREATER THAN 3%



Note: The average annual inflation rate for the period of the long-term average dispersion index is 2.93 percent.

98. The items most closely linked to the exchange rate, international prices, and the Wholesale Price Index (WPI) contributed -0.49 percentage points to the cumulative inflation rate between January and August (1.24 percent).

Table 43
ITEMS LINKED TO THE EXCHANGE RATE, INTERNATIONAL PRICES, AND WPI

	Base Weight. Dec. 21	Var% 12 m Dec. 22	Contr. Weighted	Var% 12 m Dec. 23	Contr. Weighted	Var% 12 m Dec. 24	Contr. Weighted	Cumulative Var% Jan.- Aug. 25	Contr. Weighted
CPI	100.00	8.46	8.46	3.24	3.24	1.97	1.97	1.24	1.24
Of which									
Items linked to the exchange rate	14.58	5.19	0.76	1.92	0.27	1.77	0.25	0.14	0.02
Items linked to international quotations and exchange rates	7.99	11.40	0.91	1.44	0.12	-1.53	-0.12	-4.91	-0.38
Linked to food commodities	5.84	15.21	0.89	3.96	0.25	-2.94	-0.18	-5.02	-0.30
Fuel	2.15	1.05	0.02	-6.36	-0.13	3.32	0.06	-4.55	-0.08
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, WPI, and quotations	2.62	11.46	0.30	-7.11	-0.19	-0.72	-0.02	-5.90	-0.14
Total items related to exchange rate, CPI, and contributions	26.56	7.82	2.08	0.82	0.22	0.80	0.21	-1.92	-0.49
Rest	73.44	8.69	6.38	4.10	3.02	2.37	1.76	2.32	1.73

Cumulative inflation for the January-August 2025 period was 1.24 percent. Inflation excluding food and energy was 1.20 percent in the same period, with an increase of 0.9 percent for goods (contributing 0.14 percentage points to inflation) and 1.4 percent for services (contributing 0.50 percentage points to inflation). The largest increase in services was recorded in education (4.0 percent), which was partly offset by a decrease in transportation (-0.5 percent).

The food category within the household increased by 1.8 percent in the January-August 2025 period, contributing 0.47 percentage points to CPI growth.





Meals outside the home increased by 2.1 percent, contributing 0.34 percentage points. Fuel prices fell by 4.5 percent (contributing -0.08 percentage points), while electricity rates fell by 5.9 percent (contributing -0.14 percentage points to inflation).

Table 44
INFLATION
(% change)

	Weight	Dec.21	Dec.22	Dec.23	Dec.24	2025	
						Aug.25/Dec. 24*	Aug.25/Aug.24
CPI	100.0	6.43	8.46	3.24	1.97	1.24	1.11
1. CPI excluding food and energy	55.3	3.24	5.59	2.90	2.60	1.20	1.75
a. Goods	17.4	2.6	5.3	2.7	1.6	0.9	1.0
b. Services	37.9	3.6	5.7	3.0	3.0	1.4	2.1
Education	8.6	1.6	3.9	6.4	5.1	4.0	4.1
Health	1.5	2.8	7.3	3.3	1.6	1.0	1.1
Transportation	9.1	3.7	12.3	2.9	3.8	-0.5	1.4
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	1.1	1.6
2. Food and energy	44.7	10.18	12.02	3.63	1.23	1.28	0.36
a. Food and beverages	40.0	8.0	12.6	4.8	1.2	1.9	0.9
Meals inside home	24.5	9.8	14.5	3.7	0.2	1.8	-0.2
Meals outside home	15.5	4.5	9.7	6.6	2.9	2.1	2.7
b. Fuel and electricity	4.8	24.4	6.8	-6.8	1.0	-5.3	-5.2
Fuels	2.1	47.2	1.0	-6.4	3.3	-4.5	-5.7
Electricity	2.6	9.5	11.5	-7.1	-0.7	-5.9	-4.8

*Cumulative percentage change.

