INFLATION REPORT

March 2026

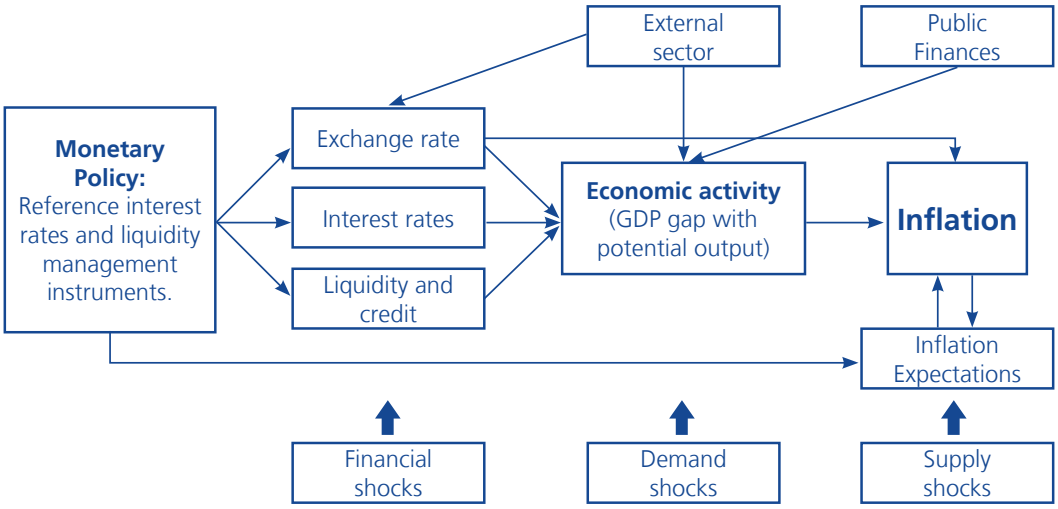
Recent trends and macroeconomic forecasts 2026-2027

CENTRAL RESERVE BANK OF PERU

INFLATION REPORT:

Recent Trends and Macroeconomic Forecasts 2026-2027

March 2026



Central Reserve Bank of Peru
Jirón Santa Rosa 441, Lima 1
Phone: 613-2000 - Fax: 613-2525
Email: webmaster@bcrp.gob.pe

INFLATION REPORT
Current outlook and macroeconomic projections

ISSN 1728-5739
Legal deposit made at the
National Library of Peru No. 2005-6985

Editing and Printing Department
Design and Printing

CENTRAL RESERVE BANK OF PERU

INFLATION REPORT:

Recent Trends and Macroeconomic Forecasts 2026–2027

March 2026

CONTENTS

Page

This ***Inflation Report*** has been prepared using data through the fourth quarter of 2025 for the Balance of Payments and Gross Domestic Product; through January 2026 for monthly GDP and monetary accounts; and through February for Non-Financial Public Sector operations, inflation, financial markets, and the exchange rate.

Foreword

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

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

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

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

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

- The Inflation Report was approved at the Board of Directors meeting on March 12, 2026, and includes macroeconomic projections for the period 2025-2027, which support the monetary policy decisions of BCRP, as well as risk factors that could cause these forecasts to deviate.

- The following Inflation Report will be released on Friday, June 19, 2026.

Summary

i. Since the last Report, **global economic activity** has shown moderate and uneven performance. In the fourth quarter of 2025, the United States recorded a slowdown that was sharper than expected, the eurozone maintained modest growth, and China achieved higher- than-expected growth. For its part, Latin America ended the year with widespread expansion across its major economies.

Global economic growth is projected to slow down from 3.3 percent in 2025 to 3.1 percent in 2026 and 3.0 percent in 2027. This trend is occurring against a backdrop of fiscal stimulus in some developed countries and strong private investment in artificial intelligence, particularly in the United States. These forecasts have a downside bias due to conflicts in the Middle East and uncertainty regarding a possible overvaluation of technology companies.

ii. The **terms of trade** rose by 19.2 percent in 2025, reaching their highest level since 1950. The increase was largely due to price movements in gold, copper, zinc, coffee, and non-traditional products such as iron and steel, fisheries, and chemicals. Mining products rose due to increased demand for minerals for the energy transition and the construction of data centers, supply constraints, heightened geopolitical risks, and the depreciation of the dollar, while coffee prices rose due to crop problems in major producing countries.

The terms of trade are projected to improve significantly in 2026, rising from 6.4 percent to 11.5 percent, due to the expectation of higher prices for major export metals, primarily gold and copper, whose international prices have recorded historical highs in the first months of the year.

iii. The **balance of payments** continued to strengthen. The current account surplus increased from 2.2 percent of GDP in 2024 to 3.1 percent of GDP in 2025, driven primarily by the rise in terms of trade.

The current account surplus is projected to reach 3.2 percent and 3.1 percent of GDP in 2026 and 2027, respectively, driven primarily by a further significant improvement in the terms of trade in 2026. By 2027, this extraordinary level of current account surplus is expected to decline due to a moderation in the high terms of trade and stronger growth in domestic demand relative to output.

iv. **The national economy** recorded a growth rate of 3.4 percent in 2025, driven primarily by robust private spending, which was reflected, on the supply side, by stronger growth in the construction, trade, and services sectors. In addition to the performance of the agricultural sector and the primary manufacturing sector, the favorable trend in demand for exports of fishery and agricultural products was reflected.

The GDP growth forecast for 2026 has been revised upward from 3.0 percent to 3.2 percent compared to the previous report, based on the available information as of March 10, amid a context of high uncertainty. This revision is primarily due to an expected greater expansion of non-primary sectors, particularly construction, trade, and services, against a backdrop of increased dynamism in private spending and terms higher terms of trade. This expansion would be in part offset by slower growth in the primary sectors,

particularly the agricultural sector, fisheries, and related manufacturing, due to the presence of a weak Coastal El Niño. In addition, the baseline scenario incorporates a revision on the downside for mining production, due to reduced production plans for gold and zinc, as well as for hydrocarbons, owing to lower-than-expected production from Block 95, the standstill of operations in other blocks, and the impact of the recent crisis in the natural gas and natural gas liquids (NGL) transportation system.

The baseline scenario incorporates the recent crisis in the natural gas and LNG transportation system during the first half of March, caused by the accident on the TGP transmission pipeline. Although the Camisea system accounts for about one-third of the country's electricity generation, the severity of this incident was mitigated by the fact that we are in the rainy season, which favors hydroelectric generation, and by the existence of cold reserves (thermal power plants that operate only when needed). The manufacturing sector would have been the most affected. Gas supply was restored within the timeframe announced by the authorities.

By 2027, the economy is projected to grow by 3.2 percent, a forecast based on normal weather conditions, which would allow for a recovery in the primary sectors. The current forecast assumes a stable macroeconomic and social environment, which will support continued growth in private spending.

v. The **cumulative fiscal deficit over the past twelve months** decreased from 2.2 percent to 2.1 percent of GDP between December 2025 and February 2026. The deficit is projected to fall to 1.8 percent of GDP by the end of 2026 and to 1.4 percent in 2027. The forecast for 2026 assumes a similar level of current income as a percentage of GDP compared to 2025, primarily because the absence of extraordinary revenue and discretionary revenue-increasing measures would be offset by the positive impact of high export prices and economic growth. Likewise, a moderate increase in non-financial expenditures is projected, lower than GDP growth, assuming no new public expenditures to support Petroperú and slower growth in national government investment, in line with the fiscal consolidation process.

The **net debt** of the Non-Financial Public Sector is projected to rise from 22.8 percent to 23.2 percent of GDP between 2025 and 2027. Meanwhile, the **gross debt** of the Non-Financial Public Sector is estimated to decline from 30.2 percent to 29.5 percent of GDP by the end of the projection horizon. The forecast assumes a reduction in public assets, which would fall from 7.4 percent of GDP in 2025 to 6.3 percent in 2027, underscoring the need to maintain a path of declining deficits to stabilize debt without depleting public financial assets.

vi. The Board of Directors of BCRP decided to keep the **benchmark rate** at 4.25 percent at the Monetary Policy meetings in January, February, and March. Thus, the real benchmark rate has been hovering around the estimated neutral rate (2 percent). In the monetary policy statements, the Board reiterated its commitment to taking the necessary actions to ensure that inflation remains within the target range.

vii. **Interest rates in domestic currency** continued to move in line with the benchmark rate, particularly in the segments with lower credit risk and shorter maturities. As expected, the year- over-year growth rate of broad money in domestic currency (currency in circulation plus deposits) accelerated, rising from 10.6 percent in December 2025 to 11.7 percent in January 2026. For its part, during the same period and also in line with projections, the year-over-year growth rate of broad money in domestic currency **Credit to the private sector** rose from 6.5 percent in December 2025 to 7.2 percent in January 2026, driven primarily by the corporate and large-business segments; and,

to a lesser extent, by medium-sized businesses and micro and small enterprises (MSEs), as well as by mortgage lending, in line with the recovery in economic activity. Looking ahead, credit to the private sector is expected to grow at rates between 8 and 7 percent in 2026 and 2027, in line with the forecast for growth in economic activity and the reduction in non-performing loans.

viii. **Year-over-year inflation** rose from 1.37 percent in November 2025 to 2.21 percent in February 2026, driven by higher prices for certain food items, such as chicken and potatoes, and for services like water supply, while remaining within the target range. Inflation excluding food and energy (SAE) rose from 1.77 to 2.20 percent over the same period due to the aforementioned changes in water rates and rising transportation costs, remaining within the target range.

Inflation is projected to be 2.4 percent in 2026 and 2.0 percent in 2027, assuming that the shocks to fuel prices are temporary. The inflation rate is projected to remain in the upper end of the target range in the coming months due to food price increases caused by weather conditions, the recent rise in international fuel prices, and restrictions on natural gas and LPG.

ix. **The risks** to the inflation projection have been revised upward compared to t h e December Report. Key risks include: (i) greater supply shocks, both domestic and external, associated with the possible intensification and persistence of the Coastal El Niño and the escalation of geopolitical tensions; (ii) episodes of financial volatility and capital outflows, should situations of greater domestic political uncertainty and international factors arise; (iii) a weakening of domestic demand should the aforementioned scenario of high political uncertainty materialize; and (iv) lower external demand in the face of a slowdown in Global growth and a deterioration in the terms of trade

SUMMARY OF FORECASTS

	2025	2026*		2027*	
		IR Dec.25	IR Mar.26	IR Dec.25	IR Mar.26
Real % change					
1. Gross domestic product	3.4	3.0	3.2	3.0	3.2
2. Domestic demand	5.8	3.5	4.9	3.2	3.3
a. Private consumption	*3.6*	*3.0*	*3.4*	*3.0*	*3.0*
b. Public consumption	*2.8*	*2.5*	*2.7*	*1.2*	*2.3*
c. Fixed private investment	*10.0*	*5.0*	*9.5*	*5.0*	*5.0*
d. Public investment	*5.7*	*1.0*	*1.0*	*1.0*	*1.0*
3. Exports of goods and services	4.4	2.5	1.6	2.1	4.0
4. Imports of goods and services	12.8	4.4	7.7	3.1	4.2
5. Global GDP growth	3.3	3.0	3.1	2.9	3.0
Note:					
Product gap[1/] (%)	-0.5 ; 0.5	-0.5 ; 0.5	-0.5 ; 0.5	-0.5 ; 0.5	-0.5 ; 0.5
% change					
6. Inflation (end of period)	1.5	2.0	2.4	2.0	2.0
7. Expected inflation[2/]	2.5	2.2	2.1	2.2	2.2
8. Expected depreciation[2/]	-9.9	2.9	0.3	1.4	0.6
9. Terms of trade	19.2	6.4	11.5	-1.4	-0.6
a. Export prices	*16.7*	*6.3*	*19.4*	*0.8*	*-0.6*
b. Import prices	*-2.1*	*-0.1*	*7.1*	*2.3*	*0.0*
Nominal % change					
10. Current assets	14.6	5.0	10.0	3.0	6.0
11. Credit to the private sector	6.5	6.0	8.0	6.0	7.0
% GDP					
12. Gross fixed investment	21.7	21.6	21.6	21.9	21.8
13. Current account balance of payments	3.1	2.6	3.2	2.3	3.1
14. Trade balance	10.1	10.3	11.4	9.8	11.0
15. Medium- and long-term private external debt[3/]	9.9	8.5	7.9	7.7	6.9
16. Current revenue of the General Government	19.0	19.2	19.0	19.2	19.1
17. Non-financial expenditure of the General Government	20.0	19.4	19.2	19.1	19.0
18. Economic result of the non-financial public sector	-2.2	-1.9	-1.8	-1.6	-1.4
19. Total public debt balance	30,2	31,2	29,3	32,1	29,5
20. Net public debt balance	22,8	23,8	22,8	24,6	23,2

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 2025, observed data has been used for depreciation, and the average of expectations throughout the year has been used for inflation.
3/ Includes domestic currency obligations to non-residents.

I. External sector

1. In the first two months of the year, the global economy followed a similar trajectory to that observed in 2025: overall, it maintained a steady but moderate pace of growth amid uncertainty surrounding trade policy, the geopolitical situation, and financial market volatility. In line with this, the global growth forecast has been revised slightly upward for 2026, from 3.0 to 3.1 percent, and from 2.9 to 3.0 percent for 2027.

2. This trend is partly due to the smaller-than-expected impact of tariff policies on trade and supply chains. The fiscal stimulus measures announced for 2026 and the improvement in global financial conditions have also played a role. This improvement stems from the interest rate cuts implemented in 2025 amid a process of disinflation. At the country level, the United States (U.S.) stands out for its dynamism, largely due to investment in industries linked to Artificial Intelligence (AI). At the sector level, the services sector remains the most dynamic, particularly in terms of job creation.

   Geopolitical uncertainty on several fronts has limited this recovery, but above all has introduced volatility into financial markets. As of the date of this Report, this uncertainty has increased significantly in the wake of the conflict between the United States and Iran, which, if it drags on, would have a negative impact on growth and slow the convergence of inflation toward central banks' targets.

3. This context of moderate but resilient growth is accompanied by **lower** global **inflation**; however, in the case of several developed economies, such as the United States, Japan, and the United Kingdom, the convergence toward the 2 percent target has been slow, and upward pressures in the short term cannot be ruled out.

   Against this backdrop of persistent inflationary pressures and signs of a slowdown —particularly in the labor market— **central banks** in major economies have kept their interest rates unchanged while awaiting new economic data. In addition, this decision is supported by the uncertain global environment and the potential impact that expansionary fiscal policies in countries such as the United States, Japan, and Germany could have in 2026.

4. Emerging economies, for their part, have benefited from a better-than-expected international environment. Commodity-exporting countries are facing high commodity prices —some of which, such as gold and copper, have once again recorded historical highs— while others have seen better-than- expected growth in international trade and greater flexibility in global supply chains.

5. However, for the 2026–2027 forecast horizon, downside risks predominate and, in several cases, have intensified compared to the previous report. These include uncertainty regarding the future performance of AI-related businesses —particularly fears of overvaluation— the escalation of geopolitical conflicts, and, particularly in the U.S., persistent inflation above the target, which could delay the Fed's easing of monetary policy and consequently impact the economy and financial markets. Supply chain disruptions linked to investment by AI businesses (price rise in energy costs and shortages of processors and memory) or to restrictions on international trade routes cannot be ruled out either.

Recent Developments in Global Economic Activity

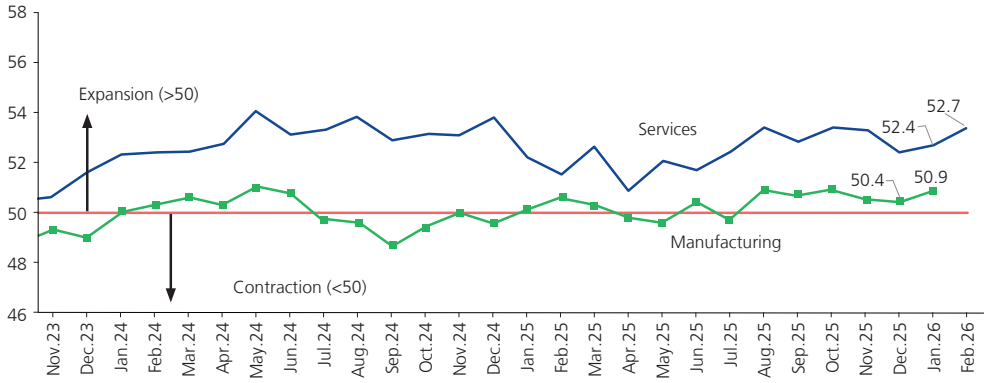
6. In the first few months of the year, economic indicators show that economic activity continues to grow at positive but moderate rates in most countries. The global economy's resilience in the face of recent shocks can be attributed, in part, to expansionary fiscal policies in major developed economies, easing of monetary policy, and a smaller-than-expected impact of trade policy on global supply chains and international trade.

There is also a positive surge in investment in AI-related industries. At the sector level, services continue to show the strongest growth, although manufacturing is also beginning to show positive trends.

Graph 1

GLOBAL PMI: INDEX OF GLOBAL ECONOMIC ACTIVITY IN THE MANUFACTURING AND SERVICES SECTORS

(Diffusion Index)



	Dec.23	Dec.24	Mar.25	Apr.25	Jun.25	Aug.25	Sep.25	Oct.25	Nov.25	Dec.25	Jan.26	Feb.26
Manufacturing PMI												
India	54.9	56.4	58.1	58.2	58.4	59.3	57.7	59.2	56.6	55.0	55.4	56.9
Japan	47.9	49.6	48.4	48.7	50.1	49.7	48.5	48.2	48.7	50.0	51.5	53.0
China (Caixin)	50.8	50.5	51.2	50.4	50.4	50.5	51.2	50.6	49.9	50.1	50.3	52.1
United States (S&P)	47.9	49.4	50.2	50.2	52.9	53.0	52.0	52.5	52.2	51.8	52.4	51.6
Brazil	48.4	50.4	51.8	50.3	48.3	47.7	46.5	48.2	48.8	47.6	47.0	47.3
Germany	43.3	42.5	48.3	48.4	49.0	49.8	49.5	49.6	48.2	47.0	49.1	50.9
France	42.1	41.9	48.5	48.7	48.1	50.4	48.2	48.8	47.8	50.7	51.2	50.1
United Kingdom	46.2	47.0	44.9	45.4	47.7	47.0	46.2	49.7	50.2	50.6	51.8	51.7
Australia	47.6	47.8	52.1	51.7	50.6	53.0	51.4	49.7	51.6	51.6	52.3	51.0
Services PMI												
India	59.0	59.3	58.5	58.7	60.4	62.9	60.9	58.9	59.5	58.0	58.5	58.1
Japan	51.5	50.9	50.0	52.4	51.7	53.1	53.3	53.1	53.1	51.6	53.7	53.8
China (Caixin)	52.9	52.2	51.9	50.7	50.6	53.0	52.9	52.6	52.1	52.0	52.3	56.7
United States (S&P)	51.4	56.8	54.4	50.8	52.9	54.5	54.2	54.8	55.0	52.5	52.7	51.7
Brazil	50.5	51.6	52.5	48.9	49.3	49.3	46.3	47.7	50.1	53.7	51.3	53.1
Germany	49.3	51.2	50.9	49.0	49.7	49.3	51.5	54.6	52.7	52.7	52.4	53.5
France	45.7	49.3	47.9	47.3	49.6	49.8	48.5	48.0	50.8	50.1	48.4	49.6
United Kingdom	53.4	51.1	52.5	49.0	52.8	54.2	50.8	52.3	50.5	51.4	54.0	53.9
Australia	47.1	50.8	51.6	51.0	51.8	55.8	52.4	52.5	52.7	51.1	56.3	52.8

Expansion > 50 Contraction < 50

Source: S&P PMI.

7. Despite these developments, the global economy faces some constraints on growth. In most developed countries, labor markets are less dynamic, as reflected in low job creation and contained wage pressures.

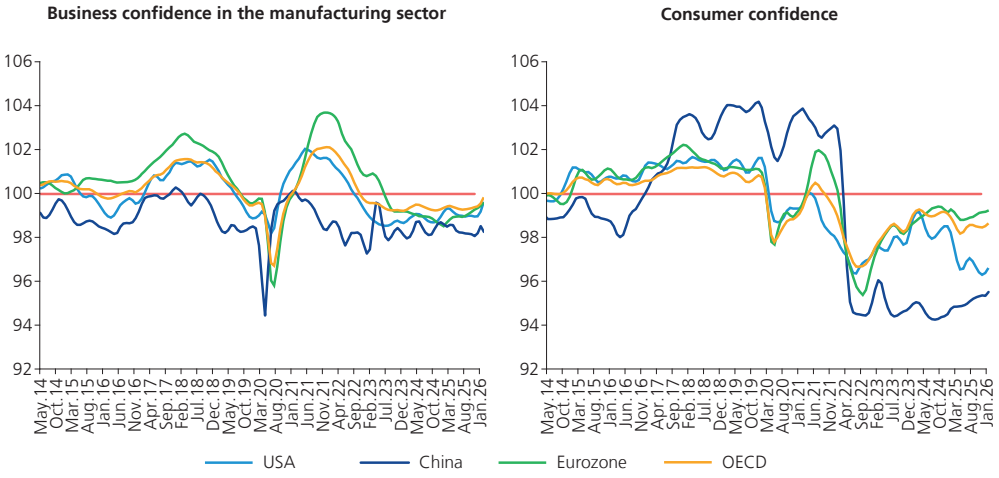
   On the other hand, global uncertainty remains high due to both factors related to trade tensions and geopolitical factors.

   Regarding trade policy, in February, the Supreme Court ordered the repeal of three tariff schemes imposed under the International Emergency Economic Powers Act (IIEPA): reciprocal tariffs; fentanyl-related tariffs (imposed on China); and border tariffs (imposed on Canada and Mexico). The Supreme Court argued that the executive branch exceeded its authority by using the IIEPA to impose tariffs targeting specific countries. The U.S. government eliminated these tariffs but established a so-called 10 percent across-the-board tariff for 150 days, authorized under Section 122 of the Trade Act of 1974.

   According to government announcements, this tariff would rise to 15 percent for some countries, and in addition, the eliminated tariffs would be reinstated through investigations under Section 301 of the Trade Act of 1974. Additionally, some issues remain to be resolved, such as the decision to impose tariffs on concentrated and refined copper, the treatment of minerals classified by the U.S. as critical, and pharmaceuticals.

   Regarding geopolitical factors, the conflict between Ukraine and Russia persists, while the conflict in the Middle East has escalated.

Graph 2



Source: OECD.

8. In **the U.S.**, economic activity is showing a moderate slowdown, though this varies both across sectors and among the different components of spending. In the fourth quarter, U.S. GDP slowed down, registering a growth rate of 1.4 percent —below the previous quarter's rate (4.4 percent) and below expectations (3.0 percent)— due to a slowdown in consumption of goods and declines in exports and federal spending.

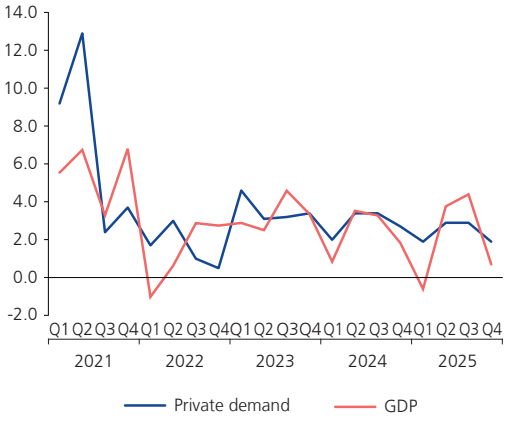
Graph 3

U.S.: Seasonally adjusted growth*
(Annualized quarterly rates)

	Weight	Q1.25	Q2.25	Q3.25	Q4.25 2nd REV.
GDP	100	-0.6	3.8	4.4	0.7
Personal Consumption	**69.0**	**0.6**	**2.5**	**3.5**	**2.0**
Durable	8.9	-3.4	2.3	1.6	0.0
Non-Durable	14.7	2.2	2.2	3.9	0.6
Services	45.5	0.8	2.6	3.6	2.7
Gross Investment	**18.5**	**23.3**	**-13.8**	**0.0**	**3.3**
Fixed Investment	18.5	7.1	4.4	0.8	1.6
Non-Residential	15.4	9.5	7.3	3.2	2.2
Residential	3.3	-1.0	-5.1	-7.1	-0.5
Exports	**11.1**	**0.2**	**-1.8**	**9.6**	**-3.3**
Imports	**-15.4**	**38 .0**	**-29.3**	**-4.4**	**-1.1**
Government spending	**16.8**	**-1.0**	**-0.1**	**2.2**	**-5.8**
Memo					
Contribution from inventories	**-**	**2.6**	**-3.4**	**-0.1**	**0.3**

* The first estimate was canceled due to the government shutdown.
Source: BEA. Updated as of March 13, 2026.

US: GDP Growth and Private Demand
(Annualized % change)



These factors were partially counterbalanced by a series of activities linked to technology industries, particularly those in the IT sector. Thus, data processing, software, and R&D (research and development) activities made a positive contribution to growth, which reached approximately 1 percentage point (p.p.) in the fourth quarter.

Graph 4

USA: CONTRIBUTION OF AI* TO GROWTH
(Annualized quarterly change)

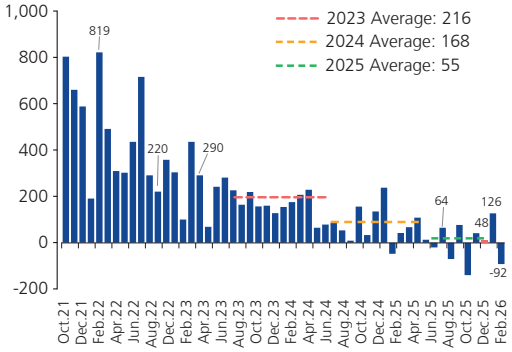
* Includes the categories Information processing equipment, Software, and Research and development.

As of February, economic indicators suggest that economic activity is growing at a moderate pace. Consumer spending has been growing at a modest rate, driven by conflicting factors: on the one hand, a slowdown in the labor market; and on the other, a positive wealth effect and a degree of optimism fueled by tax incentives under the One Big Beautiful Act (OBBA), which was passed last year.

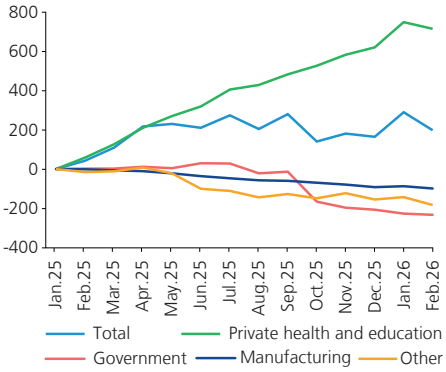
In the labor market, job creation has continued to decline: February recorded a reduction in jobs following the lowest job creation rate since 2003 in 2025, excluding the pandemic and the global financial crisis. Overall, this trend in job creation reflects the simultaneous presence of lower labor demand. The number of job openings per job seeker has continued to decline, although it remains above its 2010–19 average.

Graph 5

Non-farm payrolls: Monthly job creation
(In thousands)



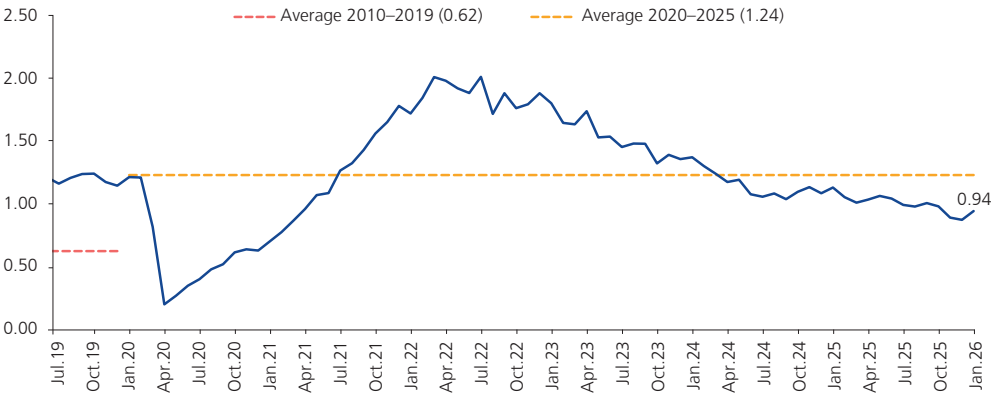
Change in nonfarm payrolls since January 2025



Note: Seasonally adjusted series.
Source: U.S. Bureau of Labor Statistics (CES).

Graph 6

JOB-TO-UNEMPLOYMENT RATIO



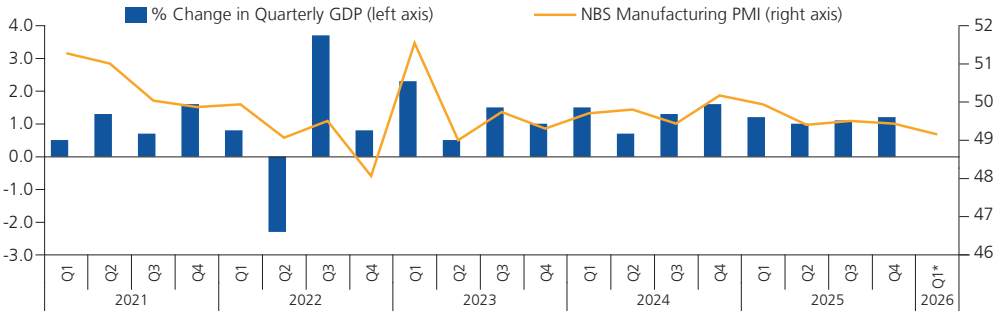
9. The **eurozone** economy recorded a growth rate of 0.3 percent in the fourth quarter of the year, a figure similar to that of the previous quarter. As a result, GDP grew by 1.5 percent in 2025, the highest rate in the past three years. The economy continued to benefit from lower interest rates and reduced inflationary pressures. Increased government spending in most countries and reduced uncertainty regarding trade policy also played a role.

Fourth-quarter growth confirms a more uniform trend across countries. Notable was the progress made by the economies of Spain (0.8 percent) and the Netherlands (0.5 percent), as well as the recovery in Italy (0.3 percent) and Germany (0.3 percent). In the case of Germany, this growth is consistent with annual growth of 0.2 percent in 2025, following two years of contraction.

So far this year, the manufacturing and services PMI indicators point to modest growth driven primarily by the services sector. In addition to reduced consumer pessimism —the confidence index according to the European Commission rose— and an increase in economic sentiment indicators from various institutions: the KFW research center's economic sentiment index for the eurozone and the IFO Institute's expectations index for Germany rose in the first months of the year.

10. Among emerging economies, China's growth slowed to 4.5 percent year-over-year in the fourth quarter of 2025. Compared to the previous quarter, the Chinese economy grew by 1.2 percent, exceeding expectations. As a result, GDP grew by 5.0 percent in 2025, meeting the government's target, supported by the resilience of exports, which continued to drive industrial production.

Graph 7
CHINA: QUARTERLY GROWTH RATE AND MANUFACTURING PMI



* Average for January and February.
Source: National Bureau of Statistics of China.

This export momentum reflects, on the one hand, greater diversification of export destinations in response to uncertainty and trade conflicts with the U.S. and, on the other hand, greater integration of production and supply chains between China and other countries, particularly those in the Association of Southeast Asian Nations (ASEAN).

With regard to economic indicators, the official PMI data have shown a contraction at the start of the year. The trends in the indicator's subcomponents point to weak demand amid the holiday season, cautious consumer spending, and persistent strain in the real estate sector. This is reflected in the sustained decline in investment and the contraction in housing prices for 32 consecutive months. Additionally, following meetings of the main government bodies, growth targets lower than those of previous years were revealed, along with a priority on increasing the share of domestic consumption in growth.

Table 1
CHINA: SELECTED INDICATORS

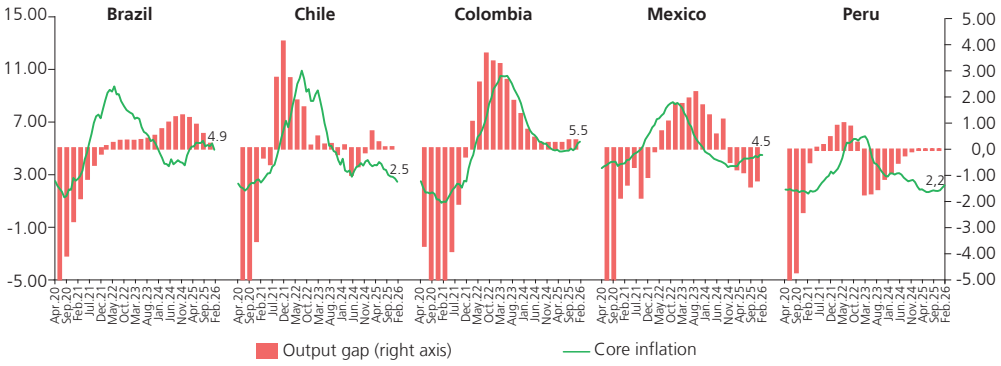
Indicators	2024				2025						2026	
	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.
Services PMI - S&P[1/]	52.7	51.2	50.3	52.2	51.9	50.6	52.9	52.6	52.1	52.0	52.3	56.7
Manufacturing PMI - official[1/]	53.0	50.5	50.0	52.2	50.8	50.5	50.0	50.1	49.5	50.2	49.4	49.5
Manufacturing PMI - S&P[1/]	51.1	51.8	49.3	50.5	51.2	50.4	51.2	50.6	49.9	50.1	50.3	52.1
Manufacturing PMI - official[1/]	50.8	49.5	49.8	50.1	50.5	49.7	49.8	49.0	49.2	50.1	49.3	49.0
Industrial Production[2/]	4.5	5.3	5.4	6.2	7.7	6.8	6.5	4.9	4.8	4.5	6.3	
Investment in fixed assets[3/]	4.5	3.9	3.4	3.2	4.2	2.8	-0.5	-1.7	-2.6	-3.8	1.8	
Retail sales[2/]	3.1	2.0	3.2	3.7	5.9	4.8	3.0	2.9	1.3	0.9	2.8	
Exports[2/]	-7.5	8.6	2.4	10.7	12.4	5.8	8.3	-1.1	5.9	6.6	21.8	
Imports[2/]	-1.9	-2.3	0.3	1.0	-4.3	1.1	7.4	1.0	1.9	5.7	19.8	
Bank loans[2/]	9.6	8.8	8.1	7.6	7.4	7.1	6.6	6.5	6.4	6.4	6.1	6.0
Consumer Price Index[2/]	0.1	0.2	0.4	0.1	-0.1	0.1	-0.3	0.2	0.7	0.8	0.2	1.3
Housing Price Index[2/]	-2.2	-4.5	-5.8	-5.3	-4.5	-3.2	-2.2	-2.2	-2.4	-2.7	-3.1	-3.2
Producer Price Index[2/]	-2.8	-0.8	-2.8	-2.3	-2.5	-3.6	-2.3	-2.1	-2.2	-1.9	-1.4	-0.9

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

11. In **Latin America**, economic activity grew during the last quarter of 2025 in the region's major countries. However, growth dynamics differ among the economies, both at the

sectoral level and by type of expenditure. Furthermore, according to central bank estimates, differences in output gaps are also observed.

Graph 8
LATIN AMERICA: GDP GAP AND INFLATION 2020–2026
(%)



Source: Central banks and statistical agencies of each country.

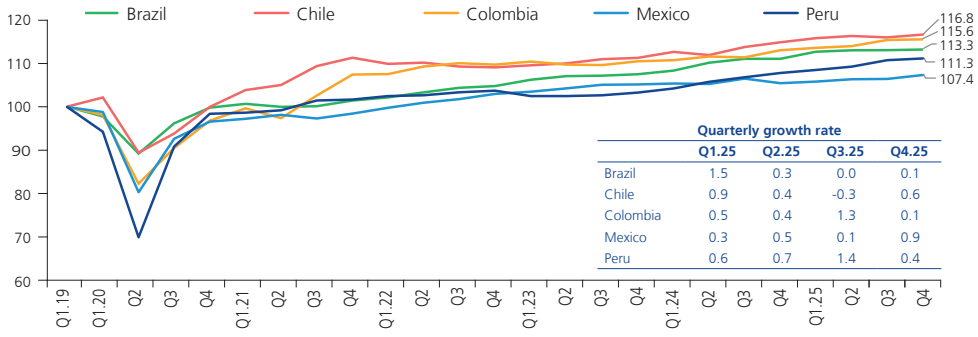
Brazil recorded the lowest growth rate, due to a contraction in industrial activity, mainly in the construction sector, offset by sustained momentum in the agriculture and services sectors. From the perspective of spending, economic activity was supported by an expansionary fiscal stance and by external demand. This helped offset the impact of restrictive monetary policy on consumption and, especially, on investment.

In the case of **Colombia**, growth slowed down due to a sharper decline in investment and weaker household and government consumption. Despite this, according to estimates by the Central Bank, the Colombian economy continues to grow above its potential rate, a trend observed since 2024 and projected to continue through 2026.

In **Chile**, economic activity has been driven by the trade and services sectors, which have offset the slower growth in goods production, particularly in mining. The mining sector continues to be affected by lower copper production.

On the other hand, in **Mexico**, which showed the strongest growth at the end of 2025, the decline in agriculture was offset by growth in industry and services, the latter reflecting resilient domestic demand, driven primarily by consumer spending.

Graph 9
LATIN AMERICA: QUARTERLY GDP*
(Q4.19 Index = 100)



Quarterly growth rate

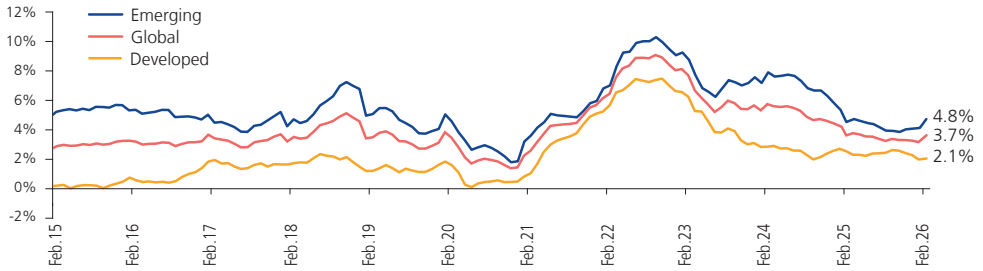
	Q1.25	Q2.25	Q3.25	Q4.25
Brazil	1.5	0.3	0.0	0.1
Chile	0.9	0.4	-0.3	0.6
Colombia	0.5	0.4	1.3	0.1
Mexico	0.3	0.5	0.1	0.9
Peru	0.6	0.7	1.4	0.4

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

Recent trends in the inflation

12. In February, global headline inflation rose to 3.7 percent (from 3.4 percent in December 2025). In emerging economies, inflation rose from 3.4 to 3.7 percent, driven mainly by China, India, and Turkey. This counterbalanced lower inflation in developed countries, which fell from 2.4 to 2.1 percent and, in some cases, such as the eurozone, remained within the targets set by their central banks.

Graph 10
INFLATION: GLOBAL, DEVELOPED COUNTRIES, AND EMERGING ECONOMIES
(12-month % change)

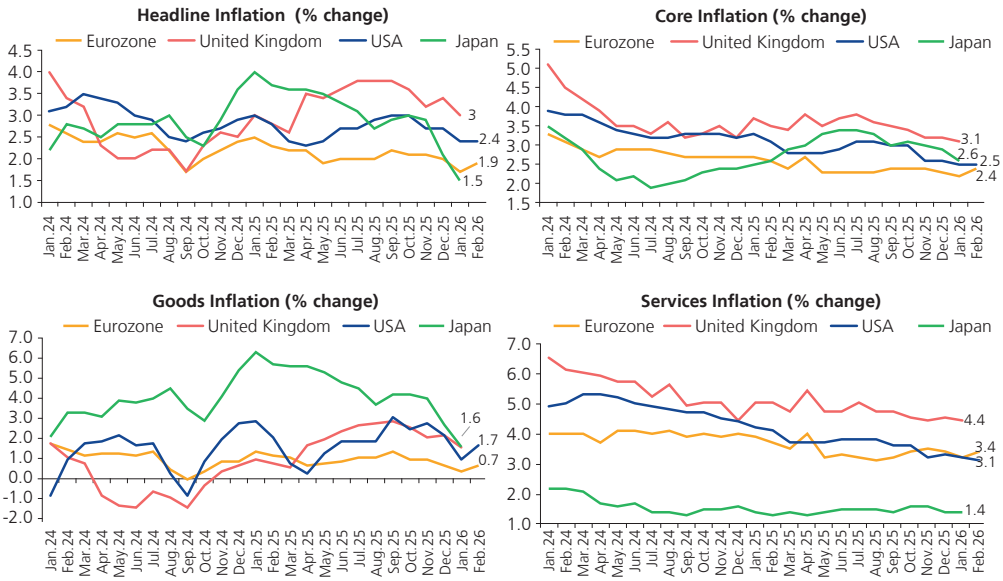


Inflation (12-month % change)									
	Dec.22	Dec.23	Dec.24	Mar.25	Jun.25	Sep.25	Dec.25	Jan.26	Feb.26
Global	8.1	5.7	4.5	3.8	3.6	3.4	3.4	3.3	3.7
Developed	6.7	3.2	2.6	2.4	2.5	2.7	2.4	2.0	2.1
Emerging	9.1	7.6	5.9	4.8	4.4	4.0	4.1	4.2	4.8
Developed countries excluding the U.S.	6.9	3.0	2.4	2.4	2.3	2.4	2.1	1.8	1.9
Emerging markets excluding China	14.2	13.1	9.9	8.2	7.4	6.9	6.3	6.9	7.2
Peru	8.5	3.2	2.0	1.3	1.7	1.4	1.5	1.7	2.2

Source: Reuters.

In February, overall inflation in most developed countries slowed the downward trend observed since the end of last year, largely due to developments recorded in the services sector. Goods inflation in the U.S. and the Eurozone slowed its downward trend in the month in question. Meanwhile, core inflation has shown a gradual downward trend.

Graph 11
NFLATION IN DEVELOPED COUNTRIES



Source: Trading Economics.

13. In the **U.S.**, CPI inflation remained at 2.4 percent in February, in line with expectations, marking the lowest level since May 2025. The result reflected core inflation that remained at2.5 percent, while food inflation accelerated (from 2.9 to 3.1 percent) and energy costs increased (from -0.1 to 0.5 percent).

Table 2
U.S.: INFLATION INDICATORS AND INFLATION EXPECTATIONS
(12-month % change)

	Dec.23	Dec.24	Mar.25	Nov.25	Dec.25	Jan.26	Feb.26
Total CPI	**3.4**	**2.9**	**2.4**	**2.7**	**2.7**	**2.4**	**2.4**
of which: food	*2.7*	*2.5*	*3.0*	*2.6*	*3.1*	*2.9*	*3.1*
of which: energy	*-2.0*	*-0.5*	*-3.3*	*4.2*	*2.3*	*-0.1*	*0.5*
Core CPI	**3.9**	**3.2**	**2.8**	**2.6**	**2.6**	**2.5**	**2.5**
"Core-core" CPI *	**2.5**	**2.4**	**1.8**	**2.2**	**2.3**	**2.4**	**2.4**
Super Core CPI **	**3.4**	**4.0**	**3.3**	**3.5**	**3.4**	**3.4**	**3.3**
CPI excluding rent	**1.9**	**1.9**	**1.5**	**2.6**	**2.4**	**2.0**	**2.1**
Total PCE	**2.7**	**2.6**	**2.4**	**2.8**	**2.9**	**2.8**	
of which: goods	0.1	-0.1	-0.3	1.5	1.7	1.3	
of which: services	4.0	3.9	3.6	3.4	3.4	3.5	
Core PCE	**3.0**	**2.9**	**2.7**	**2.8**	**3.0**	**3.1**	
12-month inflation expectations							
Consumer (NY Fed)	3.0	3.0	3.6	3.2	3.4	3.1	3.0
Consumer (Michigan)	3.1	2.8	5.0	4.5	4.2	4.0	3.4
Consumer (Conference Board)	5.5	5.1	6.0	5.8	5.4	5.6	5.5
MEMO:							
Total IPP	1.1	3.5	3.2	3.0	3.0	2.9	3.4
Core IPP ***	1.8	3.7	3.8	3.0	3.3	3.6	3.9
Import Prices	-2.4	2.2	0.8	-0.1	0.0	-0.1	

* Defined as total inflation minus food, rent, energy, and used cars.
** Defined as services inflation minus rent.
*** Defined as total inflation minus food and energy.
Source: BLS, Trading Economics.

For its part, inflation in the Personal Consumption Expenditures (PCE) index —the Fed's benchmark indicator— slowed down in January due to lower price increases for goods, particularly non-durable goods. However, core PCE inflation accelerated from 3.0 percent to 3.1 percent.

The disinflation process appears to be constrained by several factors. Following a sustained decline during the 2022–2024 period, service prices have remained around 3 percent. For its part, goods prices have recorded positive growth rates over the past nine months and, at the category level, an almost universal upward trend.

Graph 12

U.S. CPI RELEASE: PERCENTAGE OF CATEGORIES SHOWING INCREASES AND DECREASES

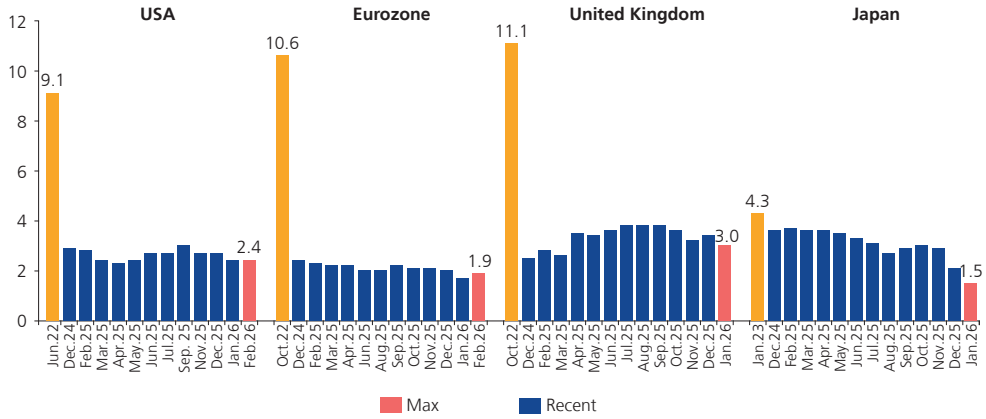
Source: Bureau of Labor Statistics (BLS). The line represents overall inflation (year-over-year change). Calculations are based on approximately 110 items in the U.S. CPI. Data as of February 2026.
The data for October was smoothed according to the trend.

There are several sources of uncertainty surrounding the future trajectory of inflation. First, there are time lags in passing on the cost of tariffs to consumers. In addition, as noted earlier, an additional boost to domestic demand is expected as a result of the fiscal measures approved in 2025. Furthermore, investment by AI-related industries, particularly in data centers, has generated demand for electricity and semiconductors that could cause supply chain problems in other high-tech industries. Additionally, there could be a time lag in the effect of trade policies on the prices of tradable goods and of immigration measures on wages.

In **other developed countries**, inflation rates have fallen, but for the most part, they remain above the 2 percent target. In Canada and the United Kingdom, January inflation rates —2.3 percent and 3.0 percent, respectively— have been declining but remain above 2 percent. This reflects still-high food prices. In Japan, inflation (1.5 percent in January) has been steadily declining from the 3 percent recorded in October of last year.

In the eurozone, inflation declined from November of last year through January, falling from 2.1 percent to 1.7 percent; however, the preliminary figure for February showed a rebound, although it remains below the inflation target. Inflation in the major eurozone economies, with the exception of Spain, remains below the 2 percent target rate.

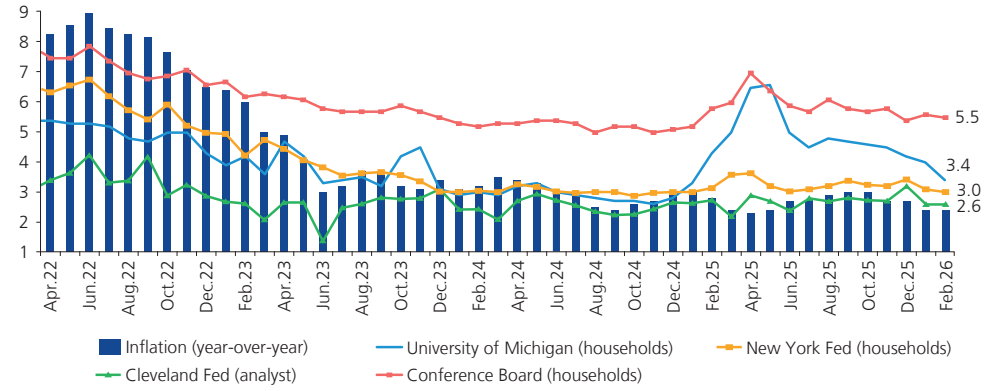
Graph 13
INFLATION IN DEVELOPED COUNTRIES: PEAKS AND RECENT TRENDS
(%)



Source: Trading Economics.

14. In most developed economies, **inflation expectations** moderated during the first two months of the year. However, in the case of the United States, expectations show a slow convergence toward the target due to the factors of uncertainty noted above.

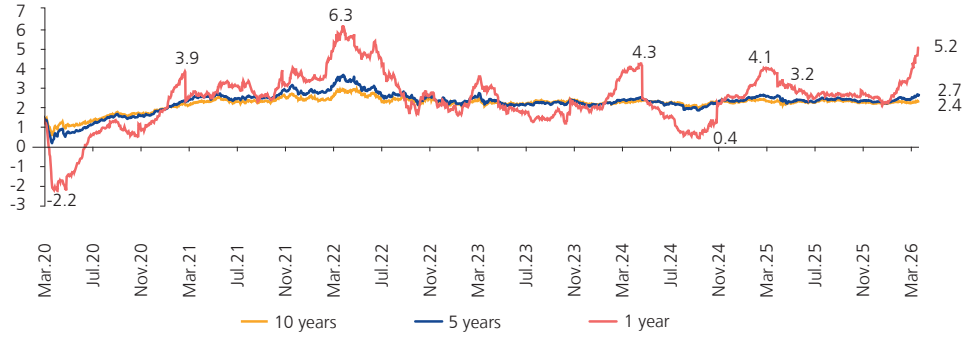
Graph 14
U.S.: 12-MONTH INFLATION EXPECTATIONS
(%)



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

Since March, inflation expectations have risen due to the conflict in the Middle East, driven by its impact on energy prices and other disruptions in the supply chain. This is reflected in inflation expectations as measured by break-even inflation, an indicator that estimates expected inflation based on the difference between yields on Treasury bonds and Treasury Inflation-Protected Securities (TIPS). Thus, in the case of the U.S., inflation expectations for the next twelve months rose throughout the year following constant supply shocks and stood at 5.2 percent as of March 18, 2026 —the highest level since June 2022 (up from 2.3 percent at the end of 2025)—. A similar trend is observed in other developed economies.

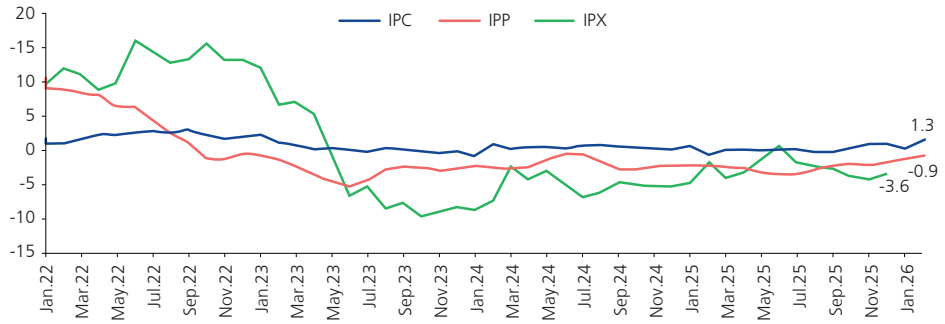
Graph 15
U.S. BREAK-EVEN INFLATION RATES
(%)



Source: Reuters.

15. In the case of **emerging economies**, deflationary pressures have stabilized in **China**. The consumer price index has continued to show positive changes, partly due to a base effect, increased holiday spending, and rises in commodity prices. In this context, the producer price index continued to moderate its decline, while export prices, although still recording a negative change, remain relatively stable —even more so when considering the yuan's appreciation against the dollar—.

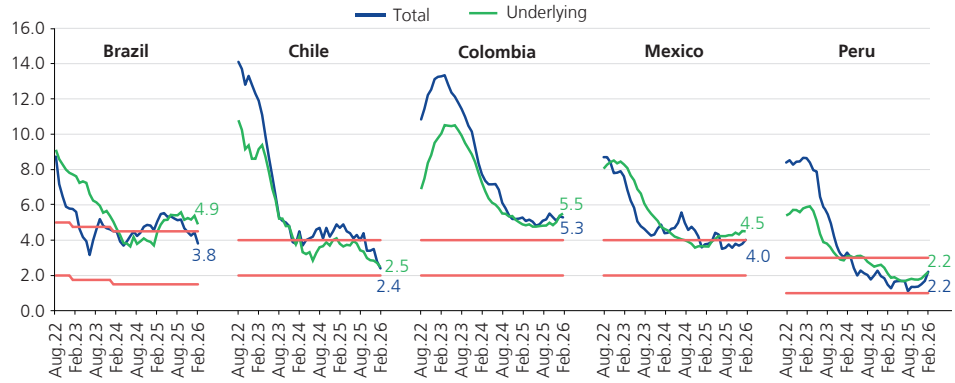
Graph 16
CHINA'S INFLATION
(% change)



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

In **Latin America**, inflation in most countries in the region, with the exception of Colombia, remained within the target range. As for **core inflation**, only Chile and Peru remained within the target range. The highest core inflation was observed in Brazil and Colombia, where a positive output gap associated with fiscal stimulus was recorded and reflected mainly in service prices. Added to this are other factors such as tax and tariff increases (Colombia and Mexico) and the rise in the minimum wage, especially in Colombia (approximately 23 percent).

Graph 17
INFLATION IN LATIN AMERICA
(% change last 12 months)

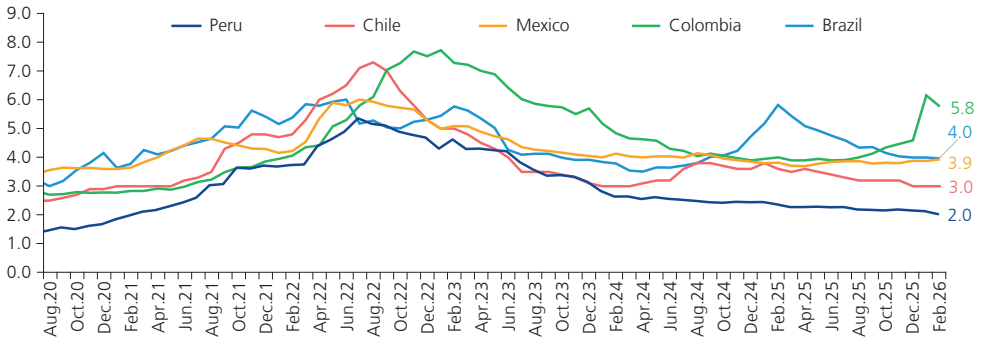


	Jan.26	Feb.26	Max	Jan.26	Feb.26	Max	Jan.26	Feb.26	Max	Jan.26	Feb.26	Max	Jan.26	Feb.26	Max
Total	4.4	3.8	12.1 (Apr.22)	2.8	2.4	14.1 (Aug.22)	5.4	5.3	13.3 (Mar.23)	3.8	4.0	8.7 (Sep.22)	1.7	2.2	8.8 (Jun.22)
Suby.	5.4	4.9	9.7 (Jun.22)	2.7	2.5	10.9 (Aug.22)	5.4	5.5	10.5 (Mar.23)	4.5	4.5	8.5 (Nov.22)	2.0	2.2	5.9 (Mar.23)

Note: The chart shows the latest data (February 2026), except for Brazil (January 2026).
Source: Statistical institutes and central banks.

Through February, inflation expectations have remained largely stable, with the exception of Colombia. In that country, inflation expectations rose following an increase in the minimum wage, but subsequently declined due to the central bank's decision to raise interest rates. Colombia is the only country where inflation expectations fall outside the target range.