99. The items with the highest positive contribution to inflation in the January-August 2025 period were education, meals away from home, other fresh fruits, and fish (1.0 percentage points to inflation). The items with the highest negative contribution were chicken meat, electricity, sugar, and domestic land transportation (-0.48 percentage points to inflation).

Table 45
WEIGHTED CONTRIBUTION TO INFLATION: AUGUST 2025

Positive	Weight	% change	Contribution	Negative	Weight	% change	Contribution
Education	8.6	4.0	0.35	Chicken meat	2.7	-9.6	-0.25
Meals outside home	15.5	2.1	0.34	Electricity	2.6	-5.9	-0.14
Other fresh fruit	0.6	26.5	0.17	Mandarin	0.3	-32.5	-0.10
Fresh sea fish	0.7	24.6	0.14	Sugar	0.4	-11.4	-0.05
Papaya	0.2	39.2	0.08	Domestic land transport	0.3	-17.5	-0.05
Limón	0.2	39.0	0.08	Vehicle fuels	1.1	-4.9	-0.04
Personal care products	4.0	1.6	0.07	Domestic air transport	0.2	-20.5	-0.04
Domestic and household services	2.2	2.6	0.05	Avocado	0.2	-13.2	-0.03
Eggs	0.7	6.3	0.05	Domestic gas	0.8	-4.0	-0.03
Carrot	0.1	41.3	0.05	Motor vehicles	1.6	-1.8	-0.03
Total			1.38	Total			-0.76

Food

The “food away from home” category increased by 2.1 percent, a rate higher than the general price index (1.2 percent) in the January-August period. With this result, the

category reached a variation of 2.7 percent in the last 12 months, in contrast to the negative variation in food within the home (-0.2 percent). This reflected the greater demand for this service and the increase in costs, mainly labor (increase in the minimum wage as of January 2025).

The category "other fresh fruits" rose 26.5 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 harvests in the central jungle. In June, there was a notable decrease in seasonal mango production in Piura and Tumbes, as well as the loss of hectares of passion fruit in Oxapampa, mainly due to hailstorms in May. Subsequently, there was a negative variation in this category in August (-6.5 percent) due to lower prices for strawberries and blueberries, as a result of increased supply from the valleys of the Lima region.

The price of fresh sea fish rose by 24.6 percent, with the largest increase being recorded for bonito (47.2 percent). Cold weather and abnormal waves hampered artisanal fishing activities during much of the January-August period. However, in August, prices for horse mackerel and bonito fell by 28.4 percent and 18.3 percent, respectively. In the case of horse mackerel, this was influenced by increased activity by the industrial fleet following the suspension of anchovy fishing in the north-central zone from July 24. In the case of bonito, the price decrease mainly reflected the reduction recorded at the end of July, due to a greater influx of lower-priced imported products.

The price of papaya rose 39.2 percent, with the largest increases occurring 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.

Chicken meat was the product that contributed to the largest negative price variation (-9.6 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

Education spending rose 4.0 percent, mainly due to higher tuition and fees at private schools and universities at the start of the academic year. Tuition fees at private schools rose by an average 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.

Domestic ground transportation and domestic airfare rates fell by 17.5 percent and 20.5 percent, respectively. This result mainly reflected the seasonal reversal of the increases that are usually recorded during the end-of-year holidays, Holy Week, and national holidays.

Energy

Electricity rates fell between January and August (-5.9 percent), with particularly sharp declines in January (-1.4 percent) and August (-3.5 percent). In January, the reduction in the tariff was the result of the price update at the generation level (quarterly settlement of the compensation mechanism between regulated users) and the readjustment of the update of the Electricity Social Compensation Fund (FOSE) Surcharge Factor applicable to the