Graph 18
12-MONTH INFLATION EXPECTATIONS IN LATIN AMERICA
(%)



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

Monetary policy and fiscal policy responses

16. With regard to **monetary policy in the first two months of the year**, most central banks —following a nearly universal cycle of easing of interest rates over the previous two years— left interest rates unchanged. This occurred against a backdrop of global uncertainty and while awaiting new economic data. However, in light of the conflict in the Middle East and the resulting rise in energy commodity prices, the monetary policy stances of major central banks are expected to become more restrictive.

Among **developed economies**, major central banks kept rates unchanged, although outlooks for the 2026–2027 period differ. As noted earlier, the Fed continued its pause in the rate-hiking cycle amid uncertainty regarding the future path of inflation —which remains above target— and the slowdown observed in the labor market. At its March 18 meeting, the Fed revised its inflation and growth forecasts upward and noted that the current geopolitical landscape introduces uncertainty regarding its impact on inflation and the labor market. The Fed projects a 25-basis-point cut in interest rates, likely toward the end of this year, and no further cuts in the coming years. It also revised its long-term interest rate slightly upward (from 3.0 percent to 3.1 percent).

Table 3
FED FORECASTS*

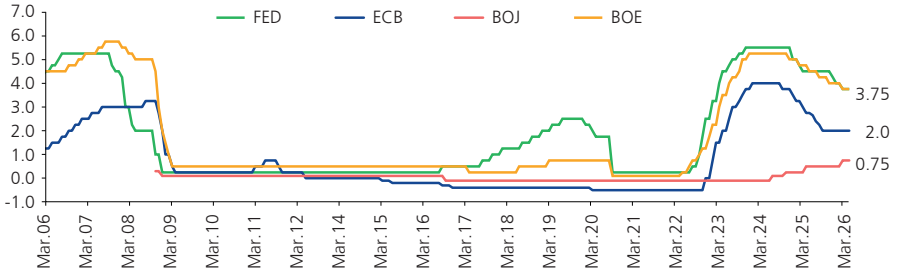
	2026		2027		2028		Long term	
	Dec.25	Mar.26	Dec.25	Mar.26	Dec.25	Mar.26	Dec.25	Mar.26
Growth**	2.3	2.4	2.0	2.3	1.9	2.1	1.8	2.0
Employment rate**	4.4	4.4	4.2	4.3	4.2	4.2	4.2	4.2
Inflation (PCE)**	2.4	2.7	2.1	2.2	2.0	2.0	2.0	2.0
Core inflation (core PCE)**	2.5	2.7	2.1	2.2	2.0	2.0	-	-
Note: Core PCE excludes food and energy.								
Interest rate (%)***	3.4	3.4	3.1	3.1	3.1	3.1	3.0	3.1
Interest rate range (%)	2.1-3.9	2.6-3.6	2.4-3.9	2.4-3.9	2.6-3.9	2.6-3.9	2.6-3.9	2.6-3.9

* Includes 19 data points from the Fed members' individual end-of-period forecasts.
** Forecasts for growth and inflation are for the fourth quarter of the indicated year compared to the same period of the previous year. The unemployment rate forecast is the average for the fourth quarter of the indicated year.
*** The interest rate corresponds to the midpoint of the Fed's target range for the benchmark rate.

In the case of the **eurozone**, the ECB decided to keep its policy interest rates unchanged (deposit rate at 2 percent); however, in light of the war in the Middle East, ECB officials indicated that they are prepared to make adjustments in the monetary policy in order to bring inflation back to its 2 percent target. Similarly, in the **United Kingdom**, the Bank of England (BoE) unanimously agreed to leave the policy interest rate unchanged (3.75 percent), even as the market had expected a cut. The central bank noted that it will continue to closely monitor the impact of the war in the Middle East. For its part, the Bank of Japan (BoJ), in an 8-to-1 vote, decided to keep the interest rate at 0.75 percent, in line with the consensus, but warned of upside inflationary risks due to the war with Iran.

The exception to this pause cycle was **Australia**. The RBA raised rates by 25 basis points in response to inflationary pressures observed since the second half of 2025 (inflation rose from 1.9 percent in June 2025 to 3.8 percent in January of this year) and tight labor market conditions.

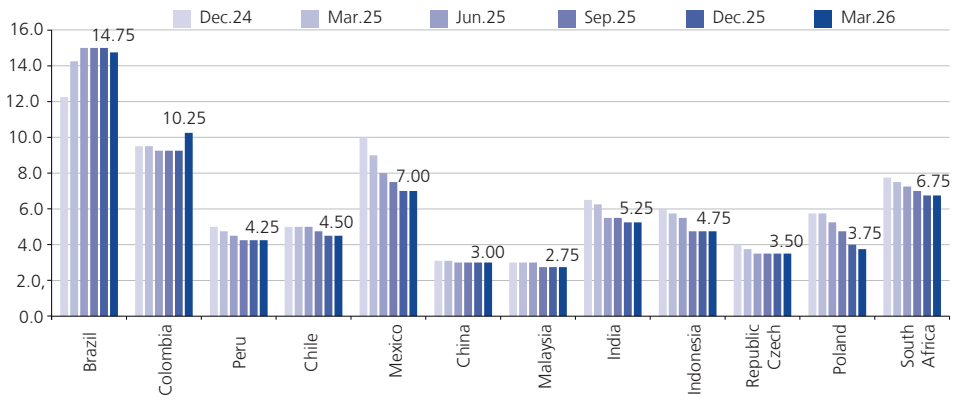
Graph 19
POLICY INTEREST RATE
(%)



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 rate.
Source: Central banks.

This pause in interest rate changes was also prevalent in **emerging economies**. The main exception was **Colombia**, where the Central Bank unexpectedly raised the interest rate by 100 basis points in January, in response to persistent inflationary pressures that have pushed inflation above 5 percent and inflation expectations above 6 percent (both above the 3 percent target). In **Brazil**, in contrast with other countries, the Monetary Policy Committee decided to lower the interest rate by 25 basis points in March, after having raised it and kept it unchanged for nearly two years.

Graph 20
MONETARY POLICY INTEREST RATES
(%)



Source: Central banks of each country. For China, the 1-year Loan Prime Rate is used.

17. In terms of **fiscal policy**, developed economies have shown varying performance amid obstacles to passing their proposed budgets.

In **the United States**, the provision of public services has returned to normal during the first few months of the year following the shutdown. Meanwhile, households are expected to see an increase in disposable income due to tax cuts, but with reduced social support for healthcare and food assistance. For businesses and investment, tax incentives are also being introduced for investment and manufacturing, but with less support for clean energy and green investments.

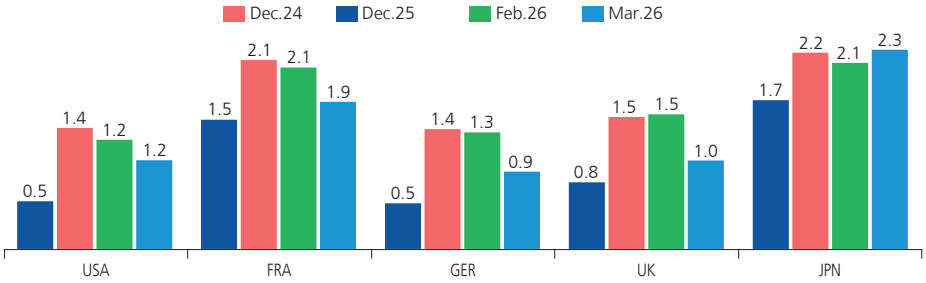
In **Europe**, the major economies have been undergoing a process of gradual consolidation, which is being constrained by increased defense spending and the implementation of the new fiscal framework established for the region. However, there are differences at the country level. In **Germany**, a fiscal stimulus package has been announced aimed at reviving its industry and modernizing infrastructure and defense.

The opposite situation is observed in **France** and **Italy**. In France, the government faces significant political and fiscal challenges; particularly, it is seeking to reduce the deficit gradually but steadily to comply with the European Union's spending path. In Italy, a similar approach to fiscal prudence is being followed, with the priority of reducing the debt-to-GDP ratio. In **the United Kingdom**, the government announced its economic plan, centered on fiscal discipline as a key element for controlling inflation. Thus, it reiterated its commitment to fiscal discipline rules that require it to achieve a surplus and reduce net debt each year, so that the public sector can only borrow for investment.

In **Japan**, the new administration has described its fiscal policy as "responsible and proactive." In practice, this would mean less austerity in order to offset the decline in households' real income, support private investment, and boost defense spending amid a geopolitical climate of greater uncertainty.

These policies are consistent with an increase in public debt over the medium term. In most cases, this has led to higher bond yields, particularly at longer maturities. Thus, as of February, the spread between 30-year and 2-year sovereign bond yields remained high and, in most cases, has widened since the previous Report. In March, this spread narrowed amid expectations of tighter monetary policies, which have a greater impact on the short end of the yield curve.

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



Source: Reuters. The data reflects end-of-period figures. The figure for the most recent month is as of March 20, 2026.

Outlook for the global economy

18. In 2025, global economic growth was stronger than expected, despite the slower pace observed during the final months of the year. Thus, the global economy is estimated to have grown by 3.3 percent, 0.2 percentage points above the projection in the December Report.

Table 4
GLOBAL GROWTH
(Year-on-year % changes)

	PPP*	2024	2025		2026		2027	
			IR Dec.	RI Mar.	IR Dec.	IR Mar.	IR Dec.	IR Mar.
Developed economies	**39.9**	**1.8**	**1.5**	**1.8**	**1.5**	**1.7**	**1.6**	**1,6**
Of which								
1. United States	14.9	2.8	1.9	2.1	1.8	2.2	1.8	1,9
2. Eurozone	11.6	0.9	1.2	1.5	1.2	1.3	1.4	1,4
3. Japan	3.3	0.1	1.0	1.2	0.7	0.7	0.8	0,9
4. United Kingdom	2.2	1.1	1.3	1.3	1.1	1.1	1.3	1,3
5. Canada	1.3	1.5	1.2	1.7	1.0	1.2	1.5	1,6
Developing economies	**60.1**	**4.3**	**4.2**	**4.3**	**4.0**	**4.0**	**3.9**	**3,9**
Of which								
1. China	19.5	5.0	5.0	5.0	4.5	4.5	4.2	4,2
2. India	8.3	6.5	6.5	7.3	6.3	6.3	6.3	6,3
3. Russia	3.5	4.1	1.7	0.8	1.1	1.0	1.1	1,1
4. Latin America and the Caribbean	7.2	2.4	2.2	2.3	2.2	2.2	2.4	2,4
World Economy	**100.0**	**3.3**	**3.1**	**3.3**	**3.0**	**3.1**	**2.9**	**3,0**

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

19. Likewise, growth forecasts for 2026 and 2027 have been revised slightly upward: from 3.0 percent to 3.1 percent and from 2.9 percent to 3.0 percent, respectively. This growth

is expected to come from developed economies amid increased fiscal stimulus measures, the effects of the easing of monetary policy, and better-than-expected performance in foreign trade. Particularly in the U.S., the increase in Private investment linked to AI and the wealth effect associated with higher market capitalization, which boosts private consumption, particularly among middle- and high-income households. Additionally, in the case of the eurozone and Japan, the slight revision on the upside is also explained by recent announcements regarding a more expansionary fiscal policy.

20. The projected growth faces **downside risks**.

(i) As of the date of this report, tensions in the Middle East have escalated. Should this conflict persist, the likelihood of more persistent disruptions to trade through the Strait of Hormuz —through which approximately 20 percent of global oil and liquefied natural gas production passes— would increase. In addition to the direct impact on energy costs, there would be rising fertilizer prices, increased freight costs, and supply chain problems associated with a range of products such as aluminum, steel, and helium (the latter used in the semiconductor industry).

These shocks would have an impact on inflation, and in the case of the United States, they could delay the convergence of inflation toward its target and postpone the Fed's planned interest rate cuts. A more restrictive monetary policy, combined with increased risk aversion, could negatively affect real economic activity and financial markets.

(ii) AI-related industries, which have spurred private investment and boosted market capitalization, also represent a potential source of vulnerability. This uncertainty stems from high levels of investment, uncertainty about future earnings, and a possible overvaluation of their stock prices. A sharp correction would have direct impacts on both the real economy and the financial sector.

(iii) If inflation remains above target, it could delay the Fed's rate cuts (toward neutral levels). This would affect financial conditions and, in turn, hinder the recovery in consumption and investment, and could trigger a correction in financial markets.

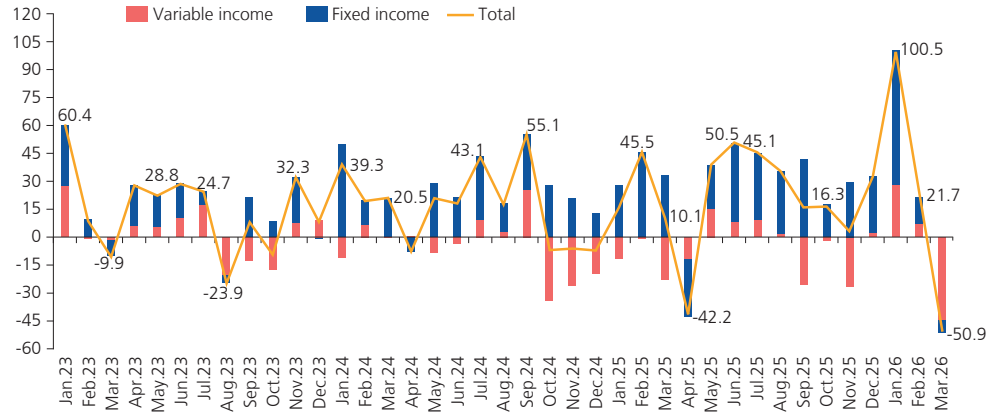
(iv) The possibility of slower growth in China remains. Although the impact of trade tensions on exports has been less than expected, uncertainty persists regarding the effectiveness of measures to boost consumption and investment. One factor limiting the recovery is the high level of private debt, particularly among households, whose net worth has been affected by the persistent decline in housing prices.

International financial markets

21. Since the last report, financial markets have shown two distinct trends.

In **January**, strong global risk appetite prevailed, supported by moderating inflation in advanced economies, the resilience of the U.S. economy, and favorable financial conditions following the 2025 interest rate cuts. As a result, prices of relatively higher-risk assets rose, particularly stocks in traditional sectors, while the dollar depreciated broadly. Likewise, high commodity prices, which in some cases reached new historical highs, were an additional factor that boosted demand for assets of emerging economies. Consequently, January recorded the highest level of non-resident capital inflows in the past two decades.

Graph 22
NON-RESIDENT CAPITAL FLOWS TO EMERGING MARKETS
(Billion USD)

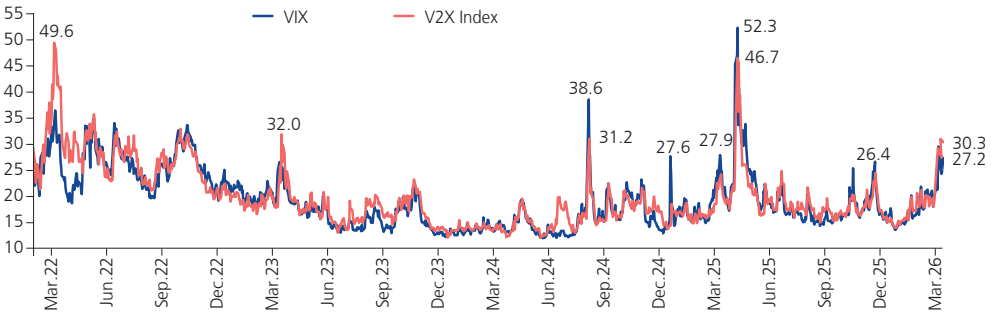


Note: Positive (negative) figures indicate a net inflow (outflow) of capital to emerging markets. The figure for March 2026 is an estimate.
Source: IIF.

This trend moderated through mid-February and then reversed in March. Financial markets recorded a significant increase in volatility due to trade and geopolitical uncertainty, as well as concerns about the independence of the Fed's monetary policy. In addition to the fear of the AI industry, there is the fear that its short-term profitability will be affected by heavy investment in data centers and competition between U.S. and foreign firms (particularly from China). Likewise, other sectors are impacted by the possibility that AI could automate many processes and displace services provided by software firms and other industries.

As of the close of this report, financial markets are being affected by rising geopolitical tensions between the U.S., Israel, and Iran. Thus, in the first half of March, energy prices recorded significant increases, and stock markets experienced a broad decline due to increased risk aversion (the VIX index rose to 28 points and hovered around that level) and expectations that the Fed would postpone another interest rate cut until the end of the year. Similarly, demand for sovereign bonds fell due to fears of inflationary pressures, which reduces the appeal of bonds, causing the dollar to recover and accentuate its upward trend. Consequently, capital inflows into emerging markets moderated in February and saw aggressive outflows in March (the largest monthly capital outflow since the pandemic).

Graph 23
VOLATILITY INDICES: VIX (U.S. STOCK MARKET) AND V2XI (EUROZONE STOCK MARKET)



Source: Reuters.

22. In the **foreign exchange markets**, the dollar appreciated broadly in the first quarter, mainly due to the escalation of conflicts in the Middle East. This triggered concerns about rising global inflation, leading to expectations that the Fed will keep interest rates higher for longer than previously anticipated.

Developed-market currencies underperformed against the dollar following a strong increase in risk aversion, after having appreciated throughout 2025. Due to uncertainty surrounding geopolitical tensions, interest rate spreads widened, benefiting the dollar.

Graph 24
DXY DOLLAR INDEX*

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

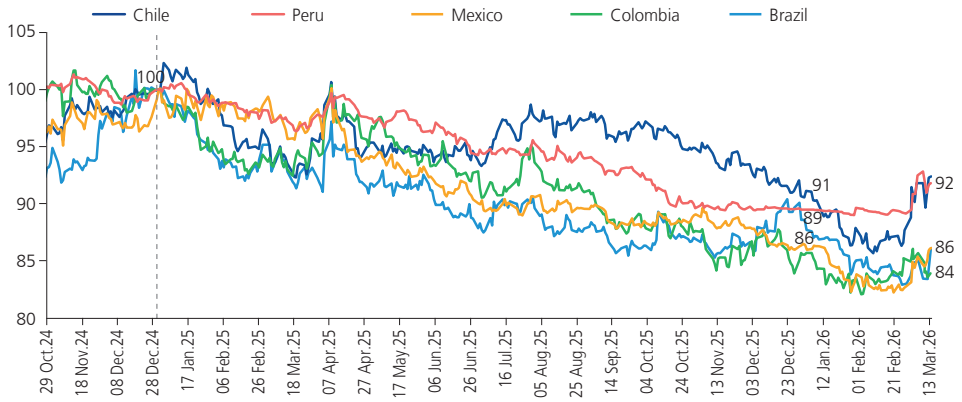
With regard to emerging market currencies, several currencies appreciated at the start of the year, buoyed by high commodity prices and capital inflows. However, many reversed course as investors sought refuge in the dollar toward the end of the quarter. Notably, the Brazilian real appreciated amid higher energy prices and a restrictive monetary policy aimed at tackling high inflation. This appreciation was limited by uncertainty surrounding the upcoming election in October of this year.

Table 5
EXCHANGE RATES*
(In local currency per dollar, except for the euro and pound)

		Dec.24 (a)	Dec.25 (b)	Mar.26 (c)	% Change**	
					(c) / (b)	(c) / (a)
Índice dólar DXY***	US Dollar Index	108.49	98.32	100.36	2.1	-7.5
Euro	Euro	1.035	1.175	1.142	-2.8	10.3
United Kingdom	Pound	1.251	1.347	1.322	-1.9	5.7
Japan	Yen	157.18	156.65	159.71	2.0	1.6
Brazil	Real	6.184	5.477	5.323	-2.8	-13.9
Colombia	Peso	4,402	3,766	3,694	-1.9	-16.1
Chile	Peso	993	899	916	1.9	-7.7
Mexico	Peso	20.82	18.00	17.94	0.4	-13.8
Argentina	Peso	1,030	1,451	1,397	-3.8	35.6
Peru	**Sol**	**3.761**	**3.364**	**3.453**	**2.6**	**-8.2**
South Africa	Rand	18.85	16.56	16.94	2.3	-10.1
India	Rupee	85.55	89.85	92.51	3.0	8.1
Turkey	Lira	35.34	42.95	44.20	2.9	25.1
Russia	Rublo	113.50	78.75	80.10	1.7	-29.4
China	Yuan (onshore)	7.299	6.993	6.896	-1.4	-5.5
South Korea	Won	1,477	1,441	1,501	4.2	1.7
Indonesia	Rupiah	16,090	16,670	16,935	1.6	5.3
Thailand	Bath	34.26	31.48	32.42	3.0	-5.4
Malaysia	Ringgit	4.468	4.056	3.936	-3.0	-11.9
Philippines	Peso	58.08	58.80	59.71	1.5	2.8

* As of March 13, 2026.
** An increase (decrease) indicates an appreciation (depreciation) of the dollar, except against the euro and the pound.
*** An increase (decrease) in the index implies an appreciation (depreciation) of the dollar against the currency basket consisting of the euro, yen, pound, Canadian dollar, Swedish krona, and Swiss franc.
Source: Reuters.

Graph 25
PERFORMANCE OF LAC5 CURRENCIES
(Base: Dec. 31, 2024 = 100)



Source: Reuters.

23. In the **fixed-income markets**, U.S. Treasury yields fell at the start of the year amid uncertainty about economic activity and some U.S. economic data coming in below expectations.

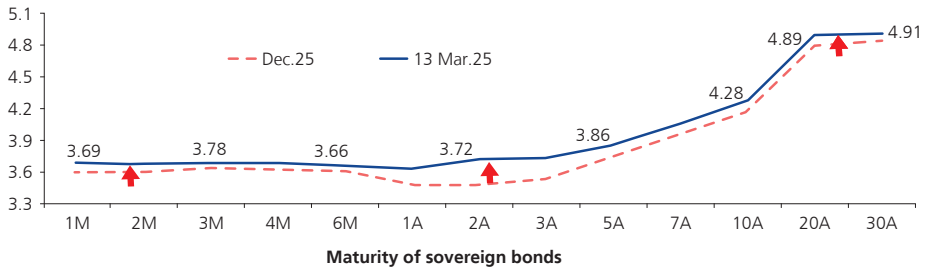
However, by late February, yields rose amid lower demand for these instruments due to inflation expectations stemming from geopolitical tensions. In addition, rising inflation expectations have increased the likelihood that the Fed will delay its interest rate cuts (from the end of the first half of the year to the end of the year).

Graph 26
YIELDS ON U.S. TREASURY BONDS
(%)

Source: Reuters.

These recent events in the Middle East had a substantial impact on the yield curve for U.S. Treasury bonds: yields on bonds with maturities of 1 to 6 months rose by up to 9 basis points, yields on bonds with maturities of 1 to 3 years rose by 16 to 24 basis points, and yields on bonds with maturities of 5 years or more rose by at least 10 basis points.

Graph 27
U.S. SOVEREIGN YIELD CURVE
(%)



Source: Reuters.

Yields on **sovereign bonds in other developed economies**, such as the eurozone and the United Kingdom, followed the trend of their U.S. counterparts amid heightened global uncertainty.

Table 6
10-YEAR GOVERNMENT BOND YIELDS*
(%)

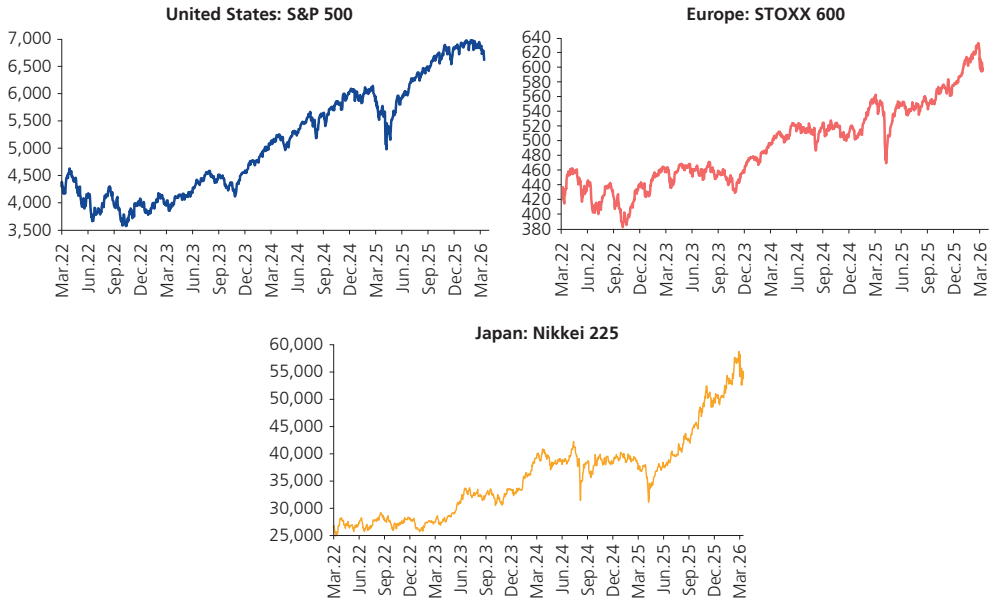
	Dec.24 (a)	Dec.25 (b)	Mar.26 (c)	Difference (bps)	
				(c) - (b)	(c) - (a)
United States	4.57	4.17	4.28	11	-29
Germany	2.36	2.85	2.98	13	62
France	3.19	3.56	3.67	11	48
Italy	3.52	3.55	3.79	24	27
Spain	3.06	3.29	3.49	21	44
Greece	3.22	3.44	3.78	34	56
United Kingdom	4.56	4.48	4.82	35	26
Japan	1.09	2.06	2.25	19	117
Brazil	15.16	13.73	14.34	61	-82
Colombia	11.88	12.64	13.29	65	141
Chile	6.00	5.40	5.46	6	-54
Mexico	10.42	9.11	9.43	32	-99
Peru	**6.63**	**6.33**	**6.65**	**32**	**2**
South Africa	10.31	8.19	9.03	83	-129
India	6.76	6.59	6.68	9	-8
Turkey	26.81	27.17	30.70	353	389
China	1.68	1.86	1.83	-3	15
South Korea	2.87	3.39	3.70	32	83
Indonesia	6.97	6.05	6.78	73	-19
Thailand	2.25	1.64	1.98	34	-28
Malaysia	3.81	3.50	3.56	5	-26
Philippines	6.05	5.68	6.16	48	11

* As of March 13, 2026.
Source: Reuters.

In Latin America, yields also rose in line with lower risk appetite. Notable were the sharp increases in yields in Brazil and Colombia amid their central banks' restrictive policies aimed at curbing inflation, concerns about fiscal balances, and upcoming elections. It should be pointed out that bonds from some oil-importing countries were the hardest hit in the current environment of heightened uncertainty, such as Turkey, where there is a high risk of slower economic growth coupled with rising inflation.

24. In the **equity markets**, global stocks rose at the start of the first two months of the year, driven by favorable financial conditions and strong corporate earnings for the fourth quarter of 2025. Most global stock markets rose and recorded new all-time highs, although this trend later reversed in several countries.

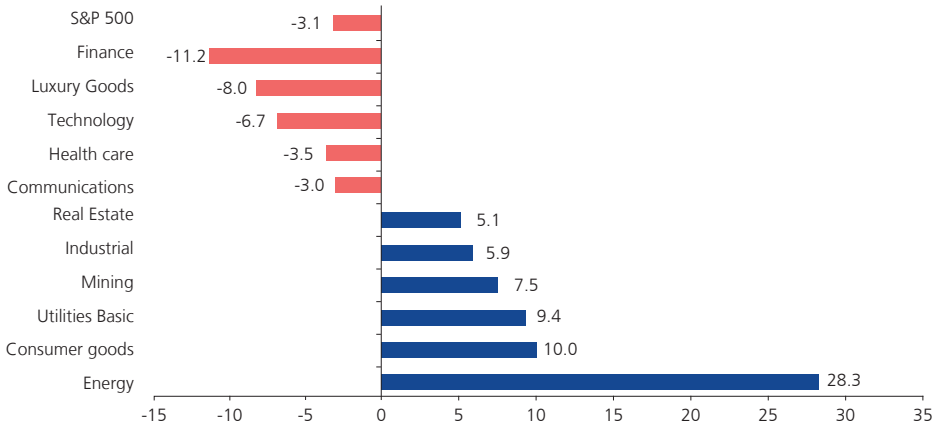
Graph 28
STOCK INDICES



Source: Reuters.

In the case of the U.S., the stock market fell largely due to the escalation of geopolitical tensions in March, which dampened market sentiment and led to a repositioning of investor portfolios: profits were taken on stocks in the sectors that rose the most in 2025 (financials, technology, and luxury consumer goods), in favor of energy and defensive stocks (such as staples and utilities).

Graph 29
PERFORMANCE OF SECTORS IN THE S&P 500 STOCK INDEX: MAR.26* / DEC.25
(%)



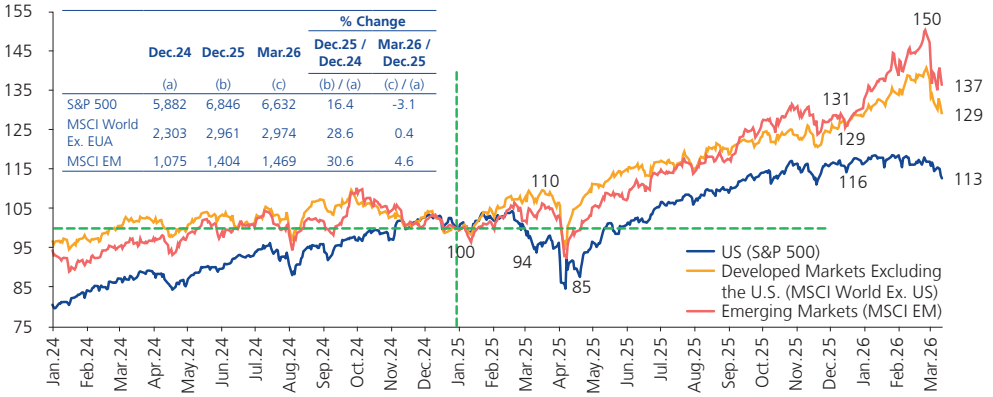
* As of March 13, 2026.
Source: Reuters.

In addition, there has been a shift of capital toward other stock markets in search of new assets so far this year. Despite recent geopolitical events, developed markets —excluding the U.S.— closed with a slight gain of 0.4 percent, while emerging markets rose 4.6 percent in the first three months of 2026.

Graph 30

STOCK MARKET PERFORMANCE INDEX

(100 = Dec. 31, 2024)



Source: Reuters.

At the country level, European stock markets erased their gains from the first two months of the year during March, despite the bloc's stronger economic growth, increased defense spending, and a rise in energy stocks. This was offset by Asian stock markets, led by the exchanges in South Korea and Taiwan, which rose 30 percent and 15 percent, respectively, following strong demand for AI-related stocks (Samsung, SK hynix, and TSMC) seen at the start of the year.

In Latin America, several stock markets posted positive returns driven by performance early in the year. Subsequently, they were also affected by increased volatility. The Peruvian stock market stood out with a 19 percent gain.

Table 7

GLOBAL STOCK MARKETS*

(In index)

		Dec.24 (a)	Dec.25 (b)	Mar.26 (c)	% Change (c) / (b)	% Change (c) / (a)
VIX**	S&P 500	17,35	14,95	27,19	12.2	9.8
United States	Dow Jones	42,544	48,063	46,558	-3.1	9.4
United States	S&P 500	5,882	6,846	6,632	-3.1	12.8
United States	Nasdaq	19,311	23,242	22,105	-4.9	14.5
Germany	DAX	19,909	24,490	23,447	-4.3	17.8
France	CAC 40	7,381	8,150	7,912	-2.9	7.2
Italy	FTSE MIB	34,186	44,945	44,317	-1.4	29.6
Spain	IBEX 35	11,595	17,308	17,059	-1.4	47.1
Greece	ASE	1,470	2,121	2,133	0.6	45.1
United Kingdom	FTSE 100	8,173	9,931	10,261	3.3	25.5
Japan	Nikkei 225	39,895	50,339	53,820	6.9	34.9
Brazil	Ibovespa	120,283	161,125	177,653	10.3	47.7
Colombia	COLCAP	1,380	2,068	2,181	5.5	58.1
Chile	IPSA	6,710	10,481	10,467	-0.1	56.0
Mexico	IPC	49,513	64,308	65,649	2.1	32.6
Argentina	Merval	2,533,635	3,051,617	2,642,584	-13.4	4.3
Peru	**MSCI Nuam General Index*** **	**28,961**	**43,465**	**51,733**	**19.0**	**78.6**
South Africa	JSE	84,095	115,832	114,924	-0.8	36.7
India	Nifty 50	23,645	26,130	23,151	-11.4	-2.1
Turkey	XU100	9,831	11,262	13,093	16.3	33.2
China	Shangai C.	3,352	3,969	4,095	3.2	22.2
South Korea	KOSPI	2,399	4,214	5,487	30.2	128.7
Taiwan	TSEC	23,035	28,964	33,400	15.3	45.0
Indonesia	JCI	7,080	8,647	7,137	-17.5	0.8
Thailand	SET	1,400	1,260	1,409	11.9	0.7
Malaysia	KLCI	1,642	1,680	1,699	1.1	3.4
Philippines	Psei	6,529	6,053	6,059	0.1	-7.2

* As of March 13, 2026.
** Data and changes are expressed in points.
*** The MSCI NUAM Peru General is the BVL's new general benchmark index, in the context of the integration of the stock markets of Chile, Colombia, and Peru (NUAM).
Source: Reuters.

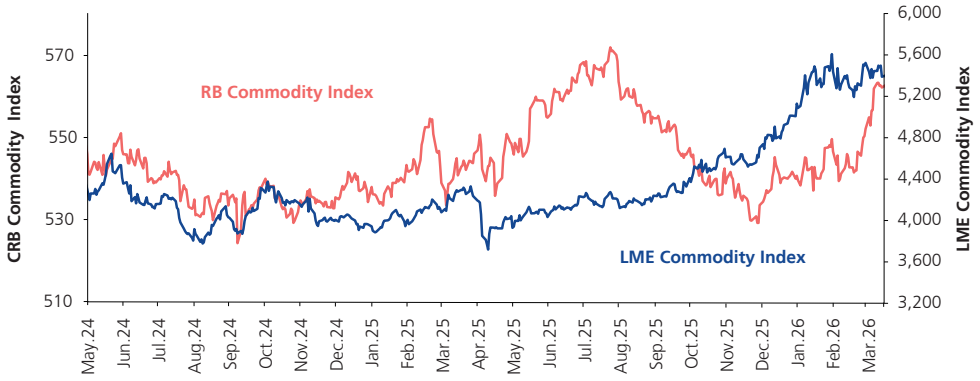
Commodity prices

25. **During the first two months of 2026, the commodities market showed a nearly across- the-board recovery**, albeit with varying dynamics. In the case of industrial metals, the increase recorded —as reflected in the London Metal Exchange (LME) index— reinforced the upward trend observed since the second half of 2025, and in some cases, such as copper, prices reached historical highs. This increased momentum reflects structural demand for metals critical to the energy transition and technological infrastructure, as well as supply-side constraints.

On the other hand, in the case of the Commodity Research Bureau Index (CRB Index), which has a more diversified composition with a heavy weighting in energy (oil, gas) and agriculture, the rise in the first few months of 2026 only partially reverses the downward trend observed between July and December 2025.

In March, in the wake of the conflict in the Middle East, the two indices showed divergent trends. The CRB Index continued the upward trend seen in the early months due to the sharp rise in energy prices (oil and natural gas), while the metals index (LME) halted its upward trend, affected by the fear of global growth, the appreciation of the dollar, and rising inventories.

Graph 31
LME AND CRB COMMODITY INDICES



Source: Reuters.

Prior to the conflict in the Middle East, the outlook for industrial commodity prices was favorable: strong demand from non-traditional sectors, constraints on supply expansion, and rising production costs pointed to high prices over the forecast horizon. Under current circumstances, this scenario of high prices will depend largely on the duration of the conflict in the Middle East, restrictions on shipping lanes, supply chain disruptions, and the dollar's performance in international markets.

In the case of energy and food prices, where demand pressures are more moderate, price outlooks will depend primarily on changes in supply. In this regard, prices could face upward pressure if the conflict in the Middle East persists for an extended period or escalates to the point of significantly affecting energy supply from producing countries and their trade through the Strait of Hormuz.

Copper

26. The **average price of copper** rose 9 percent in the first two months, climbing from USD 5.37 per pound in December 2025 to USD 5.88 per pound in February. The increase so far this year follows the strong 33 percent growth recorded in 2025. In January 2026, the price of copper experienced a notable increase, reaching an historical high of USD 6.28/lb on January 29, 2026. This rally was driven significantly by both fundamental factors and non-commercial demand. Regarding the former, demand for copper continued to be driven by green industries and data centers; this was compounded by additional supply constraints and rising production costs, which accentuated the perception of a tight global balance. Additionally, production costs trended upward, pressured by aging deposits, declining ore grades, and greater operational constraints. On the demand side, weakness in traditional sectors such as construction and the automotive market was counterbalanced by a significant increase in demand stemming from investment in data center construction.

hus, the rise in copper prices reflected a significant shift in global supply-demand expectations, driven by forecasts of a supply deficit in the market over the next two years. A Reuters survey of fourteen institutions and investment banks indicated that the global copper market would face a deficit in 2026 and 2027.

Table 8
SUPPLY AND DEMAND FOR REFINED COPPER[1/]
(Thousands of metric tons of copper)

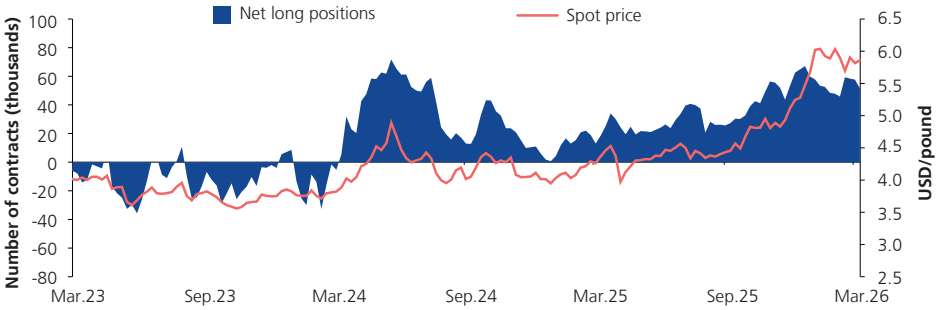
	2021	2022	2023	2024	2025
Global Mining Production	21,227	21,917	22,371	22,958	23,125
Total Refined Product Production (Primary and Secondary)	24,897	25,278	26,508	27,397	28,540
Global Use of Refined Products	25,259	25,857	26,604	27,328	28,160
Refined Products Balance[2/]	-362	-579	-96	69	380

1/ ICSG Monthly Report, February 2026.
2/ The refined products balance is calculated as the difference between total refined products production (supply) and their use (demand).
Source: ICSG.

With regard to non-commercial demand, open interest in the futures market and U.S. inventories recorded an increase amid the possibility that the United States might impose a tariff on copper imports, which the country classifies as a critical mineral.

However, in the wake of the Middle East conflict and the strengthening of the dollar, demand has declined amid fears of the conflict's negative impact on economic activity and inflation. This, in turn, is reflected in rising inventories and a recent reduction in non-commercial positions. The price fell from a monthly average of USD 5.84/lb in February to an average of USD 5.79/lb in the first half of March.

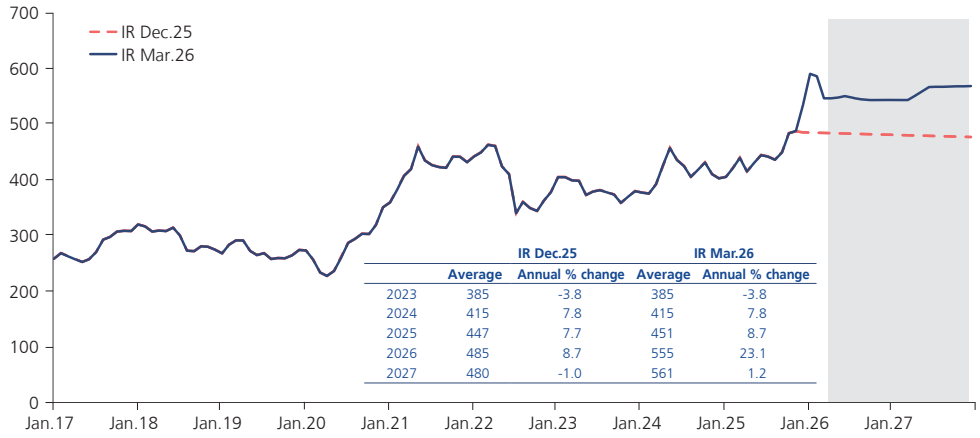
Graph 32
COPPER: NON-COMMERCIAL POSITIONS



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

In this context, the copper price forecast was revised upward compared to the estimate in the December Report. This change is linked to expectations of a tighter market over the forecast horizon and even in the medium term. Despite the price drop recorded in March, prices are expected to remain at historically high levels. In this baseline scenario, the impact of the Middle East conflict is estimated to be short-lived.

Graph 33
COPPER: JANUARY 2017 – DECEMBER 2027
(Ctv. USD/pound)



	IR Dec.25		IR Mar.26	
	Average	Annual % change	Average	Annual % change
2023	385	-3.8	385	-3.8
2024	415	7.8	415	7.8
2025	447	7.7	451	8.7
2026	485	8.7	555	23.1
2027	480	-1.0	561	1.2

Source: Reuters and BCRP.

Zinc

27. The average international price of zinc rose by 5 percent in the first two months, climbing from USD 1.43/pound in December 2025 to USD1.51/pound in February 2026. This followed a 4 percent price increase in the price of zinc in 2025. However, as of March 13, the average price of zinc had fallen by 1 percent compared to February, reaching a level of USD 1.49 per pound.

The price of zinc continued to rise during the first two months of 2026 due to ongoing supply constraints amid low inventory levels; By the end of 2025, international reserves on the London Metal Exchange had fallen to a critical level of just 34,000 tons. Various factors have slowed the normalization of supply. Although energy costs in Europe have fallen,

the restart of processing plants (smelters) remains slow and continues to be vulnerable to energy price volatility, exacerbated by geopolitical tensions and a harsher-than-expected winter.

For its part, demand for this metal has strengthened thanks to the expansion of infrastructure for AI and data centers. This is complemented by a stabilization of the construction sector in China and an increase in public investment in Germany, factors that continue to exert upward pressure on prices.

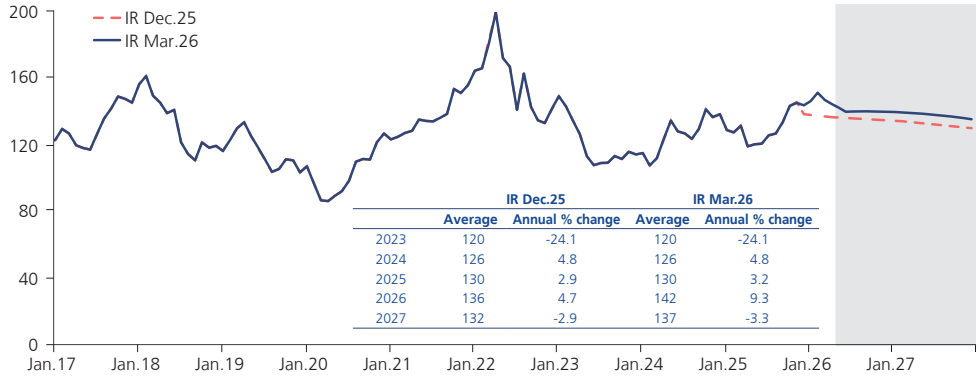
However, the price of zinc fell in early March as a result of the conflict in the Middle East and the resulting appreciation of the dollar, as well as expectations of increased production at mines in Ireland and the Democratic Republic of the Congo.

For the forecast horizon, the price of zinc is expected to decline slightly; however, in line with the developments noted, it would remain above the levels projected in the December Report. This slight downward revision reflects increases in production, particularly in Russia and the Democratic Republic of the Congo, and lower demand associated with the conflict in the Middle East.

Graph 34

ZINC: JANUARY 2017 – DECEMBER 2027

(Ctv. USD/pound)



	IR Dec.25		IR Mar.26	
	Average	Annual % change	Average	Annual % change
2023	120	-24.1	120	-24.1
2024	126	4.8	126	4.8
2025	130	2.9	130	3.2
2026	136	4.7	142	9.3
2027	132	-2.9	137	-3.3

Source: Reuters and BCRP.

Gold

28. The average **gold** price rose 16 percent in the first two months of 2026, reaching an historical high of USD 5,020 per troy ounce in February. With this, the gold price continued the upward trend from 2025, a year in which it posted a 64 percent increase. In March, in the wake of the Middle East conflict, and despite the resulting increase in risk aversion, the price has been falling due to the appreciation of the dollar and expectations of a less accommodative monetary policy by the Fed and other central banks in response to new inflationary pressures.

On January 28, the price of gold hit historical highs on several occasions, reaching USD 5,417 per troy ounce. This increase was driven by higher demand from investors seeking a safe-haven asset amid heightened geopolitical risks, such as tensions between the United States and Iran and U.S. claims regarding Greenland. In addition, the depreciation of the dollar and expectations of a more expansionary monetary policy by the Federal Reserve played a role.

Another key factor during this period was the strong interest among businesses and individual investors in diversifying their assets, relying on digital tools that facilitate rapid and widespread access to the gold market

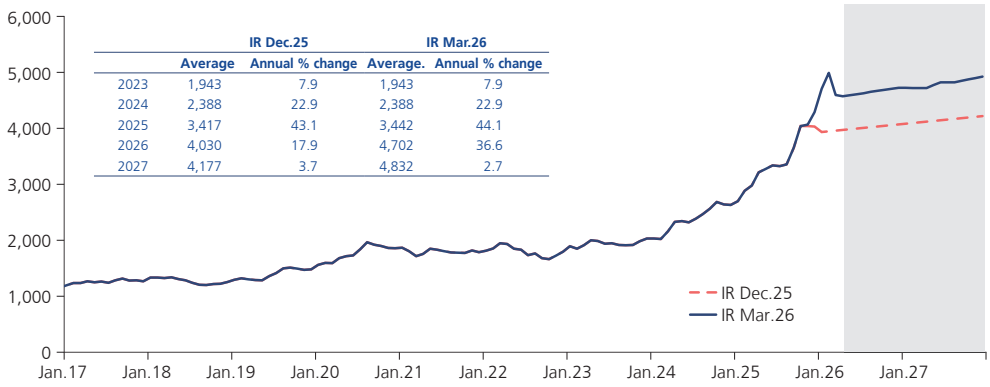
This trend has reversed since late February, mainly due to the appreciation of the dollar and expectations that central banks will adopt more restrictive stances than those outlined in the December report, in response to higher energy prices and the resulting impact on inflation. These factors limited demand for gold despite rising global risk aversion stemming from the conflict in the Middle East.

Despite this correction, the current price of gold remains above the levels seen at the end of 2025. In line with the data released, the gold price forecast is revised upward compared to the December Report. This forecast assumes that gold would face some downward resistance due to volatility and elevated risks in a context where demand for other safe-haven assets, such as Treasury bonds from developed economies, is lower. This lower demand for safe-haven assets is explained by the expansionary fiscal policies implemented, the fear of fiscal sustainability in the medium term, and the impact of high inflation rates on expected returns.

Graph 35

GOLD: JANUARY 2017 – DECEMBER 2027

(USD/tr. ounce)



	IR Dec.25		IR Mar.26	
	Average	Annual % change	Average.	Annual % change
2023	1,943	7.9	1,943	7.9
2024	2,388	22.9	2,388	22.9
2025	3,417	43.1	3,442	44.1
2026	4,030	17.9	4,702	36.6
2027	4,177	3.7	4,832	2.7

Source: Reuters and BCRP.

Gas

29. In the first two months of 2026, the average **Henry Hub natural gas** price fell by 29 percent, following a rise of similar magnitude in 2025. This trend was in contrast with what was observed in Europe: the price in that market (UK BNP) rose by 16 percent in the first two months, partially reversing the 28 percent decline accumulated in 2025.

As of February, with the exception of a temporary spike linked to winter storms, the U.S. benchmark gas price (Henry Hub) recorded a downward trend due to higher-than-expected production. Well productivity allowed for increased supply, even at lower-than-expected costs. In addition, U.S. storage levels remained above the five-year average, which provided the market with security against potential disruptions.

In contrast with the price increase in Europe, the driving factors were a combination of weather-related factors and international tensions. Europe faced a severe cold snap that

forced massive withdrawals from its reserves, leaving storage levels at just 46 percent of capacity.

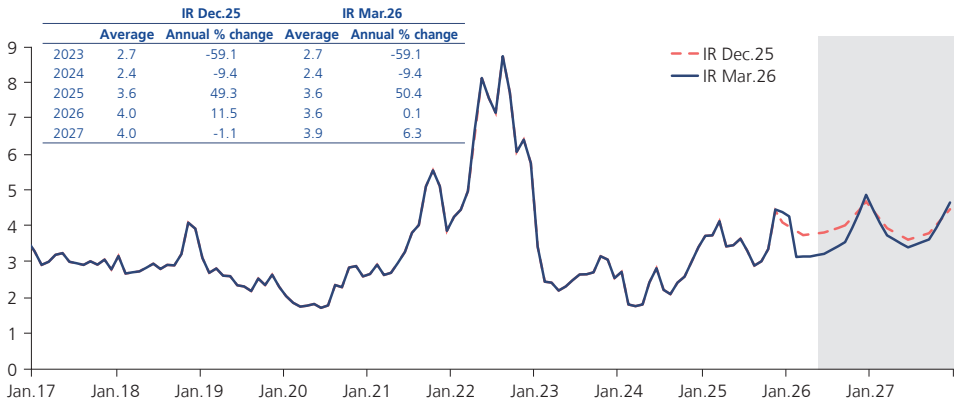
Since March, the conflict in the Middle East has created additional upward pressure on prices. The average price of natural gas in the United Kingdom in March rose 70 percent compared to February due to a significant geopolitical risk premium, following attacks on Iran's energy infrastructure and temporary closures of production in Qatar, which heightened fears of disruptions to global supply. This concern intensified with the near-total closure of the Strait of Hormuz, through which nearly 20 percent of the world's LNG passes. While these price pressures have been greatest in the European and Asian markets, they have also impacted U.S. natural gas (Henry Hub).

For the forecast horizon, the average Henry Hub natural gas price has been revised slightly down. Prices in the United States are expected to be lower than anticipated in December as heating demand declines and U.S. production continues to rise. However, the conflict in the Middle East is creating uncertainty regarding supply, compounded by the possibility of unforeseen changes in demand resulting from more extreme weather conditions. Furthermore, in line with recent developments in the Middle East, expectations have been lowered regarding the commissioning of new supply capacity from projects in Qatar.

Graph 36

HENRY HUB NATURAL GAS: JANUARY 2017 – DECEMBER 2027

(USD/MBTU)



	IR Dec.25		IR Mar.26	
	Average	Annual % change	Average	Annual % change
2023	2.7	-59.1	2.7	-59.1
2024	2.4	-9.4	2.4	-9.4
2025	3.6	49.3	3.6	50.4
2026	4.0	11.5	3.6	0.1
2027	4.0	-1.1	3.9	6.3

Source: Reuters and BCRP.

Oil

30. In the first two months of 2026, the average price of WTI crude oil rose by 11 percent, following a 17 percent decline in 2025. In addition, the monthly average price of oil rose by 30 percent as of March 13.

As of February, oil prices have recorded a rise due to heightened political and geopolitical tensions that have sparked fear of global supply. On the one hand, conflicts in key regions such as Russia and Venezuela have created a risk premium that has led to higher costs driven by the fear that transport routes could be blocked. Likewise, U.S. military mobilization in the Middle East and the attacks on Iran since February 28 have generated additional upward pressure, particularly due to fears of supply disruptions caused by attacks on key infrastructure and the de facto closure of the Strait of Hormuz.

This was compounded by an exceptionally harsh winter that froze oil wells in the United States and hampered the shipment of Russian crude oil from the Baltic Sea.

For the forecast horizon, the average oil price for 2026 has been revised upward compared to the December Report, due to the fear of supply concerns and harsher-than-expected weather conditions. The baseline scenario assumes that the impact of the conflict in the Middle East would be temporary, both on the production capacity of oil-producing countries and on trade through the Strait of Hormuz.

Under this scenario, oil prices are expected to decline gradually over the forecast horizon, in line with expectations of a gradual normalization of production and sales in the Middle East, as well as increased production from non-OPEC+ countries such as Brazil and Guyana. This is against a backdrop of modest growth in global demand.

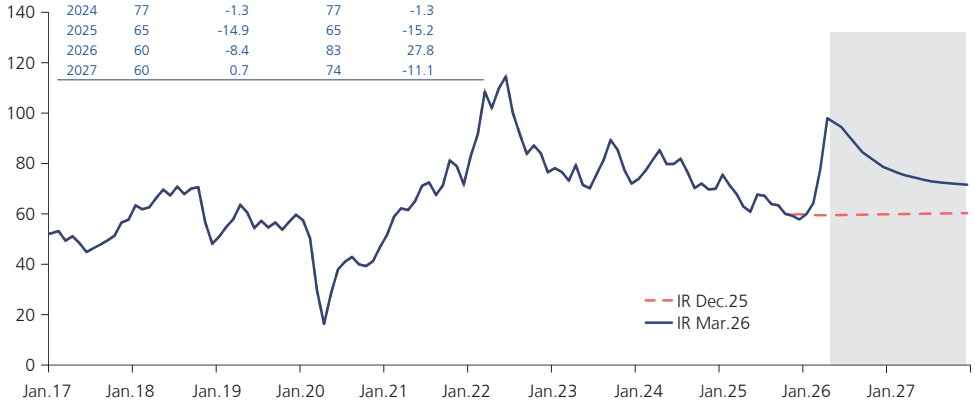
The main risk factor is the prolongation or escalation of the conflict, which introduces an upward bias in the forecast. The possibility of increased shale oil production in the United States and the increase in OPEC production announced in March would partially offset the impact on prices

Graph 37

WTI OIL: JANUARY 2017 – DECEMBER 2027

(USD/bl)

	IR Dec.25		IR Mar.26	
	Average	Annual % change	Average	Annual % change
2023	78	-18.2	78	-18.2
2024	77	-1.3	77	-1.3
2025	65	-14.9	65	-15.2
2026	60	-8.4	83	27.8
2027	60	0.7	74	-11.1

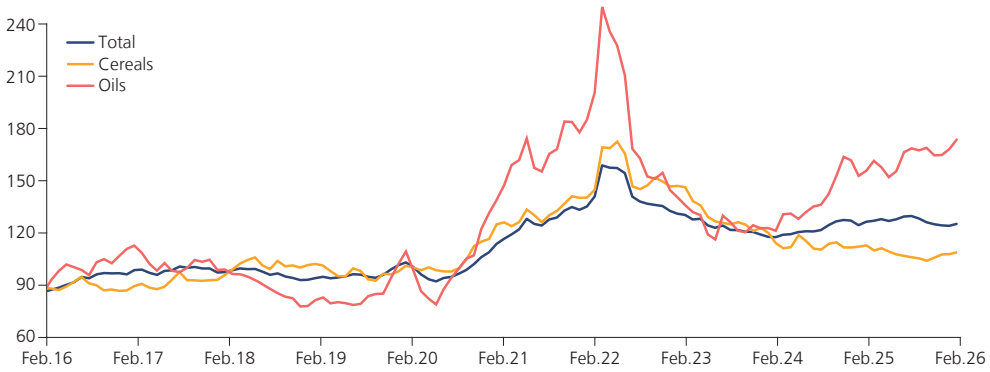


Source: Reuters and BCRP.

Food

31. During the first two months of 2026, global agricultural markets have reflected a delicate balance, influenced by a constant interplay between extreme weather conditions, shifts in demand, and the restructuring of international trade flows. This period has been characterized by robust global supply, where forecasts of record crops in various producing countries have been counterbalanced by weather uncertainty in key producing regions in both the Northern and Southern Hemispheres. The evolution of prices for these The analysis of these products has shown that each crop responded to specific market factors and did not behave as a uniform group.

Graph 38
FAO FOOD PRICE INDEX
(Base 2014–2016 = 100)



This trend occurred against the backdrop of rising fertilizer prices in the early months of 2026, driven primarily by political instability in the Middle East. This situation is unfolding as farmers prepare for the peak planting season, forcing markets to seek more expensive alternatives and putting upward pressure on food production costs.

Graph 39
GREEN MARKETS NORTH AMERICA FERTILIZER PRICE INDEX
(Index, Jan. 7, 2002 = 100)

Source: Reuters.

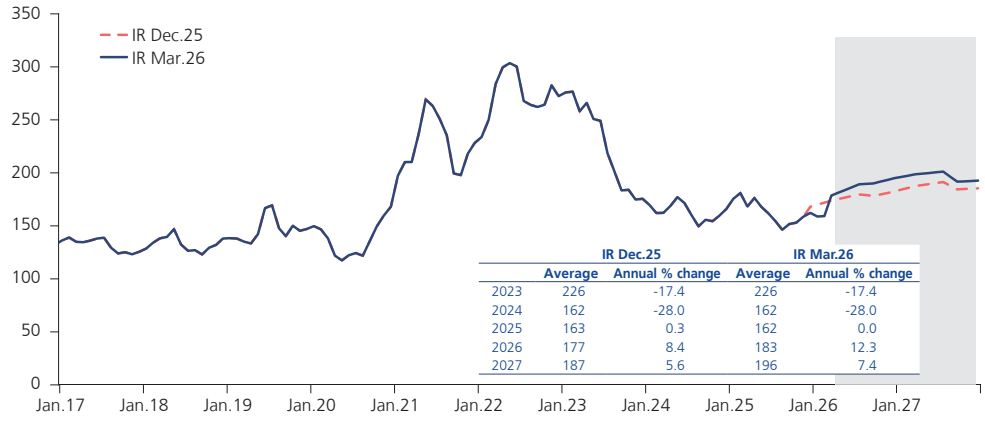
(a) The price of **maize** fell by 1 percent in the first two months of the year, reaching an average monthly price of USD 162 per metric ton in February 2026. This followed a period in which maize prices remained relatively stable in 2025. However, as of March 13, the average monthly price had risen by 4 percent due to the fear of higher production costs associated with the conflict in the Middle East, which has driven up the prices of fuel and fertilizers.

The price of maize fell in the first two months of 2026, driven by record supply, led primarily by a historic harvest in the United States. Despite this abundance of supply, the price decline was limited due to exceptionally high export demand, expectations of increased Chinese demand (following the trade agreement with the United States), and winter weather conditions that hampered transportation on the waterways through which the United States exports its maize. Furthermore, in

the month of March, prices are under upward pressure due to fears of supply and production costs, particularly for fertilizers.

In this context, the forecast for the price of maize has been revised upward compared to the December Report. The outlook suggests a gradual increase in the price of maize for the remainder of 2026. This forecast is based on the expectation that the market will balance out by the 2026/27 season, as global consumption continues to climb to new historical highs. A key factor in this trend is the energy transition, reflected in the strong growth in demand for maize for ethanol production in Brazil and India.

Graph 40
MAIZE: JANUARY 2017 – DECEMBER 2027
(USD/ton)



	IR Dec.25		IR Mar.26	
	Average	Annual % change	Average	Annual % change
2023	226	-17.4	226	-17.4
2024	162	-28.0	162	-28.0
2025	163	0.3	162	0.0
2026	177	8.4	183	12.3
2027	187	5.6	196	7.4

Source: Reuters and BCRP.

(b) The price of **wheat** rose 4 percent in the first two months of the year, climbing from USD 185 per metric ton in December 2025 to USD 192 per metric ton in February 2026. As of March 13, the price of wheat had risen 10 percent. This result reverses the cumulative 9 percent decline in wheat prices recorded in 2025.

This initial increase has been driven, to a large extent, by adverse weather conditions in the Northern Hemisphere. In addition to this, restrictions at Ukrainian ports and transportation bottlenecks in Russia —resulting from both winter weather and security concerns— hindered the transport of supplies from the Black Sea. Furthermore, wheat prices were influenced by the weakness of the U.S. dollar. The strong increase in early March is linked to fears of reduced supply, driven both by concerns over drier weather and by rising production costs associated with the conflict in the Middle East, which is driving up the costs of fuel and fertilizers.

Over the forecast horizon, the price of wheat is revised on the upside compared with the forecasts in the December Report. This revision is based primarily on higher production costs associated with the conflict in The Middle East, where colder-than-expected weather and its potential impact on winter wheat production. For the remainder of 2026, the outlook points to price stabilization. Although global production in the 2025/26 season reached record levels, global supply is expected to tighten moderately in the second half of the year. The market anticipates that production for the 2026/27 season could decline slightly due to reduced planting

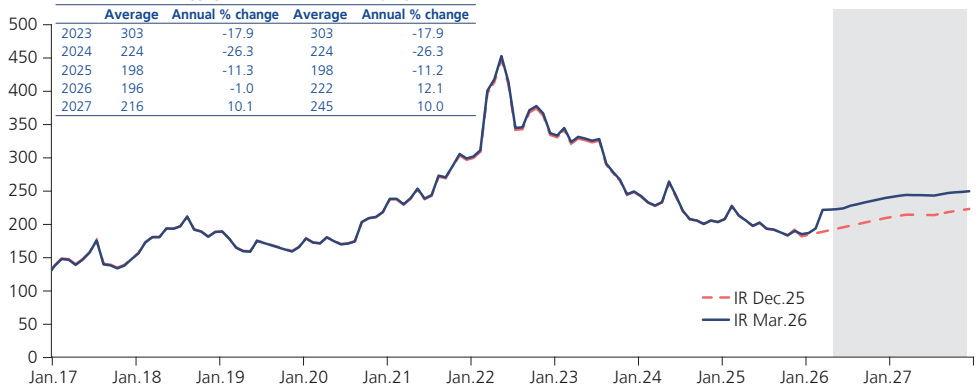
area and yields that are less exceptional than those of the previous year, which will keep global stocks at relatively tight levels

Graph 41

WHEAT: JANUARY 2017 – DECEMBER 2027

(USD/ton)

	IR Dec.25		IR Mar.26	
	Average	Annual % change	Average	Annual % change
2023	303	-17.9	303	-17.9
2024	224	-26.3	224	-26.3
2025	198	-11.3	198	-11.2
2026	196	-1.0	222	12.1
2027	216	10.1	245	10.0



Source: Reuters and BCRP.

(c) The price of **soybean oil** averaged USD 1,276 per metric ton in February 2026, up 17 percent from the price of USD 1,088 per metric ton in December 2025. This increase accelerated in March when the average price (as of March 13) rose by 14 percent compared to February. As a result, the price of soybean oil continued the upward trend from 2025, when it accumulated a 17 percent increase.

This trend was primarily due to a reduction in the availability of exportable supplies from South America and growing expectations of strong demand from the U.S. biofuels sector. Although the U.S. Department of Agriculture (USDA) kept its price forecasts for the 2025/26 crop year steady in February, the market reflected sustained strength driven by a resurgence in international purchases and seasonal factors affecting the production of other competing oils.

In March, the price rise was exacerbated by rising oil prices following the closure of the Strait of Hormuz, which improved the competitiveness of biofuels and boosted demand for vegetable oils. In addition to this, there are expectations of higher structural demand in the United States, given the possible expansion of biodiesel blending mandates by the U.S. Environmental Protection Agency, which would significantly increase its use by 2026. Furthermore, rumors of restrictions on imports of used cooking oil (a substitute for soybean oil in biodiesel) reinforce the outlook for higher domestic consumption, consolidating upward pressure on prices.

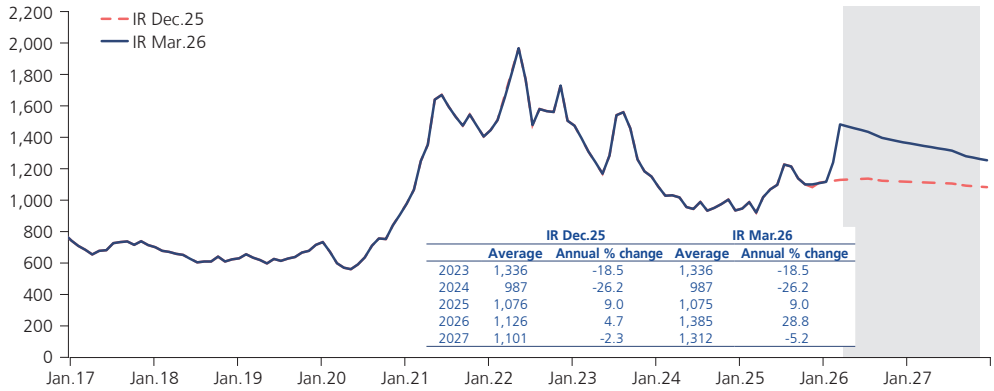
Given these recent developments, prices are projected to exceed the estimate in the previous report. This revision on the upside is due to the Higher oil prices due to the conflict in the Middle East and the rapid expansion of the biofuels industry, driven by Environmental Protection Agency (EPA) regulations that favor the use of domestic raw materials in the United States. The volume of soybean oil used for clean energy production is expected to increase. In addition, factors such as fuel blending mandates in key markets like California and Brazil, coupled with soybean processing set to reach record levels to meet global demand for oil, will reinforce a

robust market trend throughout the year. This increase will be limited by reduced demand pressure associated with the accumulation of regulatory credits, which allow the industry to meet its obligations without needing to purchase as much soybean oil.

Graph 42

SOYBEAN OIL: JANUARY 2017 – DECEMBER 2027

(USD/ton)



	IR Dec.25		IR Mar.26	
	Average	Annual % change	Average	Annual % change
2023	1,336	-18.5	1,336	-18.5
2024	987	-26.2	987	-26.2
2025	1,076	9.0	1,075	9.0
2026	1,126	4.7	1,385	28.8
2027	1,101	-2.3	1,312	-5.2

Source: Reuters and BCRP.

Box 1
THE REAL EXCHANGE RATE DURING PERIODS OF HIGH EXPORT PRICES

The Multilateral Real Exchange Rate (MRER) summarizes the evolution of the Sol's purchasing power relative to a basket of currencies from Peru's main trading partners and is expressed as an index. This box analyzes its behavior during 2004–2012 and 2020–2025, two periods marked by increases in the terms of trade (ToT) and export prices. For each period, we examine the magnitude of the real appreciation of the domestic currency, the contribution of bilateral real exchange rates (TCRB) with major trading partners, and how the relative performance of the Sol against the currencies of those partners influenced the recent dynamics of the TCRM.

Episodes of Improvement in Terms of Trade and Dynamics of the Real Exchange Rate

In the two episodes analyzed, TI and prices of export commodities for major commodities recorded significant increases, which was reflected in a reduction in the TCRM. Conceptually, an increase in export prices tends to generate a nominal appreciation of the sol and higher relative domestic inflation in non-tradable goods. Both effects result in a decrease in the TCRM.

TERMS OF TRADE AND MULTILATERAL REAL EXCHANGE RATE
(Average annual % change)

	2004-2012	2013-2019	2020-2025
Terms of Trade	**6.1**	**-0.7**	**10.3**
Copper export price	17.3	-5.2	14.3
Export price of zinc	12.5	0.4	8.5
Gold export price	17.0	-1.8	19.5
IPX[1/]	13.3	-2.7	11.8
IPM[2/]	6.8	-2.0	1.4
TCRM	**-1.4**	**0.9**	**-1.9**
Sol/Basket exchange rate	-1.5	1.4	-0.7
US TCRB	-3.7	2.8	0.1
Sol/Dollar exchange rate	-3.3	3.9	0.1

1/ Export Price Index.
2/ Import Price Index.

Between 2004 and 2012, terms of trade rose by an average of 6.1 percent per year, driven by significant increases in the prices of copper (17.3 percent), zinc (12.5 percent), and gold (17.0 percent). In this context, the TCRM declined by an average of 1.4 percent per year, the Sol strengthened against the basket of currencies of Peru's trading partners (-1.5 percent), and appreciated nominally against the dollar (-3.3 percent).

During the 2020–2025 period, TI increased by an average of 10.3 percent per year —a higher rate than in the previous period— driven once again by the rebound in copper, zinc, and gold prices. The average decline in the TCRM was 1.9 percent per year, a steeper drop than in 2004–2012. In contrast with the previous period, the sol depreciated slightly against the dollar by an average of 0.1 percent, a result reflecting the sharp depreciation in 2021 (12.1 percent) followed by sustained appreciations in subsequent years (-5.1 percent in 2022, -2.5 percent in 2023, and -9.9 percent in 2025).

Contribution of TCRBs to the evolution of the TCRM

The behavior of the TCRM in both episodes is determined by the evolution of its bilateral components, although with a different composition of contributions in each period.

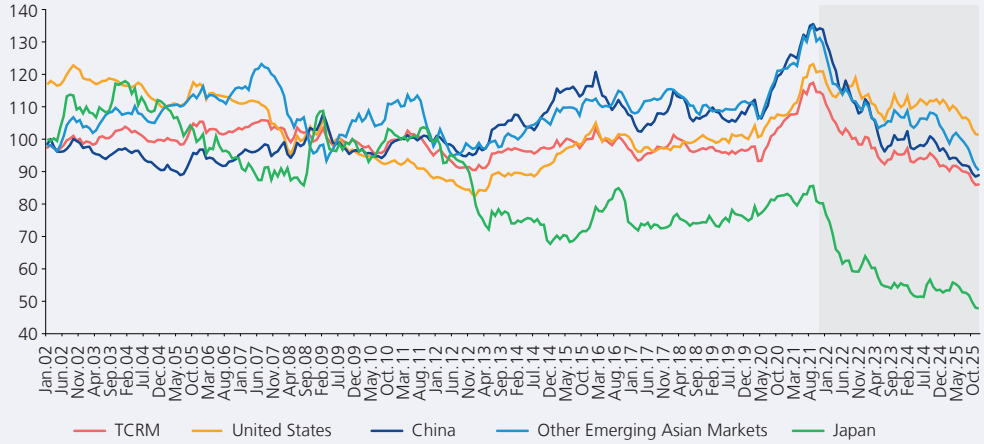
BILATERAL REAL EXCHANGE RATES - TCRB
(Average annual % change)

	Weights 2024	2004-2012	2013-2019	2020-2025
United States	17.5	-3.7	2.8	0.1
China	36.9	-0.2	1.8	-3.1
Eurozone	10.2	-3.4	-0.3	0.5
Spain	2.7	-2.8	-0.7	0.5
Germany	2.0	-3.7	-0.1	0.4
Italy	1.5	-3.3	-0.7	0.1
Belgium	0.8	-3.1	0.1	0.8
France	0.7	-3.8	-0.4	-0.5
Netherlands	2.5	-3.6	0.2	1.1
Other Developed Countries	12.4	-2.5	-1.0	-3.3
Switzerland	2.6	-2.1	0.2	0.7
United Kingdom	1.0	-4.9	0.3	0.8
Japan	4.0	-3.5	-1.7	-7.5
Canada	4.8	-1.3	-1.3	-1.3
Other Emerging Asian Markets	8.4	-1.1	2.0	-4.1
India	5.4	-0.5	2.6	-3.0
South Korea	2.5	-2.1	1.0	-4.6
Taiwan	0.6	-2.9	1.3	-2.4
Latin America	14.5	0.9	-2.6	-1.0
Chile	3.0	-0.4	-2.5	-1.0
Colombia	2.2	3.1	-3.8	0.7
Mexico	2.3	-3.5	-0.7	2.3
Brazil	4.6	2.9	-3.0	-2.9
Ecuador	2.4	-2.2	2.7	-2.3
TCRM		**-1.4**	**0.9**	**-1.9**

In 2004–2012, the decline in the TCRM was mainly driven by real appreciations against the United States (an average of -3.7 percent per year) and the eurozone (-3.4 percent). To a lesser extent, appreciations against the Other Developed bloc —notably Japan (-3.5 percent) and Canada (-1.3 percent)— and against Other Emerging Asian economies, particularly South Korea (-2.1 percent), also contributed.

In 2020–2025, the composition was different. The decline in the TCRM was mainly driven by real appreciation against China (an average of -3.1 percent per year), followed by appreciation against Japan (-7.5 percent) and India (-3.0 percent). When breaking down this period, two sub-periods with opposite trends can be distinguished: in 2020–2021, the TCRM recorded an average increase of 9.7 percent, mainly due to real depreciation against China (13.3 percent), the eurozone (15.3 percent), and the United States (6.7 percent); whereas, in 2022–2025, the TCRM showed an average decrease of 6.8 percent, mainly due to the real appreciation of the Sol against the currencies of China (-9.7 percent), Japan (-12.2 percent), the United States (-4.3 percent), and India (-7.9 percent).

TCRM AND TCRB
(Index 2009=100)

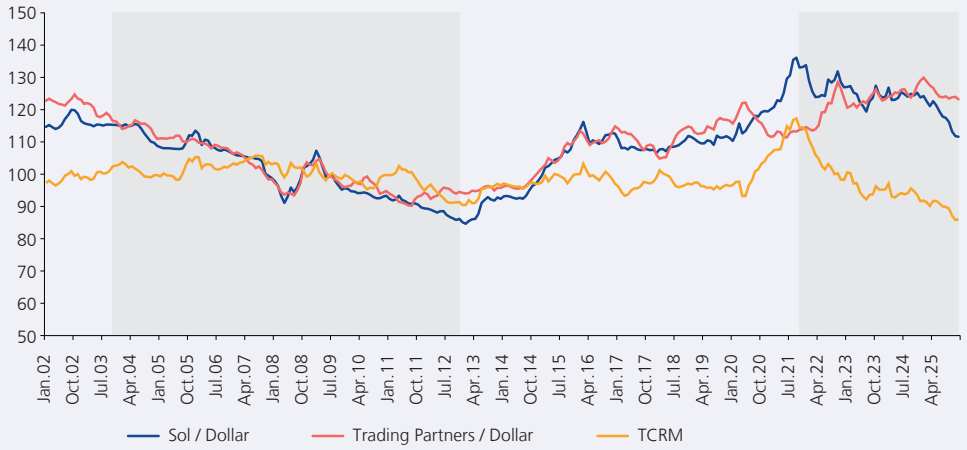


Note: Other Asian emerging markets include India, Taiwan, and South Korea.

Movements of the sol and trading partners' currencies against the dollar

An important factor in the different evolution of the TCRM between the two episodes is the trajectory of the nominal exchange rate of the Sol and the currencies of trading partners against the dollar.

MULTILATERAL EXCHANGE RATE
(Index 2009=100)



Note: The Trading Partners/Dollar Index is a weighted index of the nominal exchange rates of trading partners' currencies against the dollar. The United States and Ecuador are excluded from this calculation.

Between 2004 and 2012, the sol and the currencies of trading partners followed a similar trajectory against the dollar: the sol appreciated by an average of 3.3 percent per year, while the currencies of trading partners appreciated by 2.2 percent. The greater appreciation of the sol resulted in an average reduction in the TCRM of 1.4 percent.

During the 2020–2025 period, the dynamics were markedly different. In 2020–2021, both the sol and the currencies of Peru's trading partners moved in the same direction —albeit to varying degrees— with a general depreciation against the dollar. However, starting in 2022, the sol decoupled from its trading partners' currencies: it recorded consecutive appreciations against the dollar in 2022, 2023, and 2025 (-5.1 percent, -2.5 percent, and -9.9 percent, respectively), while trading partners' currencies showed mixed dynamics with predominantly depreciations —notably China (9.7 percent in 2022), Latin America (17.5 percent in 2024), and, in 2025, a widespread appreciation against the dollar in the eurozone (-10.6 percent) and Latin America (-10.1 percent)—.

MULTILATERAL EXCHANGE RATE
(Average annual % change)

	2004-2012	2013-2019	2020	2021	2022	2023	2024	2025
Sol/Dollar Exchange Rate	-3.3	3.9	7.4	12.1	-5.1	-2.5	0.0	-9.9
Exchange rate Trading Partners/ Dollar	-2.2	3.1	-3.8	2.2	7.7	-0.5	5.0	-4.5
Real Multilateral Exchange Rate	-1.4	0.9	9.7	7.7	-13.6	-3.2	-3.8	-6.1

This combination —the decoupling of the sol from the exchange rate movements of trading partners, along with its greater relative appreciation in 2025— has contributed significantly to the substantial reductions in the TCRM observed in the recent period.

II. Balance of payments

Terms of trade and balance of trade in goods

32. The **terms of trade** rose by 19.2 percent between 2024 and 2025, reaching an historical high since 1950. The increase was largely due to a rise in **export prices** (16.7 percent), mainly for traditional products such as gold, copper, coffee, and zinc, as well as for non-traditional products in the iron and steel, fishing, and chemical sectors.

Higher metal prices were driven by increased demand for critical minerals needed for the energy transition and the artificial intelligence industry, ongoing supply issues due to concentrate shortages and operational shutdowns, increased purchases of safe-haven assets amid geopolitical risks, and the impact of the Fed's easing of monetary policy and the dollar's depreciation on the gold price. These developments, in turn, led to favorable price trends for iron and steel products, particularly those derived from copper. The price rise in coffee is attributed to a tight global market, due to smaller crops in Brazil and Vietnam, key producers.

The rise in export prices was accompanied by a decline in **import prices** (-2.1 percent), driven by a widespread drop in the price of imported inputs, with petroleum and its derivatives having the greatest impact on the average index. These prices were affected by an expansion in oil supply from both the U.S. and OPEC+, as well as by a structural slowdown in crude oil demand associated with the energy transition and the real estate crisis in China. To a lesser extent, the decline in industrial input prices contributed, due to aggressive competition among global producers amid tariff tensions and persistent industrial deflation in China.

The terms of trade for 2026 are projected to grow at a rate of 11.5 percent, representing a significant revision on the upside from the 6.4 percent growth forecast in the December Report. This change in the forecast is based on expectations of higher-than-previously-expected growth in export prices (from 6.3 to 19.4 percent), primarily for gold and copper —commodities that reached historical highs in January— and, to a lesser extent, for silver, zinc, iron and steel products, and chemicals.

The correction in the prices of these metals is in line with the upward trends recorded in the first months of the year, driven by structural factors and supply shocks that have adjusted the global metal balance. On the demand side, this development is driven by the expansion of AI infrastructure —such as data centers— in the case of copper and zinc, coupled with the energy transition. On the supply side, the market faces fundamental capacity issues, such as declining ore grades and aging copper deposits, along with the slow restart of zinc smelters due to volatile energy costs. This dynamic has recently been exacerbated by cyclical factors, primarily the intensification of geopolitical conflicts and new demand for gold from individual investors, driven by the diversification of reserves through digital assets.

In contrast, average import prices are expected to rise by 7.1 percent in 2026, a figure that stands in stark contrast to the 0.1 percent decline projected in December. This revision on the upside is due to adjustments in oil prices and those of major imported foodstuffs, in response to geopolitical conflicts in the Middle East —which are driving up production costs— and adverse weather conditions.

Particularly, the outlook for oil is in line with the risk premium driven by conflicts in key regions, attacks in Iran, and the closure of the Strait of Hormuz. Regarding food commodities, wheat prices came under pressure due to adverse weather conditions in the Northern Hemisphere, port restrictions in Ukraine, and supply bottlenecks in Russia. Likewise, maize consumption is expected to reach historical highs, driven by demand oriented to ethanol production, against the backdrop of the energy transition. Finally, the change in soybean oil prices is due to lower availability of exportable stocks in South America, coupled with growing structural demand from the biofuel industry in the U.S.

Table 9
TERMS OF TRADE: 2024–2027

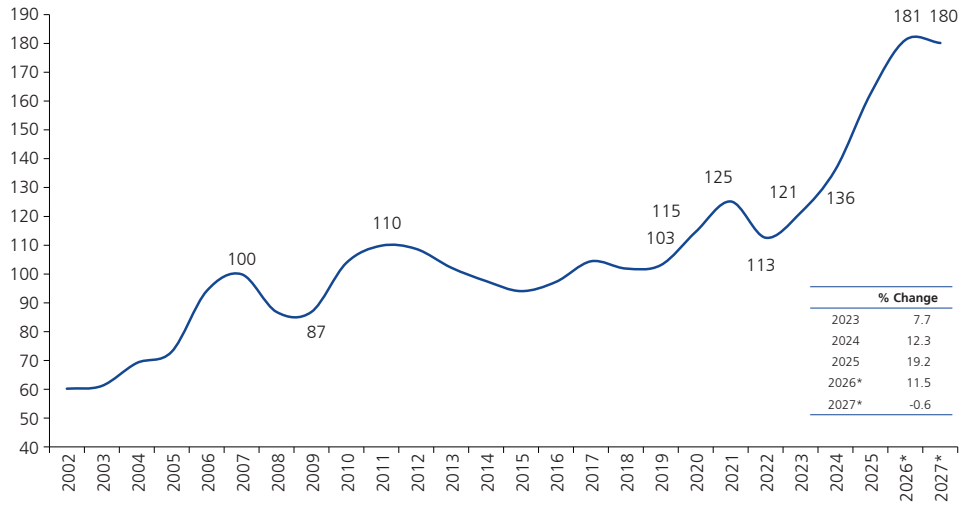
	2024	2025	2026*		2027*	
			IR Dec.25	IR Mar.26	IR Dec.25	IR Mar.26
Terms of trade						
Annual % Change (average)	**12.3**	**19.2**	**6.4**	**11.5**	**-1.4**	**-0.6**
Export Prices						
Annual % Change (average)	**7.6**	**16.7**	**6.3**	**19.4**	**0.8**	**-0.6**
Copper (cents per pound)	415	451	485	555	480	561
Zinc (cents per pound)	126	130	136	142	132	137
Gold (USD per ounce)	2,388	3,442	4,030	4,702	4,177	4,832
Import Prices						
Annual % Change (average)	**-4.2**	**-2.1**	**-0.1**	**7.1**	**2.3**	**0.0**
Oil (USD per barrel)	77	65	60	83	60	74
Wheat (USD per MT)	224	203	196	222	216	245
Maize (USD per MT)	162	162	177	183	187	196
Soybean Oil (USD per MT)	987	1,075	1,126	1,385	1,101	1,312

* Forecast.
Source: BCRP.

For 2027, the forecast rate of change in the terms of trade has been revised from -1.4 percent to -0.6 percent, primarily due to a statistical effect resulting from the significant revision on the upside of both major export metal prices and import prices in 2026. Thus, despite the projected percentage decline for that year, prices for copper, zinc, and gold are expected to remain at levels higher than those forecast in the previous Report. On the import side, a lower growth rate in average prices (0.0 percent) is anticipated compared to what was expected in December, reflecting a correction in oil and food prices.

By the end of the projection horizon, the terms-of-trade index is projected to reach 180 (base 100 in 2007), the highest level recorded. As a result, the current commodities boom (2022–2027) would lead to a cumulative expansion of 43.8 percent in the terms of trade.

Graph 43
TERMS OF TRADE, 2002–2027
(Index 100 = 2007)



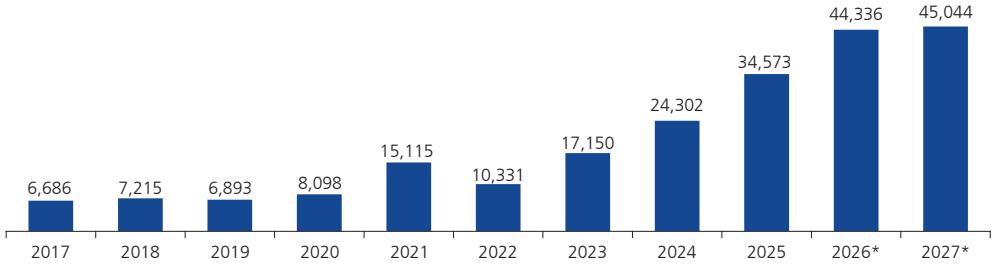
* Forecast.
Source: BCRP.

33. The **trade surplus in goods** recorded USD 34.573 billion in 2025, an increase of USD 10.271 billion over the previous year. The annual expansion was primarily due to a USD 16,684 million (21.8 percent) increase in export value, which was driven by higher average export prices and increased export volumes, mainly of non-traditional products (18.4 percent), as well as gold (3.6 percent), zinc (9.6 percent) and fishmeal (28.5 percent). This increase outweighed the USD 6,414 million (12.3 percent) growth in imports, which was driven by higher import volumes, primarily of capital goods other than construction materials (16.8 percent), industrial inputs (16.2 percent), and durable consumer goods (26.3 percent), consistent with the stronger momentum of domestic demand.

The export performance was driven, on the one hand, by higher export prices, as mentioned earlier. In terms of shipment volumes, there was a notable increase in exports from the agriculture sector, linked to higher production of fruits, cocoa, and cocoa products; and in fisheries exports —both traditional and non-traditional— due to greater availability of squid biomass.

In contrast, higher import volumes for capital goods were driven by strong performance in the mining and industrial sectors, which generated demand for machinery. Within the industrial inputs category, trading companies recorded larger quantities of iron and steel, textiles, plastics, and gold concentrates for subsequent export. The durable goods category was notable for purchases of automobiles, motorcycles, bicycles, games, and slot machines. This trend was tempered by a drop in prices for imported inputs, notably petroleum products, plastics, iron and steel, and wheat.

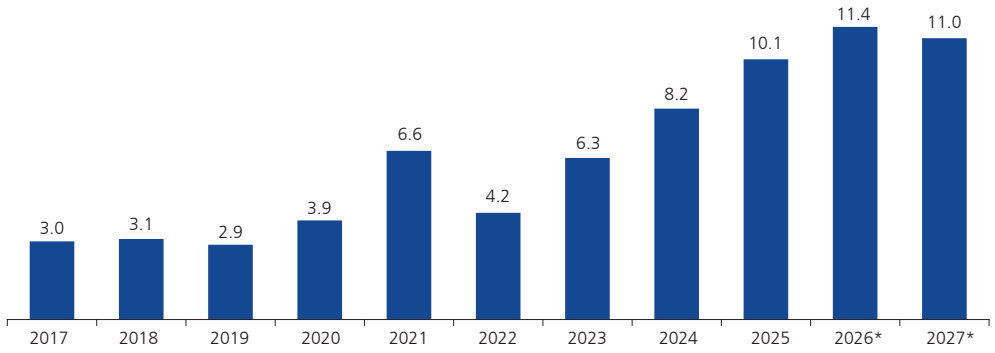
Graph 44
TRADE BALANCE IN GOODS, 2017–2027
(Million USD)



* Forecast.
Source: BCRP.

The trade balance is projected to remain in surplus throughout the forecast horizon, in line with the consolidation of high international metal prices and a sustained recovery in traditional export volumes. Thus, the trade balance is expected to follow an upward trend, rising to USD 44,336 million in 2026, which, as a percentage of GDP (11.4 percent), would represent a historic high since 1979. Subsequently, the trade surplus would reach USD 45,044 million in 2027 (11.0 percent of GDP).

Graph 45
BALANCE OF TRADE IN GOODS, 2017–2027
(% GDP)



* Forecast.

The growth projected for 2026 is driven by the price rise in export prices for gold, copper, zinc, and non-traditional products —specifically iron and steel, fisheries, and chemicals—. This growth would be reinforced by higher volumes of traditional exports, mainly due to the recovery of copper and the ongoing expansion of gold, despite the strong momentum seen in 2024 and 2025. In the non-traditional sector, volumes of products from the agriculture and fishery sectors would maintain a positive growth rate, despite the impact of a weak El Niño on fishery and agricultural export production. By 2027, the smaller trade surplus would be explained by the increase in imports, driven by higher volumes —primarily of capital goods— as well as by the acceleration of average prices. The evolution of imports is consistent with the forecasts for private investment and domestic demand.

These figures represent a revision on the upside from the December forecast, driven by a significant upward revision to the outlook for terms of trade. For 2027, the adjustment would be supported in addition by a rebound in export volumes, primarily of fishmeal, products from the agriculture sector such as blueberries, grapes, and avocados, copper,

gold, fishmeal and fish oil, as well as natural gas, all of which are expected to be affected in 2026 by weather and economic conditions.

Results of the external accounts

34. The 2025 **balance of payments** showed a current account surplus of USD 10.718 billion (3.1 percent of GDP) and a net inflow of capital in the financial account of USD 4.319 billion (1.3 percent of GDP). The current account surplus was USD 4,106 million higher than in 2024; similarly, capital inflows increased by USD 1,914 million compared to the previous year. These dynamics resulted in an accumulation of international reserves of USD 11,228 million (3.3 percent of GDP), a figure representing a significant increase in the rate of accumulation compared to the USD 7,954 million observed in 2024 (2.7 percent).

Table 10
BALANCE OF PAYMENTS
(Million USD)

	2025	2026*		2027*	
		IR Dec.25	IR Mar.26	IR Dec.25	IR Mar.26
I. CURRENT ACCOUNT BALANCE	**10,718**	**9,698**	**12,313**	**8,797**	**12,700**
Percentage of GDP	*3.1*	*2.6*	*3.2*	*2.3*	*3.1*
1. Trade balance	34,573	38,208	44,336	37,569	45,044
a. Exports	93,078	98,701	112,290	101,478	116,124
Of which:					
i) Traditional	*69,428*	*74,445*	*88,736*	*75,505*	*91,000*
ii) Non-traditional	*23,405*	*24,077*	*23,292*	*25,765*	*24,863*
b. Imports	58,505	60,493	67,955	63,909	71,080
2. Services	**-8,231**	**-7,761**	**-9,075**	**-7,865**	**-8,266**
3. Primary income (factor income)	**-23,557**	**-28,994**	**-31,810**	**-29,511**	**-32,920**
4. Secondary income (transfers)	**7,933**	**8,245**	**8,863**	**8,603**	**8,841**
Of which: Remittances from abroad	5,368	5,440	5,595	5,603	5,789
II. FINANCIAL STATEMENT[1/]	**-4,319**	**3,785**	**5,331**	**3,959**	**4,641**
Percentage of GDP	*-1.3*	*1.0*	*1.4*	*1.0*	*1.1*
1. Private sector	**240**	**5,541**	**7,156**	**4,803**	**5,638**
a. Long-term	*-3,291*	*3,074*	*4,344*	*3,156*	*3,449*
b. Short term	*3,531*	*2,467*	*2,813*	*1,647*	*2,189*
2. Public sector[2/]	**-4,558**	**-1,757**	**-1,825**	**-845**	**-997**
III. NET ERRORS AND OMISSIONS	**-7,182**	**0**	**0**	**0**	**0**
IV. BALANCE OF PAYMENTS RESULTS	**7,855**	**5,913**	**6,982**	**4,839**	**8,058**
IV= (I+III) - II = (1-2)					
1. Change in the NIRs balance	11,228	5,913	6,982	4,839	8,058
2. Valuation effect	3,373	0	0	0	0

1/ The financial account and its components (private and public sectors) are expressed as net assets minus liabilities. Therefore, a negative sign indicates an inflow of foreign capital.
2/ Considers the purchase and sale between residents and non-residents of public sector bonds issued abroad or on the Domestic market.
* Forecast.
Source: BCRP.

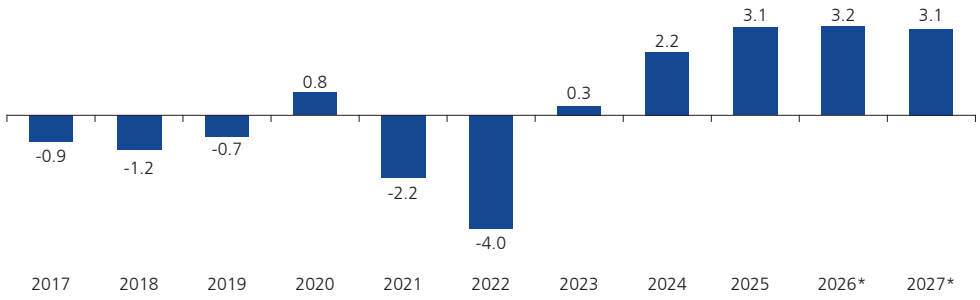
The current account is projected to increase in 2026, reaching a surplus of USD 12.313 billion, and then rise slightly again to USD 12.7 billion in 2027. This trend closely follows the projected path of the trade balance over the forecast horizon; and in 2026, it would be supported by the notable increase in secondary income from compensation payments, income tax on non-residents, and remittances from abroad. Meanwhile, the projected ongoing increase in profits of foreign-owned businesses would cause primary income to exert deficitary pressures throughout the forecast horizon. As a percentage of GDP, the current account would remain relatively stable, standing at 3.1 percent in 2027.

On the other hand, the financial account is expected to record a net capital outflow over the next two years, in contrast to the net inflow in 2025, which will amount to USD 5,331 million (1.4 percent of GDP) in 2026 and USD 4,641 million (1.1 percent of GDP) in 2027. This trend will mainly reflect a shift in the direction of the private sector's net long-term external financing and a gradual reduction in the public sector's net external debt, in line with the consolidation of public finances. The baseline scenario incorporates a net outflow of short-term capital in 2026 and 2027, due to purchases of foreign assets by the non-financial sector, against a backdrop of high profits in the mining sector.

35. The larger current account surplus between 2024 and 2025 was primarily due to the positive impact on the trade balance of improved terms of trade, increased domestic production of fruit and cocoa, the availability of fishery resources, the recovery in zinc production, and higher gold export volumes.

The current account is projected to remain in surplus throughout the forecast horizon, in line with the projected trade surplus and high secondary income flows. However, profits from foreign direct investment (FDI) businesses are also projected to remain robust, continuing to grow through 2027. This effect, combined with the correction in international prices and the decline in secondary income —due to lower revenue from income tax collected from non-residents and a base effect resulting from extraordinary circumstances in 2026— would explain the stagnation projected for 2027.

Graph 46
CURRENT ACCOUNT: 2017–2027
(% GDP)



* Forecast.
Source: BCRP.

With the forecasts for 2026 and 2027, the current account surplus would reach five consecutive years, a period that outweighs the positive results achieved during the last commodity cycle (2004–2007).

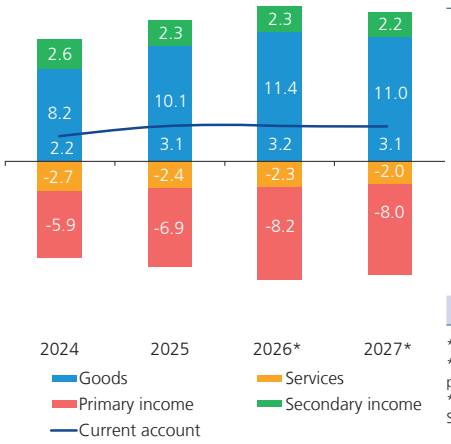
36. **Changes in the current account balance** can be broken down into two main factors: one attributed to domestic absorption (higher net nominal demand for goods and services from abroad) and the other related to returns paid on factors of production (capital) and Peru's external liabilities (debt instruments).

In 2025, the 0.9 percentage point (p.p.) increase in the current account surplus was primarily driven by the **positive price effect of the terms of trade** (4.3 p.p.) and, to a lesser extent, by the **contribution of the "other" category** (0.3 p.p.), due to higher remittance flows resulting from favorable employment conditions abroad and a higher balance of our foreign assets, primarily reserves. This trend was partially counterbalanced by the **higher yield paid on external liabilities** (-1.6 percentage points) and a

negative volume effect on the net trade in goods (-2.4 percentage points), in line with the expansion of investment and private consumption.

Table 11
DETERMINANTS OF THE CHANGE IN THE CURRENT ACCOUNT BALANCE, 2024–2026

Current Account
(% GDP)



Change in current account balance
(% points of GDP)

	2025/2024	2026*/2025	2027*/2026*
A. Domestic absorption	**2.2**	**1.3**	**-0.1**
1. Price Effect	**4.3**	**3.7**	**-0.1**
1.1 Terms of Trade	4.3	3.5	-0.2
1.2 Freight	0.1	0.1	0.1
2. Volume effect	**-2.2**	**-2.3**	**0.0**
2.1 Goods	-2.4	-2.3	-0.3
2.2 Services**	0.2	-0.1	0.2
B. Return on external liabilities	**-1.6**	**-1.5**	**0.2**
1. Foreign Direct Investment	**-1.6**	**-1.6**	**0.1**
2. Debt from loans and bonds	**0.0**	**0.1**	**0.0**
C. Other***	**0.3**	**0.2**	**-0.1**
TOTAL CHANGE IN CC (A + B + C)	**0.9**	**0.0**	**-0.1**

* Forecast.
** Includes changes in the volume of transportation and changes in the volume and price of non- transportation services.
*** Includes changes in current transfers and returns earned on foreign assets.
Source: BCRP.

By 2026, the increase in the surplus compared to the previous year will stem mainly from a **positive price effect (3.7 percentage points)**, driven largely by terms of trade (3.5 percentage points). The "other" category (0.2 percentage points), driven primarily by the expected increase in secondary income, will reinforce this trend. In contrast, **higher returns paid on FDI liabilities (-1.6 percentage points)**, driven by an expected increase in profits from 6.9 percent of GDP in 2025 to 8.1 percent in 2026, would exert deficitary pressures on the current account.

The expected adjustment in the terms of trade (-0.2 p.p.p.) and the negative volume effect of net goods trade (-0.3 p.p.) in response to import growth —driven by both price recovery and higher volumes associated with robust domestic demand— would lead to an increase in **domestic absorption (0.1 p.p.)**, which would negatively impact the current account balance in 2027. This dynamic would be offset by higher travel revenues, associated with the recovery of tourism, through its effect on the **volume of services (0.2 p.p.)**. For its part, profits of businesses with FDI would stabilize at 8.0 percent of GDP by the end of the forecast horizon.

37. **Peru is one of the few economies in the region with a current account surplus, a position it has maintained since 2023 and which has been widening in recent years.**

Table 12
LATIN AMERICA: CURRENT ACCOUNT OF THE BALANCE OF PAYMENTS
(Annualized, % GDP)

	2022	2023	2024	2025	2026*
Brazil	-2.2	-1.2	-3.0	-3.0	-2.4
Chile	-8.9	-3.1	-1.2	-1.2	-2.2
Colombia	-6.0	-2.3	-1.7	-2.4	-2.7
Mexico	-1.3	-0.7	-0.9	-0.3	-1.2
Peru	-4.0	0.3	2.2	3.1	3.2

* Forecast.
Source: Central banks of each country.

38. The 2025 **long-term private financial account** recorded a net capital inflow of USD 3.291 billion (1.0 percent of GDP), a flow that contrasts with the net outflow of USD 169 million recorded in 2024. This shift in the direction of flows is primarily explained by an increase in direct investment, associated with higher reinvestment of profits, and, to a lesser extent, by a slowdown in the pace of portfolio asset purchases by the AFPs. These effects were partially counterbalanced by a reduction in bond issuances abroad and higher loan repayments.

In contrast to this trend, a net outflow of long-term capital of USD 4.344 billion is projected for 2026. This change is the result of a slower rate of growth in FDI liabilities, a recovery in foreign portfolio purchases —primarily by AFPs and the non-financial mining sector— a decline in bond financing, and increased net loan repayments.

Table 13
PRIVATE SECTOR FINANCIAL ACCOUNT[1/]
(Million USD)

	2025	2026*		2027*	
		IR Dec.25	IR Mar.26	IR Dec.25	IR Mar.26
PRIVATE SECTOR (A + B)	**240**	**5,541**	**7,156**	**4,803**	**5,638**
Percentage of GDP	*0.1*	*1.5*	*1.8*	*1.3*	*1.4*
A. LONG TERM (1 - 2)	**-3,291**	**3,074**	**4,344**	**3,156**	**3,449**
1. ASSETS	**8,485**	**8,366**	**10,535**	**8,895**	**10,626**
Direct investment	2,084	2,595	2,950	2,660	3,358
Portfolio investment[2/]	6,401	5,771	7,586	6,235	7,269
2. LIABILITIES[3/]	**11,777**	**5,292**	**6,192**	**5,739**	**7,178**
Direct investment	11,794	7,507	9,162	7,661	9,511
Portfolio investment[4/]	1,759	61	-113	141	141
Long-term loans	-1,777	-2,277	-2,857	-2,064	-2,474
B. CORTO PLAZO	**3,531**	**2,467**	**2,813**	**1,647**	**2,189**

1/ Expressed in terms of net assets minus liabilities. Therefore, a capital inflow has a negative sign. An increase (decrease) in external assets has a positive (negative) sign.
2/ Includes foreign stocks and other assets in the financial and non-financial sectors. Includes financial derivatives.
3/ A positive sign indicates an increase in net external liabilities.
4/ Reflects the net issuance of bonds and similar securities, as well as the net purchase of stocks and other securities by non-residents through the Lima Stock Exchange, as recorded by CAVALI.
* Forecast.
Source: BCRP.

Net outflows of **short-term capital** totaled USD 3.531 billion in 2025, slightly higher than in 2024 (USD 3.108 billion). This increase in the pace of outflows is attributed to higher repayments by Petroperú and the mining sector. In line with these developments, ongoing outflows of this capital are expected, which are projected to remain above USD 2 billion. This trend is driven by the accumulation of short-term foreign assets by the non-financial sector.

39. The 2025 **public sector financial account** recorded a level of net external debt equivalent to USD 4,558 million, which is lower than the net external financing of USD 5,272 million received in 2024. This trend resulted from a reduction in loan disbursements, primarily by the General Government, of USD 1,440 million.

A gradual reduction in net external financing for the public sector is projected, which would amount to USD 1,825 million in 2026 and USD 997 million in 2027.

Table 14
FINANCIAL ACCOUNT OF THE PUBLIC SECTOR[1/]
(Million USD)

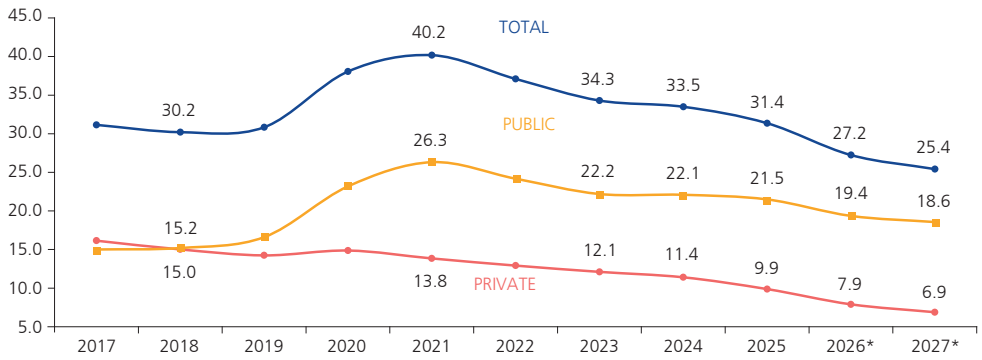
	2025	2026*		2027*	
		IR Dec.25	IR Mar.26	IR Dec.25	IR Mar.26
I. ASSETS	**226**	**104**	**99**	**104**	**116**
II. LIABILITIES (1+2)[2/]	**4,785**	**1,860**	**1,924**	**948**	**1,113**
1. Portfolio investment	**5,705**	**1,655**	**1,888**	**1,645**	**1,700**
Issuance	3,880	0	0	0	0
Amortizations	-1,879	-1,091	-1,141	-1,549	-1,549
Other operations (a - b)[3/]	3,704	2,746	3,029	3,194	3,249
a. Sovereign bonds purchased by non-residents	4,124	2,746	2,869	3,194	3,249
b. Global bonds purchased by residents	420	0	-160	0	0
2. Loans	**-920**	**205**	**36**	**-697**	**-587**
Disbursements	528	1,365	1,365	1,300	1,300
Amortizations	-1,448	-1,160	-1,329	-1,997	-1,887
III. TOTAL (I - II)	**-4,558**	**-1,757**	**-1,825**	**-845**	**-997**

1/ Expressed in terms of assets net of liabilities. Therefore, an inflow of capital has a negative sign. An increase (a fall) in an external asset has a positive (negative) sign.
2/ A positive sign corresponds to an increase in external liabilities.
3/ For the purchase and sale between residents and non-residents of government bonds issued abroad or in the local market.
* Forecast.
Source: BCRP.

40. The **outstanding balance of medium- and long-term external debt** —primarily loans and bonds— increased by USD 7.878 billion between 2024 and 2025, mainly due to purchases of sovereign bonds by non-residents (USD 6.659 billion) and, to a lesser extent, issuances of these instruments in international markets (USD 1.701 billion).

In terms of output, this balance is projected to decline from 31.4 percent of GDP in 2025 to 25.4 percent at the end of the projection horizon, due to a reduction in debt both in the private sector, from 9.9 percent of GDP to 6.9 percent, and in the public sector, by 2.9 percentage points over the same period.

Graph 47
BALANCE OF MEDIUM-AND LONG-TERM EXTERNAL DEBT
(% GDP)



Note: The external public debt balance is the gross debt owed by the public sector to foreign creditors, plus holdings of BTPs and bonds issued by the Municipality of Lima held by non-residents, minus holdings of global bonds held by residents.
Source: BCRP.

Net International Reserves

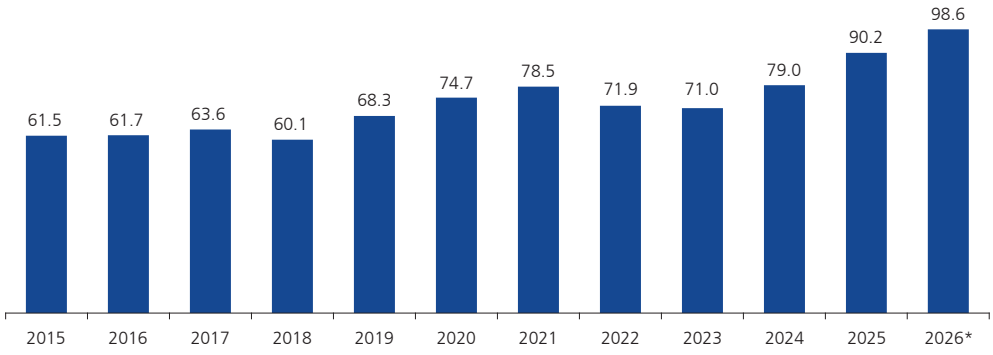
41. As of March 18, **NIRs** had increased by USD 8.371 billion compared to the end of last year, reaching USD 98.585 billion. The level of international reserves provides a solid buffer against potential external shocks.

Table 15
INTERNATIONAL COVERAGE INDICATORS

	2022	2023	2024	2025*	2026*	2027*
International Reserves as a percentage of:						
a. GDP	28.9	26.1	26.7	26.5	25.0	25.6
b. Short-term external debt[1/]	471	353	413	630	650	704
c. Monthly average of imports	15	17	18	19	17	18

1/ Includes the balance of short-term debt plus one-year amortizations from the private and public sectors. Short-term liabilities of the BCRP are not included.
* Forecast.

Graph 48
NET INTERNATIONAL RESERVES, 2015–2026
(Billion USD)



* As of March 18, 2026.
Source: BCRP.

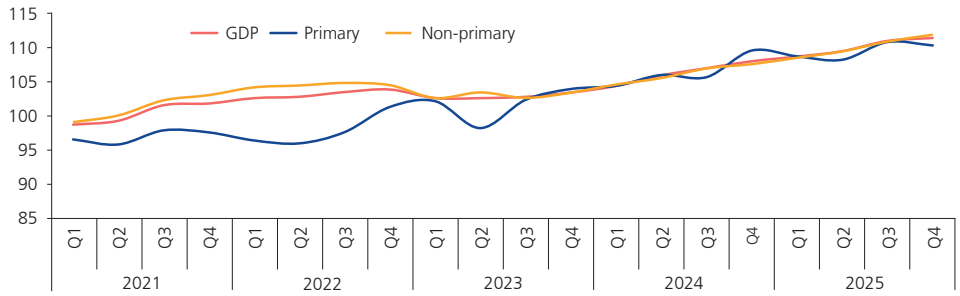
III. Economic activity

Sectoral GDP

42. Economic activity grew by 3.4 percent in 2025, driven by both the expansion of primary sectors (2.8 percent) and growth in non-primary sectors (3.6 percent). In the primary sector, favorable weather conditions and the expansion of cultivated land for certain crops boosted production volumes, particularly for agro-export products such as blueberries, mangoes, avocados, and grapes. Additionally, growth in primary manufacturing contributed to this expansion, driven by increased production of canned and frozen fish products for both domestic and foreign markets. For its part, the acceleration in non-primary activity was due to the favorable impact of higher private spending on the construction, trade, and services sectors.

The seasonally adjusted GDP indicator has been showing a positive trend since the third quarter of 2023. In the fourth quarter of 2025, it grew by 0.4 percent compared to the previous quarter, driven by growth in non-primary activities.

Graph 49
SEASONALLY ADJUSTED ECONOMIC ACTIVITY INDICES
(Index, base 4Q-2019=100)



Source: BCRP.

The GDP growth forecast for 2026 has been revised on the upside from 3.0 percent to 3.2 percent compared to the previous report. This revision is primarily due to an expected stronger expansion in non-primary sectors, particularly construction, trade, and services, whose combined contribution to the revision amounts to 0.6 percentage points. This reflects the update to observed growth in 2025, whose momentum would provide an additional boost to economic activity, as well as the higher projected growth in terms of trade. This effect would be in part offset by a revision on the downside in the primary sectors. Particularly, lower growth is projected for the agricultural sector, fisheries, and associated manufacturing sector, with an impact of -0.1 percentage points, due to the effects of a weak El Niño on the second fishing season in the north-central region and on the yields of some crops along the northern coast

In addition, the baseline scenario includes a revision on the downside for mining production (-0.1 percentage points), primarily for gold and zinc, as well as a revision on the downside for hydrocarbon production and related manufacturing (-0.2 percentage points), against a backdrop of lower oil production in Lot 95, the standstill of operations in other blocks, and the recent disruption of the natural gas and LNG transportation system.

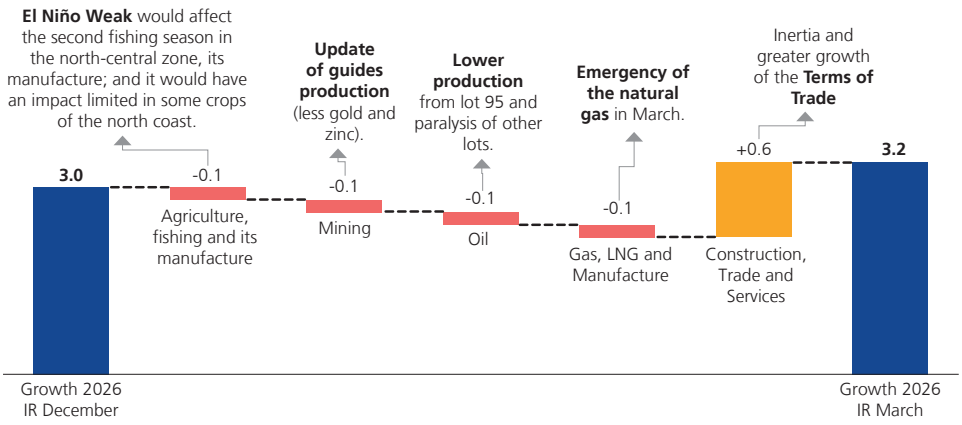
Growth of 3.2 percent is expected by 2027, a figure higher than that projected in the previous report (3.0 percent). This forecast assumes normal weather conditions next year for agriculture, fishing, and related manufacturing, as well as increased production in the hydrocarbons and primary manufacturing sectors, the latter further boosted by the start of operations at Tía María. In addition, the baseline scenario for 2026–2027 takes into account a stable sociopolitical environment that fosters agents' confidence, factors that would drive private spending and the expansion of non-primary economic activity.

Table 16
GDP BY ECONOMIC SECTOR
(Real % changes)

	2024	2025	2026*			2027*	
			Jan.	IR Dec.25	IR Mar.26	IR Dec.25	IR Mar.26
Primary GDP	**4.8**	**2.8**	**2.7**	**1.9**	**0.2**	**1.7**	**3.0**
Agriculture and livestock	5.6	4.8	4.0	3.0	2.5	3.0	3.0
Fishing	27.2	2.9	-9.6	2.0	-6.6	3.0	10.1
Metallic mining	3.2	1.8	3.3	0.5	-0.1	-1.4	-0.2
Hydrocarbons	2.1	-1.6	1.5	4.9	-4.7	5.2	9.8
Manufacture	8.3	4.6	1.0	3.1	-0.2	8.1	10.3
Non-Primary GDP	**3.1**	**3.6**	**3.8**	**3.3**	**4.0**	**3.3**	**3.3**
Manufacture	3.3	2.0	-2.4	2.9	3.0	2.8	2.8
Electricity and water	2.4	2.0	4.0	2.7	2.9	2.9	2.9
Construction	3.6	6.7	15.6	2.5	6.0	3.4	3.4
Commerce	3.0	3.6	4.3	3.0	4.0	3.0	3.0
Services	3.1	3.6	3.4	3.5	3.9	3.4	3.4
GDP	**3.5**	**3.4**	**3.5**	**3.0**	**3.2**	**3.0**	**3.2**

IR: Inflation Report.
* Forecast.
Source: BCRP.