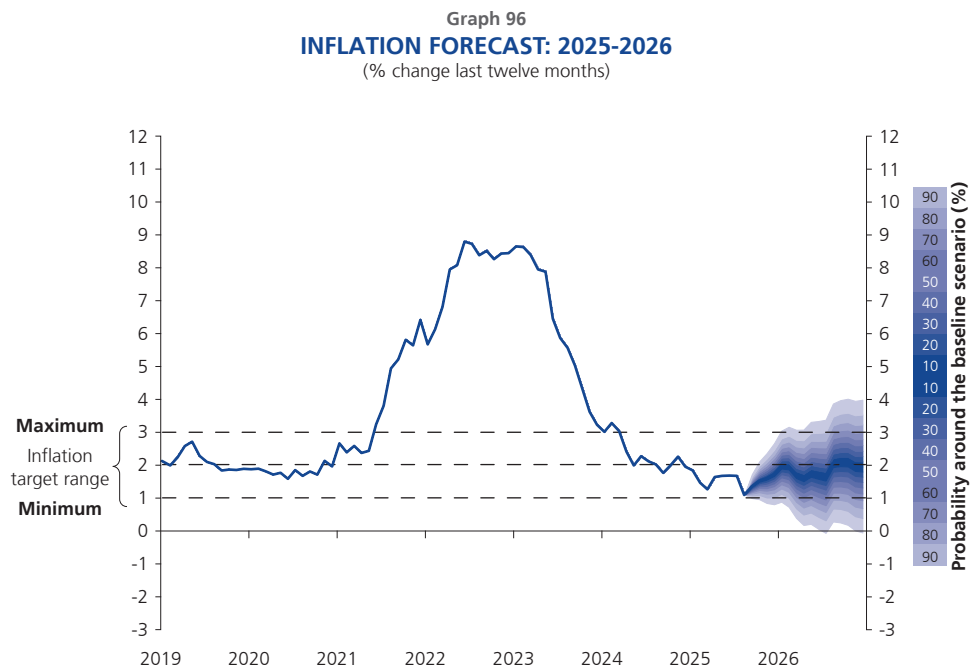


period from February 4 to April 30, 2025. In August, the adjustment of the compensation mechanisms (-1.5 percentage points), the lower exchange rate (-1.4 percentage points), and the decrease in fixed costs of the main transmission (-0.8 percentage points). Added to this were the lower wholesale price index (-0.2 percentage points) and the lower FOSE³³ charge (-0.1 percentage points).

Forecast

100. The BCRP designs and implements its monetary policy actions in response to inflation projections and their determinants. These projections 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 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 projections 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 inflation projection scenario for 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.

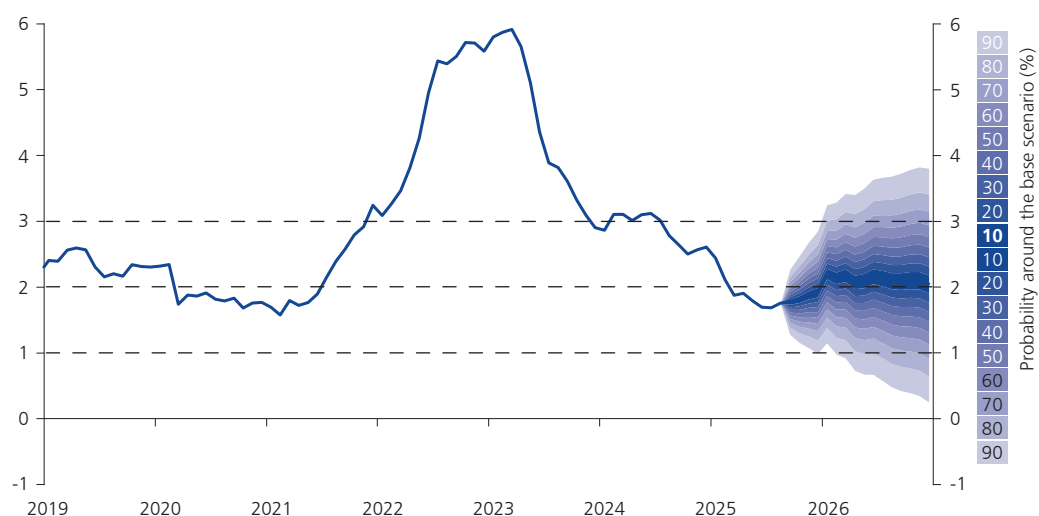


Note: This fan chart shows the distribution of possible values for the inflation projection over the projection horizon. Its central line is the mode of the distribution and shows the baseline projection presented in this Inflation Report. Each pair of bands in the fan chart (each shade or shading) accumulates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

Year-on-year inflation is projected to remain at the lower end of the target range in the coming months, then settle at 1.7 percent in 2025 and 2.0 percent in 2026.