Graph 50
REVISION OF THE FORECAST ECONOMIC GROWTH 2026
(Real % change and changes % points)



43. Regarding the forecasts for each economic sector:

a) The **agricultural sector** grew by 4.8 percent in 2025. The sector continued its path of ongoing annual growth since 2005, interrupted in 2023 by a strong coastal El Niño. The 2025 result benefited from a greater variety of grapes and blueberries for export. In addition, agricultural activity returned to normal compared to the previous year, with earlier grape crops and low avocado yields in the north and olive yields in the south, due to the lingering effects of the 2023 Coastal El Niño.

For 2026, the growth forecast was reduced from 3.0 to 2.5 percent in anticipation of a weak Coastal El Niño. This would imply lower production on the northern coast (Tumbes, Piura, Lambayeque, and La Libertad), due to the impact of lower yields, loss of land to flooding, disruption of production schedules, and increased phytosanitary risk.

For 2027, the growth forecast of 3.0 percent remains unchanged, with neutral weather conditions.

As of March, the precipitation index for the mountainous region shows above-average totals in the northern mountains and slight deficits in the central and southern mountains.

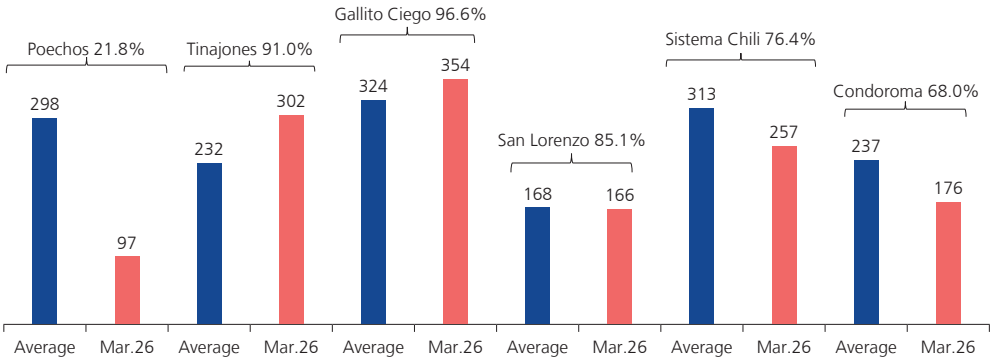
Table 17
RAINFALL INDICATOR IN THE SIERRA[1/]
(In % changes with respect to its historical average)

	Aug.25	Sep.25	Oct.25	Nov.25	Dec.25	Jan.26	Feb.26	Mar.26*	Agricultural Campaig[2/] Aug-Mar*
Northern Sierra	15.0	-20.3	33.2	73.0	-65.6	55.9	40.4	8.7	**21.3**
Sierra Center	-27.0	-33.4	11.7	-46.0	-75.3	15.5	8.6	-11.8	**-14.5**
Southern Sierra	-66.0	22.7	17.9	-54.8	-40.7	10.9	-21.8	-35.2	**-17.9**

1/ Sample of 244 Meteorological Stations, with a historical average of 30 years (1991-2020).
2/ Percentage change in accumulated rainfall in the agricultural campaign, 2024-2025, with respect to its historical average.
* * Accumulated as of day 20.
Source: Senamhi and ANA.

As of March 18, 2026, water storage levels relative to storage capacity are high in the country's main reservoirs. The Gallito Ciego Dam and the San Lorenzo and Tinajones reservoirs are above 85 percent; the Condoroma reservoir and the El Chili dam system are above 68 percent. Given favorable rainfall forecasts for the north, reservoir management anticipates significant releases on certain dates. Consequently, and in anticipation of high flows due to increased rainfall in the highlands, the Poechos reservoir is at 22 percent capacity.

Graph 51
STORAGE VOLUME OF MAIN RESERVOIRS (MMC)[1/]



1/ As of March 18, 2026, the average cover the last five years (2021-2025) as of the same date. The percentage listed in each reservoir is the volume stored as a percentage of the total useful volume.
Source: Board of Users and Special Irrigation Projects.

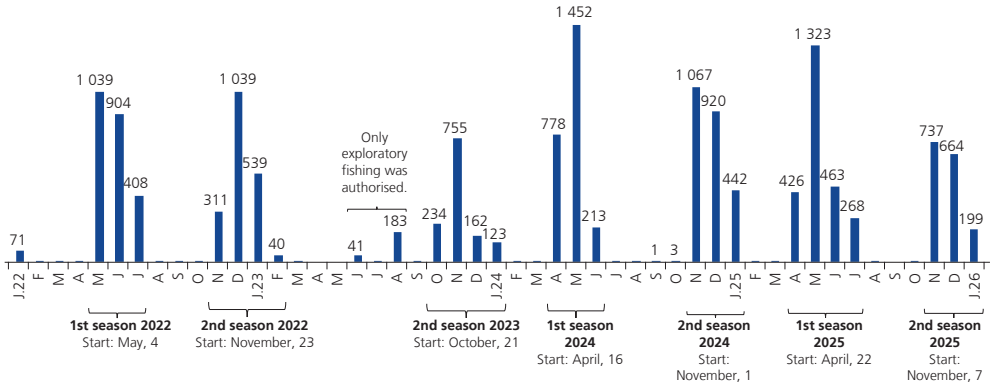
b) In 2025, the fishing sector grew by 2.9 percent, driven primarily by fisheries for direct human consumption, where there was notable growth in catches of squid, shrimp, tuna, and mullet, among others; and, to a lesser extent, by inland fisheries. The sector's growth was in part offset by lower catches in fisheries intended for industrial consumption.

The second season began on November 7 with a quota of 1.6 million metric tons, lower than in previous years, due to the southward shift of the biomass. The oceanographic conditions that affected the southward migration of the anchovy were: (i) the arrival of warm Kelvin waves and the intrusion of Subtropical Surface Waters; and (ii) a lower presence of zooplankton (the anchovy's primary food source). As of December 31, 1.4 million MT had been caught, equivalent to 86.0 percent of the allocated quota.

Graph 52

ANCHOVY CATCH FOR INDUSTRIAL CONSUMPTION IN NORTH-CENTRAL ZONE

(Thousands tons)



Source: Ministry of Production.

The sector's activity is expected to decline by 6.6 percent in 2026. The revision on the downside from the previous forecast (2.0 percent growth) is due to the development of a weak El Niño phenomenon, which would primarily affect industrial fishing[1]. Growth of 10.1 percent is expected in 2027. This forecast assumes normal weather conditions and anchovy fishing quotas consistent with historical levels observed in previous years.

c) The **sector of metal mining** grew by 1.8 percent in 2025, driven by increased production of gold, copper, zinc, silver, lead, tin, and oil. This growth was in part offset by lower production of iron, molybdenum, natural gas liquids, and natural gas.

Over the year, **copper** production increased by 1.0 percent compared to the previous year. This result is primarily attributable to Las Bambas and Chinalco, which increased their copper output thanks to the contribution of the new Chalcobamba pit and the expansion of Toromocho, respectively. The higher production was in part offset by lower output at Antamina, Cerro Verde, Antapaccay, and Constancia. Antamina halted operations during the second quarter due to an accident at its facilities; Antapaccay and Cerro Verde experienced lower ore grades and lower recovery rates; while Constancia faced a temporary operational interruption in the third quarter (protests and blockades in the southern mining corridor) and also had lower ore grades.

Gold production increased by 1.5 percent in 2025. Higher output was recorded by Yanacocha, Las Bambas, Paltarumi, and Goldfields. In the case of Yanacocha, the increase was due to higher recovery rates and higher ore grades in the final phase of the Quécher

1 In its official statement No. 5-2026 dated March 13, ENFEN maintained the "Coastal El Niño Alert" status for the El Niño 1+2 region, in anticipation of a possible weak warm event between March and December.

Main mine. For its part, zinc production grew by 18.6 percent in 2025, due to higher zinc grades reported by Antamina (62.4 percent) and increased processing at Los Quenuales (89.1 percent), Sociedad Minera Corona (45 percent), and Volcan (2.5 percent).

Silver and **lead** production grew by 7.1 percent and 7.2 percent, respectively. In both cases, Antamina and Buenaventura made the largest contributions. Tin production grew by 4.6 percent thanks to Minsur.

Iron production fell by 10.7 percent. In the second quarter, Shougang's operations came to a standstill following an accident involving its sole ship loader, which halted exports and caused the company's warehouses to fill up. Likewise, molybdenum production recorded a decline of -9.4 percent, mainly due to lower output from Antamina.

The sector's growth forecast for 2026 has been revised on the downside, from 0.5 percent to -0.1 percent. This revision is primarily based on adjustments to zinc production plans. A 0.2 percent decline is projected for 2027.

d) The sector's activity contracted by 1.6 percent in 2025. Production of **natural gas liquids** and natural gas decreased by 6.4 percent and 3.3 percent, respectively. Production was affected by the declaration of a natural gas supply emergency in January (damage to the transportation system infrastructure), recurring maintenance, lower demand for thermoelectric power, and lower yield from the lots. For its part, oil production grew by 8.4 percent due to the first year of full operation of Lot 8 (reopened in late 2024) and increased production from Lot 95 and IV.

Growth for 2026 has been revised downward from 4.9 percent to -4.7 percent due to the postponement until 2027 of the start of operations at Lot 192 (which had been projected for mid-2026 in the previous report), lower-than-expected production from Lot 95, and reduced production of liquids and natural gas due to the incident that occurred in March in the transportation system. With the revision for 2026, growth for 2027 is revised from 5.2 to 9.8 percent.

e) Activity in **the primary manufacturing subsector** increased by 4.6 percent in 2025, primarily due to higher production of canned and frozen fish.

A 0.2 percent decline in the subsector is expected for 2026, reflecting a decrease in fishmeal and fish oil production due to the Coastal El Niño. For 2027, a 10.3 percent increase is expected, driven by the post-El Niño recovery and the start of operations at Tía María.

f) The output in **non-primary manufacturing** grew by 2.0 percent in 2025. The sectors that recorded the largest increases were those producing investment-oriented goods, such as transportation equipment and industrial services; and those oriented to the foreign market, such as canned foods, textiles, and knitwear.

Non-primary manufacturing is projected to grow by 3.0 percent in 2026, taking into account a temporary partial contraction in March due to the impact of the gas supply standstill. For 2027, growth is projected at 2.8 percent.

g) The **construction sector** grew by 6.7 percent in 2025 due to increased progress on public and private projects. The growth forecast for 2026 has been revised upward from 2.5 to 6.0 percent, given the sector's strong performance in recent months. For 2027, the sector's growth forecast remains at 3.4 percent, supported by increased private investment.

h) In 2025, the **retail sector** grew by 3.6 percent, driven by growth in wholesale and retail trade (3.4 percent) and vehicle maintenance and repair (7.8 percent).

For 2026 and 2027, the sector is expected to grow by 4.0 percent and 3.0 percent, respectively

i) The **services** sector grew by 3.6 percent in 2025. Notable growth was seen in transportation and warehousing services (5.0 percent), driven by increased demand for passenger ground transportation, and in business services (3.7 percent).

For 2026 and 2027, service sector growth is expected to be 3.9 percent and 3.4 percent, respectively.

Expenditure-side GDP

44. On the expenditure side, economic growth in 2025 was driven by domestic demand, which grew by 5.8 percent —the highest rate since 2013, excluding the pandemic period—. This result is explained by the rise in private spending, against a backdrop of sustained labor market recovery, inflation around the midpoint of the target range, favorable credit conditions, optimistic business expectations, and high terms of trade —factors that bolstered both consumption and private investment—. This latter component, particularly, grew driven by double-digit growth in non-residential investment, due to both mining expenditures and the execution of infrastructure projects, as well as the acquisition of machinery and equipment in other sectors.

The revision on the upside in GDP growth for 2026 —from 3.0 percent to 3.2 percent compared to the December Report— is mainly due to a more favorable outlook for private investment, reflecting stronger growth in the construction sector and in imports of capital goods. Likewise, private consumption is revised on the upside, supported by increased formal and informal job creation and the recovery of real wages. This stronger boost to domestic demand would be partially offset by other factors such as a revision on the downside of exports and higher capital imports. The lower export forecast corresponds mainly to fishmeal and products from the agriculture sector, linked to the effects of a weak El Niño. Growth of 3.2 percent is expected for 2027, with private spending as the main driver of growth; in addition, the forecast incorporates a recovery in public consumption and exports.

The baseline scenario for the GDP growth forecast for the 2026–2027 period assumes that the 2026 election process will proceed smoothly, allowing investment and consumption decisions to continue uninterrupted or resume after the election. Finally, it also assumes a macro-financial stability environment that will foster the recovery of economic agents' confidence and the growth of private spending.

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

	2024	2025	2026*		2027*	
			IR Dec.25	IR Mar.26	IR Dec.25	IR Mar.26
Domestic demand	**4.0**	**5.8**	**3.5**	**4.9**	**3.2**	**3.3**
Private consumption	2.8	3.6	3.0	3.4	3.0	3.0
Public consumption	2.1	2.8	2.5	2.7	1.2	2.3
Private investment	3.3	10.0	5.0	9.5	5.0	5.0
Public investment	14.7	5.7	1.0	1.0	1.0	1.0
Change on inventories (contribution)	0.6	0.8	0.2	0.4	0.1	0.0
Exports	**6.6**	**4.4**	**2.5**	**1.6**	**2.1**	**4.0**
Imports	**8.4**	**12.8**	**4.4**	**7.7**	**3.1**	**4.2**
Gross Domestic Product	**3.5**	**3.4**	**3.0**	**3.2**	**3.0**	**3.2**

IR: Inflation Report.
* Forecast.
Source: BCRP.

45. Most **current and leading indicators related to private consumption** continue to show favorable signs.

Labor market indicators remained strong in January, with the creation of approximately 229,000 new jobs in the private sector, driven primarily by increased employment in the services sector, a recovery in employment in the agricultural sector, and the retail sector. Meanwhile, nominal formal total payroll continued to record positive growth, driven by both job creation and an increase in real average income.

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

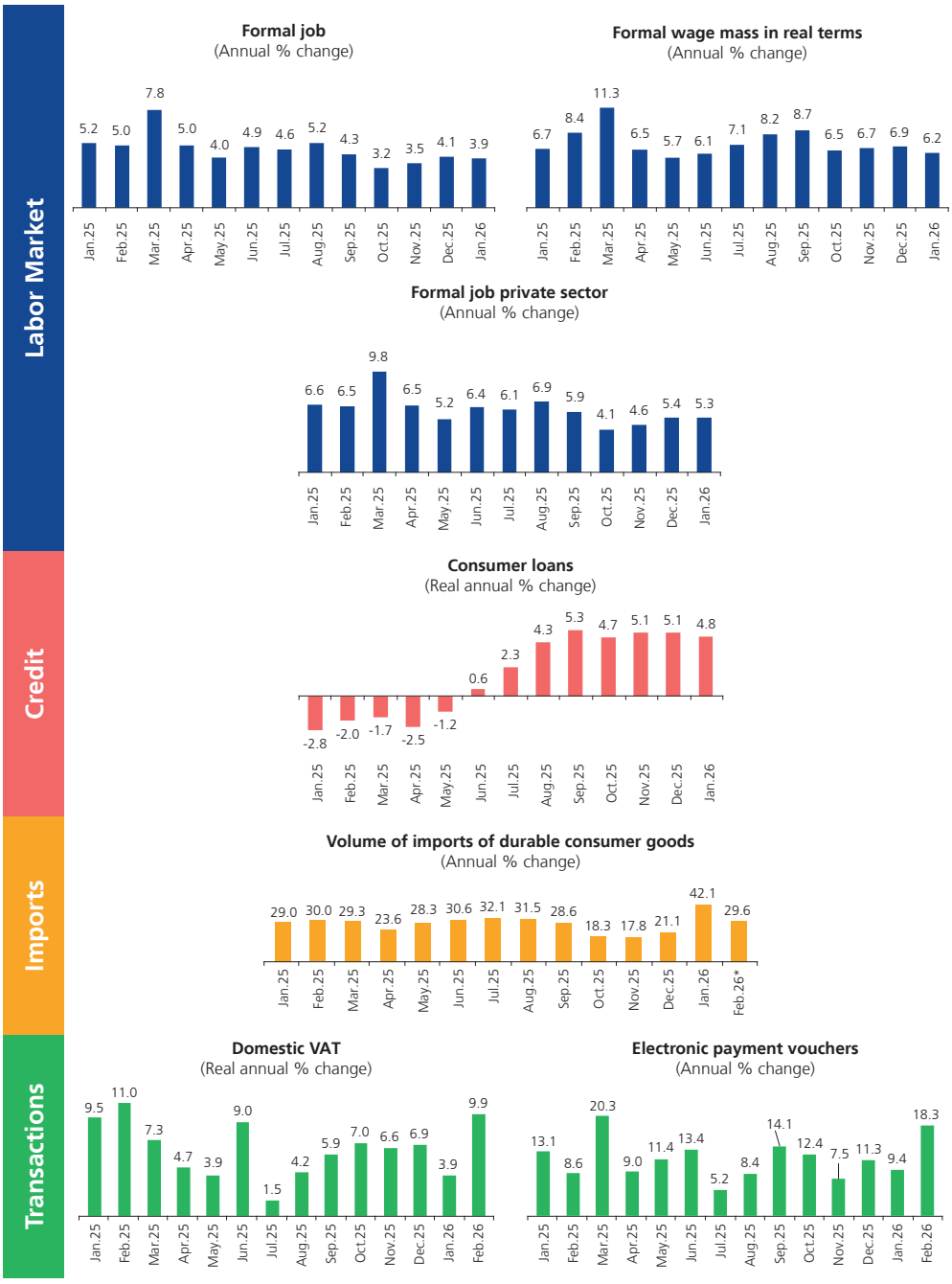
	January					
	2019	2024	2025	2026	Chg. 2026/2025	
					Thousand	%
Total	**3,690**	**4,039**	**4,307**	**4,536**	**229**	**5.3**
Agriculture and Livestock[1/]	513	473	592	647	55	9.3
Fishing	21	19	19	19	0	0.0
Mining	94	119	128	141	13	10.2
Manufacture	470	489	501	511	10	2.0
Electricity	13	16	17	17	0	0.6
Construction	203	215	225	243	18	8.0
Commerce	622	708	739	778	40	5.4
Services	1,754	2,000	2,085	2,177	92	4.4

1/ Includes the agro-export sector: Fruit and vegetable processing and preservation.
Source: SUNAT.

Consumer credit in real terms began to show positive growth rates starting in June 2025. This progress occurred in an environment of low inflation and solid employment growth, both of which had a positive impact on households' ability to pay and contributed to a gradual reduction in non-performing loans.

The volume of imports of durable consumer goods has maintained a double-digit growth rate, driven primarily by the automotive sector, a trend reflected in the strong increase in domestic sales of new vehicles, which reached record levels in 2025. For its part, transactional indicators, such as domestic VAT and payment receipts, continued to record increases.

Graph 53
INDICATORS RELATED TO PRIVATE CONSUMPTION



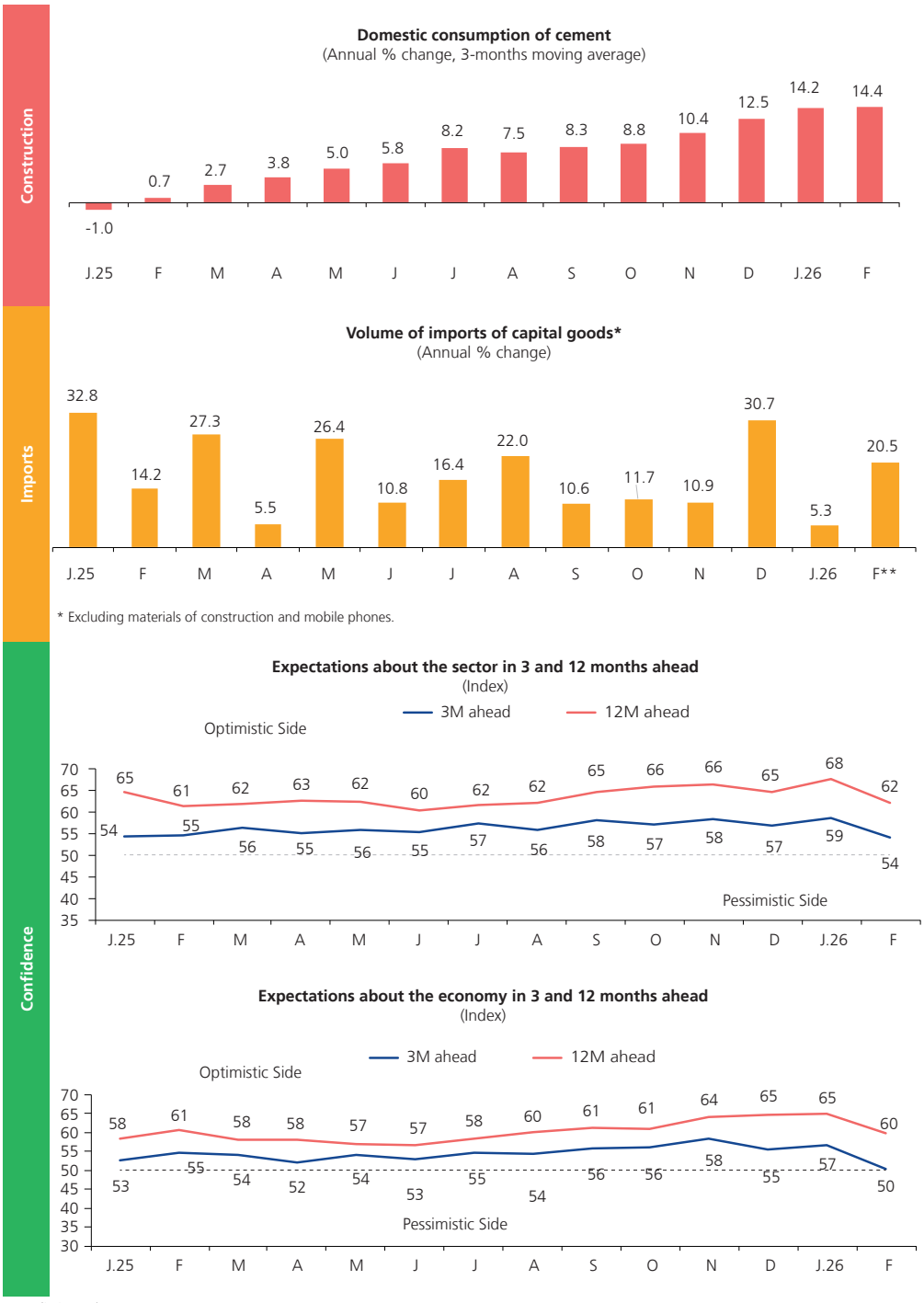
* Preliminary data.
Source: BCRP, INEI, and SUNAT.

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

On the one hand, economic and sector expectations for the next 3 and 12 months have remained optimistic, although with a slight decline in February. Likewise, the volume of imports of capital goods (excluding construction materials and cell phones) has shown double-digit growth rates in 2025, with a certain moderation so far in 2026, explained

by a higher base of comparison. Additionally, domestic cement consumption, measured as the year-over-year change in the three-month moving average, continues to trend upward, driven primarily by strong growth in the self-build segment, the real estate sector, and progress on infrastructure projects.

Graph 54
INDICATORS RELATED TO PRIVATE INVESTMENT



** Preliminary data.
Source: BCRP, SUNAT, and cement companies.

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

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

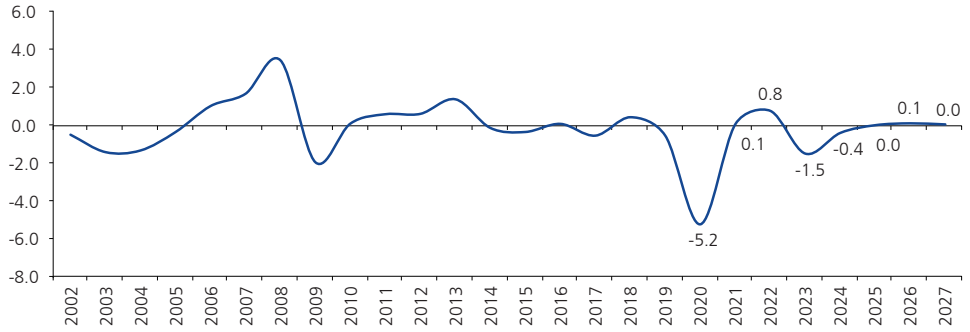
		IR Sep.25	IR Dec.25	IR Mar.26*
Financial entities				
	2026	2.9	3.0	3.1
	2027		3.0	3.0
Economic analysts				
	2026	2.9	3.0	3.2
	2027		3.0	3.2
Non-financial firms				
	2026	3.0	3.1	3.1
	2027		3.3	3.2

* Survey conducted on February 27.
Source: BCRP.

48. **The output gap** —defined as the difference between actual GDP and potential GDP— is estimated to have closed in 2025, following a recovery in income and business confidence. As a result, output is expected to remain around its potential level in 2027. According to this forecast, potential GDP growth is 3.1 percent for 2026 and 3.3 percent for 2027.

The forecast of potential GDP takes into account the observed and expected trends in investment, in an environment of business confidence and favorable financial conditions. It also factors in a recovery in productivity. 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 55
OUTPUT GAP
(% of potential GDP)



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

49. Private consumption grew by 3.6 percent year-over-year in 2025, exceeding the 2.8 percent growth recorded in 2024. This performance was driven by a strong labor market and inflation near the midpoint of the target range, factors that boosted real formal wages and led to a recovery in purchasing power households. This increased purchasing

power led to greater ability to pay, which improved access to credit. These factors were reflected in the positive trend of current and leading indicators of consumption, notably the recovery in consumer credit, the increase in imports of durable goods, the rise in vehicle sales volume, the expansion of domestic VAT, and the growth in payment receipts.

Private consumption is expected to grow by 3.4 percent in 2026 and 3.0 percent in 2027, respectively, in line with trends in leading indicators and the outlook for economic growth and terms of trade. In addition, the baseline scenario assumes a stable sociopolitical and macroeconomic environment that supports the strengthening of private confidence, investment, and employment.

50. **Private investment** grew by 10.0 percent in 2025, its highest rate since 2012, excluding the statistical rebound in 2021. This occurred in an environment of favorable business climate, with 3- and 12-month economic and sectoral expectations in the optimistic range, terms of trade at historically high levels, and a decline in lending rates, particularly in the corporate segment. By component, non-residential investment grew by 13.0 percent, driven by (i) the acceleration of mining investment, notably in infrastructure projects, mining equipment, and exploration; and (ii) investments oriented to major infrastructure projects, expansion works, and the renewal of installed capacity in other sectors. Residential investment, for its part, grew by 3.3 percent, supported by the self-construction segment and the real estate sector, in line with the rebound in Domestic cement consumption, the increase in imports of construction materials and the reduction in their prices, as well as the growth in mortgage loans.

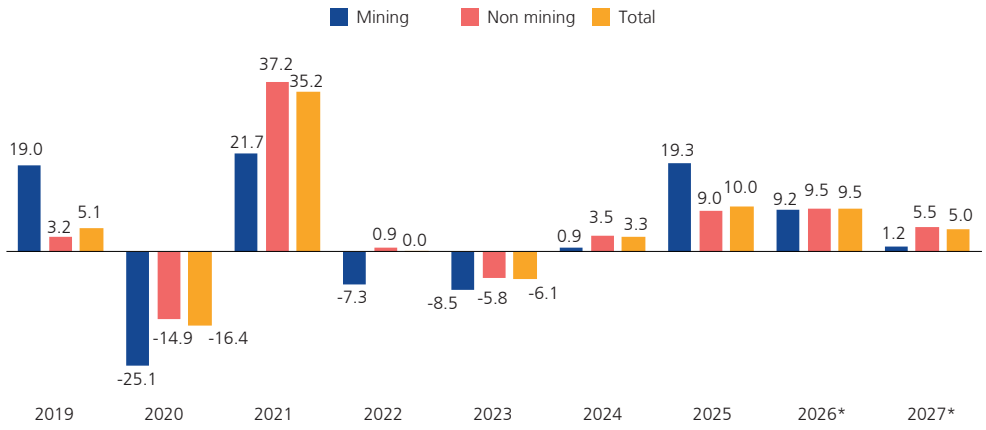
The growth forecast for private investment in 2026 has been revised upward from 5.0 percent to 9.5 percent compared to the previous report. This revision reflects the improved performance observed in non-residential investment in the fourth quarter of 2025, the progress recorded in its leading indicators —such as imports of capital goods and domestic cement consumption— as well as the launch of the Tía María mining project, the start of construction on PPP projects, and improved terms of trade prospects. It is assumed that these developments would materialize in the context of an electoral process that does not pose risks to macroeconomic stability. For 2027, private investment is projected to grow by 5.0 percent, a rate similar to that projected in the previous Report.

Table 21
PRIVATE INVESTMENT
(Real % change)

	Weight respect to GDP in 2024[1/]	2019	2022	2023	2024	2025	2026*		2027*	
							IR Dec.25	IR Mar.26	IR Dec.25	IR Mar.26
Private investment	**19.3**	**5.1**	**0.0**	**-6.1**	**3.3**	**10.0**	**5.0**	**9.5**	**5.0**	**5.0**
Residential investment	5.9	4.2	-3.8	-13.5	1.2	3.3	3.0	4.0	3.0	3.0
Non-residential investment	13.4	5.7	2.1	-2.4	4.2	13.0	5.8	11.7	5.8	5.8
Mining investment	1.9	19.0	-7.3	-8.5	0.9	19.3	6.1	9.2	1.2	1.2
Non mining investment	11.5	2.5	4.1	-1.2	4.8	11.9	5.7	12.2	6.5	6.6

1/ To price 2007.
IR: Inflation Report.
* Forecast.
Source: BCRP.

Graph 56
PRIVATE INVESTMENT
(Real % change)



* Forecast.
Source: BCRP.

a. In the **mining sector**, investments in 2025 totaled USD 6.225 billion, primarily from Antamina (USD 696 million), Southern Peru CC (USD 593 million), and Las Bambas (USD 571 million). The forecast for the 2026–2027 period includes the construction of Tía María and the Antamina Replacement Project, as well as the development of the Ferrobamba Replacement Project.

b. In the **non-mining sectors**, progress is being made on Line 2 and a branch line of Line 4 of the Lima Metro, with an investment of USD 5.3 billion. Regarding Line 2, Phase 2 of the tunnel is currently under construction, with 65 percent of the work completed. The tunnel boring machine is constructing the tunnel between the San Marcos and Benavides stations, leaving 2.5 kilometers remaining to the Insurgentes station. Following this, the track bed will be built and the train power supply system installed in the tunnel, along with non-railway facilities, bringing this phase into commercial operation in September 2028. As for the Line 4 Branch Line, the tunnel is 46 percent complete; it is expected to be finished in January 2027, with commercial operations set to begin in December 2029.

In the Industrial sector, UNACEM's investment stands out, including the implementation of a flue gas cleaning system in its kilns, the installation of a new primary crusher, the roofing of the clinker storage area, and the implementation of an ecological belt system in Atocongo, as part of its environmental sustainability plan. In Telecommunications, Entel Peru is investing in the expansion of mobile service coverage, and in Electricity, the Yapay Electric Consortium stands out for its development of the 500 kV Huánuco– Tocache–Celendín–Trujillo transmission line (USD 335 million). Regarding the construction of the Lima Peripheral Ring Road, a project that was scheduled to begin in 2026, it will now start in 2027 due to problems with acquiring the land necessary for the construction of the transportation infrastructure.

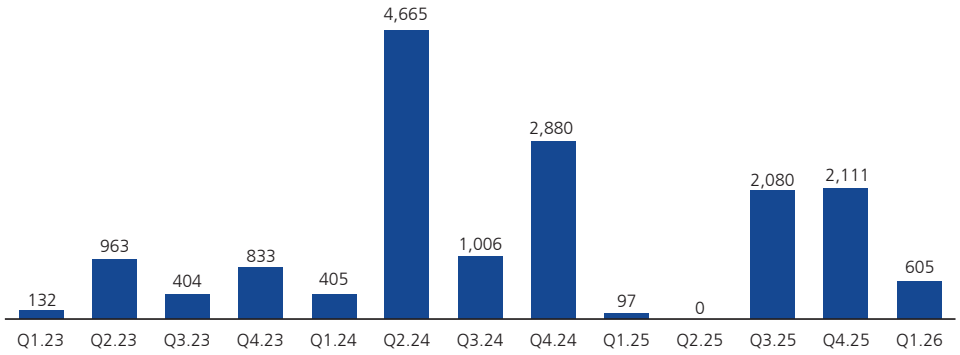
Table 22
MAIN ANNOUNCEMENTS OF PRIVATE INVESTMENT PROJECTS: 2026-2027

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

Memo: Investment projects that are under implementation or will start in the period 2026 - 2027.
Source: Information on companies, newspaper and specialized media.

c. Since January 2023, ProInversión has awarded projects totaling USD 16.18 billion.These projects mainly include improvements in the transportation sector (USD 6.013 billion) and power transmission lines (USD 2.48 billion). The most recent awards include the Puerto Maldonado Wastewater Treatment Plant Project and the Ancón Industrial Park project. In addition, on February 27, an Addendum to the Public-Private Partnership (PPP) contract was signed for the commissioning of the Torre Trecca, and on March 17, an Addendum to the concession contract for the Second Group of Airports in Arequipa, Ayacucho, Juliaca, Puerto Maldonado, and Tacna was signed.

Graph 57
AWARDED CONCESSIONS BY PROINVERSION, 2023-2026
(Million USD)



Memo: Includes signing of addendums in the period.
Source: Proinversión.
Data as of March 19, 2026.

Table 23

PROJECTS AWARDED BY PROINVERSIÓN

(Million USD)

Year	Quarter	Project	Sector	Modality	Projected Investment (Without VAT)
2023	I Quarter	Transmission line 220 kv Ica – Poroma, extensions and substations and transmission line ITC 220 kv Caclic – Jaén Norte (2 circuits), extensions and substations	Electricity	Public Self-financed	132
	II Quarter	Concession of the public telecommunications service at the national level in the frequency ranges 1,750–1,780 MHz and 2,150–2,180 MHz and 2,300–2,330 MHz	Communications	Public Project in Assets	640
		Specialized Hospital in the Piura Care Network of ESSALUD, department of Piura and Specialized Hospital Chimbote in the Ancash Care Network of ESSALUD, department of Ancash	Health	Public Co-financed	323
	III Quarter	Transmission Line 500 kv Piura Nueva-Frontera Substation (Second Call)	Electricity	Public Self-financed	223
		Transmission line 500 kv San José – Yarabamba, extensions and substations; transmission line ITC 220 kv Piura Nueva – Colán, extensions and substations; transmission line ITC 220 kv Belaúnde Terry – Tarapoto Norte (2 circuits), extensions and substations; and ITC substations Lambayeque Norte 220 kv with sectioning of the transmission line 220 kv Chiclayo Oeste – La Niña/ Felam, expansions and substations, Piura Este 220/60/22.9 kv	Electricity	Public Self-financed	181
	IV Quarter	Transmission line 500 kv Huánuco – Tocache – Celendín – Trujillo, extensions and substations and transmission line 500 kv Celendín – Piura, extensions and substations	Electricity	Public Self-financed	833
2024	I Quarter	New Port Terminal of San Juan de Marcona	Ports	Private Self-financed	405
	II Quarter	Peripheral Road Ring	Transport	Private Co-financed	3,396
		Group 1: Transmission Plant Projects (Ica and Arequipa)	Electricity	Public Self-financed	329
		Addendum to the transfer contract of the Bayóvar mining concession	Mining	Addendum	940
	III Quarter	Modernization of Huancayo - Huancavelica Railway	Transport	Public Co-financed	565
		Group 2: Transmission Plant Projects (Lima, Ica, and Ayacucho)	Electricity	Public Self-financed	441
	IV Quarter	Group 4: Transmission Plant Projects (Áncash, Junín, and Ucayali)	Electricity	Public Self-financed	127
		El Algarrobo Mining Project	Mining	PA - Private Self-financed	2,753
2025	I Quarter	Wastewater treatment plant project - PTAR Chincha	Sanitation	Private Co-financed	97
	II Quarter	-	-	-	-
	III Quarter	Operation and Maintenance of the New Emergency Hospital in Villa El Salvador	Health	Public Co-financed	284
		Longitudinal de la Sierra Section 4	Transport	Public Co-financed	1,582
		Group 3: Transmission Plant Projects 2023-2032	Electricity	Public Co-financed	214
	IV Quarter	Addendum to Matarani Port	Ports	Addendum	700
		Ancón Industrial Park	Property	PA - Public Self-financed	1,261
		Wastewater Treatment Plant Project - PTAR Puerto Maldonado	Sanitation	Public Co-financed	150
2026	I Quarter	Torre Trecca (EsSalud)	Health	Addendum	135
		Second group of airports	Transport	Addendum	470
Accumulated					**16,180**

Memo: Projected investment corresponds to the investment offered by the company/consortium that was awarded the project. The amounts are considered references for projects in the electricity sector. Includes signing of addendums with the intervention of ProInversión. PA= Project in Assets.
* Data as of March 19, 2026.
Source: Proinversión.

d. As of March 19, 2026, ProInversión has a portfolio of USD 21 billion in investment projects to be awarded for the 2026–2027 period.

Table 24

MAIN PROJECTS TO BE IMPLEMENTED THROUGH CONCESSION ARRANGEMENTS IN 2026 - 2027

(Million USD)

	Estimated investment
To be called	**20,949**
17 Conservation Projects of the National Road Network	4,390
Chinecas Project.	3,800
IEPA Sechura	2,157
6 projects of Wastewater Treatment System	1,652
Evitamiento Highway - Cusco	738
New Central Military Hospital	726
Header works for water supply in Lima (1st stage)	696
IPC -Wastewater Treatment in 7 provinces	644
Schools in risk: Metropolitan Lima	504
Schools in risk: other districts	488
Chavimochic projects (3rd stage)	450
Chimbote Port Terminal	447
Group 2 - Electricity projects of the 2025-2034 Transmission Plan	444
Choquequirao Tourism Project	363
New Port Terminal in Pucallpa	336
Third Group of Airports	315
Group 1 - Electricity projects of the Transmission Plan 2025-2034	252
National Hospital Hipólito Unanue (modernization)	250
Operation of the Instituto Nacional del Niño	233
New port terminals in Loreto (Saramiza and Iquitos)	205
Operation and maintenance of Sullana Hospital	193
Project for Social Houses- Lima	186
IPC -Wastewater Treatment, Cajamarca	180
Highway Buenos Aires Canchaque - Huancabamba (Piura Region)	179
Solid Waste Management - GIRSE	179
Ilo desalination plant	174
Group 3 - Electricity Projects of the 2025-2034 Transmission Plan	137
Rural IPC -Wastewater Treatment in Loreto	130
Group 4 - Electricity projects in the 2025-2034 Transmission Plan	122
Reinforcement of infrastructure, equipment and maintenance of Cusco School	99
Lima Convention Centre (Operation and Maintenance)	88
Wide-scale use of natural gas - Southwest Concession	60
Desalination Plant - Lambayeque	49
Cerro Azoguini - Lago Titicaca Tourism Project	35
Huascarán Tourism Project	30
El Pinar mall	17

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

e. It should be noted that, since concession contracts have a fixed term, it is important to consider the continuity of the projects. As of March, there are five potential investment applications totaling USD 6.689 billion.

Table 25
POTENTIAL INVESTMENT REQUESTS BETWEEN 2026 AND 2027
(Million USD)

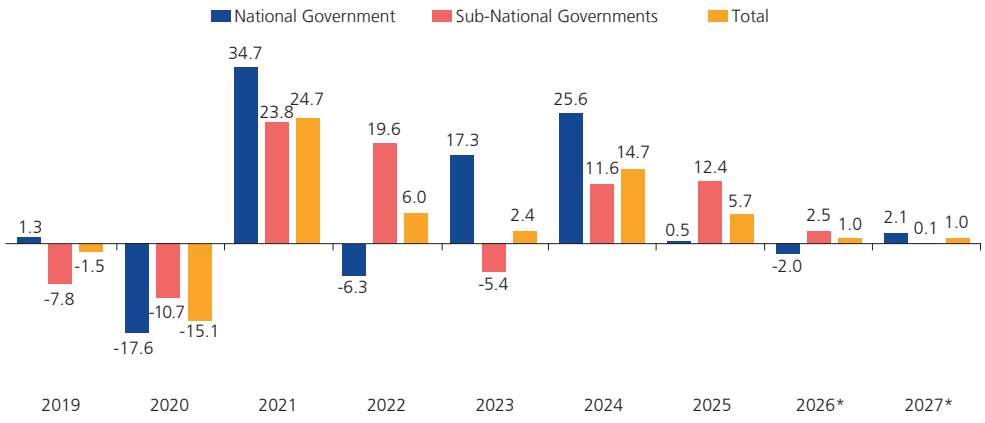
Project	Type of investment	Amount
Total		**6,689**
Line 1 of the Lima Metro	Co-financed	3,231
Natural gas pipeline transportation system	Self-financed	2,000
Road network 6	Self-financed	655
Distribution of natural gas through pipeline network in Lima and Callao	Self-financed	643
Port Terminal of Callao (mineral shipment)	Self-financed	160

Memo: Companies could submit investment applications in exchange for extending their concession terms.
The amount includes the investment value (CAPEX) and OPEX expenses of the first 10 years of the operational stage.
Source: Proinversión and news from specialized media.

51. **Public investment** increased by 5.7 percent in real terms year-over-year in 2025, driven primarily by an increase in investment by subnational governments (12.4 percent), in part offset by a slowdown in investment by the national government, whose growth rate fell from 25.6 to 0.5 percent between 2024 and 2025, as a result of a base effect and lower disbursements for projects managed by the National Infrastructure Authority (ANIN) and the Bicentennial Schools program.

Compared with the December Report, the growth forecasts for public investment remain at 1.0 percent for 2026 and 2027, in line with a scenario of fiscal consolidation. In addition, growth in public investment by subnational governments is expected to moderate, influenced in part by the transition of local authorities.

Graph 58
PUBLIC INVESTMENT
(Real % change)



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

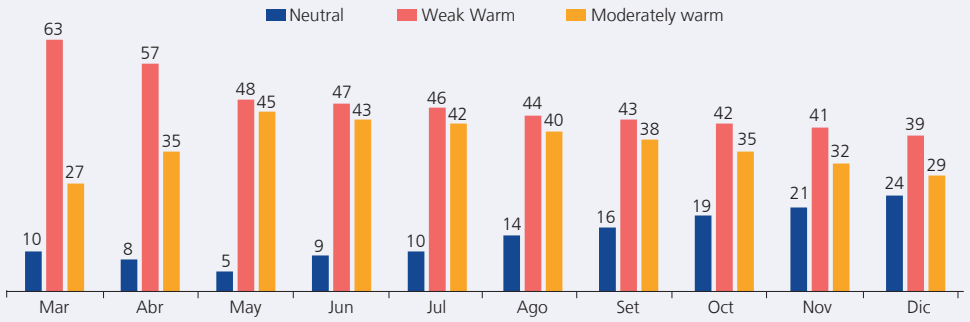
52. **Gross fixed investment** as a percentage of GDP fell slightly between 2024 and 2025, from 22.1 percent to 21.7 percent. Despite real growth in both public and private investment, total output prices rose more than prices for private capital goods, causing the nominal ratio to decline. This indicator is projected to decline to 21.6 percent of GDP in 2026 and stand at 21.8 percent of GDP by 2027.

Box 2
IMPACT OF THE 2026 COASTAL EL NIÑO ON ECONOMIC ACTIVITY

The Coastal El Niño, or Eastern Pacific El Niño, refers to an anomalous warming phenomenon occurring off the coast of Peru and Ecuador, capable of altering regional atmospheric conditions and generating heavy rainfall along the Peruvian coast. Technically, this event involves a warming of sea surface temperatures in the El Niño 1+2 region, located off the country's northern coast. It is an event characterized by a weakening of the trade winds in the Equatorial Pacific, which causes an influx of warm water from the Western Pacific —known as warm Kelvin waves— that displaces the cold water current typical of the Peruvian sea and increases the sea surface temperature (SENAMHI, 2014[2]).

According to the latest statement from the Multisectoral Commission in Charge of the National Study of the El Niño Phenomenon (ENFEN)[3], the "Coastal El Niño Alert" remains in effect, as the commission considers it more likely that this phenomenon will persist until December 2026, with a weak intensity, though it does not rule out the possibility that it could reach moderate intensity in the fall.

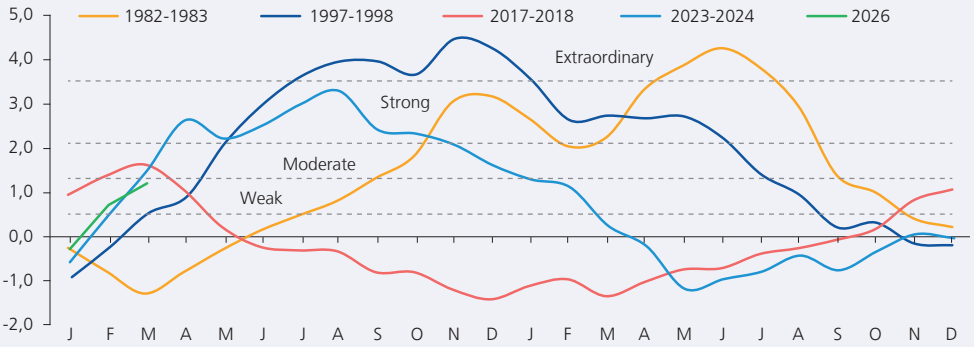
2025: ESTIMATED MONTHLY PROBABILITY OF EL NIÑO CONDITIONS IN REGIONS 1+2
(Percentage)



Source: ENFEN.

Although El Niño is expected to be weak, sea surface temperature anomalies in Regions 1+2 have been showing a pattern similar to that of the 2023–2024 El Niño[4], which was a strong event. In addition, these anomalies show an upward trend at stations in the northern part of the country, particularly in Paita and Chicama. Therefore, all this information is being closely monitored in case there is a change in the characteristics of the current El Niño.

EL NIÑO EVENTS - ANOMALIES IN SEA SURFACE TEMPERATURE (°C) - EL NIÑO REGIONS 1+2
ERSST V5 Data



Source: NOAA. The data shown for March 2026 is from OISST V2.1 and represents the average up to the week of March 11.

2 Senamhi. (2014). The El Niño Phenomenon in Peru.

3 Comunicado Oficial ENFEN Statement No. 05-2026 (March 13, 2026). https://enfen.imarpe.gob.pe/download/comunicado-oficial-enfen-n-04-2026/?wpdmdl=1993&ind=1772286225418

4 Information as of March 11.

The following is an analysis of the likely impacts of the 2026 Coastal El Niño on the economic sectors that would be most affected by its development: fisheries and related manufacturing, and the agricultural sector.

Fisheries and related manufacturing

If forecasts of a weak Coastal El Niño come true, there would be moderate impacts on fishing activity, primarily due to changes in sea surface temperature and the spatial distribution of marine resources. Although each El Niño event is particularly unique, the current one can be compared to those of 2012 and 2014 in that they did not begin at the start of summer; they lasted until the third or fourth quarter of the year; and, most importantly, they remained at the threshold of a weak El Niño.

En los años 2012 y 2014 se observó que El Niño tuvo un impacto importante sobre la segunda temporada de anchoveta, y no sobre la primera. De hecho, en 2014 incluso se canceló la segunda temporada.

ANCHOVY CATCH
Northern-Central Zone

Year	Weak El Niño	Season	Initial Biomass (Millions of tons)	Maximum Total Catch Limit Permissible (Millions of tons)
2012	April-July	First	9.5	2.7
		Second	5.3	0.8
2014*	May-November	First	6.1	2.5
		Second	4.4	-
2026**	March-November	First	n.a	2.7
		Second	n.a	1.0

* The 2014 second season was canceled due to warmer weather conditions and a larger number of young fish.
** Forecast.
Source: Peruvian Institute of the Sea (IMARPE) and Ministry of Production.

Based on data from similar events, it is inferred that the first 2026 anchovy fishing season in the north-central zone would not pose significant risks. In contrast, the second season would coincide with more persistent warm conditions, which would disperse the stock and affect the amount of available biomass. Consequently, the catch quota for the second season would be reduced to 1 million metric tons. As a result, the production of fishmeal and fish oil would also decrease.

Agriculture sector

El Niño is expected to affect the entire coastal region, particularly the northern coast (Tumbes, Piura, Lambayeque, and La Libertad). The ENFEN forecast suggests a slight disruption to both agricultural activity (production volume and schedules) and livestock farming (poultry meat and egg production yields). It should be pointed out that many producers have developed techniques to mitigate climate risks based on previous experiences associated with Coastal El Niño, and there is now a greater variety of blueberry cultivars, better adapted to warm conditions.

As for planting, most of it is estimated to have been completed by March. In fact, it is estimated that 87.7 percent of the planting[5] for the 2026 growing season had been completed by March. The remaining 12.3 percent, which could be affected by abnormal weather conditions, includes the small-scale rice crop in Piura and potato production on the coast (Lima and Ica).

In any case, warm weather would reduce fruit production, as fruit trees require cold hours during their flowering phase in the middle of the year. Thus, lemon production in the second half of the year (about 40 percent of annual production) could be affected by warm conditions in August; and mango and grape production at the end of the year (about 30 and 45 percent of annual production, respectively) could be affected by warm conditions in the middle of the year. Other fruit crops, such as organic bananas, could be affected by flooding in the fields. Blueberries Production during September–October (approximately 40 percent of annual output) would not necessarily be affected by a weak El Niño, as

5 Crops with a short growing season (average 5 months) oriented to the domestic market.

this will depend on pruning practices. For its part, olive production on the southern coast does not currently pose a significant risk to the 2026 harvest.

Conclusions

Based on the currently available information, a weak Coastal El Niño is expected to develop from March through November. This event would negatively affect the primary sectors, particularly the second anchovy fishing season and certain agricultural products along the coast.

Taking this into account, it is estimated that El Niño 2026 would reduce economic growth by 0.1 percentage points this year. This decline is considerably smaller than that caused by El Niño 2023 (-1.1 percentage points of annual GDP), as that event was of strong intensity.

Finally, the evolution of the event is being continuously monitored to incorporate its impacts into growth forecasts.

Box 3
CLIMATE VULNERABILITY TO A COASTAL EL NIÑO EVENT IN PERU

Around the world, the frequency and intensity of adverse natural events have increased, posing a risk to countries vulnerable to their effects, such as Peru. The literature on natural disasters highlights the rising incidence of extreme weather events worldwide, particularly those associated with extreme precipitation and temperatures[6]. Particularly, Peru is exposed to the effects of the Coastal El Niño Phenomenon (FEN)[7], a global climate phenomenon that increases the frequency and intensity of rainfall, droughts, and floods, among other climate phenomena.

In addition, this box outlines the natural disasters that occurred during the two most recent Coastal El Niño events in 2017 and 2023, using data from the National Institute of Civil Defense (INDECI). It also analyzes temperature and precipitation data from SENAMHI stations to assess the current risk situation. The aim is to describe Peru's climate vulnerability to Coastal El Niño events and to contextualize the current situation in light of the two most recent events that had significant repercussions.

Natural Events and the Coastal El Niño Phenomenon

Statistics on emergencies associated with natural events show that, during the most recent years of the FEN phenomenon in Peru, there has been an increase in emergencies linked to rainfall. The National Institute of Civil Defense (INDECI) collects information on emergencies associated with adverse natural events, including the date and location of occurrence, the category of the emergency, and details on the damage caused by these events. According to INDECI data, during the years corresponding to the last two episodes of the FEN (2017 and 2023), there was an increase in the number of reported emergencies associated with increased precipitation, such as heavy rains, floods, and mudslides. Particularly, in 2017 and 2023, 4,130 and 5,445 precipitation-related emergencies were recorded, respectively —more than twice the average recorded in other years of the 2009–2024 period (1,898)—.

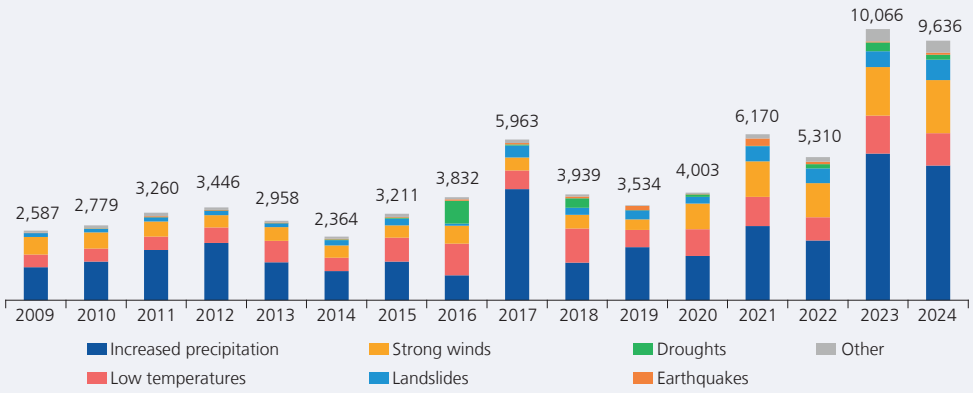
During the years when the FEN occurs, emergencies associated with increased rainfall mainly take place along the country's coast and in the highlands. INDECI data suggests that, in 2017, the provinces with the highest number of recorded emergencies were located on the northern and central coasts, such as the departments of Piura and Lima; whereas during the 2023 Coastal FEN episode, the most affected provinces were those in the southern and northern highlands, particularly the departments of Huancavelica and Ayacucho. In years without FEN occurrences, emergencies are concentrated mainly in the southern highlands of Peru.

---

6 See CRED (2015) The human cost of natural disasters: A global perspective; UNDRR (2022) Global Assessment Report on Disaster Risk Reduction 2022; IPCC (2012) Managing the risks of extreme events and disasters to advance climate change adaptation; and CEPLAN (2023) Increase in the frequency of extreme weather events – CEPLAN Observatory.

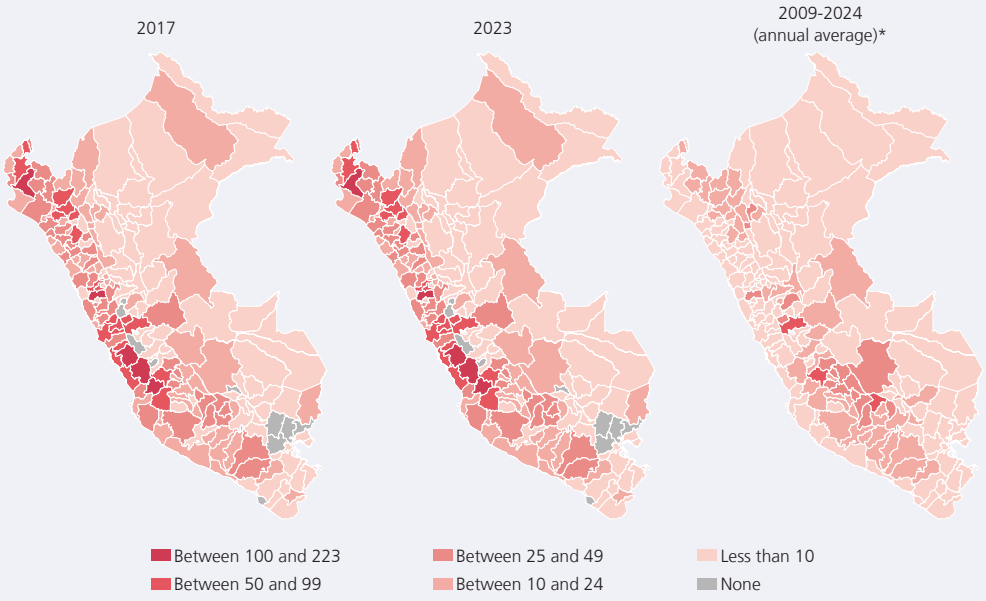
7 El Niño Costero is a domestic phenomenon characterized by the warming of sea surface temperatures off the Peruvian coast (El Niño regions 1 and 2), which does not always correspond to the "global" El Niño associated with the El Niño-Southern Oscillation (ENSO) climate pattern

EMERGENCIES ASSOCIATED WITH NATURAL EVENTS
(Total number of emergencies)



Note: The categories defined by INDECI that are associated with adverse natural events are considered. "Increased precipitation" includes heavy rains, floods, and mudslides. "Mass movements" includes landslides, hillslides, and avalanches. A maximum of one emergency is counted per day, district, and category: if more than one record for a given emergency category is recorded in a district on a single day, these records are grouped into a single emergency.
Source: INDECI. Prepared by the author.

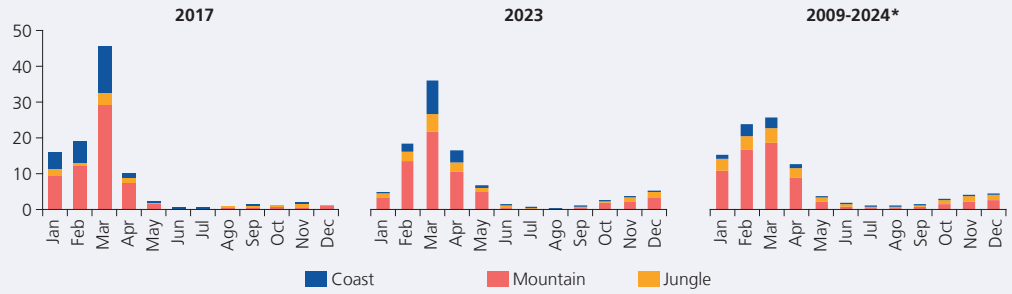
EMERGENCIES ASSOCIATED WITH INCREASED RAINFALL, BY PROVINCE
(Number of emergencies per year)



Nota: This includes natural events classified by INDECI that are associated with increased precipitation, such as heavy rains, floods, and mudslides. * Excludes 2017 and 2023.
Source: INDECI. Prepared by the author.

In Peru, the climatic effects of the Coastal El Niño Phenomenon (FEN) typically occur mainly between January and April, particularly in March, coinciding with the heavy rainy season. Even in normal years when the FEN does not occur, natural events associated with increased rainfall tend to occur mainly during this period. However, the concentration of precipitation-related events in the first four months of the year is more evident in years when the Coastal El Niño Phenomenon (FEN) occurs. It is worth noting that a greater proportion of emergencies are recorded along the coast in FEN years compared to other years, even though most events occur in the highlands.

MONTHLY DISTRIBUTION OF RAINFALL-RELATED EVENTS, BY NATURAL REGION
(Percentage of total events in each category for each year)

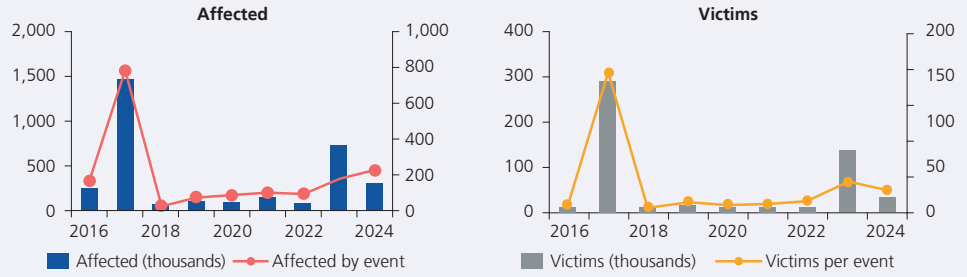


Note: This includes natural events categorized by INDECI that are associated with increased precipitation, such as heavy rains, floods, and mudslides.
* Excludes 2017 and 2023.
Source: INDECI. Prepared by the author.

Potential impacts of increased precipitation

Rainfall-related emergencies have an impact on the population, particularly in terms of the number of individuals affected and displaced by them[8]. Between 2017 and 2023, the number of individuals reported as affected by emergencies associated with increased rainfall rose to 1.4 million and 724,000, respectively, while the number of those displaced was 286,000 and 137,000 in each year. This not only represents an increase in the absolute number of people affected and displaced compared to years when the FEN did not occur (an average of 151,000 people affected and 15,000 displaced per year between 2016 and 2024, excluding 2017 and 2023), but also implies a greater impact from each event: the number of people affected per event rose to 771 in 2017 and 175 in 2023, while the number of victims was 153 and 33 in each year, both figures higher than the average in years without the FEN (111 and 11 between 2016 and 2024, excluding 2017 and 2023).

INDIVIDUALS AFFECTED AND DISPLACED AS A RESULT OF EMERGENCIES CAUSED BY HEAVY RAINFALL
(Thousands of individuals)



Source: INDECI. Prepared by the author.

In turn, natural disasters associated with precipitation can disrupt the economic cycle, although the impact on households' economic vulnerability is unclear. Various studies in developing countries point to a negative effect of natural phenomena associated with precipitation such as floods, storms, and

8 In its emergency records, INDECI defines the human impact as follows: an "affected individual" is someone whose environment has been disrupted by a natural event, while a "victim" is someone who has suffered harm to their health or damage to their property (such as their home) and lacks the means to restore their property to its original condition (INDECI, 2020). Each affected or victimized individual is counted separately in each emergency record. That is, if two different emergencies occur in the same locality at different times and an individual has been affected by both, they will be counted twice as an affected individual.

droughts on household well-being[9]. In the Peruvian context, the December 2023 Inflation Report[10] estimates the impact of exposure to the 2017 FEN on the probability of falling below the poverty line, using precipitation data from SENAMHI and the National Household Survey (ENAHO). It is found that, controlling for socioeconomic characteristics, households in provinces affected by the 2017 FEN had a 1.4 percentage point higher probability of falling into poverty. For its part, Vicuña and Castellares (2025)[11] assess the effect of natural events on household income, consumption, and poverty, using data from INDECI and ENAHO and a differences-in-differences approach with intertemporal treatment effects. When these events are more frequent or severe, they can significantly affect the growth rates of these variables.

Situación actual

Temperature and precipitation patterns for the first two months of 2026 indicate increased precipitation and higher daily maximum temperatures along the coast, consistent with signs of a Coastal El Niño event. Data from SENAHMI weather stations is used, with each station classified according to the 2017 FEN exposure of the provinces in which they are located and using the Standardized Precipitation Index (SPI) from the National Meteorological Service of Peru (SENAMHI)[12]. Data on average daily precipitation (mm per day) and average daily temperatures (degrees Celsius) are presented. For temperatures, the average maximum temperature is presented for coastal departments, and the average minimum temperature for highland departments, given the differing effects of the FEN in both regions[13].

So far this year, there has been an increase in average daily precipitation compared to 2025, both in provinces that were affected by the FEN in 2017 and in those that were not. Particularly, among the provinces not affected by the FEN, precipitation levels in the first two months of 2026 outweigh those of 2017. This phenomenon can be explained primarily by higher precipitation so far this year in departments in the highlands. In contrast, in coastal departments, the 2026 figure is higher than in previous years but remains below the 2017 level.

In both the 2017 and 2023 episodes, the highest number of emergencies linked to increased rainfall was recorded in March; therefore, if a potential weak FEN event were to occur in 2026, the greatest impact would still be felt during that month.

In terms of temperatures, coastal departments have seen higher average maximum temperatures compared to 2025 in provinces not affected by the 2017 FEN, where temperatures have outweighted the 2017 average. Meanwhile, in those that were affected by the 2017 El Niño, temperatures have remained similar to those of 2025 and are lower than those recorded in 2017. The minimum temperature in the highlands, on the other hand, is similar to the 2017 value in provinces affected by the 2017 El Niño, and is slightly higher in provinces not affected in 2017.

9 See Arouri et al. (2015), "Natural Disasters, Household Welfare, and Resilience: Evidence from Rural Vietnam"; Anttila- Hughes & Hsiang (2013), "Destruction, Disinvestment, and Death: Economic and Human Losses Following Environmental Disasters"; Henry et al. (2019) The impact of tropical storms on households: evidence from panel data on consumption and Le (2015) Economic and welfare impacts of disasters in East Asia and Policy Responses: The case of Vietnam.

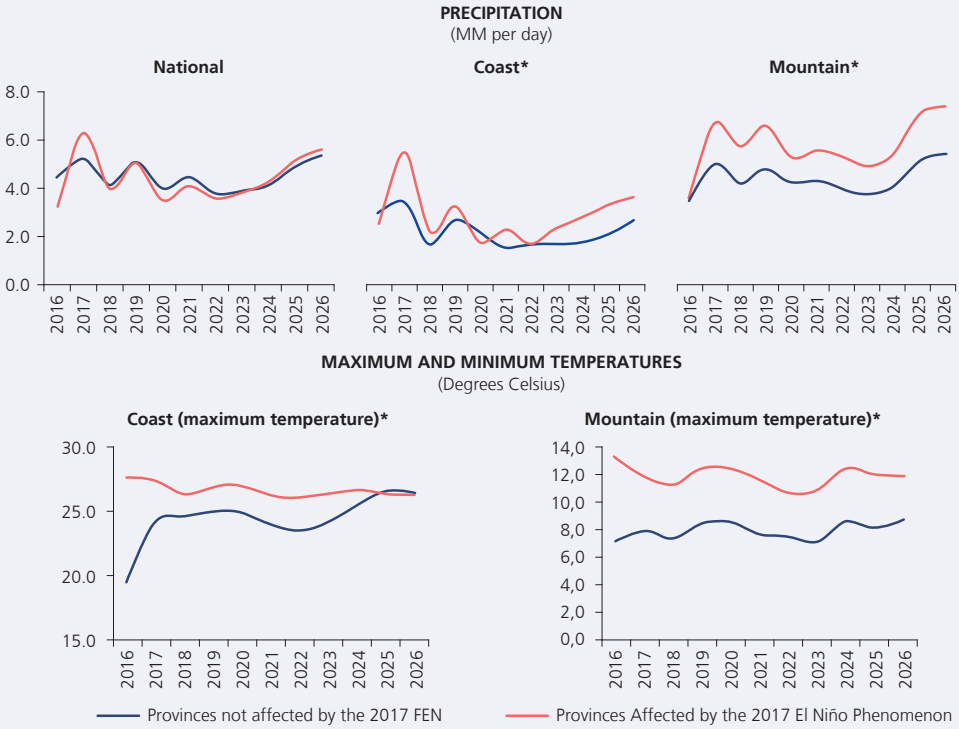
10 "The 2017 Coastal El Niño Phenomenon and the Vulnerability of Peruvian Households," Box 3 of the December 2023 Inflation Report.

11 Vicuna & Castellares (2025) Impact of natural events on the economic vulnerability of households in Peru – IHEID Working Paper Series.

12 The SPI is a standard measure used to identify conditions of excessive cumulative precipitation. To determine each province's exposure to the FEN, the 3-month SPI is used at the provincial level, and a province is considered exposed if its SPI was above 2.0 in 2017. This threshold is considered to represent "extremely wet" conditions, according to McKee et al (1993).

13 SENAMHI weather reports indicate that, during El Niño events, air temperatures along the coast tend to rise (ENFEN, 2026), while in the highlands, fluctuations in sea surface temperature can influence the occurrence of frosts associated with low temperatures (Dávila, 2017).

CHANGES IN PRECIPITATION AND TEMPERATURES DURING JANUARY AND FEBRUARY, BY FEN IMPACT



* Coast: Regions primarily along the coast (Ica, La Libertad, Lambayeque, Lima, Moquegua, Piura, Tacna, Tumbes). Highlands: Regions primarily in the highlands (Áncash, Apurímac, Arequipa, Ayacucho, Cajamarca, Cusco, Huancavelica, Huánuco, Junín, Pasco, Puno).
Note: Average daily precipitation (mm per day) and average daily temperature (degrees Celsius) for the months of January and February in each year are reported as an index based on the value of each variable in 2018. Maximum temperature and precipitation data for 2026 include data available as of February 21.
Source: SENAMHI. Prepared by the author.

Final Remarks

The Coastal El Niño Phenomenon brings with it an increase in precipitation-related emergencies, which pose a risk to the well-being of the Peruvian population. Events such as heavy rains, floods, and mudslides were more frequent in 2017 and 2023, years when the CENP occurred in Peru. These events occur mainly along the northern and central coasts and in the central and southern highlands, and their effects are most evident in the first half of the year, particularly in March.

The worsening of weather conditions amid a weak El Niño phenomenon this year could have a significant impact on the population due to the high severity of rainfall-related events. Given that the most significant changes in rainfall and temperature patterns could still occur in March, it is important to allocate resources and funding to risk prevention and mitigation efforts for the population in affected areas. However, precipitation and maximum temperatures in the provinces affected by the 2017 FEN are still below the levels observed that year, which is consistent with the fact that, based on the available information, this episode is forecast to be weak.

Box 4
MINING AND DOMESTIC WELL-BEING: DIFFERENTIAL IMPACTS OF FORMAL AND INFORMAL ACTIVITY ON HOUSEHOLD EXPENDITURE

This box estimates the differences in material well-being between households located in districts with a high incidence of informal mining in contrast with those where this activity is marginal (control group). To quantify this impact, an econometric matching analysis is used. Methodologically, exposure to the treatment (informal mining) is approximated by the high concentration of registrations in the Comprehensive Mining Formalization Registry (REINFO), while the level of household consumption is estimated using the total expenditure and food expenditure categories from the National Household Survey (ENAHO).

The results indicate that informal mining is associated, on average, with a marginal increase in monthly per capita household spending (+ S/ 14) and with a rise in perceptions of insecurity and corruption. In contrast, formal mining has a significantly greater economic impact on household budgets (+ S/ 90), outweighing the expansionary effect observed in districts with informal mining activity by a factor of 6.4.

Context: Informal Mining

Informal mining is a multifaceted issue that affects socioeconomic and environmental dynamics in the areas where it operates, functioning outside the regulatory framework. In response, the Peruvian government implemented REINFO[14] in 2016 with the aim of progressively formalizing the country's mining activity. Since registration in this registry requires the declaration of the district of operation, this information allows for a spatial estimation of the presence of such activity and an empirical assessment of its effect on household spending and perceptions.

The identification strategy uses the number of REINFO registrations at the district level. As of July 2025, there were 31,543 registrations spread across 1,063 districts,[15] covering 56.7 percent of the country's jurisdictions. To mitigate bias due to marginal activity and capture significant economic effects, a concentration threshold is established. Thus, the treatment group is restricted to 113 districts with high informal mining intensity, defined as those with at least 50 registrations[16], which comprise 30,500 households.

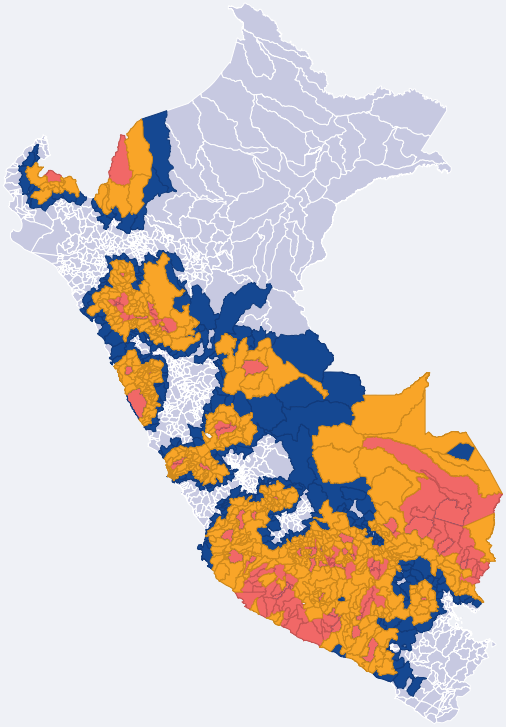
To construct the counterfactual, the control group consists of 119,800 households located in 341 districts that are geographically close to the treatment areas but not adjacent to them. This spatial restriction on non-contiguity aims to isolate potential spillover effects on adjacent areas. Finally, the impact is estimated by comparing the evolution of expenditure and key socioeconomic variables between the two groups, using microdata from the ENAHO.

14 Created in 2016 by Legislative Decree No. 1293.

15 The list of businesses with REINFO was obtained from the website of the Peruvian Ministry of Energy and Mines on July 17, 2025, available at https://pad.minem.gob.pe/REINFO_WEB/Index.aspx

16 According to available information, 361 districts have at least 10 businesses registered with REINFO, while 235 districts have at least 20 businesses registered with REINFO.

DEPARTAMENTOS CON MAYOR PRESENCIA DE EMPRESAS CON REINFO
(Más de 50 REINFOS por distrito)



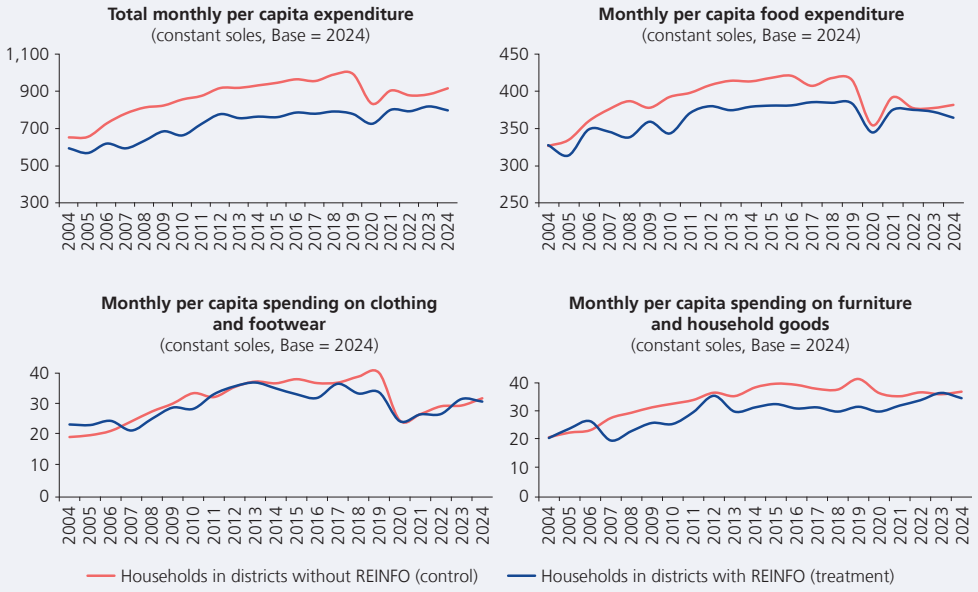
Department	Districts	#REINFO
Puno	14	5,787
Arequipa	20	5,476
Madre de Dios	5	3,199
La Libertad	14	2,294
Apurímac	18	1,979
Ayacucho	12	1,851
Cusco	7	996
Ica	7	534
Others	16	1,616
Total	**113**	**23,732**

Note: The map shows in red the districts with informal mining activity (districts with at least 50 REINFOS), while the districts closest to—but not adjacent to—those with informal mining activity are shown in blue. The pink districts are those without informal mining that border a district with a high concentration of REINFO. For the analysis, it is assumed that, due to their proximity, the pink districts may not be immune to the effects of informal mining, but this effect is not observed in the blue districts.
Source: Ministry of Energy and Mines (geocatmin, Reinfo); INEI.

Household Expenditures in Areas with Informal Mining

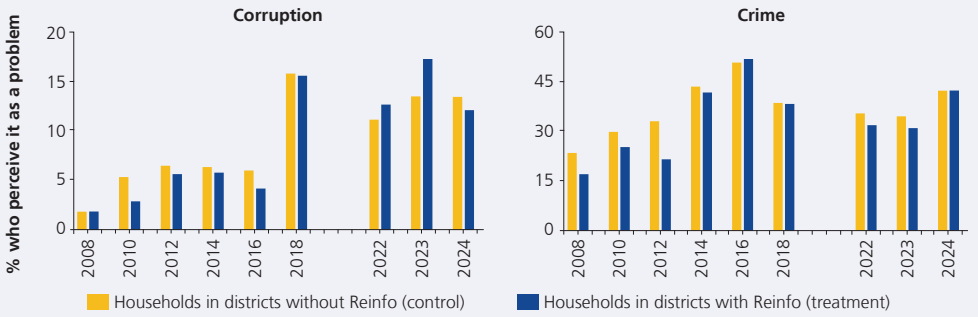
The consumption gap between households in control group districts and those in areas with a high incidence of informal mining (as recorded in REINFO) has narrowed since 2020. This convergence is observed in both total spending and specific categories (food, clothing and footwear, and household equipment). Although mandatory lockdown measures were implemented at the beginning of the pandemic, leading to a reduction in economic activity, it is possible that, given its informal nature, mining associated with REINFO may have circumvented lockdown restrictions to some extent. This would have allowed for greater continuity in its operations and income generation, so that households located in districts with informal mining would have experienced a smaller drop in their income and, consequently, a smaller reduction in their spending levels compared to households in districts without REINFO.

For the control group, real total per capita spending between 2022 and 2024 is 10.2 percent lower than spending observed in 2019; whereas in the treatment group (those living in districts with informal mining), total spending is 3.3 percent higher in the analyzed period. For food expenditures, although both groups see a decrease, the control group shows a drop of 8.8 percent, while the treatment group shows a decrease of 3.4 percent.



Source: Ministry of Energy and Mines (Geocatmin, Reinfo); INEI (ENAHO).

On the other hand, perceptions of institutional and security issues —such as corruption and crime— have shown a growing and widespread trend, with approximately 50 percent of respondents citing them as the main domestic problem in 2024. When broken down by exposure areas, different patterns emerge. Regarding corruption, while the increase is widespread, during the 2022–2023 period, the perceived incidence in districts with informal mining outweighs that observed outside these areas. Regarding crime, until 2012, the percentage of households identifying this problem as significant was relatively lower in households located in districts with informal mining; however, starting in 2016, this indicator converged steadily with that of non-exposed districts.



Source: Ministry of Energy and Mines (Geocatmin, Reinfo); INEI (ENAHO).

To quantify the impact of informal mining on the household budget, we estimated the effect of the treatment on per capita expenditure. After controlling for covariates in the sample[17], the results indicate that exposure to informal mining has a positive, albeit marginal, effect on consumption. Specifically, a statistically significant increase (at the 95 percent confidence level) of S/ 15 in total monthly per capita expenditure and of S/ 28 in food expenditure is observed, compared to the control group.

17 This matching approach allows for the identification and selection of similar observations across groups. A weighted distance was used for the analysis, which takes into account the covariance of the independent variables other than per capita household expenditure (Mahalanobis distance). The variable of interest is per capita household expenditure (total and food expenditure), and the independent variables are area of residence, percentage of income earners in the household, year, and the age and education of the head of household. The treatment variable is whether or not the household lives in a district with informal mining.

THE IMPACT OF INFORMAL MINING ON HOUSEHOLD EXPENDITURE VARIABLES

Methodused	Total Expenditure		Food Expenditure	
	ATE	n.a.	ATE	n.a.
Covariate matching, n=1, caliper=1	13.8	5.6	27.8	2.2
Covariate matching, n=1, caliper=epan	14.9	5.5	28.4	2.2
Ordinary Least Squares Regression	36.6	4.2	36.5	1.4

Note: ATE stands for Average Treatment Effect and represents the average difference in outcomes between the treatment group and the control group. s.e. is the standard error associated with the ATE. 150–220 observations.
For the analysis, the minimum number of pairings is identified for each observation in the treatment group, with the possibility of obtaining more than one pairing. The analysis is conducted using scenarios that yield at least one pairing (n=1). In addition, the maximum allowed distance for a pairing can be configured. In addition, if the observations are identical except for belonging to the control and treatment groups, the distance will be 1; thus, caliper=1 is chosen to perform the analysis with identical observations. In addition, for robustness, the algorithm is allowed to find the maximum permitted distance for the subsequent pairing (caliper=epan).

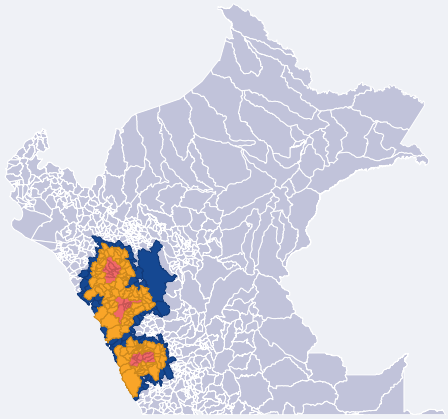
Despite the negative externalities associated with informal mining —such as tax evasion, violations of environmental regulations, and precarious working conditions— empirical evidence suggests that it has a positive, albeit marginal, impact on consumption levels in the areas where it operates.

This slight increase in domestic spending is attributable to the creation of production linkages. Mining registered in the REINFO stimulates demand for goods, services, and labor in its immediate vicinity (primary extraction, light transport, food). In this regard, the labor absorption of this activity is comparable to that of the traditional agricultural sector: it is labor-intensive with low-skilled workers and is characterized by low levels of marginal productivity.

Household spending in areas with formal mining

To verify these results, the empirical strategy was replicated with the aim of isolating the effect of formal mining on household consumption. The analysis focused on three major operations in the northern macro-region: Yanacocha (Cajamarca), Boroo Misquichilca (La Libertad), and Barrick Peru (Áncash). In this design, the treatment group consists of households located in the provinces where these mines operate. For the control group, and to mitigate biases from spillover effects, households were selected in districts adjacent to the treatment provinces, excluding those directly bordering them. This domestic evaluation approach is consistent with the existing economic literature for Peru; notably, for example, the empirical study by Aragón and Rud (2013)[18], which quantifies the expansion of local real income driven by the linkages of the Yanacocha gold mine.

DISTRICTS WHERE MINING PROJECTS BY MINERA YANACOCHA, MINERA BOROO MISQUICHILCA, AND MINERA BARRICK PERÚ ARE LOCATED



Note: The map shows in light blue the districts with formal mining operations (Yanacocha, Boroo Misquichilca, and Barrick Peru), while the districts in purple are those closest to, but not adjacent to, the districts with formal mining operations. The yellow districts are those without formal mining operations that border a district with formal mining operations. For the analysis, it is assumed that, due to their proximity, the yellow districts may not be immune to the effects of formal mining, whereas this effect is not observed in the purple districts. Source: Ministry of Energy and Mines (Geocatmin, Reinfo); INEI.

18 Aragón, F. M., & Rud, J. P. (2013). Natural resources and local communities: Evidence from a Peruvian gold mine. American Economic Journal: Economic Policy, 5(2), 1–25.

The results of the estimation reveal that formal mining generates a multiplier effect on domestic consumption— and, by extension, on material well-being—that is 6.4 times greater than the estimated impact of informal mining. Total monthly per capita spending grew by S/ 89 in the areas of influence of formal projects, while the food component increased by approximately S/ 20. This marked asymmetry confirms the formal sector's superiority in boosting domestic economies.

THE IMPACT OF FORMAL MINING ON HOUSEHOLD EXPENDITURE VARIABLES

Methodology	Total		Food Expenditure	
	ATE	n.a.	ATE	n.a.
Covariate pairing, n=1, caliper=1	89.6	11.1	20.7	3.8
Covariate matching, n=1, caliper=epan	88.6	10.6	19.7	3.6
Ordinary Least Squares Regression	90.6	7.7	15.8	2.8

Nota: ATE es el Efecto Promedio del Tratamiento (Average Treatment Effect) y representa la diferencia promedio en los resultados entre el grupo de tratamiento y el grupo de control. s.e. es el error estándar asociado al ATE. Obs. =27 583.

In summary, the results reveal that formal mining not only generates a greater economic impact —reflected in a greater impact on consumer spending— but also helps attract investments that operate in accordance with legal, environmental, and labor standards, capable of generating robust and sustainable production chains, whereas informal mining generates only a marginal stimulus to household consumption —explained by the absorption of low-productivity labor— which is offset by the generation of negative institutional externalities, evidenced by the deterioration of public safety.

Box 5
BIRTHS AND FERTILITY TRENDS IN PERU

This box analyzes birth trends in Peru and explores possible determinants behind the observed decline in fertility. To this end, it provides a detailed description of recent birth and fertility dynamics in Peru and at the global level, and explores possible factors explaining the decline.

From a monetary policy perspective, the decline in the birth rate matters because it implies a faster aging of the population. Population aging is associated with a decline in potential output growth, primarily through a contraction in the labor supply and a slowdown in productivity growth. In addition, it can lead to a lower natural equilibrium interest rate due to an increase in precautionary savings[19]. Finally, population aging puts pressure on fiscal sustainability, primarily due to social security spending[20]. Although Peru still has a young population and continues to experience a demographic dividend (low dependency ratio), it is necessary to monitor the evolution of the birth rate for the analysis of long-term scenarios.

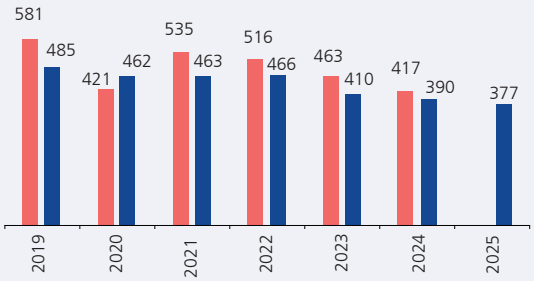
Analysis of Peru and the International Context

Official records show a widespread decline in the number of births in Peru over the past five years. According to figures from the Ministry of Health (MINSA), 376,750 births were recorded in 2025, marking the third consecutive year of decline. This number is 3.4 percent lower than in 2024 and represents a 22.4 percent decrease compared to the number of births in 2019. This trend is consistent with figures reported by RENIEC, according to which births fell by 28.2 percent between 2019 and 2024. In addition, between 2019 and 2024, the decline appears to have been widespread at the subnational level.

REGISTERED BIRTHS ACCORDING TO INEI AND MINSA

(Thousand births)

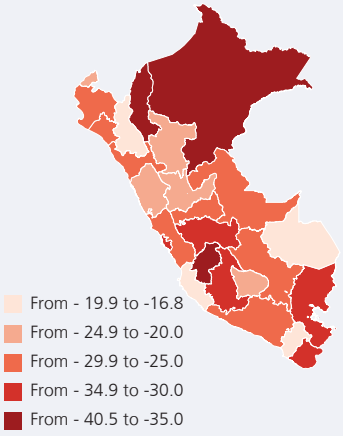
At the national level



% Change from 2019			
	2023	2024	2025
MINSA	-15.4	-19.6	-22.4
INEI	-20.4	*-28.2*	-

INEI MINSA

By department: % Change 2024/19



Source: INEI, MINSA. Prepared by: BCRP.

The decline in the number of births is consistent with lower fertility since the mid-2000s. According to the Demographic and Family Health Survey (ENDES), Peru recorded a total fertility rate (TFR)[21] of 1.76 children per woman in 2024, the lowest rate since the survey began in 1986, and significantly lower than the rate reported in 2019 (1.99). In addition, this decline has occurred in both urban and rural areas, although the latter continue to have a significantly higher fertility rate.

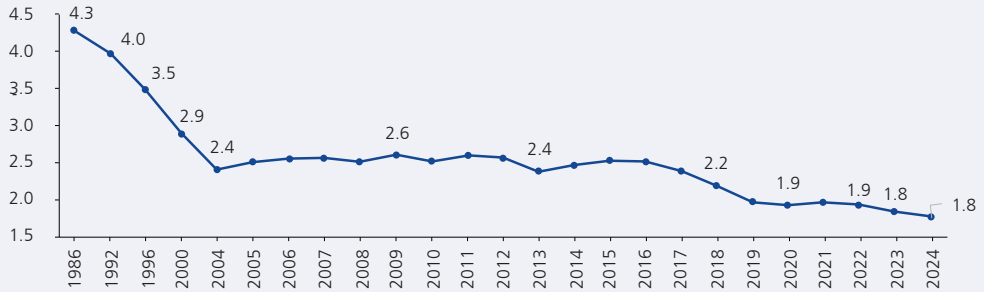
19 See Bodnár, K.; & Nerlich, C. (2022). The macroeconomic and fiscal impact of population ageing (Occasional Paper Series No. 296). European Central Bank.

20 See Faruqee, H. (2002). Population Aging and its Macroeconomic Implications: A Framework for Analysis (IMF Working Paper No. 02/16). International Monetary Fund.

21 The Total Fertility Rate (TFR) is a measure of fertility that represents the projected average number of births a woman would have over her entire reproductive life (ages 15 to 49) if age-specific fertility rates remained constant over time and she lived until the end of that period.

TOTAL FERTILITY RATE (TFR)

(Children per woman)



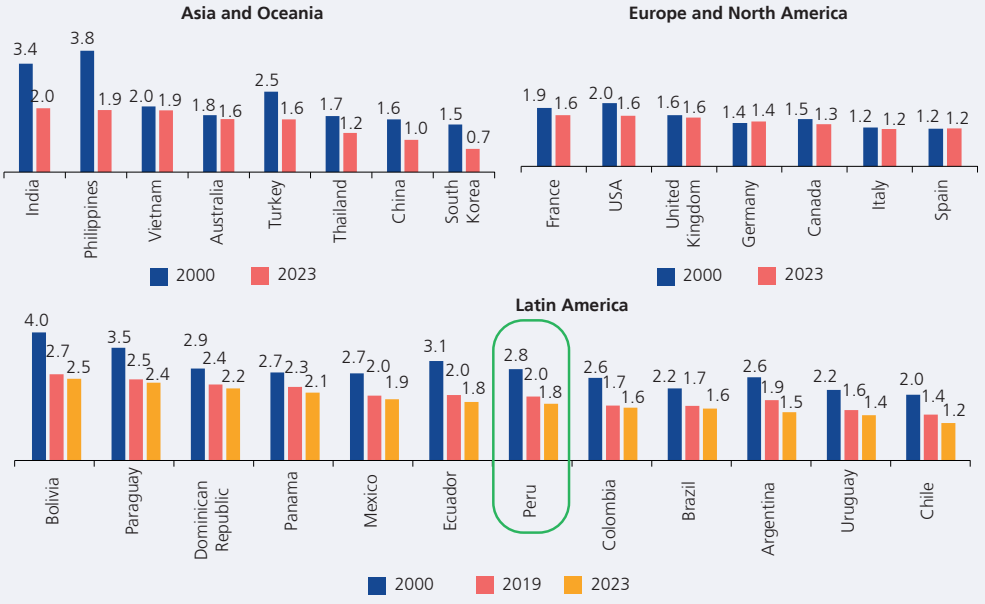
	2009	2014	2019	2024	2024/ 2019	2024/ 2014	2024/ 2009
Total	2.6	2.5	2.0	1.8	-0.2	-0.7	-0.8
Urban	2.3	2.3	1.8	1.5	-0.3	-0.7	-0.7
Rural	3.6	3.3	3.0	2.9	-0.1	-0.4	-0.7

Source: INEI-ENDES. Prepared by: BCRP.

Peru's experience is part of a widespread phenomenon in various regions of the world, in both advanced and developing economies. Over the past two decades, fertility rates have declined worldwide, both in regions with low rates at the start of the century —such as East Asia, Europe, and North America— and in regions with initially higher rates, such as India, the Philippines, and Latin America. In the latter region, countries show a wide range of fertility rates and significant variation from levels at the start of the century. Peru's TFR fell by 1.1 between 2000 and 2023 and by 0.2 between 2019 and 2023, ranking fifth and third, respectively, among the region's countries in terms of the largest reduction during each period.

TOTAL FERTILITY RATE, BY COUNTRIES

(Children per woman)



Source: INEI-ENDES. Prepared by: BCRP.

Exploration of associated factors

Global fertility trends reflect the emergence of factors beyond economic development that have combined to reduce birth rates worldwide. Traditionally, the literature has highlighted the role of factors such as increased female labor force participation and higher levels of education in reducing fertility, arguing that less time available for child-rearing and the postponement of marriage would motivate the choice to have fewer children[22]. Likewise, a negative relationship was established between household income and the number of children, linked to women's opportunity costs and the greater investment required to raise children.

However, recent literature suggests a weaker relationship between these traditionally studied factors and fertility, particularly with regard to education. For example, Hazan and Zoabi (2015)[23] and Bar et al. (2018)[24] note that, in advanced economies, women with high levels of education (graduate degree or higher) have as many or more children than those with a completed university education. In Latin America, the literature suggests that the largest decline in fertility in recent years has occurred among women with low levels of education, narrowing the gap with those with high levels of education, although this gap remains[25]. Below, we explore other factors that may be associated with the decline in fertility.

First, a branch of the literature has focused on the role of the premium for accumulated work experience, which would lead to a postponement of motherhood. Rather than assuming that women's opportunity cost remains constant over time, it is argued that the possibility of building a career could increase their potential earnings, creating a trade-off between (i) early motherhood, with a lower risk of infertility but lower future earnings, or (ii) delayed motherhood, with higher returns from work experience, but a higher risk of infertility. Olivetti (2006)[26] shows that the returns to women's work experience have increased, which coincides with the rise in the age of mothers at first birth observed in advanced economies.

In the case of Peru, there is a trend toward delayed childbearing among young women. To assess this, we analyze the median age at which women had their first child, grouping them into five-year age cohorts. An increase in this indicator suggests that women in the corresponding age group began having children at a later age. According to ENDES, women who were between 25 and 29 years old in 2024 had their first child at a median age of 23.1 years, higher than the value observed in 2009 (22.3 years). In other age groups, the median age has remained similar or has decreased. This is consistent with the distribution of births registered with RENIEC by the mother's age. Between 2019 and 2024, administrative data show that a smaller proportion of births were to mothers under 25 years of age, and a larger proportion were to mothers aged 30 or older.

22 A review of the main findings from the traditional literature on the economics of fertility can be found in Doepke et al. (2023), "The Economics of Fertility: A New Era," in *Handbook of Economics of the Family (Vol. 2)*.

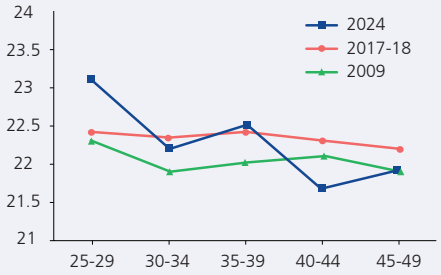
23 Hazan, M. & Zoabi, H. (2015) Do highly educated women choose smaller families? The Economic Journal.

24 Bar, M., Hazan, M., Oksana, L., Weiss, D., & Zoabi, H. (2018) Why did rich families increase their fertility? Inequality and marketization of childcare. Journal of Economic Growth.

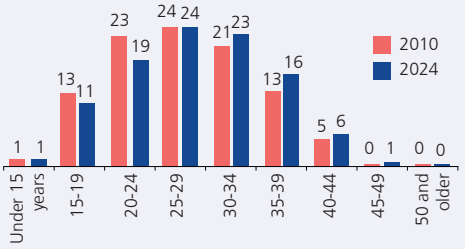
25 See: Onofri et al. (2026) Understanding Latin America's fertility decline: Age, education, and cohort dynamics; Cabella & Velásquez (2025) The recent decline to very low fertility levels by education in five Latin American countries (2010–2022).

26 Olivetti, C. (2006) Changes in women's hours of market work: the role of returns to experience. Review of Economic Dynamics.

ENDES: Median age of women at first birth
(By age group)



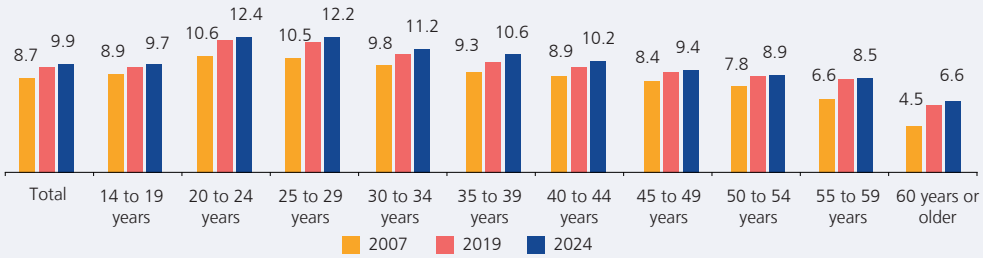
RENIEC: Mother's age at the time of the child's birth*
(Percentage of births)



* RENIEC administrative data only records the mother's age at the time of birth registration. As such, it is not possible to identify which child is the mother's first.
Source: RENIEC, INEI-ENDES. Prepared by: BCRP.

The delay in the onset of motherhood coincides with higher educational attainment among young women. Between 2007 and 2024, women aged 20 to 24 and those aged 25 to 29 increased their average years of education by 1.8 years, reflecting a greater investment of time in academic education. Furthermore, between 2019 and 2024, all age groups increased their average years of education.

AVERAGE YEARS OF EDUCATION FOR WOMEN, BY FIVE-YEAR AGE GROUP
(Number of years)



Source: INEI-ENDES. Prepared by: BCRP.

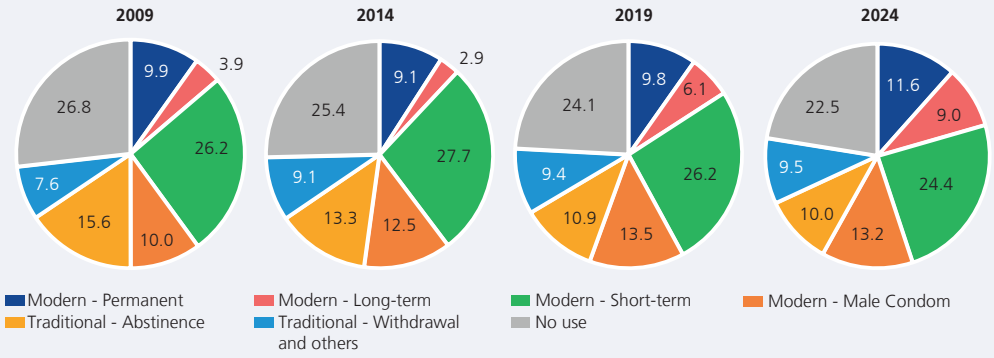
Another body of literature highlights the role of coordination between partners in fertility. Doepke and Kindermann (2019)[27] study fertility intentions among couples in eleven advanced economies, finding that many couples disagree on the ideal number of children and the timing of having them, and that childbearing is more likely when both partners want to have an additional child. These results also apply to developing economies, where different factors could influence fertility decisions within the couple[28].

Changes in fertility rates are also linked to the increased use of contraceptive methods, particularly modern methods. In Peru, the percentage of married women using some form of family planning has risen from 73.2 percent in 2009 to 77.5 percent in 2024. Notably, there has been an increase in the use of modern methods (from 50.0 to 58.1 percent), which are recognized as being more effective than traditional methods. Among these, the most common are short-term methods (24.4 percent), such as contraceptive injections and pills, which can be discontinued more easily in the event of a change in family planning decisions.

27 Doepke, M. & Kindermann, F. (2019) Bargaining over Babies: Theory, Evidence, and Policy Implications. American Economic Review.

28 Some studies investigating this phenomenon in low-income countries include Rasul (2008) Household bargaining over fertility: theory and evidence from Malaysia; Ashraf et al. (2014) Household bargaining and excess fertility: an experimental study in Zambia; and Ashraf et al. (2020) Maternal mortality risk and spousal differences in the demand for children.

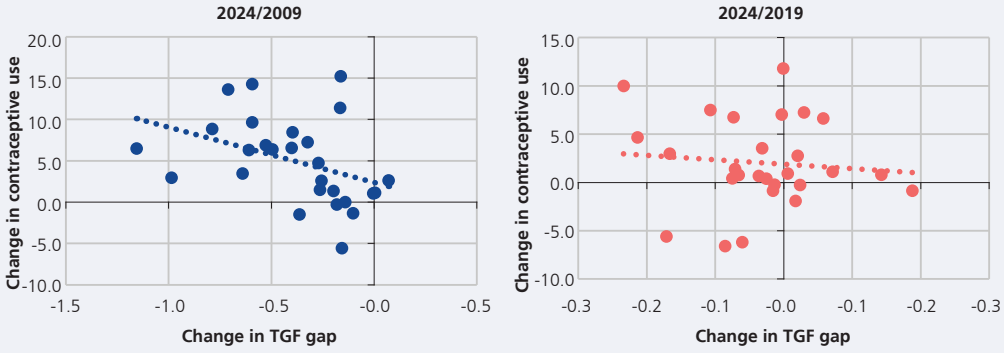
CURRENT USE OF FAMILY PLANNING BY METHOD
(Percentage of all currently married women aged 15–49)



Source: INEI-ENDES. Prepared by: BCRP.

Greater use of family planning methods is associated with a narrowing of the gap between desired and observed fertility. The ENDES collects information on the ideal number of children women would like to have, which allows for the calculation of the desired TFR[29]. The gap between desired and observed fertility reflects unwanted births, such that a wider fertility gap suggests women have less control over the decision to become pregnant. A relationship is observed between increased use of contraceptive methods and a reduction in the gap between desired and observed fertility at the regional level in the medium term (between 2009 and 2024), which is less evident in the short term (between 2019 and 2024).

RELATIONSHIP BETWEEN THE CHANGE IN THE OBSERVED AND DESIRED FERTILITY GAP AND THE CHANGE IN THE USE OF CONTRACEPTIVES BY REGION

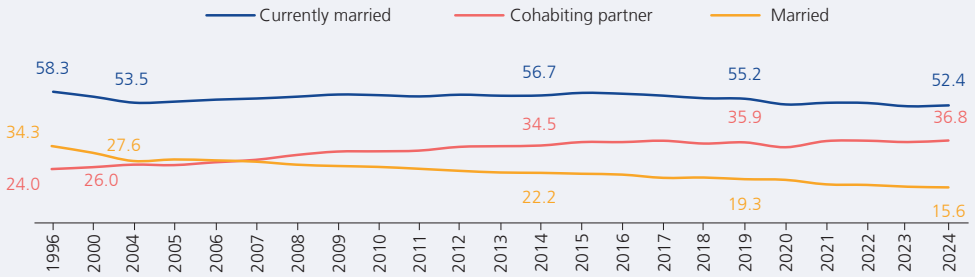


Source: INEI-ENDES. Prepared by: BCRP.

On the other hand, changes in the relationship patterns of young women could have a direct impact on the birth rate, given the differences in fertility between married and cohabiting women. Data from the ENDES show a decline in the percentage of married women over the past three decades, offset by an increase in the percentage of women living with a partner. This may have affected the birth rate because the total fertility rate (TFR) for cohabiting women has declined more rapidly than that for married women: between 2009 and 2024, the TFR for cohabiting women fell by 1.1, compared to 0.6 for married women. The difference is entirely explained by the divergence in age- specific fertility rates for younger women (ages 15 to 24). In contrast with 2024, the age-specific rates for women aged 25 to 39 were similar. In other words, the change in the marital status of young women could be a significant factor in explaining the decline in births.

29 The desired TFR corresponds to a counterfactual fertility rate that excludes unwanted births. A birth is considered desired if, nine months before it occurred, the mother's number of living children was fewer than the ideal number of children she reported in the survey.

WOMEN IN MARRIAGE
(As a percentage of women aged 15 to 49)



TOTAL FERTILITY RATES (TFR) AND AGE-SPECIFIC FERTILITY RATES (ASFR), BY MARITAL STATUS AND WOMEN'S AGE GROUP
(In children per woman and births per thousand women)

	TFR	Specific fertility rates (ASFR)						
		15-19	20-24	25-29	30-34	35-39	40-44	45-49
Married								
2009	**4.2**	267	186	167	121	72	31	3
2019	**3.9**	255	213	131	101	60	24	3
2024	**3.6**	266	146	116	104	64	23	2
Diff. 2024 - 2009	**-0.6**	-1	-40	-52	-17	-8	-7	-1
Diff. 2024 - 2019	**-0.3**	11	-66	-16	3	4	0	-1
Cohabiting partner								
2009	**4.4**	244	197	163	144	84	42	5
2019	**3.4**	189	154	124	100	79	27	4
2024	**3.3**	201	137	115	105	69	26	2
Diff. 2024 - 2009	**-1.1**	-43	-60	-48	-39	-15	-16	-2
Diff. 2024 - 2019	**-0.1**	12	-18	-9	4	-10	-1	-1
Neither married nor cohabiting partner								
2009	**0.9**	23	37	46	42	27	10	0
2019	**0.7**	17	28	34	34	23	9	1
2024	**0.7**	13	26	33	34	24	9	1
Diff. 2024 - 2009	**-0.2**	-10	-11	-13	-8	-3	-1	1
Diff. 2024 - 2019	**0.0**	-4	-1	-2	0	1	1	0
Total								
2009	**2.6**	67	118	127	110	67	29	3
2019	**2.0**	48	86	94	83	58	21	3
2024	**1.8**	40	73	81	83	54	20	2
Diff. 2024 - 2009	**-0.8**	-28	-45	-46	-27	-13	-9	-1
Diff. 2024 - 2019	**-0.2**	-8	-14	-13	0	-3	-1	-1

Note: The Total Fertility Rate (TFR) is a measure of fertility that represents the projected average number of births a woman would have during her entire reproductive life (ages 15 to 49) if age-specific fertility rates remained constant over time and she lived until the end of that period. Age-specific fertility rates measure the annual number of births per thousand women within an age group.
Source: INEI-ENDES. Prepared by: BCRP.

Concluding Remarks

The decline in the birth rate observed in Peru in recent years is part of a global trend of falling fertility, which could have implications for monetary policy. Fertility rates are declining in various regions of the world, reflecting structural changes in reproductive preferences and posing a challenge in adapting to rapid demographic change. Particularly, population aging may lead to a reduction in potential output due to a smaller labor supply and a slowdown in productivity; changes in savings patterns and pressures on fiscal sustainability resulting from increased social security spending will impact Peru's macroeconomic context in the coming decades.

Several factors are behind the decline in fertility at the global level, which can also be observed in Peru. The delay in the onset of motherhood coincides with the widespread use of family planning methods, reflected in a narrower gap between the number of children actually born and the number of children desired; a preference for cohabitation over marriage among young women; and higher educational attainment among young women.

IV. Public finance

53. The cumulative fiscal deficit over the past twelve months fell from 2.2 percent to 2.1 percent of GDP between December 2025 and February 2026. This result is due both to the reduction in non- financial expenditure as a percentage of GDP, associated with lower spending by the national government, and to improved cash flow from state-owned enterprises, which partly reflects an accumulation of unpaid bills to suppliers by Petroperú.

    Annualized non-financial expenditure fell from 20.0 percent to 19.7 percent of GDP between December 2025 and February 2026. This reduction was due to lower annualized capital expenditures as a percentage of GDP, which in turn resulted from lower investments by the national government (particularly for ANIN projects) and the fact that the transfer of the Family Housing Bond budget was brought forward in January 2025, with part of it having been disbursed in February of this year. For its part, non-financial current expenditure remained at the equivalent of 14.3 percent of GDP.

    Current income fell from 19.0 percent to 18.8 percent of GDP between December 2025 and February 2026. This mainly reflects lower VAT collections on imports and from the tax amnesty and installment payment program; in the first case, due to the appreciation of the sol, and in the second, because a Special Installment Payment Program was implemented last year.

54. On an annual basis, the fiscal deficit is projected to decline from 2.2 percent of GDP recorded in 2025 to 1.8 percent of GDP in 2026, and then continue to decline to 1.4 percent of GDP in 2027. Thus, the baseline scenario assumes that the government is capable of meeting the fiscal deficit targets established in the convergence path toward the fiscal rule limit approved in Legislative Decree No. 1621.

    It should be noted that, in 2025, while the annual deficit target (2.2 percent of GDP) was met, the real growth targets for both non-financial expenditure and current non-financial expenditure (excluding maintenance spending) were not met.

    The baseline scenario assumes that the government will keep non-financial expenditure growth under control (which would decline from 3.6 percent in real terms in 2025 to 2.0 percent in 2026) so that the non-financial expenditure growth target is met, In addition, it would allow for a deficit of 1.8 percent of GDP in 2026, which is the fiscal balance convergence target for that year.

    The share of the general government in the overall economy (measured by the ratio of current income or non-financial expenditure to GDP) is projected to decline in the 2026–2027 period compared with the December RI forecast. This reflects the fact that the stronger economic activity projected in this Report boosts nominal GDP (8.8 percent in 2026) at a higher rate than nominal domestic demand (7.2 percent) due to improved terms of trade, which reduces the tax-to-GDP ratio since the tax base for major taxes (such as the VAT) is more closely linked to sales by businesses that depend on domestic demand.

55. The deficit of 1.8 percent of GDP projected for 2026 would be 0.4 percentage points of GDP lower than that recorded in 2025. This reduction in the fiscal deficit would reflect lower non-financial expenditure by the general government by 0.8 percentage points of GDP, offset by lower earnings from state-owned businesses of 0.3 percentage points of GDP, while interest payments on public debt would remain at 1.6 percent of GDP.

The projected decline in non-financial expenditure as a percentage of GDP reflects the assumption that the government will not increase public spending to support Petroperú (which reached 0.3 percent of GDP in 2025), as well as slower growth in general government investment, particularly at the national level. These two factors account for a 0.5 percentage point decline in capital spending relative to GDP. For its part, non-financial current expenditure is projected to contract by 0.3 percentage points of GDP, primarily due to slower growth in purchases of goods and contracting of services, as well as in transfers, relative to nominal GDP growth.

By 2026, tax revenue is projected to reach 19.0 percent of GDP, a ratio similar to that recorded in 2025, despite the fact that a lower level of extraordinary revenues is expected this year. Indeed, in 2025, exceptional revenues were collected from the sale of electric power generation companies and levies on financial institutions, among other sources. Revenue as a percentage of GDP is supported by stronger growth in income tax (IR) prepayments and royalties from primary sectors, items that, in addition to reflecting economic activity, also capture the positive effect of terms of trade, factors that mitigate the reduction in extraordinary revenue in the baseline scenario.

Finally, the "Other" category is projected to decline by 0.3 percentage points of GDP, reflecting a lower primary surplus for state-owned enterprises, particularly Petroperú, which, as mentioned earlier, would not receive government support in 2026 under the baseline scenario of this Report.

56. By 2027, the government is expected to continue consolidating non-financial expenditure, in an environment of favorable external conditions in 2026 and 2027 that would support a recovery in tax revenues. As a result, the fiscal deficit would decline from 1.8 percent to 1.4 percent of GDP between 2026 and 2027.

Tax revenue is projected to rise from 19.0 percent of GDP in 2026 to 19.1 percent of GDP in 2027, driven by increased income tax collection linked to high international prices in 2026 and higher advance income tax payments, which would reflect higher payment rates and the environment of high international prices.

On the non-financial expenditure side, fiscal consolidation is expected to continue, meaning that non-financial expenditures would continue to grow in real terms at a rate below that of economic activity, while general government investment would decline due to the impact of the change in subnational authorities beginning in January 2027.

57. Compared with the **December report**, the fiscal deficit forecast has been revised downward from 1.9 percent to 1.8 percent of GDP for 2026 and from 1.6 percent to 1.4 percent of GDP for 2027.

The improvement in the fiscal balance reflects the fact that the outlook for economic growth and international prices presented in this Report is more favorable than that outlined in the December Report, while the assumption that fiscal authorities remain committed to fiscal consolidation remains unchanged.

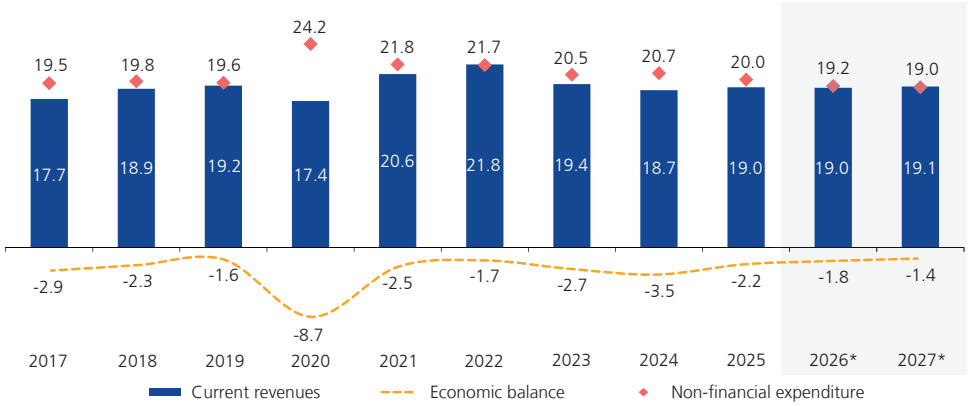
Increased economic activity and higher international prices are supporting higher real tax revenues, which is reflected in a higher real growth rate (measured by the CPI) of current income in 2026 and 2027 compared to the December Report. This factor creates room for non- financial expenditure in 2026 and 2027 to grow at a faster pace in real terms than the Forecast in the December Report, while also enabling a deficit path that meets the fiscal targets for 2026 and 2027.

Table 26
NON-FINANCIAL PUBLIC SECTOR
(% GDP)

	2025	2026*			2027*	
		February[1/]	IR Dec.25	IR Mar.26	IR Dec.25	IR Mar.26
1. General government current revenues	**19.0**	**18.8**	**19.2**	**19.0**	**19.2**	**19.1**
Real % change	*9.5%*	*8.7%*	*4.4%*	*5.8%*	*3.0%*	*4.0%*
2. General government non-financial expenditure	**20.0**	**19.7**	**19.4**	**19.2**	**19.1**	**19.0**
Real % change	*3.6%*	*2.9%*	*1.2%*	*2.0%*	*1.2%*	*2.4%*
Of which:						
Current expenditure	14.3	14.3	14.2	14.0	13.9	14.0
Real % change	*5.2%*	*6.4%*	*3.1%*	*4.0%*	*1.3%*	*2.7%*
Gross capital formation	4.9	4.8	4.7	4.6	4.6	4.5
Real % change	*6.2%*	*3.4%*	*0.4%*	*0.6%*	*0.7%*	*0.8%*
3. Other[2/]	**0.3**	**0.4**	**0.0**	**0.0**	**0.1**	**0.1**
4. Primary balance (1-2+3)	**-0.6**	**-0.5**	**-0.3**	**-0.2**	**0.1**	**0.2**
5. Interests	**1.6**	**1.6**	**1.7**	**1.6**	**1.7**	**1.6**
6. Overall Balance	**-2.2**	**-2.1**	**-1.9**	**-1.8**	**-1.6**	**-1.4**

1/ Ratios on % of GDP and real % changes represent accumulated in the last 12 months as of February.
2/ Includes capital income of the general government and primary balance from state-owned companies.
* Forecast.
IR: Inflation Report.