33 FOSE: Electricity Social Compensation Fund. This is a cross-subsidy paid by high-consumption residential users to benefit low-consumption residential users.

Graph 97
INFLATION EXCLUDING FOOD AND ENERGY FORECAST (SAE): 2025 - 2026
 (% change last twelve months)



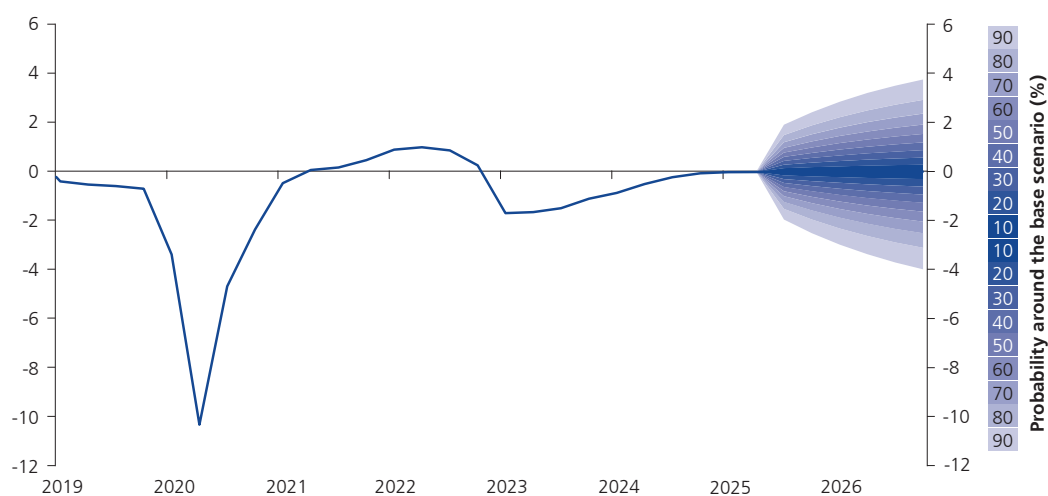
Note: This fan chart shows the distribution of possible values for the projection of inflation excluding food and energy (SAE) over the projection horizon. Its central line is the mode of the distribution and shows the baseline projection presented in this Inflation Report. Each pair of bands in the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

Source: BCRP.

In addition to the reversal of the effects of supply shocks, this projection assumes economic activity around its potential level and inflation expectations with a downward trend toward the average value of the target range.

101. Business confidence, which recovered in 2024 after three years in negative territory, continues to increase so far in 2025. On the other hand, terms of trade are expected to remain at highly favorable levels. As a result, the output gap would remain close to its neutral value over the projection horizon.

Graph 98
PROJECTED OUTPUT GAP: 2025-2026
 (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 projection horizon associated with this confidence level.

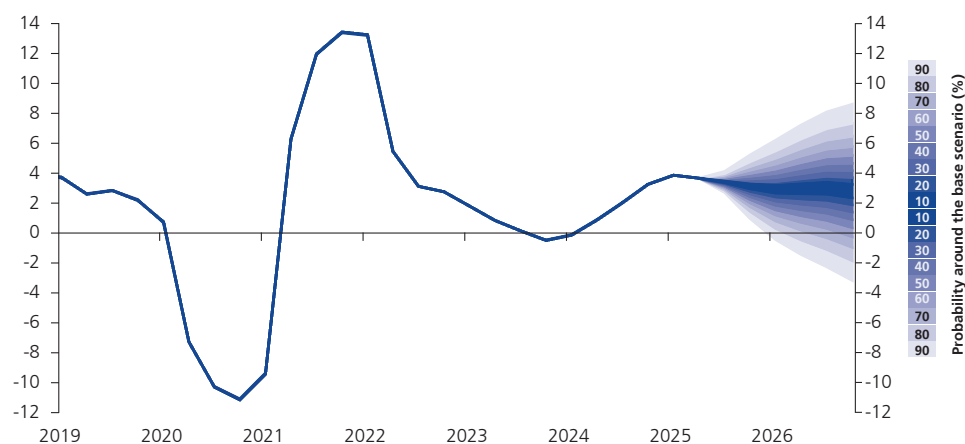
Source: BCRP.