Graph 59
ECONOMIC BALANCE OF THE NON-FINANCIAL PUBLIC SECTOR: 2017 - 2027
(% GDP)



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

Current income

58. Tax revenue in 2026 is projected to reach 19.0 percent of GDP, with real growth of 5.8 percent (9.5 percent in 2025).

The lower rate of real growth in current income compared to the previous year is due to the lower level of extraordinary revenues projected for this year, which in 2025 boosted

income tax and fine collections. Additionally, the forecast for 2026 does not include discretionary measures to increase revenue, unlike 2025, when measures such as the VAT on digital services, the excise tax on remote gambling, and the special installment plan took effect.

On the other hand, the stronger economic growth and higher prices for mineral exports projected for 2026 will have a positive offsetting effect on advance tax payments by corporations and on VAT. Furthermore, tax refunds are expected to grow at a slower pace following the high real growth rate observed in 2025 (20.5 percent), which will also boost tax revenues.

59. By 2027, revenue is projected to recover as a share of GDP, reaching 19.1 percent of GDP, with real growth of 4.0 percent. The increase in revenue is primarily due to the impact on income tax revenues of the high prices of export products projected for 2026. Likewise, higher advance payment rates and the high international prices projected for 2027 will also have a positive impact on advance payments by legal entities. This increase in income tax would be accompanied by a recovery in VAT on domestic sales.

60. Compared to **the December report**, the revenue forecast as a percentage of GDP has been revised downward from 19.2 percent to 19.0 percent of GDP in 2026 and from 19.2 percent to 19.1 percent of GDP in 2027.

As for real revenue growth, as previously mentioned, this has been revised upward for 2026 and 2027, from 4.4 to 5.8 percent and from 3.0 to 4.0 percent, respectively.

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

	2025	2026*			2027*	
		February[1/]	IR Dec.25	IR Mar.26	IR Dec.25	IR Mar.26
TAX REVENUES	**14.8**	**14.7**	**14.8**	**14.7**	**14.8**	**14.9**
Income tax	6.5	6.5	6.5	6.5	6.4	6.6
Value Added Tax (VAT)	7.8	7.7	7.8	7.8	7.9	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	2.0	1.9	1.9	1.9	1.9	1.8
Tax returns	-2.4	-2.4	-2.4	-2.4	-2.4	-2.4
NON-TAX REVENUES	**4.2**	**4.1**	**4.3**	**4.3**	**4.4**	**4.3**
Contributions to social security	1.8	1.8	1.9	1.8	2.0	1.9
Own resources and transfers	1.0	1.0	1.5	1.1	1.4	1.4
Royalties and likely	0.6	0.5	0.6	0.7	0.6	0.7
Other	0.8	0.7	0.4	0.7	0.4	0.4
TOTAL	**19.0**	**18.8**	**19.2**	**19.0**	**19.2**	**19.1**

1 / Represents accumulated in the last 12 months as of February.
* Forecast.
IR: Inflation Report.

Non-financial expenditure

61. General government non-financial expenditure is projected to decline from 20.0 percent to 19.2 percent of GDP between 2025 and 2026 (a decrease of 0.8 percentage points of GDP). However, the real value of non-financial expenditure (measured by the CPI) is projected to increase by 2.0 percent in 2026, a lower rate of growth than that observed

in 2025 and than the projected growth in economic activity for this year, implying that the government is committed to complying with the fiscal deficit rule for 2026.

Real growth in non-financial current spending is projected at 4.0 percent, while capital spending is expected to contract by 3.3 percent. Within non-financial current spending, all components are projected to show real growth, particularly wages and salaries, which are expected to increase by 4.7 percent. This is the result of increases granted in the second half of 2025 to sectors such as education, defense, and the interior. Likewise, this trend includes the increases provided for in the 2026 Budget Law. Real growth in purchases of goods and services and transfers is moderate, though positive (3.6 and 3.3 percent, respectively).

In the case of capital expenditures, the actual reduction projected for 2026 is primarily due to the "other capital expenditures" category, which is based on the assumption that in 2026 the national government would not incur new expenditures to support Petroperú (in 2025, the company's debt maturities with Banco de la Nación totaling S/ 3.1 billion —equivalent to 0.3 percentage points of GDP— were honored). As for general government investment, a real increase of 0.6 percent is projected, due mainly to lower investment by the national government, with moderate increases in subnational investment.

In terms of GDP, non-financial expenditure is projected to decline by 0.3 percentage points of GDP in 2026 compared to last year, while capital spending is expected to fall by 0.5 percentage points of GDP.

62. By 2027, non-financial expenditure is projected to decline from 19.2 percent to 19.0 percent of GDP, primarily due to lower subnational public investment, which is expected to fall in real terms as a result of the change in administration at the end of 2026.

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

	2025	2026*			2027*	
		February[1/]	IR Dec.25	IR Mar.26	IR Dec.25	IR Mar.26
CURRENT EXPENDITURE	**14.3**	**14.3**	**14.2**	**14.0**	**13.9**	**14.0**
National Government	9.1	9.0	9.0	8.9	8.9	8.8
Regional Governments	3.6	3.6	3.6	3.6	3.5	3.5
Local Governments	1.7	1.6	1.5	1.6	1.5	1.6
CAPITAL EXPENDITURE	**5.6**	**5.4**	**5.3**	**5.1**	**5.2**	**5.1**
Gross capital formation	**4.9**	**4.8**	**4.7**	**4.6**	**4.6**	**4.5**
National Government	1.8	1.8	1.8	1.7	1.8	1.7
Regional Governments	1.2	1.2	1.2	1.2	1.2	1.1
Local Governments	1.9	1.8	1.8	1.8	1.7	1.7
Other	**0.7**	**0.6**	**0.6**	**0.5**	**0.5**	**0.5**
TOTAL	**20.0**	**19.7**	**19.4**	**19.2**	**19.1**	**19.0**
National Government	11.6	11.4	11.4	11.0	11.2	11.0
Regional Governments	4.8	4.9	4.8	4.7	4.7	4.7
Local Governments	3.5	3.5	3.3	3.4	3.3	3.3

1/ Represents accumulated in the last 12 months as of February.
* Forecast.
IR: Inflation Report.

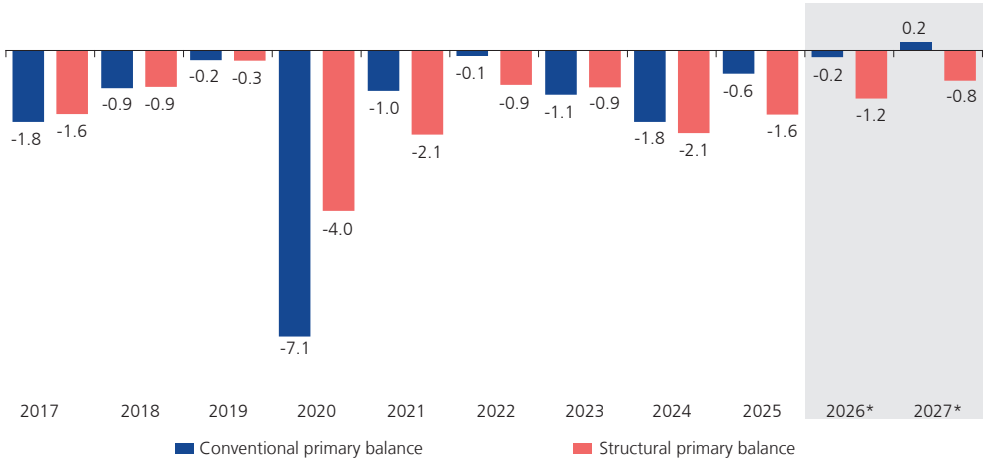
Fiscal stance

63. The structural primary balance is a measure that removes from the fiscal accounts the impact of cyclical, transitory, and one-off factors affecting the economy, in order to assess changes in the fiscal balance associated with discretionary fiscal policy measures. The structural primary deficit is estimated to have reached 1.6 percent of potential GDP in 2025 and is projected to decline to 1.2 and 0.8 percent of potential GDP by 2026 and 2027, levels significantly higher than the level recorded prior to the COVID-19 pandemic (0.3 percent).

The gap between the conventional primary balance and the structural primary balance is expected to remain at around 1 percentage point. In fact, a gap of 1 percentage point of GDP is projected for 2025, which is mainly attributable to one-off transactions resulting from extraordinary revenues. For 2026 and 2027, the gap is expected to remain at a similar level. In contrast with 2025, these gaps are largely attributable to higher international prices for export minerals over the forecast horizon, which generate higher estimated temporary tax revenues.

The downward trend in the structural deficit reflects the importance of a fiscal policy committed to the gradual consolidation of the fiscal deficit underlying the baseline scenario, and its still-negative level indicates that sustained efforts are needed in the medium term to maintain the strength of the government's financial position and ensure the sustainability of public finances.

Graph 60
CONVENTIONAL AND STRUCTURAL PRIMARY BALANCE OF THE NON-FINANCIAL PUBLIC SECTOR: 2017-2027
(% GDP and Trend GDP)



* Forecast.
Memo: For 2020, the structural primary balance is calculated using trend GDP.

Financing and debt

64. In 2025, financing needs are projected to have reached S/ 57.2 billion, which were covered primarily through debt issuance. As the fiscal deficit is projected to follow a downward trajectory, **financing needs** are expected to decline over the forecast horizon compared to 2025. Regarding **sources of financing**, debt issuance is expected to be lower in 2026 and 2027 compared to last year, due to lower deficit levels and the absence of new debt management operations

65. Compared to **the December Report**, the projected financing requirement for 2026 has decreased mainly due to the lower fiscal deficit forecast. For 2027, the projected financing requirement has also decreased compared to the previous Report.

Table 29
FINANCIAL REQUIREMENT AND FINANCING OF THE NON-FINANCIAL PUBLIC SECTOR
(Million Soles)

	2025	2026*			2027*	
		Jan-Feb	IR Dec.25	IR Mar.26	IR Dec.25	IR Mar.26
I. USES	**57,174**	**7,594**	**34,379**	**33,126**	**32,156**	**27,693**
1. Amortization	30,963	6,035	9,532	10,019	10,495	7,737
a. External	9,893	5,951	7,212	7,816	9,789	7,031
b. Domestic	21,070	84	2,320	2,203	706	706
Of which: recognition bond[1/]	*422*	*48*	*500*	*471*	*400*	*400*
2. Economic balance[2/]	26,211	1,559	24,846	23,107	21,661	19,956
II. SOURCES	**57,174**	**7,594**	**34,379**	**33,126**	**32,156**	**27,693**
1. Disbursements and others	55,509	2,480	36,628	28,555	36,543	28,371
a. External credits	1,813	242	4,628	4,555	4,543	4,371
b. Global and Sovereign bonds	53,696	2,238	32,000	24,000	32,000	24,000
2. Variation in deposits and others[3/]	1,665	5,114	-2,249	4,571	-4,387	-678
Memo:						
Percentage of GDP						
Gross public debt balance	30.2	29.0	31.2	29.3	32.1	29.5
Net public debt balance	22.8	22.5	23.8	22.8	24.6	23.2
Balance of public deposits	7.4	6.4	7.4	6.5	7.4	6.3

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/ Positive sign indicates reduction of deposits.
* Forecast.
IR: Inflation Report.

66. It is estimated that by 2025, **gross debt** will have reached 30.2 percent of GDP, very close to the fiscal rule limit (30 percent of GDP) and below the transitional limit of 38 percent of GDP, which remains in effect until 2034. Over the forecast horizon, gross debt is expected to remain slightly below the medium-term fiscal rule limit (30 percent of GDP), reaching 29.3 and 29.5 percent of GDP in 2026 and 2027, respectively.

67. The **debt net** of non-financial public sector deposits is estimated to remain at 22.8 percent of GDP between 2025 and 2026, before rising to 23.2 percent of GDP in 2027.

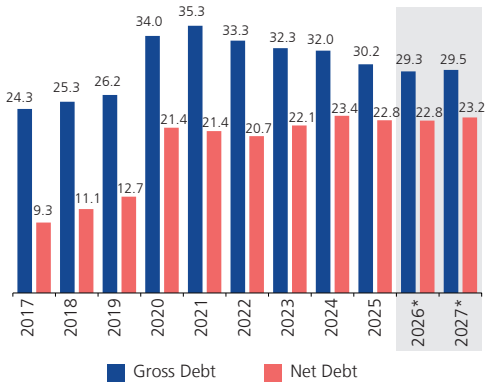
Public assets are projected to decline from 7.4 percent of GDP in 2025 to 6.5 percent in 2026, and although they are expected to increase in nominal terms, they would fall as a percentage of GDP to 6.3 percent in 2027.

The scenario outlined in this Report indicates that, given potential GDP growth, it is necessary to continue on a path of declining deficits in order to stabilize the debt in the coming years without depleting public financial assets.

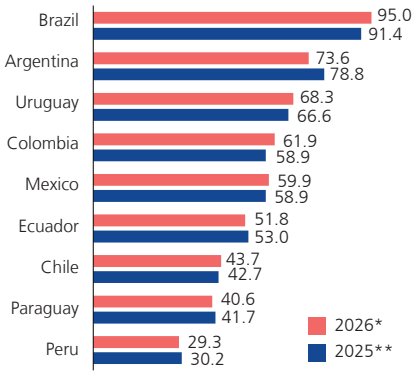
The current and projected levels of debt are expected to remain below those observed in other countries in the region, representing an economic strength of the country that must be preserved.

Graph 61

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



GROSS DEBT IN LATAM. 2025-2026
(% GDP)

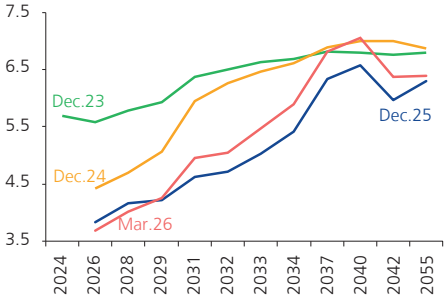


* Forecast.
** Forecats for all countries, except Peru .
Source: BCRP and WEO (October 2025).

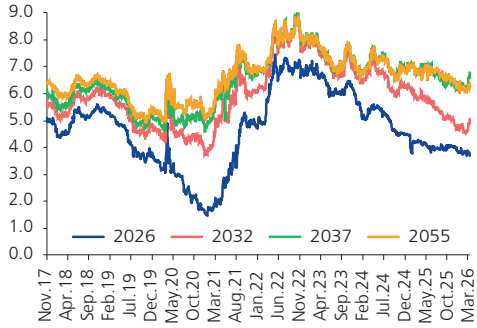
68. In the first quarter of 2026, yields on fixed-rate Government Treasury Bonds (BTPs) denominated in soles rose by an average of 26 basis points and recorded increased volatility, in line with trends in global fixed-income markets. This performance was primarily driven by geopolitical tensions in the Middle East, which raised global inflation expectations at the global level. In this context, U.S. Treasury yields rose by 13 basis points, which also pushed up rates on global bonds denominated in dollars and euros (15 and 12 basis points, respectively). For its part, the EMBIG Peru country risk indicator stood at 135 basis points in March 2026; however, it showed greater volatility during the quarter and reached a high of 145 basis points on March 3, its highest level since August 2025.

Graph 62

YIELD CURVE
(In %))



YIELD BY MATURITY
(%)



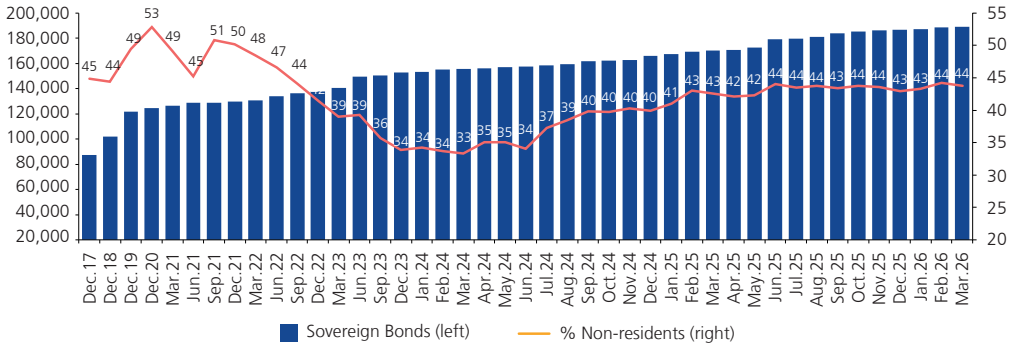
* As of March 13.
Source: MEF.

69. As of March 13, the outstanding balance of sovereign bonds stood at S/ 189.2 billion, an increase of S/ 2.7 billion from the figure recorded in December 2025. During the first quarter of 2026, non-resident investors emerged as the primary net buyers of these instruments, particularly between January and February; meanwhile, AFPs and banks were the main suppliers. This trend occurred against a backdrop of the sol's appreciation through February and asset liquidation associated with the eighth pension fund withdrawal. As a result, the share of non-resident investors in the total outstanding sovereign bonds increased by 0.9 percentage points, reaching 43.8 percent.

Graph 63

SOVEREIGN BOND BALANCE AND PARTICIPATION OF NON-RESIDENT INVESTORS

(Amounts in millions of soles and participation in %)



* As of March 13.

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 conditions

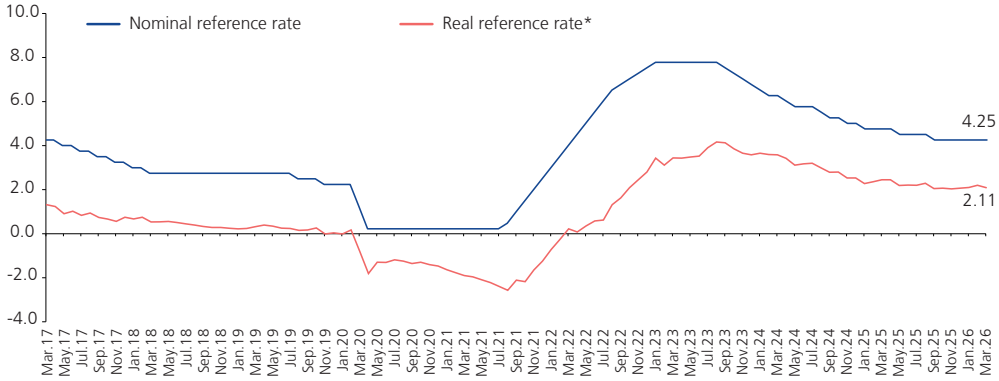
Monetary policy actions

70. The Board of Directors of BCRP decided to maintain the benchmark rate at 4.25 percent at the Monetary Policy meetings in January, February, and March. As a result, the benchmark rate in real terms currently stands at 2.11 percent, close to the estimated neutral level (around 2.0 percent)[30]. This level of the monetary policy rate is consistent with inflation forecasts and inflation determinants, in a context where inflation expectations and trend indicators are near the center of the target range, and economic activity does not present demand-side inflationary pressures.

    In its policy statements between January and March, the Board reaffirmed its commitment to taking the necessary actions to ensure that inflation remains within the target range.

71. During the cycle of monetary policy interest rate cuts, between September 2023 and September 2025, the benchmark rate was reduced by a cumulative 350 basis points

Graph 64
REFERENCE INTEREST RATE
(In %)



* With expectation on inflation.
Source: BCRP.

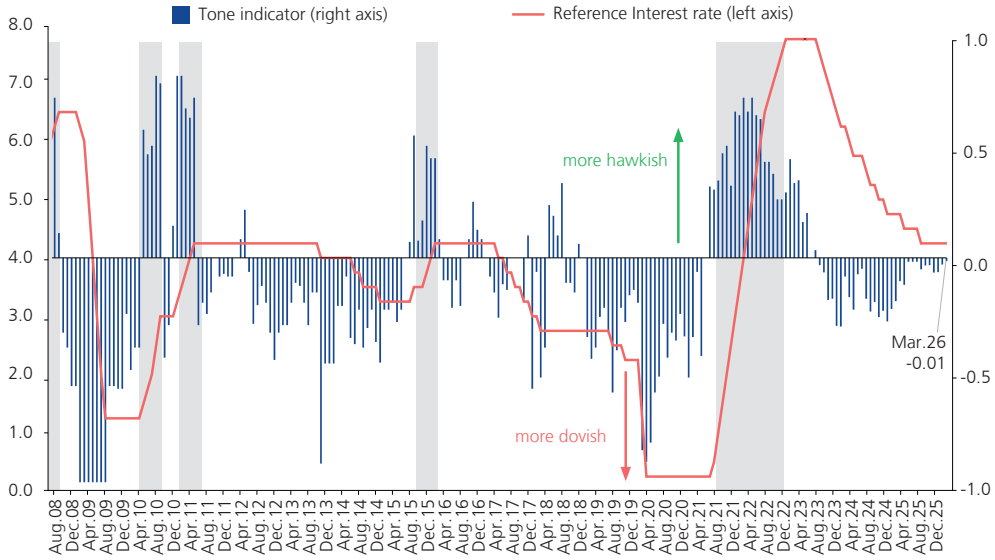
72. Since May 2024, monetary policy statements have emphasized that the Board remains attentive to new information on inflation and its determinants, including trends in inflation excluding food and energy (SAE)[31].

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

31 Year on-year inflation excluding food and energy more clearly reflects the demand components targeted by monetary policy.

73. Regarding the tone of the Monetary Policy Statement and monetary policy communication signals, the tone indicator estimated by the BCRP remained in the dovish range; however, in recent months, its intensity has decreased, approaching neutral levels.

Graph 65
REFERENCE INTEREST RATE AND MONETARY POLICY TONE INDICATOR*
(% and index value)



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

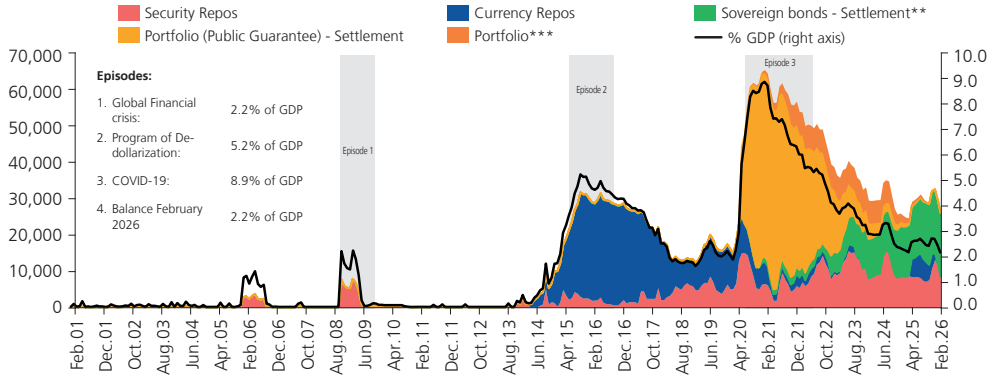
Monetary Operations

74. The BCRP's operations were oriented to ensuring adequate liquidity levels in the interbank market. To this end, between December 2025 and February 2026, the BCRP withdrew a net S/ 4.458 billion in liquidity, comprising the net maturity of Securities Repos (S/ 6.210 billion), the net placement of term deposits and over-the-counter deposits (S/ 5.675 billion), the net maturity of Auctions of Public Treasury Deposits (S/ 1,625 million), and the maturity of Currency Repos (S/ 1,500 million). This withdrawal was in part offset by purchases on the Trading Desk totaling USD 3,461 million (S/ 11,607 million) and the net placement of CD BCRP (S/ 1,055 million), excluding the placement of CD BCRP with payment in dollars amounting to S/ 7,530 million, which were conducted for foreign exchange purposes.

In September 2025, Law No. 32445 was enacted, authorizing an eighth withdrawal of up to 4 Tax Units (UIT), equivalent to S/ 21,400, from individual capitalization accounts. In this context, as of the end of February 2026, the balance of Securities repos with the AFPs amounted to S/ 5.14 billion.

The total balance of liquidity injection operations stood at S/ 26,085 million at the end of February 2026, while the balance of BCRP Certificates of Deposit (CD BCRP) was S/ 45,663 million as of the same date, of which S/ 7,530 million corresponded to CD BCRP with payment in dollars. In terms of nominal GDP, as of the end of February, the balance of liquidity injection operations is equivalent to 2.2 percent of GDP.

Graph 66
BALANCE OF MONETARY INJECTION OPERATIONS OF BCRP*
(In mill. S/)



* As of February 2026.
** The purchase of Public Treasury bonds, in line with article 61 of the BCRP Organic Law.
*** Repos operations of portfolio loans.
Source: BCRP.

75. The composition of the BCRP's balance sheet reflected a lower share of injection operations and a greater weight of sterilization instruments. Between December 2025 and February 2026, the balance of injection operations fell from 5.9 to 3.4 percent of net assets, mainly due to the lower share of Securities repos (from 3.9 to 2.3 percent). During the same period, the share of Public Sector deposits decreased from 16.7 percent to 13.8 percent of net liabilities, while that of financial system deposits fell slightly from 25.1 percent to 24.9 percent. In contrast, sterilization instruments (CD BCRP, overnight term deposits, and over-the-counter deposits) increased their share from 13.9 to 17.3 percent; and currency in circulation decreased its share from 28.2 to 27.3 percent.

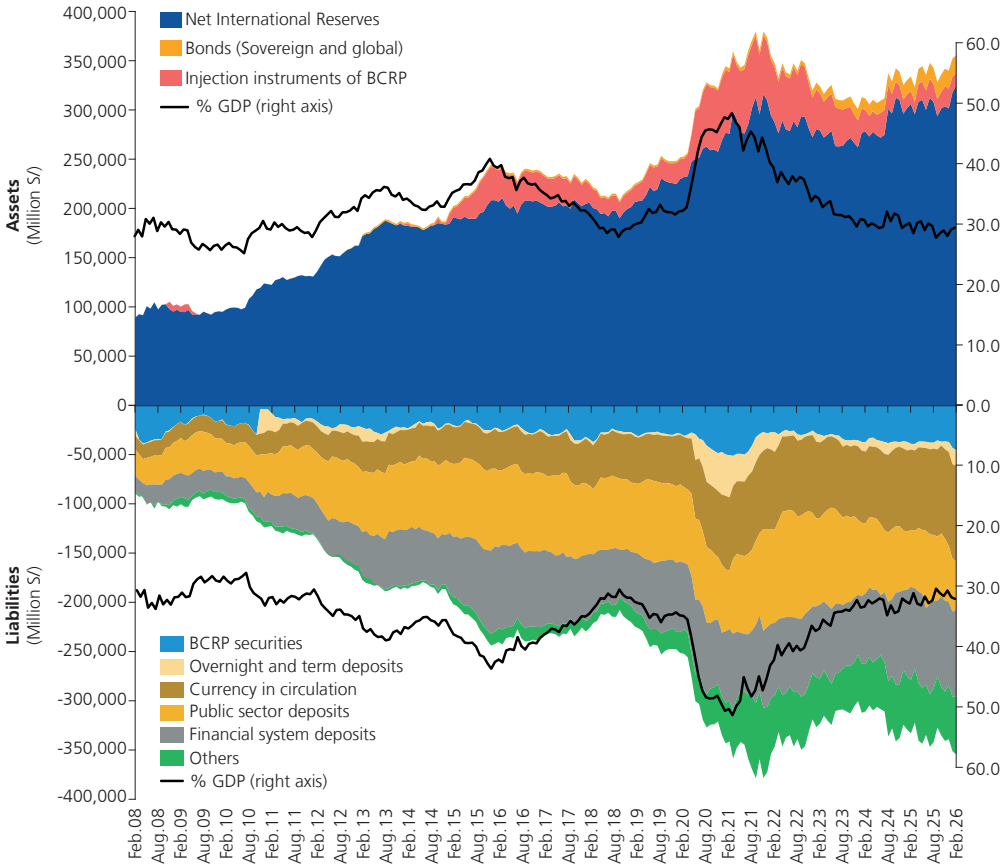
Table 30
SIMPLIFIED BALANCE SHEET OF THE BCRP*
(As % of Net Assets)

	Dec.24	Dec.25	Feb.26
I. Net Assets	**100%**	**100%**	**100%**
1. Net International Reserves	**91.1%**	**88.7%**	**91.4%**
	(USD 78,987 million)	(USD 90,214 million)	(USD 97,295 million)
2. BCRP Injection Instruments	**4.4%**	**5.9%**	**3.4%**
Securities Repo	2.6%	3.9%	2.3%
Currency Repo	0.0%	0.5%	0.1%
Portfolio Repo	0.7%	0.0%	0.0%
State Guaranteed Portfolio repos	0.4%	0.0%	0.0%
Auction of Public Treasury Deposits	0.7%	1.5%	1.0%
3. Bonds (Sovereign and Global)	**4.5%**	**5.4%**	**5.2%**
II. Net Liabilities	**100%**	**100%**	**100%**
1. Total Public Sector deposits	**18.8%**	**16.7%**	**13.8%**
In domestic currency	12.6%	11.2%	9.7%
In foreign currency	6.2%	5.5%	4.1%
2. Total financial system deposits	**24.9%**	**25.1%**	**24.9%**
In domestic currency	4.4%	4.8%	4.2%
In foreign currency	20.5%	20.3%	20.6%
3. BCRP sterilization instruments	**13.4%**	**13.9%**	**17.3%**
CD BCRP**	11.2%	10.8%	12.8%
BCRP CDRs	0.0%	0.0%	0.0%
Term Deposits	1.8%	2.8%	4.4%
Overnight Deposits	0.4%	0.3%	0.1%
4. Currency in circulation	**25.7%**	**28.2%**	**27.3%**
5. Other* **	**17,2%**	**16,1%**	**16,7%**

* Information as of the end of February 2026.
** Includes CD BCRP with payments in dollars.
*** Includes equity and other accounts.
Source: BCRP.

The size of the BCRP's balance sheet remained in line with its pre-pandemic level. In February 2026, BCRP assets totaled S/ 357,509 million, equivalent to 29.5 percent of GDP, above the level observed at the end of 2025 (28.2 percent of GDP).

Graph 67
EVOLUTION OF THE BCRP BALANCE SHEET: 2008–2026



Source: BCRP.

The maturity profile of the BCRP monetary operations showed a reduction in the weighted average residual maturity. Between December 2025 and February 2026, the residual maturity of liquidity- providing operations fell from 49 to 32 days, primarily due to the net maturity of Securities Repos. Likewise, the residual maturity of sterilization operations decreased from 101 to 90 days, associated with increased issuance of CD BCRP with maturities of less than six months. As a result, the weighted average residual maturity[32] decreased by 16 days, and the average maturity of sterilization instruments outweighed that of injection instruments by 70 days.

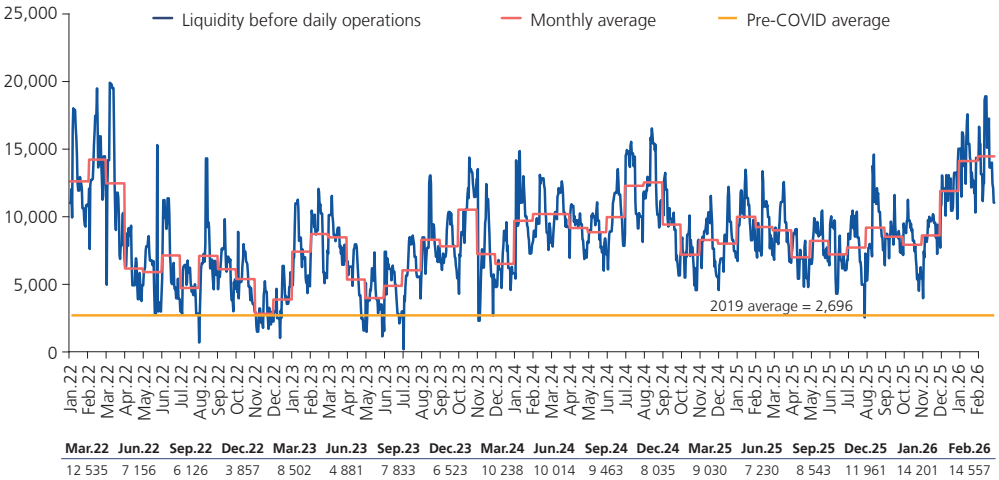
32 The weighted net residual maturity is the difference between the residual maturities of injection and sterilization operations, weighted by the balance of each instrument. It is calculated using the following formula: $Weighted\ Net\ Residual\ Maturity = \frac{Injection\ Balance}{Injection\ Balance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

Graph 68
WEIGHTED NET RESIDUAL TERM OF BCRP TRANSACTIONS*
(In days)

* A positive weighted net residual maturity indicates that the average maturity terms for injection operations are longer than those for sterilization operations.
Note: As of the end of February.
Source: BCRP.

The pre-trading liquidity of banks held at the BCRP increased in the analyzed period. Between December 2025 and February 2026, the daily average of pre-trading liquidity[33] rose from S/ 11.961 billion to S/ 14.557 billion, primarily due to the continuous injection of liquidity associated with the BCRP's purchases of foreign currency in the interbank spot market, which totaled USD 3.461 billion (S/ 11.607 billion).

Graph 69
PRE-OPERATING LIQUIDITY OF BANKS
(In million S/)



Mar.22	Jun.22	Sep.22	Dec.22	Mar.23	Jun.23	Sep.23	Dec.23	Mar.24	Jun.24	Sep.24	Dec.24	Mar.25	Jun.25	Sep.25	Dec.25	Jan.26	Feb.26
12 535	7 156	6 126	3 857	8 502	4 881	7 833	6 523	10 238	10 014	9 463	8 035	9 030	7 230	8 543	11 961	14 201	14 557

Note: As of the end of February.
Source: BCRP.

33 This reflects the aggregate current account of banks at the BCRP at the start of the business day. Specifically, it includes the balance prior to transactions with the central bank, after incorporating the net maturities of liquidity-providing instruments and the sterilization from the previous day, as well as the effect of other exogenous factors.

Financial markets

76. During the first quarter of 2026, financial conditions in domestic currency remained accommodative. This trend occurred against a backdrop of high liquidity prior to banks' operations and was reflected in a decline in most interest rates on loans and deposits, particularly in segments with shorter maturities and lower credit risk.

In the unsecured interbank lending market, the average overnight rate remained at its benchmark level, while the average daily trading volume fell to S/ 938 million, below the fourth quarter of 2025 (S/ 1,284 million).

Table 31
INTEREST RATES IN DOMESTIC CURRENCY[1/]
(%)

	Dec.22	Dec.23	Dec.24	Sep.25	Dec.25	Mar.26	Average since 2010[2/]
Liabilities							
Corporate Preferential 90 days	8.1	6.7	4.5	4.4	4.3	4.1	3.9
TIPMN	3.0	3.5	2.4	2.2	2.0	2.0	2.3
FTIPMN	3.7	3.1	2.2	2.2	1.9	2.1	2.3
Deposits up to 30 days	7.4	6.7	4.4	4.2	3.9	3.8	3.6
Individuals	3.7	3.3	3.3	3.2	3.4	3.4	2.5
Business	7.4	6.7	4.4	4.2	3.9	3.8	3.6
Term deposits from 31 to 90 days	7.5	6.6	4.4	4.2	4.1	3.9	3.8
Individuals	3.7	6.1	3.9	3.9	3.7	3.6	2.4
Business	7.8	6.8	4.7	4.4	4.3	4.0	3.9
Term deposits from 91 to 180 days	7.6	6.2	4.1	3.9	3.9	3.8	3.9
Individuals	4.8	5.9	3.7	3.5	3.4	3.3	2.9
Business	8.5	6.9	4.8	4.4	4.4	4.3	4.2
Term deposits from 181 to 360 days	7.6	5.7	4.2	4.1	4.2	4.1	4.1
Individuals	6.9	5.0	3.7	4.0	4.0	3.9	3.8
Business	7.8	6.2	4.6	4.2	4.4	4.2	4.3
Term deposits over 360 days	6.8	5.4	4.1	3.9	4.0	3.8	4.3
Individuals	5.9	5.0	3.7	3.6	3.7	3.7	4.3
Business	7.8	6.0	4.5	4.4	4.4	4.4	4.3
CTS	2.6	2.0	2.0	2.5	2.0	2.5	3.0
Active							
Corporate Preferential 90 days	9.2	7.5	5.1	4.9	4.8	4.7	4.7
TAMN	14.5	15.9	15.0	15.5	17.1	17.0	15.6
FTAMN	28.3	28.4	27.5	29.4	31.4	31.5	22.2
Corporate	8.9	8.1	5.8	5.8	5.7	5.1	5.4
Large Businesses	10.6	10.2	8.4	7.8	7.6	7.7	7.1
Medium-sized Businesses	14.1	13.3	10.3	10.7	9.8	10.1	10.4
Small Businesses	22.5	22.9	19.8	20.1	19.5	20.1	20.4
Microenterprises	35.7	37.7	46.3	70.6	71.4	70.3	36.2
Microenterprises[3/]	39.3	43.9	48.8	56.2	57.8	57.6	41.8
Consumption	49.6	56.9	59.9	55.6	61.1	58.6	44.8
Consumption[3/]	47.7	54.3	55.6	55.9	54.9	57.8	49.0
Mortgage	9.9	9.1	8.2	7.9	7.9	7.8	8.4

1/ Annualized rates for bank transactions over the past 30 days.
2/ Calculated as of September 2010. For consumer credit in the financial system, this is the average since October 2019.
3/ Refers to the average for the financial system.
On July 14, 2023, the SBS published Resolution No. 2368-2023, which amended the definitions of business credit segments; these amendments took effect on October 1, 2024.
As of March 13.
Source: BCRP and SBS.

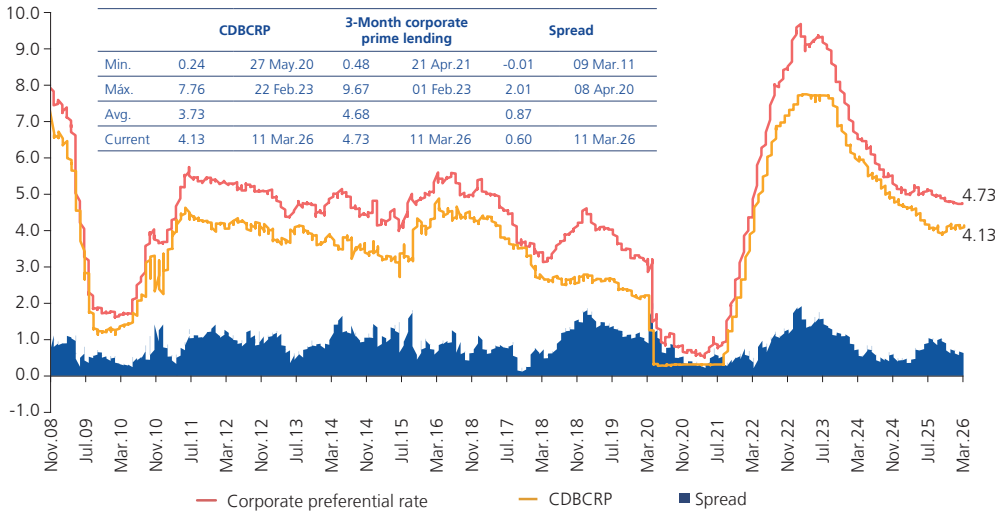
Lending rates in domestic currency showed varying trends across credit segments during the first quarter of 2026. Particularly, 3-Month corporate prime lending rates —both lending and deposit rates, which reflect the financial conditions of banks— declined across most maturities, with the sharpest decreases observed in the three-month maturity. Thus, between December 2025 and March 2026, lending and deposit rates for terms ranging from overnight to twelve months accumulated average reductions of 3 and 14 basis points, respectively (6 and 19 basis points, respectively, for the three-month term).

In line with this trend, the spread between the 3-month corporate prime lending rate and the 3-month CD BCRP rate narrowed from 73 to 60 basis points between the fourth quarter of 2025 and the first quarter of 2026, following an increase in the CD BCRP rate and a decrease in the prime rate.

Graph 70

3-MONTH CORPORATE PRIME LENDING RATE AND 3-MONTH CD BCRP RATE

(%)



As of March 13.
Source: BCRP and SBS.

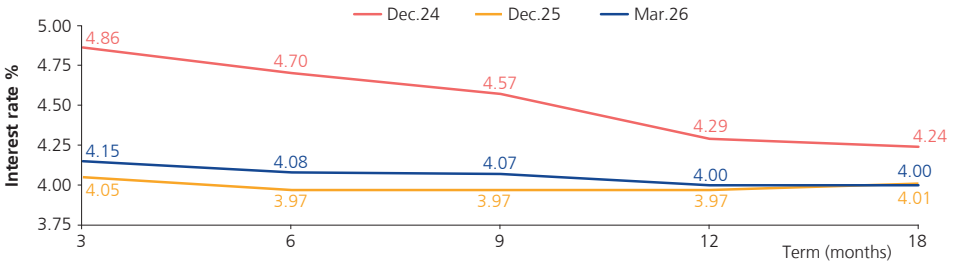
77. Lending rates in domestic currency charged by banks varied across segments during the first quarter of 2026. During that period, rates charged to the corporate sector and microenterprises fell by 58 and 110 basis points, respectively, while rates applied to the large, medium, and small business segments rose by an average of 38 basis points. The consumer segment recorded the largest reduction in its interest rate (252 basis points).

During the same period, there was a slight easing of mortgage financing conditions. The average interest rate on mortgage loans fell from 7.89 percent to 7.78 percent between December 2025 and March 2026, while the yield on 10-year sovereign bonds rose from 5.77 percent to 6.29 percent over the same period. For its part, the outstanding balance of mortgage loans held by banks increased from S/ 67.1 billion to S/ 67.5 billion between December 2025 and January 2026.

Interest rates on domestic currency deposits showed mixed trends, with larger declines compared to the fourth quarter of 2025. Particularly, rates paid to individuals for terms of up to 30 days and between 31 days and one year decreased by an average of 4 basis points, while those for terms longer than one year increased slightly by 2 basis points. For businesses, interest rates decreased across all terms, with an average reduction of 15 basis points. For its part, the interest rate on CTS deposits rose from 2.04 percent in December 2025 to 2.46 percent in March 2026, while the balance of this type of deposit in domestic currency decreased from S/ 5,027 million to S/ 4,858 million between December 2025 and January 2026.

78. The yield curve of BCRP securities recorded a slight upward shift between December 2025 and March 2026. During that period, yields on CDs with maturities of 3 to 12 months rose by an average of 9 basis points, a larger increase than that observed in the fourth quarter of 2025 (7 basis points). Since the beginning of the third quarter of 2024, the BCRP has been regularly conducting auctions of long-term CD BCRP (between 12 and 18 months), contributing to the formation of a short-term yield curve for the private sector.

Graph 71
YIELD CURVE OF BCRP SECURITIES[1/]
(%)

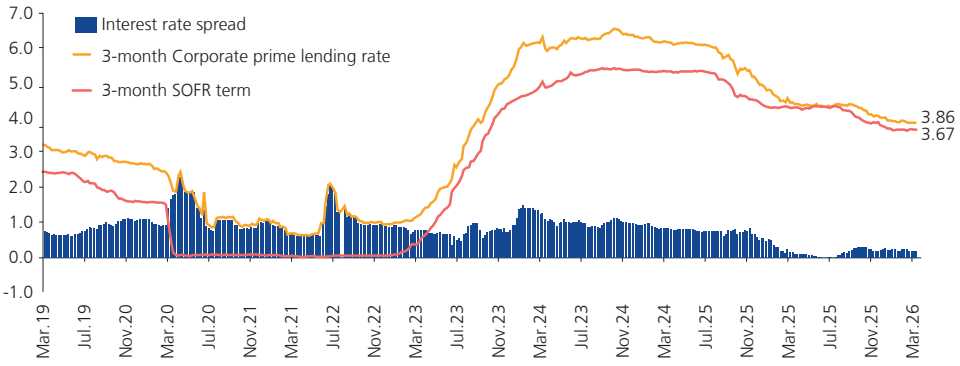


1/ Yield rate on the primary and secondary markets for CD BCRP.
As of March 13.
Source: BCRP.

79. Interest rates in the dollar money market showed mixed trends in the first quarter of 2026, against a backdrop in which the Federal Reserve kept its policy rate unchanged at 3.75 percent. In the interbank market, the overnight interest rate remained at 3.75 percent in March 2026. For its part, prime lending rates recorded increases for 1- and 6-month terms of 9 basis points each and fell by 6 basis points for the 3-month term. Prime deposit rates recorded increases of 3 basis points for the 1-month term and fell by an average of 9 basis points for the 3- and 6-month terms.

During the same period, the 3-month Term SOFR rate rose slightly from 3.65 percent in December 2025 to 3.67 percent in March 2026. In line with this trend, the spread between the 3-month Corporate prime lending rate and the 3-month Term SOFR rate narrowed from 0.26 to 0.19 percentage points.

Graph 72
INTEREST RATES IN DOLLARS: 3-MONTH CORPORATE PRIME LENDING RATE AND CME TERM-SOFR
(%)



As of March 13.
Source: Chicago Mercantile Exchange, BCRP.

In the foreign-currency bank lending market, interest rates also varied across segments. During the first quarter of 2026, rates applied to the corporate sector fell by 9 basis points, while rates charged to large, medium, small, and microenterprises rose by an average of 30 basis points. Over the same period, the mortgage interest rate fell from 6.82 percent to 6.65 percent, and the yield on the 10- year government bond rose from 5.12 percent to 5.31 percent.

Interest rates on dollar-denominated deposits continued to decline, albeit at a slower pace than in the previous quarter. On average, interest rates paid to individuals fell by 17 basis points, while rates paid to businesses decreased by 15 basis points. The interest rate on CTS deposits in foreign currency rose from 0.88 percent in December 2025 to 1.02 percent in March 2026.

Table 32
INTEREST RATE IN FOREIGN CURRENCY[1/]
(%)

	Dec.22	Dec.23	Dec.24	Sep.25	Dec.25	Mar.26	Average since 2010[2/]
Passive							
Corporate Preferential 90 days	4.7	5.3	3.9	3.5	3.2	3.1	1.7
TIPMN	1.2	1.9	1.7	1.4	1.1	1.1	0.8
FTIPMN	2.3	3.3	2.8	2.7	2.3	2.3	1.1
Deposits up to 30 days	3.6	5.1	3.7	3.4	3.0	2.9	1.4
Individuals	1.1	3.4	2.8	2.6	2.4	1.9	1.0
Business	3.6	5.1	3.7	3.4	3.0	2.9	1.4
Term deposits from of 31 to 90 days	3.3	4.8	3.8	3.3	3.0	2.9	1.6
Individuals	1.7	3.8	3.1	2.8	2.7	2.6	1.1
Business	3.4	5.1	4.1	3.6	3.3	3.2	1.7
Term deposits from 91 to 180 days	3.4	3.6	3.1	2.8	2.6	2.5	1.5
Individuals	2.1	3.2	2.9	2.6	2.3	2.4	1.2
Business	4.6	5.0	3.9	3.3	3.3	3.0	1.8
Term deposits from 181 to 360 days	3.8	3.5	3.1	3.0	2.8	2.5	1.6
Individuals	3.2	2.7	2.7	2.8	2.4	2.3	1.4
Business	4.9	5.5	3.9	3.4	3.3	3.0	1.9
Term deposits over 360 days	3.5	4.1	3.6	2.5	2.4	2.3	1.7
Individuals	2.9	3.0	2.4	2.5	2.3	2.2	1.6
Business	4.8	5.2	4.1	3.1	3.1	3.1	2.0
CTS	1.1	0.9	0.9	1.2	0.9	1.0	1.4
Active							
Corporate Preferential 90 days	6.0	6.3	4.8	4.3	3.9	3.9	2.7
TAMEX	9.3	10.9	10.6	9.7	9.6	9.8	8.1
FTAMEX	10.9	13.0	12.4	11.6	11.7	12.5	8.6
Corporate	6.1	7.5	6.3	5.4	5.2	5.1	3.7
Large Businesses	7.8	8.8	7.5	6.7	6.5	6.5	5.8
Medium-sized Businesses	8.8	9.8	9.1	8.8	7.6	8.0	8.0
Small Businesses	12.2	13.2	10.0	9.3	9.2	9.7	11.5
Microenterprises	12.7	15.5	10.7	24.2	21.4	21.7	16.1
Microenterprises[3/]	9.4	16.1	10.7	16.4	20.3	18.3	13.6
Consumption	41.0	45.9	48.3	49.0	52.0	50.9	33.9
Consumption[3/]	37.1	40.8	47.6	46.3	49.1	51.6	40.3
Mortgage	8.3	7.9	7.1	6.8	6.8	6.7	7.0

1/ Annualized rates for bank transactions over the past 30 days.
2/ Calculated as of September 2010. For consumer credit in the financial system, this is the average since October 2019.
3/ Refers to the average for the financial system.
On July 14, 2023, the SBS published Resolution No. 2368-2023, which amended the definitions of business credit segments; these amendments took effect on October 1, 2024.
As of March 13.
Source: BCRP and SBS.

80. The interest rate spread between the BCRP's and the Federal Reserve's (Fed) monetary policy rates remained unchanged at 0.50 percentage points between December 2025 and March 2026. During that period, the Fed's policy rate remained at 3.75 percent, while the BCRP's benchmark rate remained at 4.25 percent. This interest rate spread was passed on to certain interest rates in the financial system. The episodes of negative interest rate spreads, observed primarily during 2024, are mainly explained by larger reductions in interest rates denominated in soles relative to those in dollars.

So far in 2026, as of March 13, interest rate spreads have remained positive. In the credit market, all segments recorded positive spreads in March, in line with the trend observed since April 2025. Similarly, in the term deposit market, for both individuals and businesses, spreads were positive across all maturities. Likewise, in the total savings deposit market, the spread rose from -0.05 to 0.27 percentage points.

Table 33

INTEREST RATE SPREADS IN SOLES AND DOLLARS

(In percentage points)

Money Market

	Dec.23	Dec.24	Mar.25	Jun.25	Sep.25	Dec.25	Feb.26	Mar.26
Monetary Policy	**1.25**	**0.50**	**0.25**	**0.00**	**0.00**	**0.50**	**0.50**	**0.50**
Average Interbank Rate	**1.37**	**0.46**	**0.25**	**0.01**	**0.10**	**0.48**	**0.50**	**0.51**
3-Month corporate prime lending								
1 Month	1.26	0.30	0.54	0.66	0.66	1.00	0.80	0.82
3 Months	1.22	0.32	0.59	0.69	0.64	0.87	0.85	0.87
6 Months	1.16	0.14	0.59	0.68	0.68	0.86	0.81	0.83
Preferred Corporate Deposits								
1 Month	1.58	0.67	0.78	0.85	0.85	1.10	0.93	0.95
3 Months	1.45	0.60	0.75	0.87	0.90	1.11	1.01	1.02
6 Months	1.32	0.53	0.74	0.89	0.97	1.14	1.05	1.07

Bank Credit Market

	Dec.23	Dec.24	Mar.25	Jun.25	Sep.25	Dec.25	Feb.26	Mar.26
Credit								
Corporate	0.58	-0.44	-0.10	0.14	0.35	0.52	0.33	0.03
Large Businesses	1.39	0.86	0.49	0.73	1.07	1.11	1.26	1.23
Medium-sized Businesses	3.50	1.18	1.80	0.89	1.88	2.12	2.20	2.16
Small Businesses	9.61	9.77	10.36	10.23	10.78	10.32	10.46	10.38
Microenterprises	22.21	35.60	51.60	46.02	46.45	49.96	48.22	48.58
Microenterprises[1/]	27.77	38.11	38.61	39.16	39.81	37.47	39.22	39.22
Consumption	10.95	11.58	10.89	10.07	6.58	9.09	6.17	7.72
Consumption[1/]	13.48	7.94	10.75	8.22	9.63	5.74	6.25	6.25
Mortgage	1.20	1.12	0.95	0.90	1.10	1.07	1.10	1.13

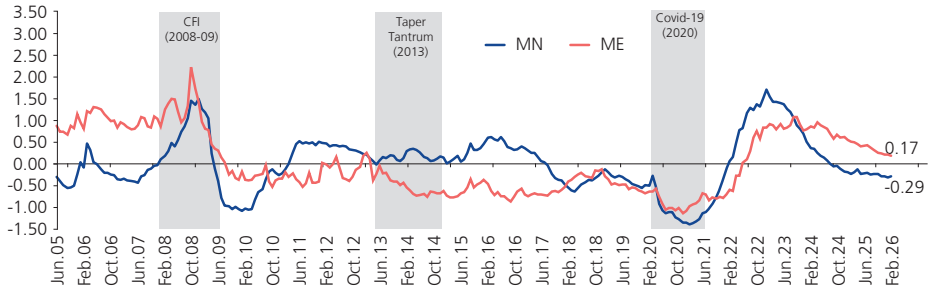
Bank Deposit Market

	Dec.23	Dec.24	Mar.25	Jun.25	Sep.25	Dec.25	Feb.26	Mar.26
Individuals								
Up to 30 days	-0.11	0.41	0.60	0.24	0.52	0.95	1.38	1.51
31–90 days	2.22	0.84	0.84	1.06	1.08	0.98	1.04	1.02
91–180 days	2.64	0.82	0.86	1.03	0.91	1.01	0.99	0.97
181–360 days	2.31	1.03	0.89	1.04	1.14	1.56	1.56	1.55
More than 360 days	1.99	1.27	1.06	0.63	1.11	1.35	1.48	1.50
Legal Entities								
Up to 30 days	1.62	0.67	0.79	0.77	0.72	0.94	0.87	0.89
31–90 days	1.63	0.65	0.79	0.89	0.86	1.06	0.89	0.85
91–180 days	1.86	0.86	1.19	0.97	1.12	1.06	1.19	1.24
181–360 days	0.71	0.72	1.49	0.80	0.81	1.15	1.29	1.24
More than 360 days	0.74	0.40	0.84	0.91	1.23	1.36	1.31	1.31
Total								
Savings	0.04	-0.01	0.00	0.00	0.01	-0.05	0.22	0.27
Up to 30 days	1.62	0.67	0.79	0.78	0.72	0.94	0.87	0.90
31–90 days	1.81	0.59	0.70	0.97	0.95	1.08	0.95	0.91
91–180 days	2.64	0.97	1.11	0.99	1.04	1.32	1.23	1.27
181–360 days	2.28	1.05	1.29	1.14	1.10	1.38	1.62	1.56
More than 360 days	1.25	0.50	1.36	0.75	1.31	1.56	1.54	1.52
Forward	1.63	0.67	0.79	0.78	0.73	0.96	0.89	0.91
CTS	1.13	1.11	2.24	1.01	1.30	1.16	1.41	1.44

1/ Represents the financial system average.
As of March 13.
Source: BCRP and SBS.

81. Financial conditions in domestic currency stood below neutral in February, in line with trends in financial system interest rates. In contrast, financial conditions in foreign currency saw an easing of conditions during the same period, in line with trends in international interest rates.

Graph 73
FINANCIAL CONDITIONS INDICES IN PERU (2005–2026)



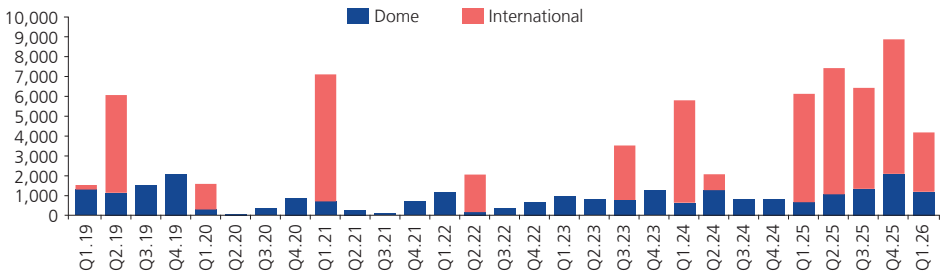
Note: Based on the document "Estimation of New Financial Conditions Indices for the Peruvian Economy" by Pérez, F. (2024). Working Papers 2024-012, Central Reserve Bank of Peru. Principal component analysis is used on a dataset of interest rates and spreads to construct the indices in both currencies. Data as of the end of February.
Source: BCRP.