102. 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 2025-2026.

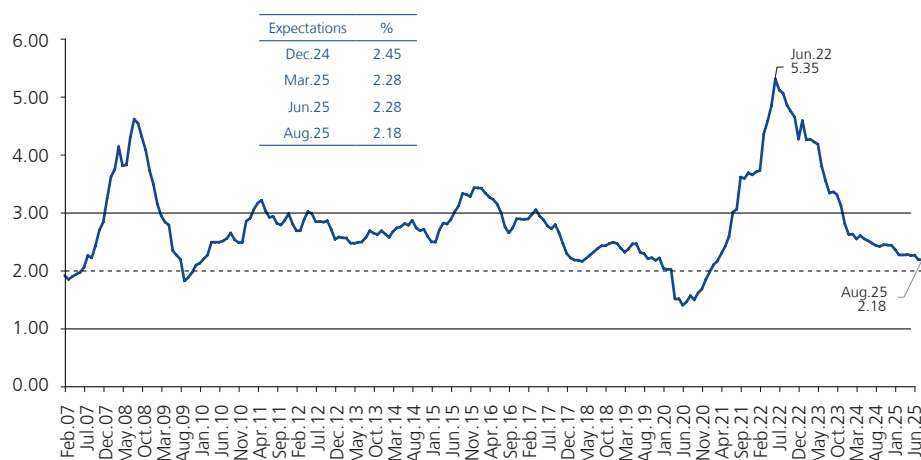
Graph 99
PROJECTED OUTPUT GROWTH: 2025-2026
(Percentage change, 4 quarters moving average)



Note: This fan chart shows the distribution of possible values for GDP growth projections 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 projection horizon associated with this confidence level.
Source: BCRP.

103. Inflation expectations, calculated based on surveys of financial and non-financial companies, as well as economic analysts, reveal a range for the expected inflation rate between 2.0 and 2.1 percent for 2025 (values lower than those in the June Inflation Report). For 2026, a range between 2.2 and 2.5 percent is expected. Likewise, 12-month inflation expectations stood at 2.18 percent in August 2025, lower than reported in the previous Inflation Report and close to the center of the inflation target range.

Graph 100
TWELVE-MONTH INFLATION EXPECTATIONS
(% points)



Fuente: BCRP.

Table 46
INFLATION EXPECTATIONS SURVEY
(%)

	IR Mar.25	IR Jun.25	IR Sep.25
Financial System			
2025	2.30	2.15	2.10
2026	2.40	2.15	2.20
Economic Analysts			
2025	2.20	2.30	2.00
2026	2.40	2.50	2.30
Non-Financial Firms			
2025	2.50	2.30	2.10
2026	2.50	2.50	2.50

* Survey conducted as of August 29.
Source: BCRP.

104. 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 corn) with the effect of exchange rate fluctuations (the sol against the US dollar).

Thus, average import prices are projected to decline by 2.5 percent in 2025, mainly due to lower prices for some raw materials such as oil, wheat, and soybeans, while a partial recovery of 0.5 percent is expected for 2026. Meanwhile, surveys of expected exchange rates for August show levels between S/ 3.60 and S/ 3.65 per dollar for 2025, and between S/ 3.68 and S/ 3.70 per dollar for 2026.

Table 47
EXCHANGE RATE EXPECTATIONS SURVEY
(In soles per dollar)

	IR Mar.25	IR Jun.25	IR Sep.25
Financial System			
2025	3.75	3.75	3.65
2026	3.77	3.77	3.70
Economic Analysts			
2025	3.75	3.73	3.60
2026	3.80	3.75	3.68
Non-Financial Firms			
2025	3.75	3.73	3.65
2026	3.80	3.75	3.70

* Survey conducted as of August 29.
Source: BCRP.