Fixed-income market

82. Private-sector bond placements slowed between January and March 2026 compared to the fourth quarter of 2025. On the domestic market S/ 1,204 million was placed, a lower amount than that recorded in the previous quarter (S/ 2,115 million). However, the total issued in the domestic market during 2025 (S/ 5.21 billion) represents the highest figure since 2019 (S/ 6.108 billion), reflecting a recovery in the local market following the post-pandemic years and episodes of extraordinary withdrawals from the AFPs, in an environment that is more favorable.

The international private bond market remained dynamic in the first quarter. During that period, USD 900 million[34], was issued, with maturities ranging from 5 to 10 years, in line with the trend observed in 2025.

Graph 74
PRIVATE SECTOR BOND PLACEMENTS
(In millions of S/)



As of March 13.
Source: Reuters and SMV.

Issuance by non-resident entities in soles has remained moderate so far in 2026. In the first quarter, S/ 175 million in soles-denominated instruments were placed, with maturities ranging from 3 months to 8 years. On an annual basis, the total amount placed in 2025 amounted to S/ 2.64 billion, outweighing the figures recorded in 2024 (S/ 1.049 billion), 2023 (S/ 1.347 billion), and 2022 (S/ 1.883 billion).

83. The value of portfolios managed by institutional investors increased in the first quarter of 2026, driven primarily by growth in mutual funds.

34 Issuances by Interbank (USD 500 million with a 5-year maturity) and Marcobre (USD 400 million with a 10-year maturity).

In the case of the AFPs, the investment portfolio decreased from S/ 115.1 billion at the end of December 2025 to S/ 114.7 billion in the first half of March 2026. The decline was concentrated in March (S/ 2.1 billion) and was driven both by the depreciation of domestic and foreign assets —in an environment of heightened risk aversion associated with the conflict in the Middle East— and by the liquidation of assets to cover the eighth pension fund withdrawal. In the preceding months, the positive performance of the domestic stock market —with a 22 percent increase in the domestic stock exchange's general index in January— helped sustain the portfolio's value through February.

The share of assets managed abroad within the total assets managed by the AFPs increased by 0.7 percentage points, in a context in which the BCRP approved, via Circular No. 0004-2026-BCRP, raising the investment limit in foreign instruments for pension funds managed by the AFPs from 50 percent to 50.5 percent effective February 1. This measure has the role of promoting greater diversification of pension fund investments. As of March 11, 2026, 48.7 percent of the AFPs' investment portfolio is invested in foreign assets.

As in previous instances, the BCRP implemented liquidity-providing measures to mitigate the effects of the eighth withdrawal of pension funds on financial markets. Following the enactment of Law No. 32445 on September 20, 2025, which authorized a withdrawal of up to 4 UITs from Individual Capitalization Accounts; in this context, the BCRP has been providing liquidity through repo operations and dollar purchases, with the aim of preventing an abrupt liquidation of assets by the AFPs and mitigating unwanted pressures on interest rates for Government Treasury bonds and on financial markets.

Table 34
AFPS MANAGED PORTFOLIO
(In million S/)

	Balance				Change	
	Dec.19	Dec.24	Dec.25	Mar.26	Mar.26 - Dec.25	Mar.26 - Dec.19
A. Domestic Investments	**95,347**	**58,516**	**66,824**	**64,119**	**-2,704**	**-31,228**
1. Fixed Income	66,309	28,522	35,479	32,872	-2,607	-33,437
Of which:					*0*	*0*
Government Bonds (BTP)	40,431	19,738	25,306	23,511	-1,794	-16,919
Private Sector Bonds	25,878	8,190	9,840	9,348	-493	-16,531
Financial System	8,232	2,206	2,130	1,994	-137	-6,238
Non-Financial System	17,647	5,984	7,710	7,354	-356	-10,293
2. Equities	19,589	17,734	17,775	18,665	890	-923
3. Checking Accounts	884	108	100	73	-27	-811
4. Financial system deposits	2,969	5,267	6,796	5,591	-1,205	2,622
5. Mutual and Investment Funds	5,336	3,996	3,380	3,996	615	-1,340
6. Short-Term (CD, Commercial Paper)	0	1,713	1,346	1,276	-70	1,276
7. Other	261	1,176	1,947	1,646	-301	1,385
B. Foreign Investments	**78,448**	**49,563**	**55,190**	**55,830**	**640**	**-22,618**
1. Fixed Income	7,237	3,880	4,424	5,339	915	-1,898
2. Equities	32	2,364	2,073	2,083	10	2,051
3. Deposits	151	183	382	273	-109	122
4. Mutual and Investment Funds	70,705	42,119	47,121	46,442	-,678	-24,263
5. Current accounts	323	521	441	536	95	213
6. Other	0	497	749	873	124	873
Transit operations	1,028	-1,103	-6,942	-5,245	1,697	-6,274
Managed portfolio	**174,823**	**106,976**	**115,071**	**114,704**	**-,368**	**-60,120**
Foreign Investments / Managed Portfolio	*44.9%*	*46.3%*	*48.0%*	*48.7%*	*0.7%*	*3.8%*
Degree of dollarization of the portfolio	*56.5%*	*60.9%*	*63.8%*	*64.5%*	*0.7%*	*8.0%*
Deposits in the domestic and foreign banking system / Managed portfolio	*1.8%*	*4.9%*	*6.2%*	*5.1%*	*-1.1%*	*3.3%*
Exchange rate (Soles per dollar)	*3.384*	*3.757*	*3.361*	*3.418*		

As of March 11.
Source: SBS.

For its part, the mutual fund portfolio recorded sustained growth. Between December 2025 and February 2026, assets under management increased from S/ 58.3 billion to S/ 60.7 billion, primarily due to the higher value of domestic investments in an environment of rising domestic asset prices. Likewise, the number of participants rose from 490,000 to 510,000 during the same period, reaching its highest level in the past six years; as of January 2026, individuals accounted for 96 percent of all participants.

Table 35
MUTUAL FUND MANAGED PORTFOLIO
(In billion soles)

	Balance				Change	
	Dec.19	Dec.24	Dec.25	Feb.26	Feb.26 - Dec.25	Feb.26 - Dec.19
A. Domestic Investments	**31,636**	**41,960**	**45,721**	**47,610**	**1,889**	**15,974**
1. Fixed Income	1,375	1,154	1,527	1,860	333	485
Of which:					0	0
Government bonds	247	193	462	566	104	319
2. Equities	131	125	119	151	32	21
4. Deposits	25,179	31,092	32,975	33,611	635	8,432
5. Mutual Funds and Investment Funds	3,924	7,944	9,652	10,620	968	6,696
6. Short-Term (CD, Commercial Paper)	893	1,639	1,253	1,222	-31	329
7. Other	134	6	195	146	-49	12
B. Foreign Investments	**3,686**	**5,917**	**12,592**	**13,115**	**522**	**9,429**
1. Fixed Income	3,543	5,475	12,223	12,576	353	9,033
2. Equities	143	442	370	539	169	395
Managed portfolio	**35,322**	**47,877**	**58,313**	**60,725**	**2,411**	**25,403**
Foreign Investments / Managed Portfolio (%)	*10*	*12*	*22*	*22*	*0.0*	*11.2*
Degree of dollarization of the portfolio	*69*	*75*	*79*	*78*	*-0.8*	*9.1*
*Assets Under Management**	*35,441*	48,103	58,720	60,855	2,135	25,414
*Assets Under Management***	35,764	44,512	58,687	609,011	550,324	573,247
Number of participants (thousands)	*436*	*417*	*490*	*510*	19.7	73.9
Individuals	*423*	*409*	*469*	*478*	9.0	55.7
Legal Entities	*13*	*8*	*21*	*22*	1.0	8.4

*At current exchange rates.
** The exchange rate remains constant as of December 2025.
As of February 27.
Source: SMV.

In the case of insurance companies, the managed portfolio increased from S/ 68.4 billion in December 2024 to S/ 75.7 billion in December 2025. Domestic investments account for 60 percent of the total portfolio; within this category, sovereign bonds account for 26 percent of the total, a higher proportion than that observed in December 2019 (20 percent).

Table 36
MANAGED PORTFOLIO OF INSURANCE BUSINESSES
(In millions of S/)

	Balance				Change	
	Dec.19	Dec.24	Sep.25	Dec.25	Dec.25 - Sep.25	Dec.25 - Dec.19
A. Cash and Deposits	**2,817**	**2,801**	**2,724**	**4,817**	**2,093**	**2,000**
B. Debt Instruments	**33,016**	**53,200**	**51,106**	**57,234**	**6,128**	**24,219**
Of which:						
Government bonds	8,634	17,784	19,003	19,445	,442	10,812
B. Equity Instruments	**2,320**	**3,341**	**3,480**	**4,048**	**,568**	**1,728**
C. Other*	5,776	9,094	5,462	9,629	4,168	3,854
Managed portfolio	**43,929**	**68,435**	**62,772**	**75,729**	**12,957**	**31,800**
Investments in domestic issuers	28,502	40,801	44,948	45,641	,694	17,139
investments by foreign issuers	9,156	17,529	18,598	19,060	,463	9,904
Foreign Investments / Managed Portfolio	*20.8%*	*25.6%*	*29.6%*	*25.2%*	*-4.5%*	*4.3%*

* Includes: real estate and other forms of real estate investment; premiums receivable and loans secured by life insurance policies; and other investments.
Source: SBS.

Exchange market

84. In the first quarter of 2026, the PEN exchange rate appreciated through February, driven by favorable external factors and a high supply of dollars in the Domestic foreign exchange market, followed by a partial reversal in March, amid lower risk appetite and a global

strengthening of the dollar. Between December 2025 and March 2026, the exchange rate rose from S/ 3.364 to S/ 3.453 per dollar, accumulating a depreciation of 2.6 percent.

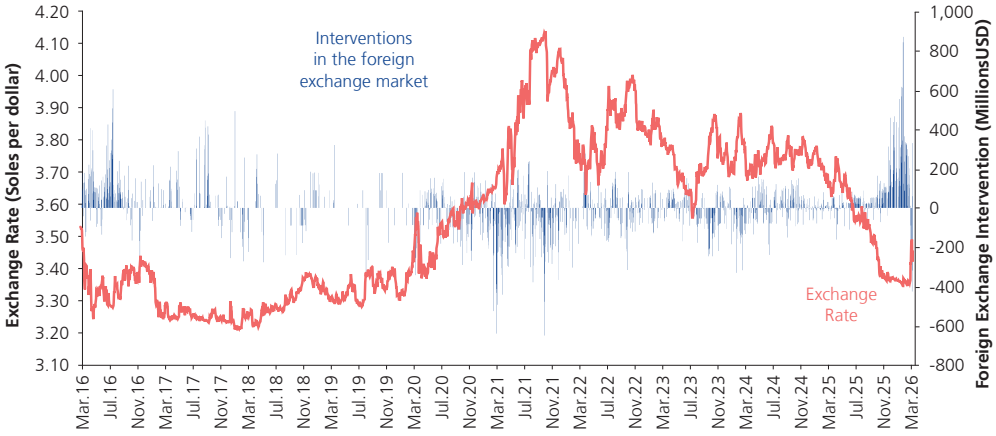
In January, the sol recorded a slight monthly depreciation of 0.18 percent, although it remained on an appreciating trend for most of the month. Between January 2 and 29, the exchange rate appreciated by 0.54 percent, amid higher international copper and gold prices (10.7 and 24.4 percent, respectively), a weakening of the DXY index (-2.1 percent), and high net supply of dollars in the domestic foreign exchange market. Toward the end of the month, on January 30, the sol depreciated by 0.72 percent —the largest negative variation since August 14, 2025— following a global strengthening of the dollar associated with the announcement of the U.S. president's nomination to chair the Federal Reserve.

In February, the sol appreciated by 0.5 percent in an environment of improvement in global risk appetite following the correction in technology and metal stock prices. Domestically, the presidential impeachment had limited and temporary impacts; thus, on February 18, a daily depreciation of 0.21 percent was recorded, without altering the prevailing appreciation trend. Likewise, a high supply of dollars remained in the local market, stemming mainly from non-resident investors.

So far in March, as of the 13th, the sol has depreciated by 3.0 percent against the dollar, the largest decline since June 2024 (3.2 percent). On March 3, a daily depreciation of 1.66 percent was recorded, the largest since July 30, 2021 (3.62 percent). This performance reflects an environment of heightened risk aversion associated with the conflict in the Middle East, which strengthened the dollar by 2.7 percent, while the MSCI Emerging Market FX Index fell by 1.6 percent. In the domestic market, net demand for dollars amounted to USD 1.325 billion, primarily in the derivatives market and from non-resident investors.

Graph 75

EXCHANGE RATE AND FX INTERVENTION BY THE BCRP[1/]



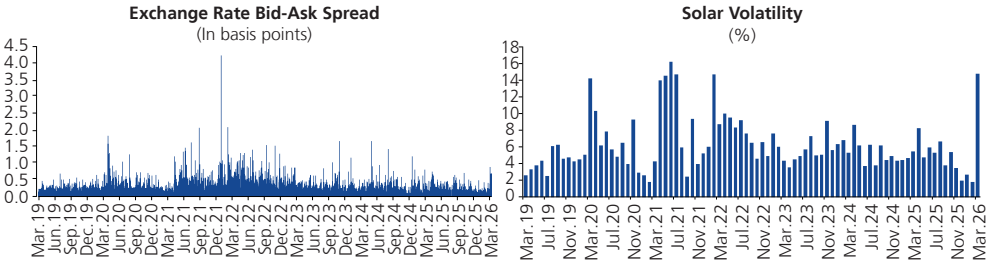
1/ Includes: Purchases/sales of dollars in the spot market and net placements of BCRP CDLDs, BCRP CDRs, and FX swaps.
As of March 13.
Source: BCRP.

In this context, exchange rate volatility increased during the first quarter of 2026. In January and February, it remained at low levels (2.7 percent and 1.8 percent, respectively), while in March it rose to 14.8 percent, its highest level since June 2021 (16.3 percent), although still below the regional average (17.1 percent). On a quarterly basis, it stood at

6.9 percent, lower than the regional average (8.4 percent). The exchange rate fluctuated within a range of S/ 3.346 to S/ 3.491 per dollar, with daily appreciations in 54 percent of trading sessions (60 percent between January and February and 30 percent in March).

Similarly, exchange rate bid-ask spreads widened and fluctuated between 0.10 and 0.89 basis points, mainly in March. These indicators reflect a more volatile environment in the foreign exchange market, in line with the increased uncertainty in international financial markets.

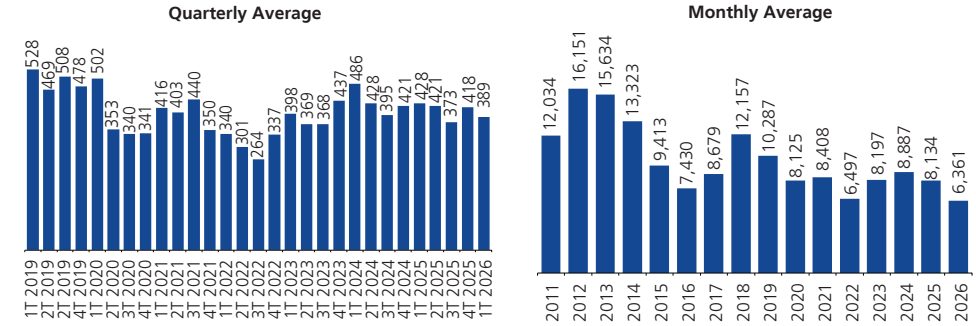
Graph 76
EXCHANGE RATE SPREAD AND VOLATILITY



Monthly annualized daily standard deviation.
As of March 13.
Source: Reuters and BCRP.

Trading volume in the interbank foreign exchange market declined compared to the previous quarter. So far in the first quarter of 2026, the average daily trading volume in the interbank spot market amounted to USD 389 million, lower than the average for the fourth quarter of 2025 (USD 418 million). On a monthly basis, the average trading volume reached USD 6,361 million, below the levels observed in 2024 and 2025 (USD 8,887 million and USD 8,134 million, respectively).

Graph 77
AVERAGE AMOUNT TRADED ON THE INTERBANK SPOT MARKET
(In million USD)



As of March 13.
Source: BCRP.

85. Foreign exchange flows from market participants showed mixed trends in the first quarter of 2026. Between January and February, a net supply of dollars prevailed, reaching a record high in January; while in March, there was a shift toward net demand, in an environment of high uncertainty and a global strengthening of the dollar.

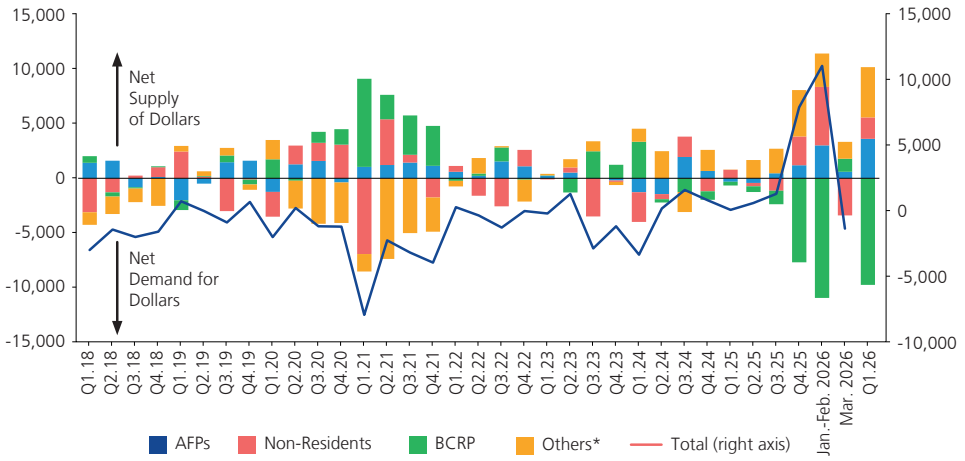
Between January and February, total net supply amounted to USD11.044 billion. The spot market recorded a net supply of USD 2.274 billion, driven mainly by mining companies (USD 3.291 billion), against a backdrop of strong growth in the sector's exports, which

rose from USD 4.343 billion in December 2024 to USD 6.468 billion in December 2025. In the derivatives market, net supply reached USD 8.769 billion, led by non-resident investors (USD 5.613 billion).

In March, net demand recorded USD 1.323 billion. In the spot market, there was a net supply of USD 612 million, driven primarily by net dollar sales by mining companies (USD 1.133 billion) and AFPs (USD 216 million). In contrast, the derivatives market recorded net demand of USD 1.935 billion, the highest level since September 2022 (USD 2.906 billion). This trend was primarily driven by transactions by non-resident investors, who recorded demand of USD 3,039 million, the highest level since March 2021 (USD 3,759 million).

On a daily basis, a net demand for dollars of USD 475 million was recorded on March 3, the highest in recent times, of which USD 692 million came from the derivatives market. This flow was mainly driven by transactions by non-resident investors, who generated a net demand of USD 838 million, a record high.

Graph 78
FLOWS TO THE FOREIGN EXCHANGE MARKET: SPOT AND
(In million USD)



	2021	2022	2023	2024	2025-Q1	2025-Q2	2025-Q3	2025-Q4	2025	Jan.-Feb. 2026	Mar. 2026	2026-Q1**
Spot	-6,892	1,281	-71	6,150	-542	-288	-964	3,734	1,940	2,274	612	**2,886**
Derivatives	-10,279	-2,535	-2,766	-6,813	640	907	2,282	4,166	7,996	8,769	-1,936	**6,834**
Total	-17,171	-1,254	-2,837	-662	98	619	1,318	7,900	9,936	11,043	-1,324	**9,720**
Global Foreign Exchange Position Variation of the Banking Sector	-335	120	405	-368	244	-93	-91	*-238*	*-178*	*-130*	*139*	*8*
BCRP Intervention	17,506	1,134	2,433	1,030	-343	-527	-1,227	*-7,662*	*-9,758*	*-10,913*	*1,185*	*-9,728*

*"Others" includes businesses 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 March 13.
Source: BCRP.

Non-resident investors recorded a total net supply of USD 5.335 billion between January and February, concentrated mainly in the derivatives market (USD 5.613 billion). In March, however, there was a shift toward net demand of USD 3.38 billion (USD 3.039 billion in the derivatives market), the highest level in the last four years. For its part, in the spot market, net flows showed net demand between January and March (USD 618 million). Likewise, between January 2 and March 13, foreign investors made net purchases of Government Treasury bonds totaling S/ 2.528 billion, resulting from purchases in January and February of S/ 3.282 billion and net sales in March of S/ 754 million.

The AFPs recorded a net selling position of USD 3.601 billion in the first quarter of 2026, a figure significantly higher than that observed in the previous quarter (USD 460 million). This trend was primarily driven by the liquidation of foreign assets to cover payments related to the eighth pension fund withdrawal[35]. In the spot market, the AFPs offered USD 1.893 billion, while in the derivatives market, net supply amounted to USD 1.708 billion. Net sales of foreign securities between January and March totaled USD 999 million.

In the non-financial sector, a net supply of USD 4.587 billion was recorded between January and March 2026. Businesses in the corporate sector posted a net demand of USD 908 million —mainly in the spot market (USD 1,681 million)—, mining companies recorded a net supply of USD 4,438 million in the spot market, and the retail sector recorded a net supply of USD 1,076 million in the spot market, all of which were below the levels observed in the previous quarter.

For banks, the overall position increased from USD 247 million in December 2025 to USD 259 million in March 2026. Additionally, the net sales balance of non-delivery forwards (NDFs) between banks and non- resident investors decreased from USD 13.6 billion to USD 11.3 billion during the same period.

Against this backdrop of increased volatility in the sol, the BCRP stepped up its interventions in the foreign exchange market compared to the previous quarter, using instruments to buy and sell dollars.

Between January and February 2026, the BCRP purchased USD 3.461 billion in dollars on the trading desk, reaching a new monthly historical high in January (USD 3.384 billion) since January 2008 (USD 3.270 billion). Additionally, it issued CDBCRP notes with dollar-denominated payments[36] totaling USD 2.228 billion, a mechanism it had not used since September 2016; as well as FX swaps totaling USD 985 million, auctions that were held for the first time since April 2017. In the case of FX Swaps-sale (SCV), no placements were recorded, and USD 4.272 billion matured, of which USD 715 million corresponded to early maturities (unwind)[37].

In March, in an environment of global dollar strengthening, the BCRP participated in the foreign exchange market solely by offering dollars through placements totaling USD 1.788 billion, with maturities ranging from 3 to 6 months, while maturities on these instruments amounted to USD 603 million (including USD 309 million in early redemptions).

86. The evolution of the balance of foreign exchange instruments reflects a reduction in the use of sale instruments through February and an increase in March, amid greater volatility and a shift in the direction of flows in the derivatives market.

The SCV balance decreased by USD 4.272 billion between December 2025 and February 2026, standing at USD 1.582 billion at the end of February, equivalent to 4.8 percent of NIRs, below the level recorded on December 31 (USD 5.864 billion and 6.4 percent of NIRs). As of March 13, the balance increased to USD 2.777 billion, representing an increase of USD 1.185 billion (1.2 percent of the RIN). For its part, the SCC balance

35 Members requested approximately S/ 24.5 billion.

36 This is a type of certificate of deposit denominated in soles that offers a return in soles, but is issued in dollars and settled in soles at maturity. The purpose of this instrument is to absorb the supply of dollars in scenarios where the Sol appreciates. In operational terms, it is equivalent to a purchase of dollars in the spot market, offset by the issuance of the CDBCRP.

37 As of February 2, and until further notice, the window for early redemption of FX Swaps-sale has been opened.

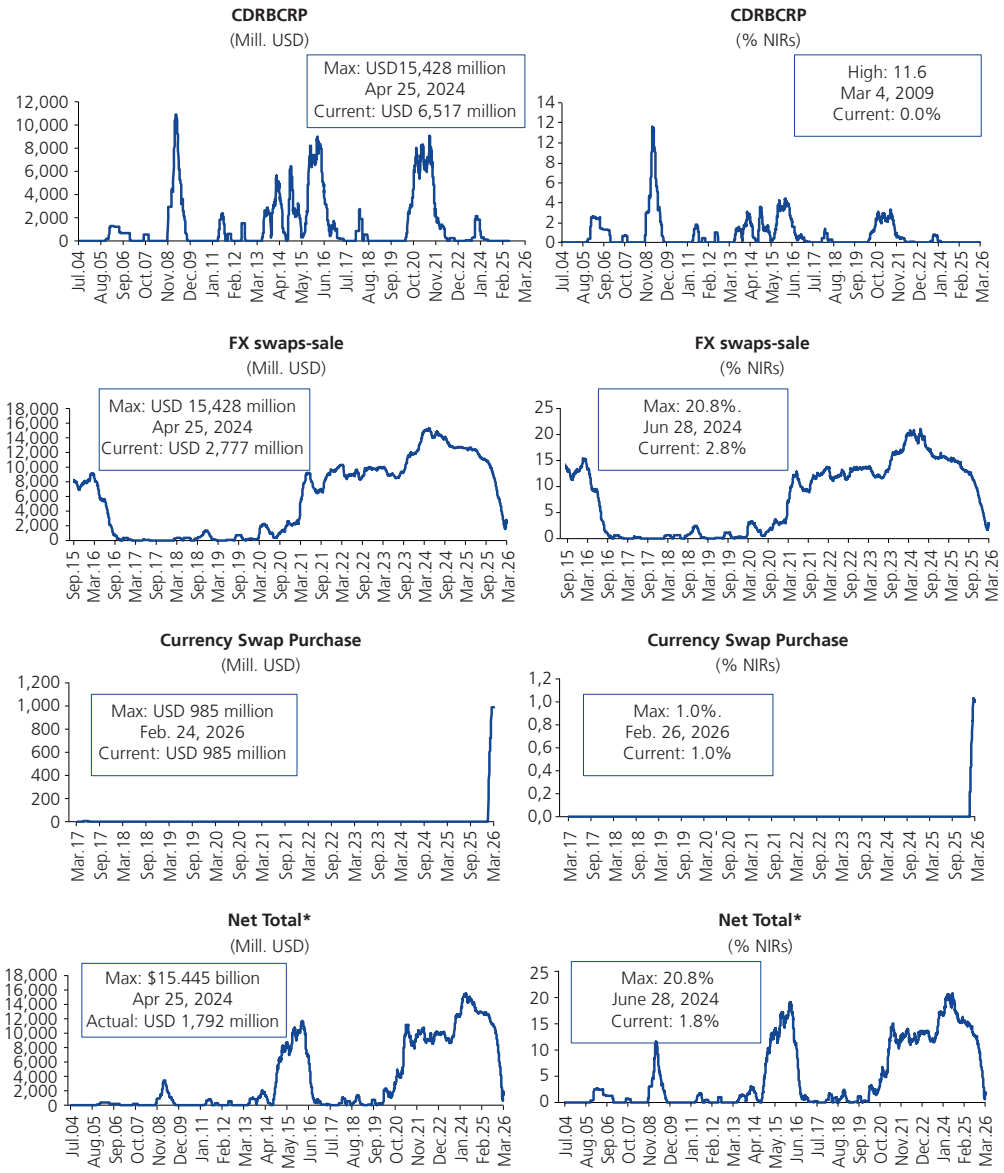
increased by USD 985 million in February and remained stable in March. The net sales balance of foreign exchange instruments decreased from USD 5,864 million in December 2025 to USD 607 million in February 2026; it subsequently increased to USD 1,792 million in March.

Regarding the BCRP's external position, NIRs stood at USD 98,395 million as of March 13, an increase of USD 7,157 million compared to the end of 2025. Similarly, the BCRP's foreign exchange position increased by USD 5,966 million, reaching USD 67,467 million.

Graph 79

BALANCE OF BCRP FOREIGN EXCHANGE INSTRUMENTS

(Million USD and % of NIRs)

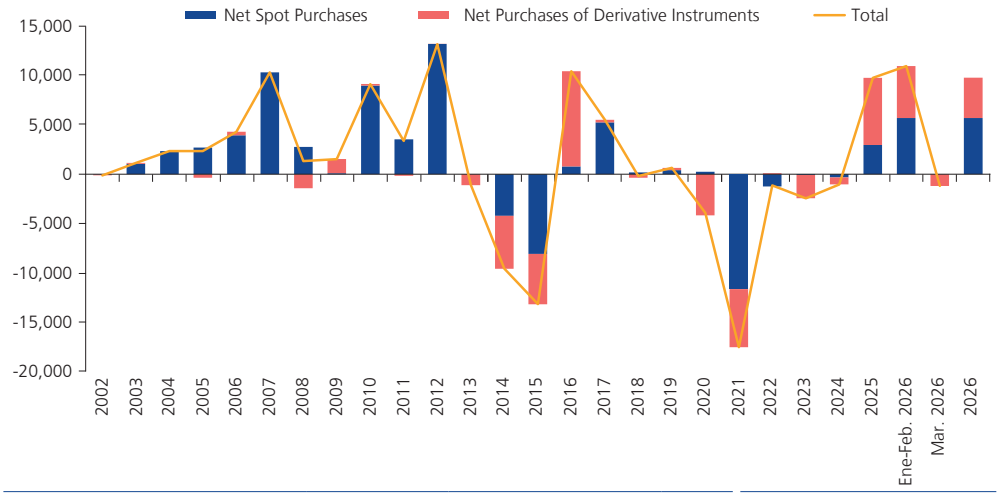


* The total net balance is calculated as the difference between the balance of sale instruments (SCV and CDRBCRP) and the balance of purchase instruments (SCC). As of March 13.
Source: BCRP.

For its part, the SCC balance increased by USD 985 million in February and remained stable in March. The net sales balance of foreign exchange instruments decreased from

USD 5,864 million in December 2025 to USD 607 million in February 2026; it subsequently increased to USD 1,792 million in March.

Graph 80
BCRP INTERVENTIONS IN THE FOREIGN EXCHANGE MARKET
(In millions of USD)



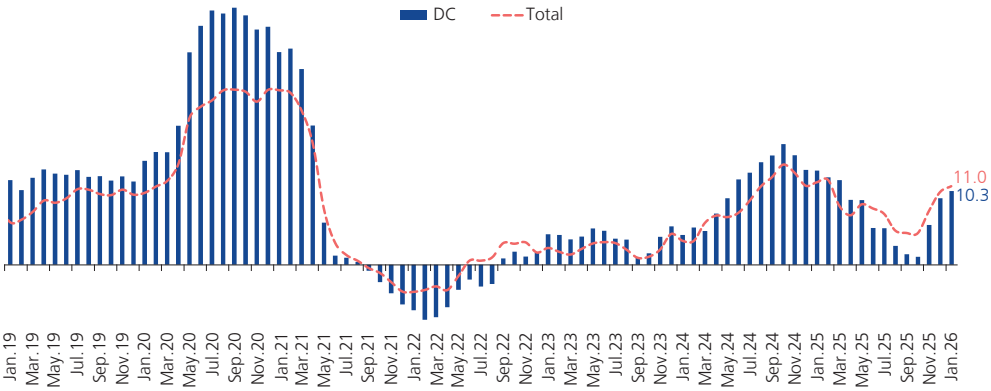
	2020	2021	2022	2023	2024	2025	2026 Jan.-Feb.	2026 Mar.	2026 Q1
Net Spot Purchases*	251	-11,626	-1,236	-81	-318	2,955	5,689	0	5,689
(of which CDs denominated in USD)	0	0	0	0	0	0	2,225	0	2,225
Net Purchases of Derivatives **	-3,751	-5,880	102	-2,352	-712	7,009	5,257	-1,185	4,072
Total	**-3,500**	**-17,506**	**-1,134**	**-2,433**	**-1,030**	**9,964**	**10,947**	**-1,185**	**9,762**

* Includes purchases from the AFPs totaling USD 410 million in 2020 and USD 206 million in 2025.
** Includes net placements of CDLDs and buy FX swaps, as well as net maturities of BCRP CDRs and FX Swaps-sale. As of March 13.
Source: BCRP.

Liquidity

87. Private sector deposits continued to grow at a rapid pace in January 2026. On a year-over-year basis, the growth rate stood at 11.0 percent. By currency, deposits in soles increased by 10.3 percent year-on-year, while dollar-denominated deposits recorded a growth rate of 12.5 percent year-on-year during the same period.

Graph 81
PRIVATE SECTOR DEPOSITS BY CURRENCY*
(Annual % chg)



* Total at a constant exchange rate of S/ 3.36 per USD as of December 2025.
Source: BCRP.

Table 37
MONEY AND CREDIT AGGREGATES OF DEPOSIT COMPANIES (END OF PERIOD)
(Annual % chg)

	Dec.19	Dec.20	Dec.21	Dec.22	Dec.23	Dec.24	Dec.25	Jan.26
Currency in circulation (End-of-period)	4.7	37.3	16.0	-3.8	-5.6	11.4	14.6	16.4
Deposits in domestic currency	11.6	33.2	-5.5	1.7	5.4	13.2	9.3	10.3
Total deposits[1/]	9.8	24.5	-3.8	1.7	4.3	11.0	10.1	11.0
Broad money in domestic currency	10.0	32.3	-0.8	0.6	4.0	12.9	10.6	11.7
Total liquidity[1/]	9.2	25.8	-0.4	1.0	3.4	10.8	10.8	11.8
Credit to the private sector in domestic currency	9.7	19.4	5.5	2.3	0.9	1.5	5.0	5.4
Total credit to the private sector[1/]	6.9	11.5	4.2	4.2	1.4	0.4	6.5	7.2
Total credit to the private sector (without Reactiva Peru Program)[1/]	6.9	-5.3	9.2	11.1	5.2	1.6	6.9	7.5

1/ The exchange rate remains constant as of December 2025.
Source: BCRP.

88. The financial savings ratio has shown a gradual recovery in recent years, following the sharp decline observed after the pandemic. This ratio rose from 53.1 percent of GDP in 2019 to 62.0 percent of GDP in 2020, driven by precautionary savings associated with the health crisis. Subsequently, the ratio fell below pre-pandemic levels, influenced mainly by the availability of the CTS, withdrawals from pension funds, and the capital outflow observed in 2021. In December 2024, the ratio stood at 41.2 percent of GDP, and recovered to 42.1 percent of GDP in January 2026.

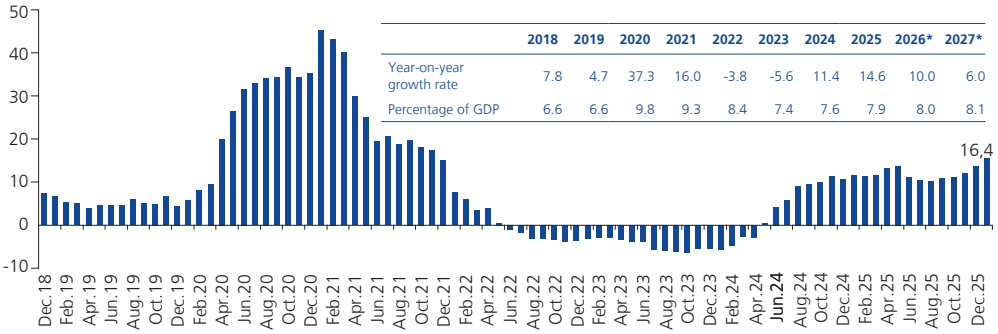
Table 38
FINANCIAL SAVINGS TO GDP RATIO*
(%)

	Dec.19	Dec.20	Dec.21	Dec.22	Dec.23	Dec.24	Dec.25	Jan.26
Deposits	24.8	31.7	25.6	25.6	24.8	24.9	24.7	24.8
Of which: CTS	*2.9*	*3.0*	*1.3*	*1.1*	*0.9*	*0.8*	*0.8*	*0.8*
AFPs	22.0	22.3	14.8	11.0	11.9	9.5	9.4	9.5
Mutual Funds	4.3	5.7	3.0	2.5	2.8	3.8	4.6	4.7
Rest[1/]	2.0	2.3	2.2	2.4	2.8	2.9	3.1	3.1
TOTAL	**53.1**	**62.0**	**45.5**	**41.5**	**42.3**	**41.2**	**41.8**	**42.1**

1/ Includes insurance technical reserves, securities, and other liabilities to the private sector.
* Starting in January 2025, the concept of financial savings is defined as a measure of savings in medium- and long-term assets; therefore, demand deposits and short-term obligations are excluded from this definition. 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).

89. Currency **in circulation** recorded strong year-on-year growth in January 2026, driven primarily by increased demand for high-denomination bills. In the month, currency in circulation rose by 16.4 percent year-on-year. Looking ahead, a gradual moderation in the pace of growth is expected: an increase of 10.0 percent is projected for 2026 and growth of 6.0 percent for 2027, in line with the expected evolution of economic activity.

Graph 82
CURRENCY IN CIRCULATION
(12-month % change)

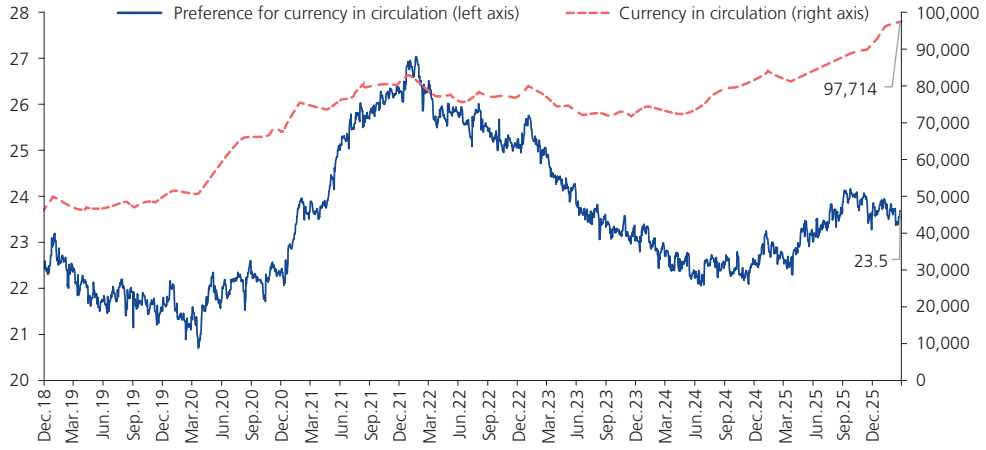


	2018	2019	2020	2021	2022	2023	2024	2025	2026*	2027*
Year-on-year growth rate	7.8	4.7	37.3	16.0	-3.8	-5.6	11.4	14.6	10.0	6.0
Percentage of GDP	6.6	6.6	9.8	9.3	8.4	7.4	7.6	7.9	8.0	8.1

* Forecast.
Source: BCRP.

90. The preference for currency in circulation returned to a moderate growth trajectory following the decline observed between 2022 and 2024. After rising continuously between April 2020 and January 2022, this indicator declined between February 2022 and November 2024, closing at 22.5 percent in the latter month. Subsequently, the preference for currency in circulation rose again, reaching 23.5 percent at the end of January 2026, a trend associated with increased demand for high-denomination bills.

Graph 83
CURRENCY IN CIRCULATION AND PREFERENCE FOR CURRENCY
(Million S/ and %)



As of the end of February 2026.
Note: The preference for demand deposits is equal to the balance of demand deposits held by deposit-taking institutions divided by the balance of broad money in domestic currency held by deposit-taking institutions.
Source: BCRP.

Credit to the private sector

91. **Credit to the private sector** continued to recover in recent months, reflecting both supply and demand factors. In January 2026, credit to the private sector grew 7.2 percent year-over-year, exceeding the growth recorded in 2025 (6.5 percent).

92. Loans to individuals continued to grow steadily in January 2026. In the month, this segment grew by 6.8 percent year-over-year, driven primarily by mortgage loans (7.2 percent), other consumer loans (6.8 percent), and credit card debt (5.7 percent).

93. Corporate loans continued to grow in line with the strength of economic activity. In January 2026, corporate loans grew 7.4 percent year-over-year, compared with the 6.2 percent recorded in 2025. The corporate and large-business segment showed growth of 8.1 percent, while credit to medium, small, and micro-enterprises increased by 6.5 percent.

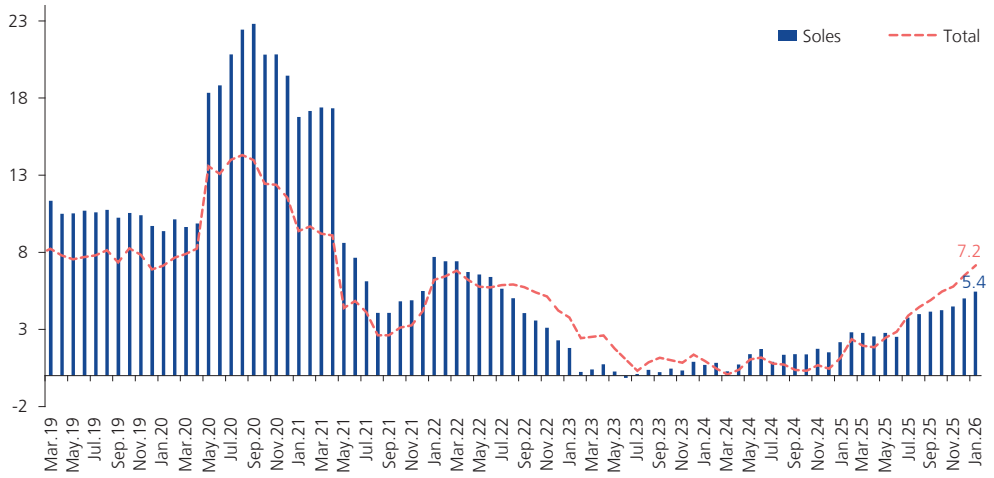
Table 39
TOTAL PRIVATE SECTOR CREDIT[1/]
(Annual growth rates)

	Dec.19	Dec.20	Dec.21	Dec.22	Dec.23	Dec.24	Dec.25	Jan.26
Business loans	**3.9**	**21.3**	**3.8**	**-2.1**	**-2.4**	**-0.2**	**6.2**	**7.4**
Corporate and large businesses	3.5	7.6	8.3	-0.2	-0.1	5.1	6.9	8.1
Medium-sized and Micro-enterprises	4.4	37.1	-0.3	-4.0	-4.6	-5.7	5.4	6.5
Consumer credit for individuals	**11.6**	**-3.1**	**5.0**	**15.9**	**7.2**	**1.3**	**6.9**	**6.8**
Consumption	13.4	-7.1	3.2	21.8	8.3	-1.2	6.7	6.6
Vehicles	11.9	-2.4	7.9	16.4	11.5	2.8	4.3	4.7
Credit cards	13.4	-20.2	-41.5	32.8	10.4	-5.2	6.3	5.7
Rest	13.4	-0.4	21.7	19.8	7.7	-0.4	6.8	6.8
Mortgage	9.1	3.2	7.4	8.2	5.5	5.1	7.1	7.2
TOTAL	**6.9**	**11.5**	**4.2**	**4.2**	**1.4**	**0.4**	**6.5**	**7.2**
Memo:								
Businesses without Reactiva	3.9	-6.8	12.1	7.9	3.9	1.7	7.0	8.0
Total without Reactive	6.9	-5.3	9.2	11.1	5.2	1.6	6.9	7.5

1/ Resolution No. 02368-2023 takes effect in October 2024, amending the definition of the classification of business loans by segment.
Source: BCRP.

94. Credit growth in soles remained positive, while credit in dollars recorded accelerated expansion. As of January 2026, credit in domestic currency grew by 5.4 percent year-on-year, while dollar- denominated credit increased by 13.6 percent.

Graph 84
TOTAL CREDIT TO THE PRIVATE SECTOR AND CREDIT IN DOMESTIC CURRENCY[1/]
(Annual growth rates)



	Dec.18	Dec.19	Dec.20	Dec.21	Dec.22	Dec.23	Dec.24	Dec.25	Jan.26
Domestic Currency	11.6	9.7	19.4	5.5	2.3	0.9	1.5	5.0	5.4
Foreign Currency	3.0	-0.4	-11.0	-0.8	12.0	3.1	-3.4	12.2	13.6
Total[1/]	9.0	6.9	11.5	4.2	4.2	1.4	0.4	6.5	7.2

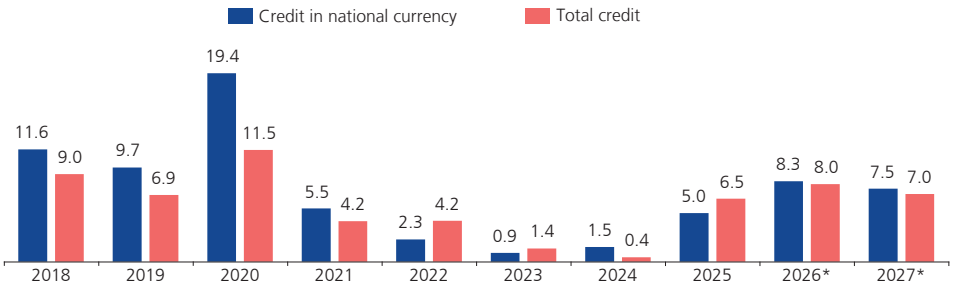
1/ The exchange rate remains constant as of December 2025.
Source: BCRP.

Forecast of Credit to the Private Sector

95. Higher growth in credit to the private sector in domestic currency is projected for the coming years, in line with the expected evolution of economic activity. In this context, credit in domestic currency is projected to grow by 8.3 percent in 2026 and 7.5 percent in 2027, while total credit is projected to grow by 8.0 percent in 2026 and 7.0 percent in 2027.

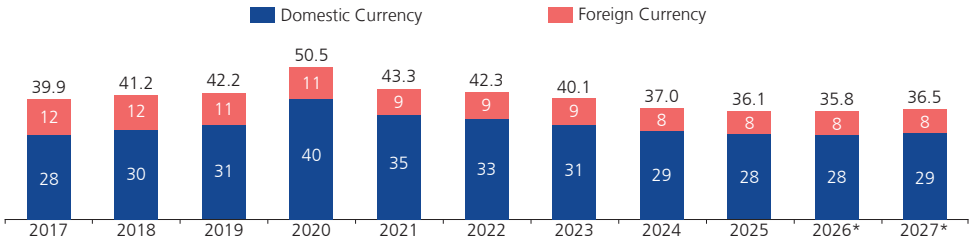
Similarly, the liquidity-to-GDP ratio is projected to decline to 44.8 percent in 2026 and rise to 46.8 percent in 2027. For its part, the ratio of the currency in circulation of deposit companies to GDP would rise from 7.9 percent in 2025 to 8.0 percent in 2026 and 8.1 percent in 2027.

Graph 85
CREDIT TO THE PRIVATE SECTOR
(% changes)



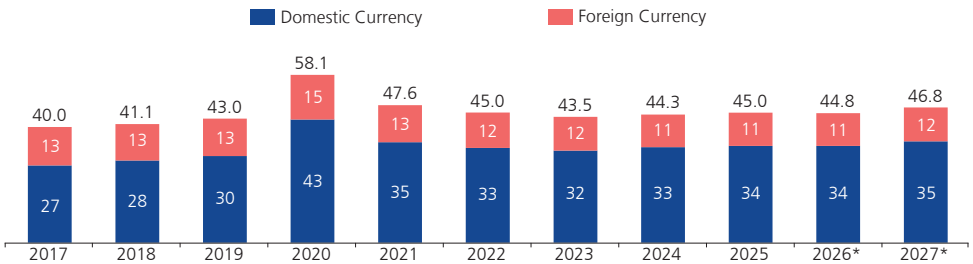
Note: Calculated using a constant exchange rate (December 2025).
* Forecast.
Source: BCRP

Graph 86
CREDIT-TO-GDP RATIO
(%)



Note: Calculated using a constant exchange rate (December 2025).
* Forecast.
Source: BCRP

Graph 87
LIQUIDITY-TO-GDP RATIO
(%)



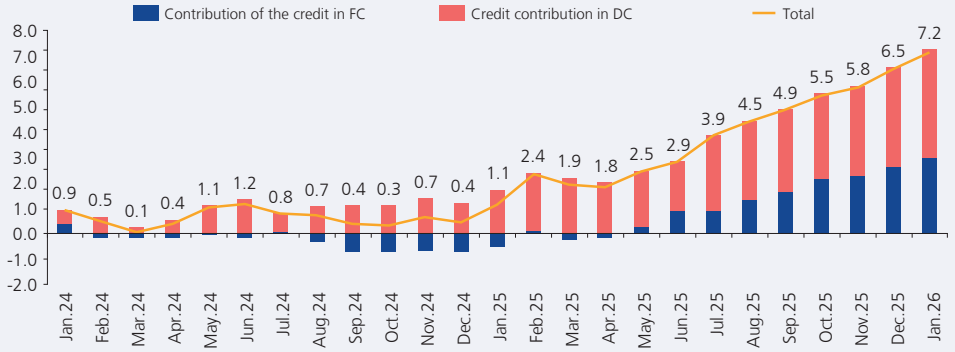
Note: Calculated using a constant exchange rate (December 2025).
* Forecast.
Source: BCRP

Box 6
RECENT TRENDS IN FOREIGN CURRENCY CREDIT

Since early 2025, total credit to the private sector has shown greater momentum, recording year-on-year growth rates above the average observed in 2024 (0.6 percent), a trend consistent with the momentum observed in private spending, particularly investment. This stronger credit growth has been most pronounced in the case of dollar-denominated credit, whose year-on-year growth rate rose from -0.7 percent in April 2025 to 13.6 percent in January 2026. This box analyzes this trend by economic sector, loan size, and financial institution, and discusses its effects on increased risk-taking by financial institutions in the system.

The growth in foreign-currency credit over the past year has been reflected in a greater contribution of foreign-currency credit to the year-on-year growth of total credit, which rose from -0.2 percentage points in March 2025 to 3.0 percentage points in January 2026.

CONTRIBUTION BY CURRENCY TO YEAR-ON-YEAR GROWTH IN TOTAL CREDIT
(%)

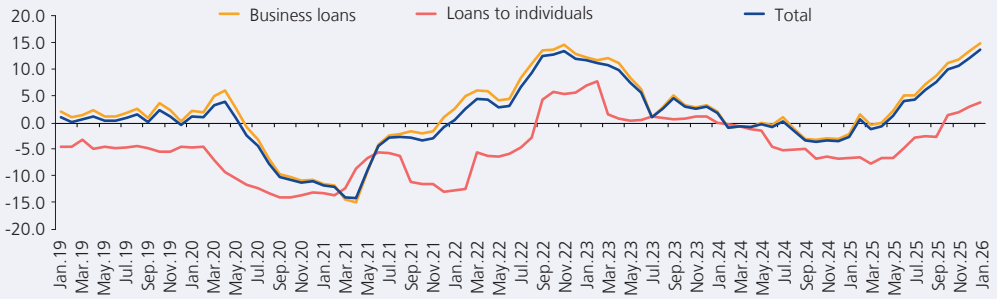


	Mar.24	Jun.24	Sep.24	Dec.24	Mar.25	Jun.25	Sep.25	Oct.25	Nov.25	Dec.25	Jan.26
Domestic Currency	0.3	1.7	1.4	1.5	2.8	2.5	4.2	4.3	4.5	5.0	5.4
Contribution	*0.2*	*1.4*	*1.1*	*1.2*	*2.2*	*2.0*	*3.3*	*3.3*	*3.5*	*3.9*	*4.2*
Foreign Currency	-0.7	-0.8	-3.3	-3.4	-1.1	4.1	7.6	10.1	10.7	12.2	13.6
Contribution	*-0.1*	*-0.2*	*-0.7*	*-0.7*	*-0.2*	*0.9*	*1.7*	*2.2*	*2.3*	*2.7*	*3.0*
Total	**0.1**	**1.2**	**0.4**	**0.4**	**1.9**	**2.9**	**4.9**	**5.5**	**5.8**	**6.5**	**7.2**

Source: Balance Sheet.

From a longer-term perspective, the dynamics of foreign currency credit were strongly affected by the COVID-19 pandemic. In 2019, year-on-year growth was moderate, with an average rate of 0.8 percent; however, following the onset of the lockdown, credit contracted before showing a recovery in 2022. Although a gradual slowdown was observed following this episode, linked to reduced availability of dollar liquidity, recent months have seen a new uptick, associated with increased foreign currency liquidity.

TREND IN YEAR-ON-YEAR GROWTH OF FOREIGN CURRENCY CREDIT BY SEGMENT[1/]
(%)



	Dec.19	Dec.20	Dec.21	Dec.22	Dec.23	Mar.24	Jun.24	Sep.24	Dec.24	Mar.25	Jun.25	Sep.25	Dec.25	Jan.26
Credit to companies	0.3	-10.6	1.1	12.9	3.3	-0.7	-0.4	-3.1	-3.0	-0.3	5.1	8.9	13.4	15.0
Credit to individuals	-4.5	-13.0	-12.8	5.7	1.2	-0.6	-4.5	-4.8	-6.7	-7.6	-4.7	-2.6	3.0	3.8
Total	**-0.4**	**-11.0**	**-0.8**	**12.0**	**3.1**	**-0.7**	**-0.8**	**-3.3**	**-3.4**	**-1.1**	**4.1**	**7.6**	**12.2**	**13.6**

1/ Since October 2024, Resolution No. 02368-2023 takes effect, modifying the definition of the classification of loans to businesses by segment. Consequently, a portion of loans to medium-sized businesses may have been classified as consumer loans. Therefore, from October 2024 through September 2025, the balances adjusted for this reclassification (unadjusted balance) are presented; thereafter, the balances reflect the change in the definition stipulated in the resolution.
Source: Trial Balance.

With regard to foreign-currency corporate lending, the corporate and large-business segment has steadily increased its share, rising from 72.8 percent of the total in December 2019 to 86.0 percent in January 2026. In this regard, the evolution of business lending appears to be closely linked to the performance of this segment, which has a greater capacity to manage dollarization risks, and to a lesser extent to the MSME segment, which may be more vulnerable to such risks.

In addition, the dollarization ratio for business loans has increased, rising from 31.5 percent in December 2024 to 33.9 percent in January 2026. This increase has been greater in the corporate segment, where the ratio rose from 47.7 to 51.7 percent, and in the large-company segment, where it rose from 54.5 to 58.0 percent. A similar trend is observed in other assets of Other Depository corporations: the dollarization of liquid assets and net investments after provisions has increased since December 2021, rising from 42.4 and 18.2 percent to 46.2 and 31.3 percent in January 2026, respectively.

By economic sector, foreign currency loans with the highest year-on-year growth in January 2026 were in Fishing (49.7 percent), Agriculture (20.3 percent), and Services (9.1 percent). Likewise, compared to December 2019, the sectors with the highest growth were Fishing (107.5 percent), Agriculture (57.1 percent), and Manufacturing (18.2 percent).

BUSINESS LOANS BY ECONOMIC SECTOR[1/]

Sector	Balance (Million USD)					Flows (Million USD)			Growth Rate (%)		
	Dec.19	Dec.20	Dec.24	Dec.25	Jan.26	Jan.26/ Jan.25	Jan.26/ Dec.25	Jan.26/ Dec.19	Jan.26/ Jan.25	Jan.26/ Dec.25	Jan.26/ Dec.19
Agriculture	1,658	1,635	2,245	2,592	2,605	439	13	946	20.3	0.5	57.1
Fishing	230	225	318	486	478	159	-8	247	49.7	-1.7	107.5
Mining	2,086	2,251	2,282	2,505	2,311	124	-194	224	5.7	-7.7	10.8
Manufacturing	5,077	4,232	5,615	5,895	6,002	278	107	925	4.9	1.8	18.2
Energy	1,380	1,088	925	688	,763	-154	76	-617	-16.8	11.0	-44.7
Construction	655	612	445	501	493	19	-8	-162	3.9	-1.7	-24.7
Retail	4,115	3,049	4,199	4,460	4,511	246	51	396	5.8	1.2	9.6
Services	4,190	3,885	3,677	4,018	3,975	331	-43	-216	9.1	-1.1	-5.1
Rest	2,816	2,872	2,718	4,282	4,541	1,900	258	1,724	71.9	6.0	61.2
Total	**22,208**	**19,848**	**22,424**	**25,425**	**25,677**	**3,341**	**252**	**3,469**	**15.0**	**1.0**	**15.6**

1/ Depository corporations excluding cooperatives. Includes other sectors and unclassified entities.
Source: Trial Balance and Institutional Sector Balance Sheet (BSI).

In December 2025, exclusively exporting businesses in the corporate segment recorded a year-over-year increase in their foreign currency credit of 15.3 percent, while the large enterprise segment saw an increase of 1.1 percent. During the same period, non-exporting corporate firms increased their foreign currency credit balance by 15.1 percent, while non-exporting large firms recorded an increase of 11.8 percent.