The effects mentioned above (zero output gap, inflation expectations gradually approaching 2 percent, neutral weather conditions, and lower imported inflation) are expected to contribute to inflation remaining around the midpoint 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 June, the neutral bias and greater 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.





- **Supply shocks**

Inflation has continued to reflect the effects of the reversal of supply shocks from previous years and lower imported inflation. Looking ahead, these effects on inflation are expected to dissipate given their transitory nature. However, risks stemming from escalating geopolitical tensions remain. These events, coupled with the possibility of relatively intense natural phenomena, could affect the development of some economic activities, supply chains, and the transport of perishable goods in both domestic and foreign markets, increasing transportation costs and the prices of inputs, consumer goods, and capital goods.

The impact of the partial materialization of these events could be offset by lower imported inflation in countries such as Peru, which do not adopt retaliatory measures in response to protectionist measures and experience diversions of foreign trade to their markets, or by a likely greater reversal of the shocks that affected food and energy items in the consumer basket, maintaining the neutral balance of this risk similar to that indicated in the previous report.

- **Financial shocks**

The year 2026 could be marked by political uncertainty associated with the upcoming general elections. Given this, there is a contingency that domestic and international financial markets will assign a higher interest rate to Peruvian securities (especially those of the Public Treasury), which would result in an increase in country risk. Meanwhile, externally, increased volatility in international financial markets could trigger episodes of capital flight in both advanced and 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.

Therefore, this increased uncertainty would be associated with: (i) higher country risk stemming from domestic political uncertainty, (ii) high and persistent uncertainty about the impact of economic and trade measures that the United States would apply and the retaliation and negotiations of the affected economies, (iii) high levels of indebtedness in many economies around the world, compounded by the difficulty of implementing fiscal consolidation and public debt management measures, (iv) greater global risk aversion due to the possible worsening of geopolitical tensions, and (v) greater financing needs in the world's major economies due to expansionary fiscal policies (lower taxes or higher public spending). Domestically, the transition through an election period with the possibility of increased political and social uncertainty could increase country risk, thereby amplifying or triggering a possible capital outflow. Both factors could generate upward pressure on the exchange rate (despite the weakening of the dollar globally), thus contributing to higher inflation. The expected impact of this risk remains unchanged from that reported in June.

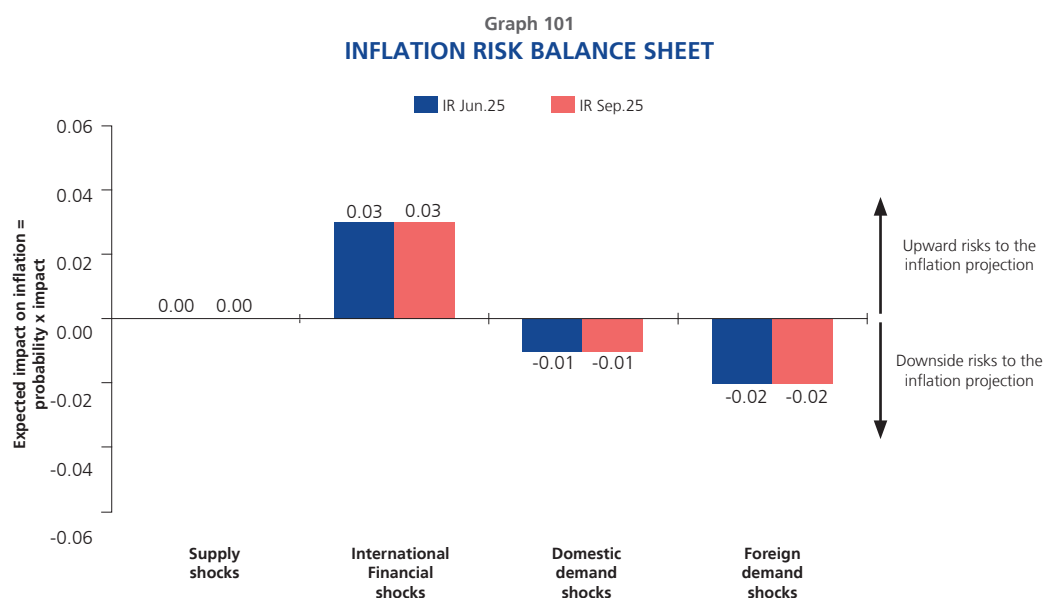
- **Domestic demand shocks**

The start of a new electoral process in 2026 could bring greater uncertainty, which could be exacerbated if this process takes place in a context of political instability and social conflict, thereby undermining the prospects for growth in consumption and private investment. Lower private investment spending would lead to lower capital accumulation and, therefore, lower potential growth in economic activity. 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 imply 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 the current trade war, in which many affected economies are negotiating their tariff structure with the United States, and by the risk of worsening geopolitical tensions; both of which would generate new disruptions in global supply chains, higher logistics costs associated with international trade, and higher inflation rates with effects on consumption and monetary policy interest rates globally.

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 larger fiscal deficits in several advanced economies. These factors, combined with the risk of slower growth in China, 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.



Source: BCRP.



**Box 6****HISTORICAL BREAKDOWN OF INFLATION EXCLUDING FOOD AND ENERGY**

The international context is currently characterized by considerable uncertainty surrounding global trade policy, which introduces risks for the future evolution of inflation. In order to quantify the relative influence of the trade channel on inflation, this box analyzes the historical contributions of external supply shocks (represented by imported inflation in dollars, freight costs, and depreciation), domestic supply shocks, and demand shocks. This analysis is performed on the trend component of inflation excluding food and energy (SAE).

Since the explicit inflation targeting (EIT) framework was adopted in 2002, there have been three prolonged episodes of inflation, which are documented in previous boxes in the Inflation Report.³⁴ This box evaluates the determinants of SAE inflation during those episodes. To this end, a Structural Bayesian Autoregressive Vector model is estimated, which calculates the historical contribution of each of the determinants throughout the sample analyzed. The model focuses on the decomposition of SAE inflation among its determinants: imported inflation in dollars and freight costs, nominal depreciation, other supply shocks, and demand shocks.³⁵ It should be noted that all variables were expressed in year-on-year variations.

The identification of structural shocks in the model is based on two assumptions: First, the dynamics of the year-on-year variation in imported inflation in dollars and freight costs are considered independent of the other variables.³⁶ Second, recursive causality is assumed in the following order: imported inflation in dollars and freight costs, AE inflation, output gap, SAE inflation, policy rate, nominal depreciation, and inflation expectations as the most endogenous variable.

It is important to understand the dynamics of SAE inflation because of its more trend-like behavior and its greater sensitivity to changes in demand, characteristics that make it relevant for the formulation of monetary policy. It is important to bear in mind that the contribution of demand will always be mitigated by the countercyclical effect of monetary policy. Therefore, although SAE inflation shows greater sensitivity to demand, the estimated contributions of demand will generally be small.

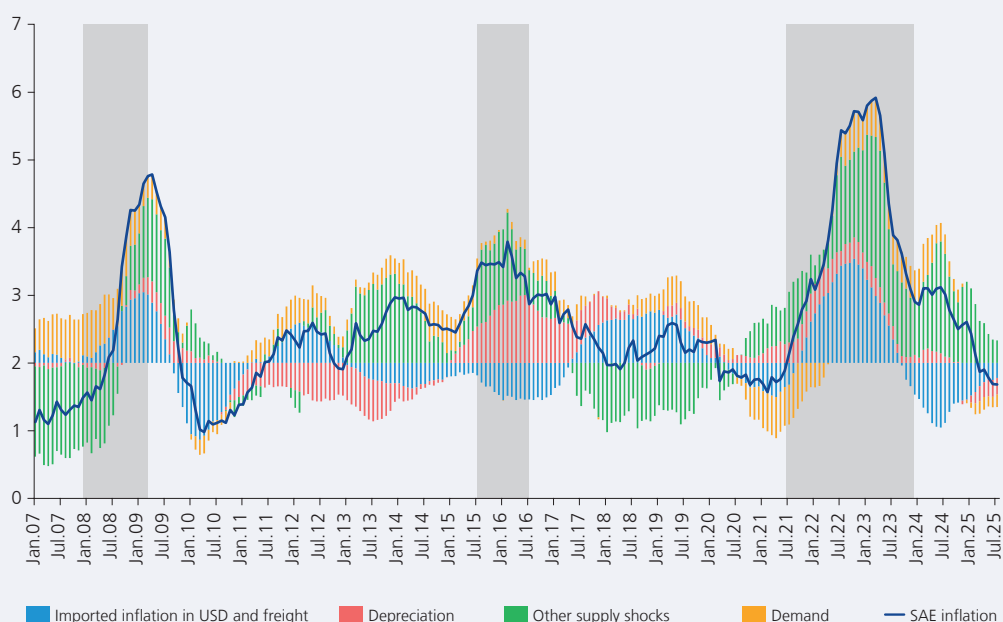
In the first inflationary episode, shocks to imported inflation in dollars were the main factor behind deviations from the center of the target range. Nominal depreciation, meanwhile, played a notable role during the second inflationary episode. In contrast, in the most recent episode, the main drivers were other supply shocks, particularly the El Niño phenomenon and sociopolitical unrest. These were followed by imported inflation in dollars and freight costs, which is consistent with the disruptions in the global supply chain observed during the pandemic and the subsequent period.

34 See Box 7, "Historical Breakdown of Inflation Expectations," in the June 2024 Inflation Report. Note that this box focuses only on inflationary episodes lasting more than three months, which are therefore referred to as "prolonged inflationary episodes."

35 The measurement of imported inflation in dollars is based on the import price index, which is derived from customs records of FOB (Free On Board) prices, thus excluding transportation and insurance costs. However, a freight metric is incorporated, constructed from an index that reflects the costs per ton imported reported to SUNAT by importers; records without this cost are excluded to avoid downward biases, and the index is weighted according to trading partners. Demand is quantified using the output gap from the Quarterly Projection Model and the impact of the monetary policy rate. Finally, other supply shocks include the inflationary dynamics of the SAE and AE components, as well as inflation expectations, which cannot be explained by the other variables in the model.

36 This implies that domestic variables have no impact on the evolution of these variables. This means that freight rates depend mainly on global trade flows, and imported inflation in dollars is mainly determined by variations in international commodity prices.

HISTORICAL BREAKDOWN OF SAE INFLATION



AVERAGE CONTRIBUTION TO SAE INFLATION DEVIATIONS IN INFLATIONARY EPISODES

Episodes	Duration (months)	Imported inflation in USD and freight	Nominal depreciation	Other supply shocks	Demand	Deviation from 2 percent
1. Jan.08 - Feb.09	14	0.59	0.01	-0.28	0.52	0.84
2. Aug.15 - Jun.16	11	-0.46	0.83	0.99	0.09	1.45
3. Jul.21 - Nov.23	29	0.72	0.40	1.08	0.02	2.23
Recent period						
Jun.24 - Jul.25	14	-0.51	-0.08	0.92	0.00	0.34

Note: The shaded areas correspond to inflationary episodes, defined as those periods in which inflation expectations exceed the upper limit of the inflation target range for at least three months. **Imported inflation in USD and freight** is a composite index of FOB import prices in dollars and freight costs. It is constructed by weighting the share of the total value for 2007.

Given that SAE inflation is a metric with considerable persistence and reduced variance, shocks affecting it require a prolonged duration to be transmitted to it. For this reason, the reversal in imported prices and freight rates observed after the last inflationary episode has been reflected in SAE inflation with significant lags.

Historical breakdowns reveal that external conditions not only directly affect the basket of goods most sensitive to foreign trade, but also spread to different measures of inflation, including core inflation. Given the dynamic sensitivity of inflation to the international context, the uncertainty that defines the current period requires continuous monitoring of events. This will enable the BCRP to respond appropriately and in a timely manner to the changing global scenario, ensuring compliance with its mandate and, therefore, improving social welfare.