PRIVATE-SECTOR BUSINESS LOANS IN FOREIGN CURRENCY

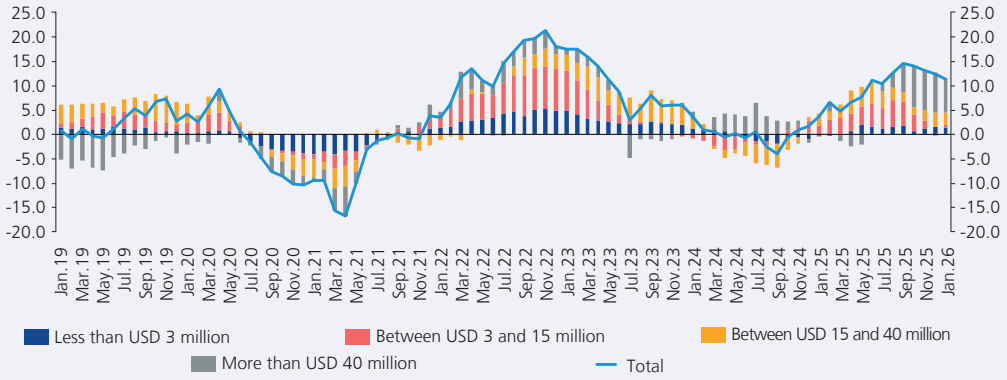
(Million USD)

	Balance (Million USD)					Flows (Million USD)			Growth Rate (%)		
	Dec.19	Dec.20	Dec.24	Nov.25	Dec.25	Dec.25/ Dec.24	Dec.25/ Nov.25	Dec.25/ Dec.19	Dec.25/ Dec.24	Dec.25/ Nov.25	Dec.25/ Dec.19
Corporate	8,158	7,652	13,199	14,894	15,207	2,008	313	7,049	15.2	2.1	86.4
Exporters	*6,386*	*6,071*	*9,477*	*10,809*	*10,924*	*1,447*	*115*	*4,538*	*15.3*	*1.1*	*71.1*
Rest	*1,772*	*1,581*	*3,722*	*4,085*	*4,283*	*560*	*198*	*2,510*	*15.1*	*4.8*	*141.7*
Large business	8,013	6,831	5,972	6,587	6,367	395	-220	-1,646	6.6	-3.3	-20.5
Exporters	*4,321*	*3,409*	*2,904*	*3,121*	*2,936*	*32*	*-185*	*-1,385*	*1.1*	*-5.9*	*-32.1*
Rest	*3,692*	*3,422*	*3,068*	*3,466*	*3,431*	*363*	*-35*	*-261*	*11.8*	*-1.0*	*-7.1*
MSME	5,532	4,718	2,938	3,077	3,352	415	276	-2,179	14.1	9.0	-39.4
Exporters	*920*	*547*	*476*	*541*	*641*	*165*	*101*	*-279*	*34.8*	*18.6*	*-30.3*
Rest	*4,612*	*4,171*	*2,462*	*2,536*	*2,711*	*249*	*175*	*-1,900*	*10.1*	*6.9*	*-41.2*
TOTAL	**21,703**	**19,201**	**22,108**	**24,557**	**24,926**	**2,817**	**369**	**3,223**	**12.7**	**1.5**	**14.8**
Exporters	*11,627*	*10,027*	*12,856*	*14,470*	*14,501*	*1,645*	*31*	*2,874*	*12.8*	*0.2*	*24.7*
Rest	*10,076*	*9,174*	*9,252*	*10,087*	*10,424*	*1,172*	*337*	*349*	*12.7*	*3.3*	*3.5*

Source: Consolidated Credit Report (CCR) and Balance of Payments Department. In the case of the CCR, the data consists of loans extended by banks, financial institutions, municipal savings banks, rural savings banks, and Banco de la Nación to the private sector. In contrast with the other tables, which show credit to the private sector, the CCR does not include investments in the private sector or data on loans or investments by cooperatives.

When analyzing foreign currency loans by disbursement size within the corporate and large-enterprise segment, it is evident that loans exceeding USD 40 million have contributed the most to recent growth. Particularly, the year-on-year growth rate for this group rose from 1.2 percent in June 2025 to 30.8 percent in January 2026. In contrast, smaller loans, especially those under USD 3 million, have lost relative importance, which differs from the post-pandemic period, when loans under USD 15 million led the recovery in foreign currency loans. Larger loans appear to be associated with the faster pace of growth in private investment by large and corporate businesses.

YEAR-ON-YEAR GROWTH IN FOREIGN CURRENCY LOANS TO THE CORPORATE AND LARGE BUSINESS SEGMENT
(%)



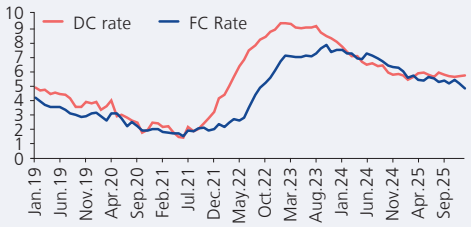
	Dec.19	Dec.20	Dec.21	Dec.22	Dec.23	Dec.24	Mar.25	Jun.25	Sep.25	Oct.25	Nov.25	Dec.25	Jan.26
Less than USD 3 Million.	2.8	-16.4	5.5	20.9	8.3	-4.0	-0.2	7.1	8.0	3.0	5.4	6.6	6.2
Contribution	0.7	-4.0	1.3	4.8	1.9	-1.0	-0.1	1.6	1.8	0.7	1.2	1.5	1.4
Between USD 3 and 15 Million	4.3	-4.2	6.2	27.6	-1.3	9.2	10.9	15.0	15.3	10.2	4.9	-0.8	1.7
Contribution	1.2	-1.2	1.9	8.7	-0.4	2.9	3.4	4.6	4.9	3.3	1.6	-0.3	0.6
Between USD 15 and 40 Million	24.5	-14.3	-10.0	15.5	22.0	2.6	13.9	23.2	9.4	7.3	10.5	13.4	11.0
Contribution	4.8	-3.4	-2.3	3.0	4.2	0.6	2.8	4.6	1.9	1.5	2.2	3.0	2.5
Greater than USD 40 Million	-14.0	-7.9	12.3	6.5	1.3	-3.8	-5.0	1.2	24.7	37.5	36.2	39.1	30.8
Contribution	-3.9	-1.9	3.0	1.7	0.3	-0.8	-1.3	0.3	6.0	8.5	8.1	8.3	6.8
Total	**2.7**	**-10.4**	**3.9**	**18.2**	**6.0**	**1.7**	**4.8**	**11.2**	**14.7**	**14.1**	**13.2**	**12.5**	**11.3**
Memo: Saldos en USD Mill.													
Less than USD 3 Million.	3,910	3,268	3,449	4,170	4,514	4,334	4,359	4,555	4,544	4,545	4,619	4,620	4,583
Between USD 3 and 15 Million	4,637	4,441	4,718	6,021	5,945	6,495	6,296	6,673	6,843	6,754	6,625	6,443	6,354
Between USD 15 and 40 Million	3,827	3,278	2,950	3,408	4,156	4,265	4,215	4,607	4,189	4,203	4,,429	4,838	4,835
Greater than USD 40 Million	3,796	3,497	3,926	4,182	4,237	4,077	4,546	4,970	5,597	5,813	5,808	5,672	5,522
Total	**16,171**	**14,483**	**15,043**	**17,781**	**18,852**	**19,170**	**19,415**	**20,805**	**21,173**	**21,315**	**21,480**	**21,573**	**21,294**

Source: Consolidated Credit Registry (RCC).

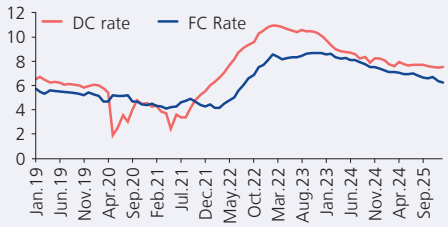
Factors that may be contributing to the stronger growth in foreign currency lending include prospects for higher growth, robust private investment, as well as the appreciation of the Sol and lower interest rates on dollar denominated loans relative to those in soles. Particularly, as of January 2026, interest rates on dollar denominated loans in the corporate and large enterprise segments are 1.32 and 0.89 percentage points lower than rates in domestic currency, respectively.

LENDING INTEREST RATES IN DOMESTIC AND FOREIGN CURRENCY[1/]
(%)

Corporate segment



Large Enterprise Segment



	Dec.19	Dec.20	Dec.21	Dec.22	Dec.23	Dec.24	Mar.25	Jun.25	Sep.25	Dec.25	Jan.26
Corporate Spread	0.52	0.14	1.33	2.85	1.39	0.86	0.49	0.73	1.07	1.11	1.32
Large Enterprise Spread	0.65	0.48	1.17	2.76	0.58	-0.44	-0.1	0.14	0.35	0.52	0.89

1/ Lending rates of banks at the end of the period. The spread is defined as the difference between lending rates in domestic currency and those in foreign currency.
Source: SBS.

In conclusion, the increased growth in credit to the private sector observed in recent months appears to be driven by the expansion of foreign-currency credit, particularly business credit; therefore, its impact on the risks associated with financial dollarization is likely to be quite limited. Noteworthy is the growing share of the corporate and large enterprise segments, as well as the increased growth in larger-denomination loans. Compared to December 2019, the Fishing, Agriculture, and Manufacturing sectors, along with exporting businesses, account for most of the observed expansion. Finally, among the factors that could be driving this growth are the prospects for stronger private investment growth, a weaker exchange rate, and lower interest rates on dollar- denominated loans.

Box 7
CAPITAL FLOWS DURING COMMODITY BOOMS

This Box characterizes the evolution of capital flows into the Peruvian economy during commodity boom episodes and documents the reaction of financial conditions and relevant macroeconomic variables. To this end, we first identify commodity cycle boom episodes using a statistical rule based on commodity prices. Subsequently, the reaction of domestic variables is documented using an event study approach.

Empirical evidence suggests that commodity booms are associated with higher net capital inflows, an easing of financial conditions, an appreciation of the domestic currency against the U.S. dollar, and an expansion of credit to the private sector and of liquidity. In the real economy, this environment coincides with increased economic dynamism, reflected in higher GDP growth and a particularly strong performance of private investment.

In an economy specialized in the export of raw materials —such as agricultural and metallic goods— international commodity prices are a key determinant of macroeconomic and financial conditions (Céspedes and Velasco, 2012[38]; Drechsel and Tenreyro, 2018[39]). The value of raw materials, through various transmission channels, exerts influence by affecting the behavior of capital flows into the country. In other words, an increase in the value of raw materials encourages the reallocation of global portfolios toward commodity-export-intensive economies, in an effort to capitalize on the higher expected returns from domestic investment projects and local production.

Thus, the abundance of external liquidity tends to flow into domestic financial markets, reducing risk premiums and driving up the value of domestic assets (Gabaix and Maggiori, 2015[40]). These dynamics intensify in economies with partial financial dollarization, such as Peru, where currency mismatches in the balance sheets of businesses and households reinforce financial amplification mechanisms, as well as their impact on the behavior of macroeconomic variables (Castillo et al., 2024[41]). In the context of a commodities boom, currency appreciation temporarily reduces the domestic-currency value of dollar-denominated liabilities and improves the balance sheets of economic agents, thereby expanding credit and domestic demand.

Commodities and Capital Flows

Among the traditional determinants of capital flows, the role of push factors —that is, those associated with global conditions— is often highlighted. Among these factors, global risk sentiment and international interest rates are typically emphasized as the main drivers of capital movements between developed and emerging markets (Juvenal and Petrella, 2024[42]). However, following the outbreak of the global financial crisis, evidence suggests that the importance of these factors was superseded by alternative factors, such as commodity prices (Forbes and Warnock, 2021[43]).

38 Céspedes, L. F., & Velasco, A. (2012). Macroeconomic performance during commodity price booms and busts (NBER Working Paper No. 18569). National Bureau of Economic Research.

39 Drechsel, T. & Tenreyro, S. (2018). Commodity booms and busts in emerging economies. *Journal of International Economics*, 112, 200-218.

40 Gabaix, X. & Maggiori, M. (2015). International Liquidity and Exchange Rate Dynamics. *Quarterly Journal of Economics*, 130(3), 1369-1420.

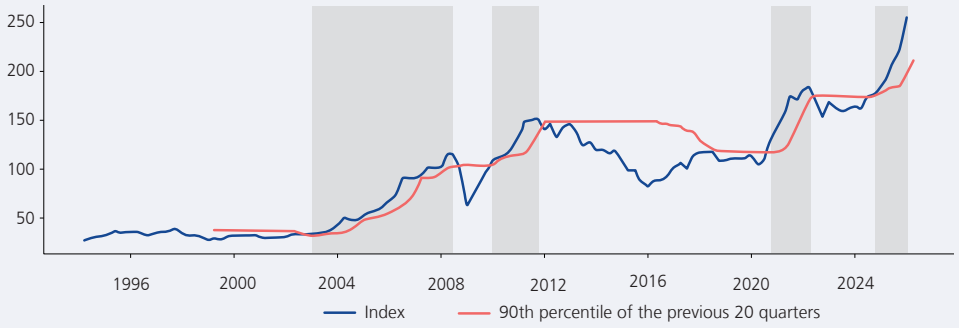
41 Castillo, Paul., Lama, Ruy, and Medina, Juan Pablo (2024). *Escaping the financial dollarization trap: The role of foreign exchange intervention* (IMF Working Paper No. 127). International Monetary Fund.

42 Juvenal, L. & Petrella, I. (2024). Unveiling the dance of commodity prices and the global financial cycle. *Journal of International Economics*, 150.

43 Forbes, K. & Warnock, F. (2021). Capital flow waves—or ripples? Extreme capital flow movements since the crisis. *Journal of International Money and Finance*, 116.

In this context, the box examines the evolution of capital flows in Peru during periods of surging commodity prices. For this purpose, a boom is defined as a period in which the year-on-year logarithmic growth of the traditional export price index —used as a proxy for the international commodity price relevant to Peru— outweighs the 90th percentile of its distribution, calculated over five-year moving windows, during an ongoing period of at least six quarters. Based on this statistical rule, the Box identifies four periods of commodity price booms, detailed in the following figure:

COMMODITY BOOM EPISODES



Tipo	Episode	Start date	End date	Duration (quarters)
Boom	1	2002-Q4	2008-Q2	23
Boom	2	2009-Q4	2011-Q3	8
Boom	3	2020-Q3	2022-Q1	7
Boom	4	2024-Q3	2025-Q4	6

Looking at the period from 1994 to 2025, the evidence suggests that commodity booms are rare and coincide with well-defined phases of the global economic and financial cycle. In nearly three decades of data, only four episodes meet the criteria for intensity and persistence, suggesting that the most pronounced movements in commodity prices are driven by structural changes in the international environment.

The first episode, spanning from the fourth quarter of 2002 to the second quarter of 2008, corresponds to a period of sustained expansion in global demand, driven primarily by rapid growth in emerging economies —particularly China— and by broadly favorable international financial conditions. This episode constitutes the longest boom in the sample, lasting 23 quarters, and reflects a phase of persistent strengthening of the Peruvian economy's terms of trade.

A second, shorter-lived episode can be identified between the fourth quarter of 2009 and the third quarter of 2011, linked to the recovery in global economic activity following the international financial crisis, against a backdrop of highly expansionary monetary policies in advanced economies. Although shorter in duration, this boom shares similar characteristics in terms of strong export price growth and favorable external financial conditions.

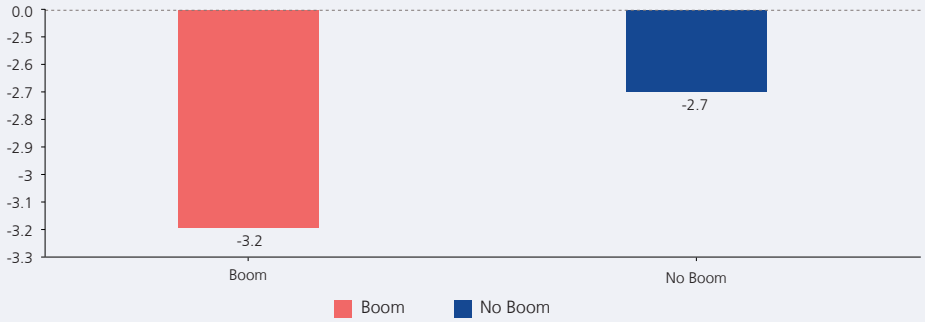
The third episode, spanning the third quarter of 2020 through the first quarter of 2022, coincides with the rapid recovery of the global economy following the pandemic, as well as disruptions in global supply chains and supply constraints in various commodity markets. This period is characterized by a significant and widespread surge in international prices, in an environment of high global liquidity and historically low interest rates.

Finally, a fourth boom episode is identified beginning in the third quarter of 2024, extending through the end of the analyzed period. This episode unfolds against a backdrop of shifting global demand for metals —linked to the energy transition and tighter supply expectations— and suggests that upward pressure on the prices of traditional export commodities relevant to Peru will persist.

The balance of payments of the Peruvian economy shows a pattern consistent with increased capital inflows during commodity booms. Particularly during booms, the private sector's financial account in the balance of payments recorded higher net flows compared to its performance in the absence of commodity price booms. This suggests greater appetite among foreign investors, associated with improved terms of trade prospects, higher expected returns, and a lower perception of macroeconomic risk. Thus, the evidence points to a pattern consistent with procyclical dynamics in capital flows, in which commodity price booms amplify the availability of external financing.

CAPITAL FLOW TRENDS DURING THE IDENTIFIED EPISODES

(Percentage of GDP)



* The analysis covers the period from the first quarter of 2010 to the fourth quarter of 2025, the time horizon for which private sector financial account data is available.
** The data used for the analysis is reported on a quarterly basis.
*** The chart shows the median value of the Private Sector Financial Account (as a percentage of GDP) during boom periods —identified using the methodology described in the box— and in the absence of commodity booms.
**** For the purposes of this analysis, the Private Sector Financial Account is defined as a percentage of GDP.

Financial and macroeconomic conditions during commodity boom episodes

The box below documents the evolution of the main financial and macroeconomic variables of the Peruvian economy during the identified episodes. To characterize this evolution, the median of each variable is calculated for the identified boom episodes and compared with the median observed during normal episodes (those for which no significant commodity price surge is identified). In order to capture the dynamics representative of commodity boom episodes, the third identified episode (Q3 2020 – Q1 2022) is excluded. During that period, the Peruvian economy was exposed to various shocks, such as the pandemic and high domestic political uncertainty, which may have overshadowed the usual transmission channels associated with a commodity boom.

The analysis suggests that during commodity booms, the economy experiences simultaneous expansion in both financial conditions and real economic activity. On the financial front, year-over-year credit growth reaches higher levels during booms (9.8 percent) compared to normal periods (8.2 percent), suggesting greater private- sector leverage and looser credit supply. Consistently, year-on-year growth in total liquidity also tends to be higher during booms (13.4 percent) compared to other periods (8.7 percent), reflecting both higher capital inflows and improved domestic funding conditions. This pattern is replicated in the banking system's initial foreign currency liquidity, which during booms tends to grow at rates of up to 20 percent year-on-year, compared to an average growth of 3.7 percent in the absence of booms, indicating greater availability of foreign currency in the financial system during commodity price booms.

FINANCIAL AND MACROECONOMIC CONDITIONS DURING COMMODITY BOOMS

* The analysis covers the period from the first quarter of 1994 to the fourth quarter of 2025. Depending on data availability, the analysis of the following variables uses shorter timeframes: Initial foreign currency liquidity of banks (Q1 2006–Q4 2025), and the Financial Conditions Indices in domestic and foreign currency (Q2 2006–Q4 2025).
** The data used for the analysis is reported on a quarterly basis.
*** The chart shows the median of each variable during boom episodes, identified according to the methodology described in the Box, and in the absence of commodity booms. For the calculation of the median during booms, the period identified between 2020 and 2022 is excluded from the analysis.
**** The variables for Credit (total credit, credit in domestic currency, and credit in foreign currency), Liquidity (total liquidity, Broad money in domestic currency, and liquidity in foreign currency), Activity (GDP, private investment, private consumption, and exports), and Exchange Rate are defined as year-on-year logarithmic growth rates. On the other hand, the Financial Conditions Indices (Domestic Currency and Foreign Currency) are defined as year-on-year differences, and average inflation is defined in terms of levels (quarterly average).
*****A positive value for the Financial Conditions Index indicates a tightening of financial conditions relative to their neutral level, while a negative value indicates looser conditions.
****** On average, the differences between boom periods and non-boom periods are statistically significant at a 90% confidence level for all variables, except Total Credit, Credit in Foreign Currency, Banks' Initial Liquidity in Foreign Currency, and the Financial Conditions Index in Domestic Currency, according to Welch's t-test. On a median basis, the Mood test identifies significant differences at least at the 90 percent confidence level in Total Liquidity, Liquidity in Domestic Currency, Average Inflation, Average Exchange Rate, the Financial Conditions Index in ME, GDP, and Private Investment. Given the small number of observations in boom episodes, the statistical tests are reported for reference purposes only.

These financial dynamics are accompanied by a more favorable external and monetary environment. During booms, the exchange rate tends to appreciate by up to 2.7 percent, in contrast to a median depreciation of 1.9 percent during other periods. In line with this, the Financial Conditions Index (FCI) in foreign currency tends to show looser conditions during booms (-0.2) compared to periods without commodity price booms (0). Indicating an easing of financial conditions in foreign currency, consistent with increased capital inflows into the economy.

At the macroeconomic level, the contrasts are equally marked. GDP growth during the identified boom episodes has tended to be high, with an average rate of 5.5 percent. In the absence of booms, economic growth tends to be lower (3.1 percent). This divergence is explained by the behavior of domestic demand: private investment shows significant expansion during boom periods (a growth rate of nearly 10.9 percent), while its growth in normal periods is significantly lower (1.1 percent), reflecting

the high sensitivity of investment decisions to commodity price cycles and financial conditions. Private consumption behaves similarly, though with less volatility, growing by an average of approximately 4.6 percent during booms and approximately 3.5 percent in the absence of booms, in line with a moderation in private consumption during phases of the economic cycle.

Finally, the external sector reinforces this narrative: exports grow strongly during booms (5.5 percent), driven by favorable international prices and higher volumes, while during normal periods their growth tends to be lower (3.1 percent).

Conclusion

Between 1994 and 2025, the identified episodes of the commodity cycle were significant in macro-financial terms. Evidence from the event study indicates that, during booms, the Peruvian economy experiences higher net capital inflows and more accommodative financial conditions, consistent with an expansion of credit and liquidity, as well as a relatively more stable exchange rate, which translates into stronger economic performance and domestic demand particularly private investment.

From a policy perspective, these patterns are consistent with a macro-financial amplification mechanism: booms ease financing constraints and fuel expansion. Consequently, it is essential to strengthen countercyclical frameworks —building buffers during favorable phases, prudent management of liquidity and exchange rate risks, and macroprudential tools that mitigate excessive credit expansion— to reduce the procyclicality of capital flows and soften the impact of external shocks on the financial system and the real economy. In addition, this ensures the normal functioning of the BCRP's monetary policy.

Box 8
EFFECT OF PENSION FUND WITHDRAWALS ON THE PERUVIAN CAPITAL MARKET 2020–2025

The box analyzes the effects of the eight extraordinary pension fund withdrawal processes authorized between 2020 and 2025 on the Peruvian capital market. The cumulative amount of withdrawals —approximately S/ 140 billion, equivalent to about 13 percent of GDP— has a negative impact on long-term pension savings and, consequently, on future pensions.

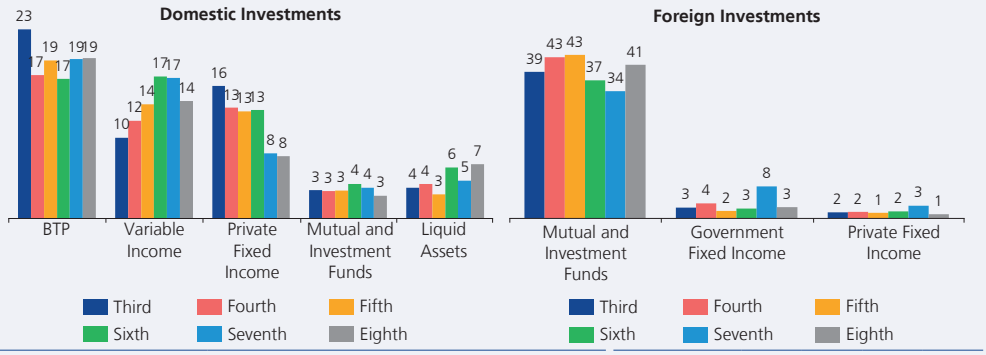
The sharp decline in assets under management by the AFPs not only created temporary liquidity pressures but also permanently altered the depth, composition, and dynamics of the domestic capital market.

Prior to the withdrawals, the AFPs held a significant share of the Government Treasury Bonds (BTP) market and corporate debt instruments, acting as structural buyers of long-term instruments and contributing to the stability of the sovereign yield curve, which serves as a benchmark rate for setting long-term interest rates in domestic currency. The authorization of withdrawals immediately reduced their investment capacity and forced them to liquidate positions in order to meet payments to plan participants.

The need to generate liquidity not only reduced the size of managed portfolios but also altered their composition. Between December 2019 and December 2024, the share of relatively less liquid assets —such as domestic private fixed income, domestic equities, mutual funds, and deposits— increased from 37 to 42 percent, reflecting both the initial sale of sovereign instruments and the subsequent reduced ability to rebuild those positions. By February 2026, a partial correction was observed (38 percent), though the structure did not return to its pre- withdrawal state. This shift implied a reduction in structural demand for public debt, which had previously helped absorb sovereign issuances with relative stability.

ASSET ALLOCATION BY ASSET CLASS IN THE AFP PORTFOLIO AT THE START OF EACH WITHDRAWAL PROCESS

(As a percentage of the managed portfolio)



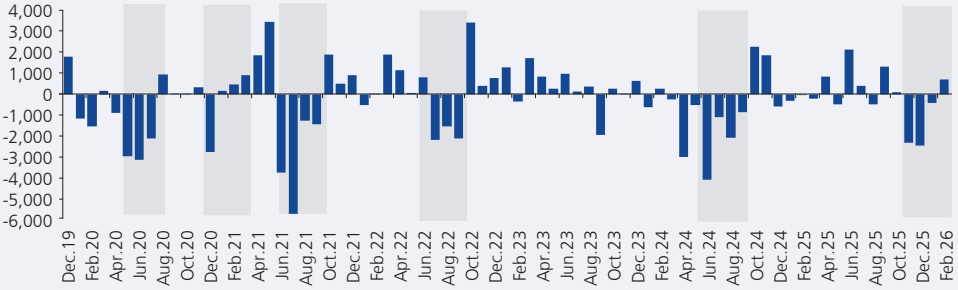
Retirement Process	Domestic Investments									Foreign Investments					
	Private Fixed Income			BTP			Equities			Private Fixed Income			Mutual Funds		
	T-1	T+5	Chg.	T-1	T+5	Chg.	T-1	T+5	Chg.	T-1	T+5	Chg.	T-1	T+5	Chg.
Third	16.1	15.9	-0.2	22.9	19.1	-3.8	9.8	11.8	2.0	4.4	5.9	1.5	38.9	41.4	2.5
Fourth	13.5	13.4	0.0	17.4	16.7	-0.7	11.8	12.3	0.5	5.6	3.6	-2.0	42.8	43.4	0.5
Fifth	13.0	14.5	1.5	19.1	14.2	-5.0	13.8	16.8	2.9	3.3	3.2	-0.1	43.4	42.4	-1.0
Sixth	13.1	13.7	0.5	16.9	18.9	2.0	17.2	19.7	2.5	4.4	4.2	-0.3	36.6	30.7	-5.9
Seventh	7.9	8.1	0.2	19.3	18.8	-0.6	17.0	19.1	2.1	11.8	5.9	-5.9	33.8	36.6	2.8
Eighth	7.6	7.9	0.3	19.4	20.4	0.9	14.2	16.5	2.3	4.0	4.7	0.7	40.9	40.2	-0.6
Average	11.8	12.2	0.4	19.2	18.0	-1.2	14.0	16.0	2.0	5.6	4.6	-1.0	39.4	39.1	-0.3

Note: T corresponds to the month in which the withdrawal request was filed. Source: MEF and SBS.
As of February 2026.

Portfolio rebalancing focused on the most liquid assets, such as BTPs and foreign assets. The value of BTPs in the managed portfolio (CA) fell from S/ 40.2 billion in December 2019 to S/ 24.0 billion in February 2026, representing a cumulative decrease of S/ 16.2 billion.

In relative terms, the share of BTPs in the CA fell from 23.0 percent to 20.4 percent over the same period, with fluctuations of varying magnitude occurring between withdrawal episodes. On average, these events resulted in a reduction of 1.2 percentage points (a contraction of 5.0 percentage points during the fifth withdrawal).

CHANGE IN NOMINAL BTP HOLDINGS OF AFPS
(Amount in millions))



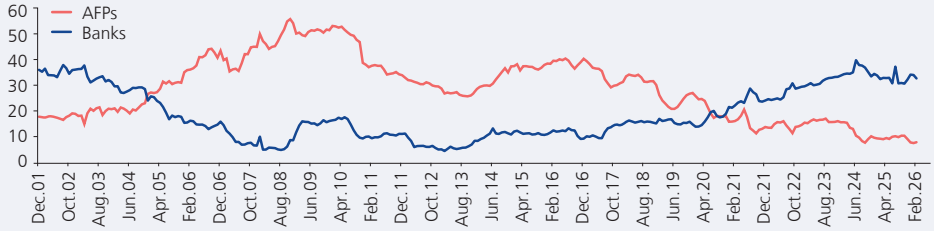
Note: The shaded area corresponds to the months of payment for withdrawal requests.
Source: MEF. As of February 2026.

Similarly, the AFPs liquidated part of their foreign assets. Between December 2019 and February 2026, their value in the CA fell by S/ 21.5 billion; however, their relative share increased by 3.4 percentage points. At the same time, over the same period, there was an increase in the share of domestic equities (5.3 percentage points), consistent with liquidity management strategies and the relative rebalancing of the portfolio in response to withdrawal requirements.

The initial announcements, particularly in 2020 and 2021, were associated with periods of high financial volatility, in a context where market participants anticipated significant sales of assets by the AFPs. This anticipation effect amplified upward pressure on sovereign yields, especially at the medium and long ends of the curve. In this environment, the intervention of the Central Reserve Bank of Peru (BCRP), through direct repo operations[44], helped preserve liquidity and ensure the orderly functioning of the market. In subsequent episodes, there was a greater capacity for gradual portfolio adjustment and fewer episodes of relative volatility, suggesting a progressive adaptation of the markets to the dynamics of withdrawals.

The reduction in BTP holdings by the AFPs was in part offset by an increase in holdings by banks, which absorbed part of the supply. This increased appetite among banks for these bonds stemmed both from ample liquidity conditions and from portfolio management strategies, in a context of reduced competition for these instruments from the AFPs.

SHARE OF OUTSTANDING BTP
(As a percentage of the total)



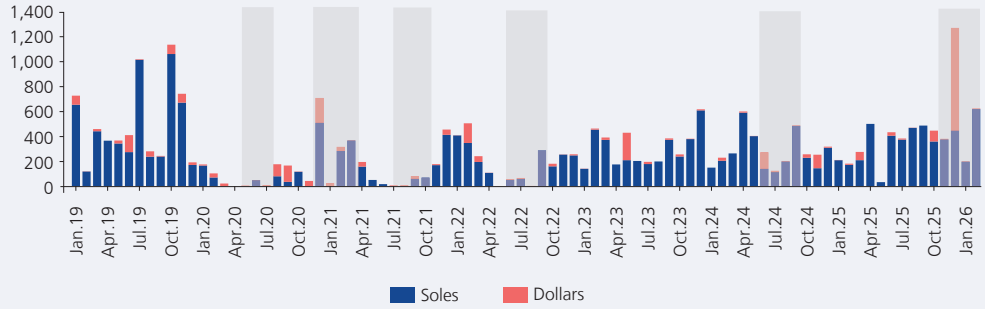
Source: MEF and SBS. As of February 2026.

44 As of March 2026, total transactions amount to approximately S/ 43 billion.

In the corporate debt market, lower demand from the AFPs —historically the main institutional investors in this segment— reduced the depth of the primary market and raised financing costs. Companies with intermediate credit ratings were particularly sensitive to this environment of reduced depth and liquidity.

As a result, between December 2019 and February 2026, the outstanding balance of private-sector securities fell from S/ 23 billion to S/ 12 billion. Likewise, average monthly placements decreased from S/ 448 million in 2019 to S/ 299 million in 2024, reflecting the market's reduced capacity to absorb new issuances. Although a partial recovery was observed in 2025, average issuances at the start of 2026 remain below pre-withdrawal levels.

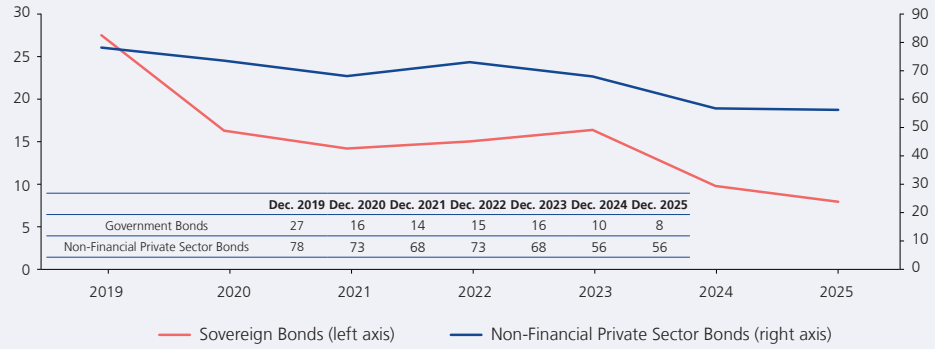
PUBLIC ISSUES IN THE SECURITIES MARKET
(In million S/)



Note: The shaded area corresponds to the months of withdrawal request payments. Source: SMV.
As of February 2026.

The absence of the financing traditionally provided by the AFPs has severely affected the availability of long- term resources for the public and private sectors. Between December 2019 and December 2025, the share of AFPs' investments in sovereign bonds and non-financial private sector instruments fell by 19 and 22 percentage points, respectively.

SHARE OF AFP INVESTMENTS
(% of total balance)



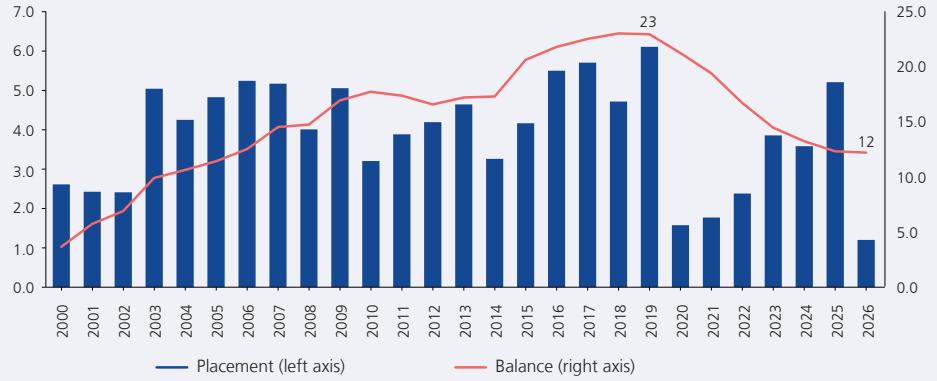
	Dec. 2019	Dec. 2020	Dec. 2021	Dec. 2022	Dec. 2023	Dec. 2024	Dec. 2025
Government Bonds	27	16	14	15	16	10	8
Non-Financial Private Sector Bonds	78	73	68	73	68	56	56

Source: SMV. For sovereign bonds, this represents the share of the nominal balance, while the share of non-financial private-sector bonds is calculated as the market value relative to the total nominal balance of bonds.

On the other hand, bond market depth remains lower than it was before the withdrawals, which has led to a higher liquidity premium. In addition, withdrawals from pension funds have raised the cost of financing the public budget and contributed to higher mortgage interest rates. The AFPs' liquidation of BTPs pushed up their yields, and this increase was subsequently passed on to corporate bond issuance rates. Overall, the withdrawals reduced structural demand for sovereign bonds, raising rates in the middle and long segments of the yield curve.

PLACEMENT AND BALANCE OF DEBT INSTRUMENTS IN THE DOMESTIC MARKET

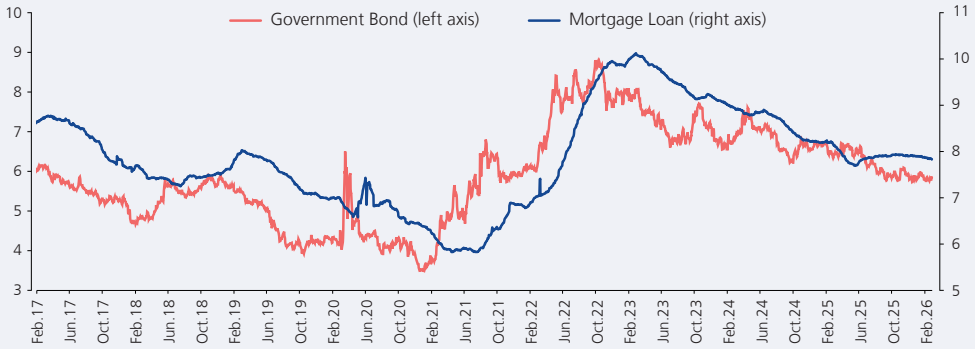
(In billion S/)



Source: SMV. As of February 2026.

10-YEAR GOVERNMENT BOND YIELD AND AVERAGE INTEREST RATE ON MORTGAGE LOANS IN SOLES

(%)

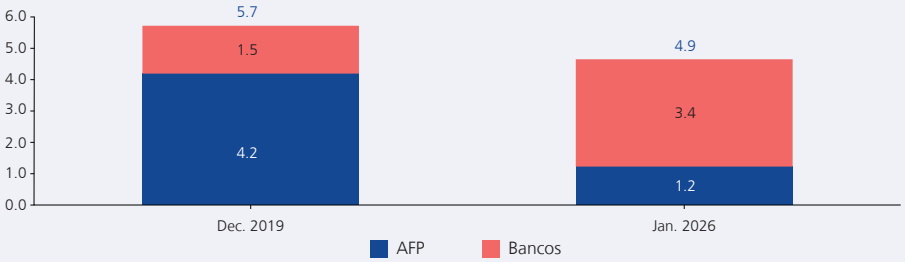


Source: SMV. As of February 2026.

In terms of the composition of financial savings, withdrawals led to a significant reduction in savings, which in turn has limited the sources of financing available for credit to the private sector. Between December 2019 and January 2026, total financial savings fell from 54.5 to 42.9 percent of GDP, mainly due to the decline in savings managed by the AFPs, which fell from 22.0 to 9.9 percent of GDP. At the same time, banks increased their holdings of BTPs from 1.6 to 2.9 percent of GDP, in part offsetting the decline in AFP holdings of these instruments. During this same period, total financing extended to the private sector[45] has fallen from 61.7 to 49.6 percent of GDP.

HOLDINGS OF GOVERNMENT TREASURY BONDS

(As a percentage of GDP))



Source: MEF.

45 Includes, in addition to credit from deposit-taking institutions, financing through other financial institutions such as mutual funds, insurance companies, and private pension funds, as well as direct foreign loans to businesses.

FINANCIAL SAVINGS[1/] AND EXPANDED FINANCING

(As a percentage of GDP)

1/ Includes deposits, pension funds, mutual funds, insurance technical reserves, securities, and other liabilities to the private sector.
Source: BCRP.

Taken together, the eight extraordinary withdrawal processes between 2020 and 2025 led to a persistent decline in household financial savings and structural demand for long-term instruments, weakening one of the pillars of the Peruvian capital market. While part of the initial pressure was absorbed by the banking system and mitigated through liquidity provision measures by the BCRP, the medium- and long-term structural effects are reflected in reduced bond market depth, higher liquidity premiums, and increased costs for sovereign and corporate financing. The contraction in pension savings has limited the financial system's ability to channel long-term resources toward public and private investment, with implications that extend beyond the short term and shape the future development of the domestic capital market.

VI. Inflation and of inflation risks

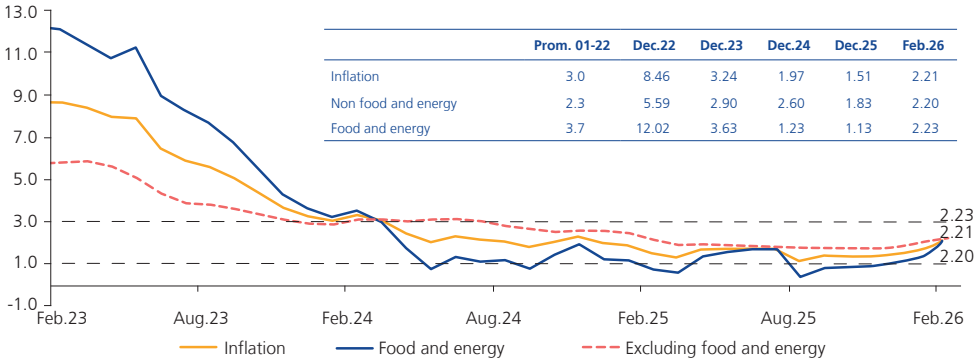
Recent economic developments

96. Year-over-year inflation rose from 1.37 percent in November 2025 to 2.21 percent in February 2026, driven by higher prices for certain food items, such as chicken and potatoes, and services such as water supply, while remaining within the target range.

Inflation excluding food and energy (SAE) rose from 1.77 to 2.20 percent over the same period, remaining within the target range. Price increases were observed in categories such as water supply, local transportation, international air travel, and domestic services.

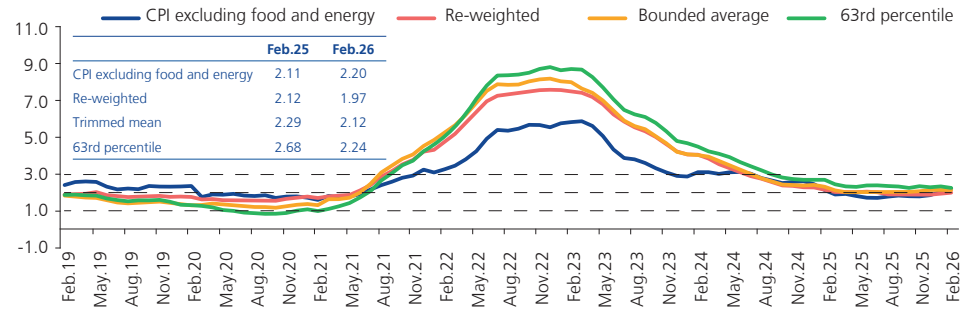
The various trend indicators remained within the target range between November 2025 and February 2026.

Graph 88
INFLATION
(Percentage change over the last 12 months of months)



	Prom. 01-22	Dec.22	Dec.23	Dec.24	Dec.25	Feb.26
Inflation	3.0	8.46	3.24	1.97	1.51	2.21
Non food and energy	2.3	5.59	2.90	2.60	1.83	2.20
Food and energy	3.7	12.02	3.63	1.23	1.13	2.23

Graph 89
INFLATION TREND INDICATORS
(Percentage change over the last 12 months of months)



	Feb.25	Feb.26
CPI excluding food and energy	2.11	2.20
Re-weighted	2.12	1.97
Trimmed mean	2.29	2.12
63rd percentile	2.68	2.24

Note:
1. CPI excluding food and energy: CPI excluding food, fuel, and electricity.
2. Re-weighted: Reduces the weight of the items with the highest volatility by dividing the original weights of each item by the standard deviation of their monthly percentage changes.
3. Capped average: Weighted average of the percentage price changes located between the 34th and 84th percentiles.
4. 63rd percentile: Corresponds to the percentage change of the item located at the 63rd percentile.

97. Inflation excluding food and energy (SAE) remained within the target range between November 2025 and February 2026, showing an upward trend since December, driven primarily by increases in the prices of water supply and domestic transportation.

Graph 90
INFLATION EXCLUDING FOOD AND ENERGY
(Percentage change over the last 12 months)

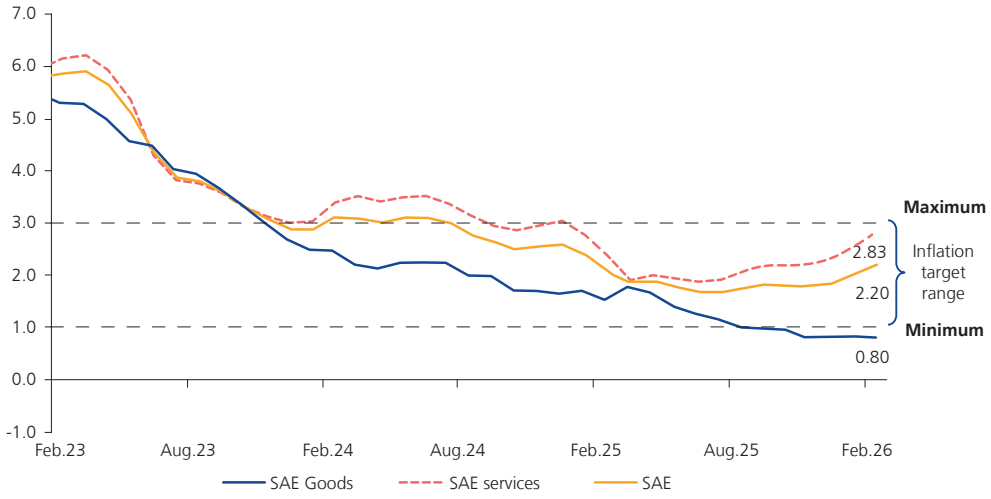


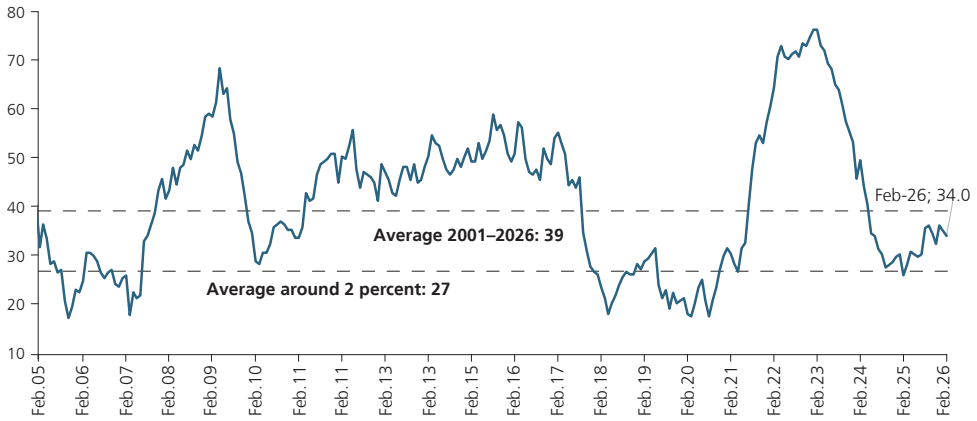
Table 40
SERVICES INFLATION
(12-month percentage change)

	Pond.	Dec.23	Dec.24	Jul.25	Aug.25	Sep.25	Oct.25	Nov.25	Dec.25	Jan.26	Feb.26
Services	**37.89**	**3.01**	**3.05**	**1.93**	**2.09**	**2.19**	**2.14**	**2.20**	**2.29**	**2.56**	**2.83**
Education	**8.61**	**6.40**	**5.09**	**4.00**	**4.06**	**4.07**	**4.11**	**4.03**	**4.03**	**4.02**	**3.84**
of which:											
Primary	*1.55*	*10.39*	*6.31*	*5.26*	*5.26*	*5.26*	*5.26*	*5.26*	*5.26*	*5.26*	*5.15*
High school	*1.26*	*10.74*	*6.42*	*5.42*	*5.42*	*5.42*	*5.42*	*5.42*	*5.42*	*5.42*	*5.13*
Higher	*4.26*	*3.86*	*3.96*	*3.23*	*3.29*	*3.31*	*3.31*	*3.32*	*3.32*	*3.37*	*3.13*
Postsecondary, not tertiary	*0.51*	*4.03*	*3.72*	*2.22*	*2.22*	*2.22*	*2.02*	*1.94*	*1.97*	*1.28*	*1.51*
Transport	**9.14**	**2.89**	**3.83**	**1.07**	**1.44**	**1.86**	**2.07**	**2.85**	**3.01**	**4.09**	**4.09**
of which:											
Domestic land	*0.27*	*-5.23*	*12.35*	*1.98*	*-1.38*	*0.21*	*-1.54*	*-0.84*	*2.76*	*4.85*	*4.23*
Domestic	*8.08*	*3.51*	*3.62*	*1.01*	*1.77*	*2.06*	*2.40*	*2.92*	*3.03*	*3.89*	*4.02*
Domestic airfare	*0.24*	*24.20*	*6.81*	*0.75*	*3.18*	*6.27*	*2.73*	*11.80*	*1.94*	*7.20*	*-2.16*
International airfare	*0.55*	*-9.05*	*2.09*	*1.76*	*-3.33*	*-2.02*	*-2.31*	*0.31*	*3.18*	*6.23*	*7.87*
Health	**1.48**	**3.28**	**1.59**	**1.02**	**1.06**	**1.15**	**1.21**	**1.34**	**1.53**	**1.72**	**1.82**
Other services	**5.03**	**3.23**	**2.43**	**2.77**	**2.87**	**2.94**	**2.84**	**2.70**	**2.59**	**2.58**	**2.50**
of which:											
Cultural services	*1.13*	*5.57*	*3.24*	*4.05*	*4.11*	*4.19*	*3.86*	*2.84*	*1.88*	*2.16*	*2.46*
Other personal services	**3.37**	**2.39**	**1.79**	**3.25**	**3.56**	**3.50**	**3.69**	**3.74**	**4.24**	**4.60**	**5.02**
of which:											
Household services	*2.25*	*0.86*	*1.08*	*2.84*	*3.19*	*3.11*	*3.42*	*3.36*	*3.96*	*4.37*	*5.02*
Utilities	**5.81**	**0.71**	**2.02**	**0.32**	**0.41**	**0.41**	**-0.39**	**-1.08**	**-1.09**	**-1.29**	**0.54**
of which:											
Landline and mobile phone service	*4.26*	*0.35*	*-0.11*	*-0.10*	*0.01*	*0.01*	*-1.10*	*-2.08*	*-2.08*	*-2.08*	*-3.29*
Water	*1.37*	*1.32*	*7.48*	*0.80*	*0.80*	*0.80*	*0.80*	*0.80*	*0.80*	*0.00*	*10.29*
Rentals	**4.45**	**-0.19**	**0.57**	**-0.11**	**-0.13**	**-0.26**	**-0.26**	**-0.43**	**-0.33**	**-0.39**	**-0.25**

98. Of the 188 categories that make up the Consumer Price Index, 34 percent recorded a year-on-year price change of more than 3 percent in February 2026. This indicator peaked at 76 percent in February 2023 and has been declining since March 2023.

Graph 91

PERCENTAGE OF CPI CATEGORIES WITH YEAR-ON-YEAR PRICE CHANGES GREATER THAN 3%



	Feb.25	Mar.25	Apr.25	May.25	Jun.25	Jul.25	Aug.25	Sep.25	Oct.25	Nov.25	Dec.25	Jan.26	Feb.26
Index	26	28	31	30	30	30	36	36	35	32	36	35	34
Number of items:													
Items with variation greater than 3%	49	53	58	57	56	57	67	68	65	61	68	66	64
Categories with variation less than 3%	139	135	130	131	132	131	121	120	123	127	120	122	124

Note: The average annual inflation rate for 2001–2026 is 2.92 percent.

99. The items most closely linked to the exchange rate, international prices, and the Wholesale Price Index (WPI) contributed 0.41 percentage points to the cumulative inflation rate between January and February (0.79 percent).

Table 41

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

	Weight	Dec.23		Dec.24		Dec.25		Jan a Feb.26	
	Base Dec.21	% Chg. 12 m	Contr. Pond.	% Chg. 12 m	Contr. Pond.	% Chg. 12 m	Contr. Pond.	% Chg. 12 m	Contr. Weight
IPC	**100.00**	**3.24**	**3.24**	**1.97**	**1.97**	**1.51**	**1.51**	**0.79**	**0.79**
Of which:									
Items linked to the exchange rate	**14.58**	**1.92**	**0.27**	**1.77**	**0.25**	**0.25**	**0.03**	**0.02**	**0.00**
Items related to contributions international and exchange rate	**7.99**	**1.44**	**0.12**	**-1.53**	**-0.12**	**-5.14**	**-0.40**	**4.40**	**0.32**
Linked to food commodities	*5.84*	*3.96*	*0.25*	*-2.94*	*-0.18*	*-4.38*	*-0.26*	*5.44*	*0.30*
Fuel	*2.15*	*-6.36*	*-0.13*	*3.32*	*0.06*	*-7.62*	*-0.14*	*0.94*	*0.02*
Items related to the WPI	**1.37**	**1.32**	**0.02**	**7.48**	**0.10**	**0.80**	**0.01**	**10.29**	**0.14**
Items related to the type of exchange rate, WPI, and quotes	**2.62**	**-7.11**	**-0.19**	**-0.72**	**-0.02**	**-8.19**	**-0.19**	**-2.78**	**-0.06**
Total items related to type of international and exchange rate	**26.56**	**0.82**	**0.22**	**0.80**	**0.21**	**-2.15**	**-0.54**	**1.66**	**0.41**
Rest	**73.44**	**4.10**	**3.02**	**2.37**	**1.76**	**2.76**	**2.05**	**0.51**	**0.38**

Cumulative inflation for the January-February 2026 period was 0.79 percent. Inflation excluding food and energy was 0.40 percent during the same period, with goods accounting for a 0.3 percent increase (contributing 0.05 percentage points to inflation) and services accounting for a 0.5 percent increase (contributing 0.17 percentage points to inflation). The largest increase in services was recorded for water (10.3 percent), followed by health (0.3 percent).

The food category for meals at home rose 2.0 percent in January–February 2026, contributing 0.51 percentage points to CPI growth. Meals away from home increased by 0.6 percent, contributing 0.10 percentage points. Fuel prices rose by 0.9 percent (contributing 0.02 percentage points), while electricity rates fell by 2.8 percent (contributing -0.06 percentage points to inflation).

Table 42
INFLATION
(Percentage changes)

	Weight	Dec.22	Dec.23	Dec.24	Dec.25	Feb 26 / Dec. 25*	Feb 26 / Feb 25
CPI	**100.0**	**8.46**	**3.24**	**1.97**	**1.51**	**0.79**	**2.21**
1. CPI excluding food and energy	**55.3**	**5.59**	**2.90**	**2.60**	**1.83**	**0.40**	**2.20**
a. Goods	**17.4**	**5.3**	**2.7**	**1.6**	**0.8**	**0.3**	**0.8**
b. Services	**37.9**	**5.7**	**3.0**	**3.0**	**2.3**	**0.5**	**2.8**
Education	8.6	3.9	6.4	5.1	4.0	0.2	3.8
Health	1.5	7.3	3.3	1.6	1.5	0.3	1.8
Transportation	9.1	12.3	2.9	3.8	3.0	-0.2	4.1
Water	1.4	7.9	1.3	7.5	0.8	10.3	10.3
Others	17.3	1.7	1.5	1.3	1.1	0.1	1.0
2. Food and energy	**44.7**	**12.02**	**3.63**	**1.23**	**1.13**	**1.25**	**2.23**
a. Food and beverages	**40.0**	**12.6**	**4.8**	**1.2**	**2.0**	**1.5**	**3.3**
Food within the household	24.5	14.5	3.7	0.2	1.6	2.0	3.8
Eating out	15.5	9.7	6.6	2.9	2.7	0.6	2.6
b. Fuels and electricity	**4.8**	**6.8**	**-6.8**	**1.0**	**-7.9**	**-1.1**	**-8.8**
Fuels	2.1	1.0	-6.4	3.3	-7.6	0.9	-7.8
Electricity	2.6	11.5	-7.1	-0.7	-8.2	-2.8	-9.5

* Cumulative percentage change.

100. The items with the largest positive contribution to inflation in the January–February 2026 period were chicken, fresh vegetables, water supply, and meals away from home (0.68 percentage points to inflation). The items with the largest negative contribution were electricity, telephone services, avocados, and domestic ground transportation (-0.18 percentage points to inflation).

Table 43
WEIGHTED CONTRIBUTION TO INFLATION: FEBRUARY 2026

Positive	Weight	% Change	Contribution	Negative	Weight	% Change	Contribution
Chicken meat	2.7	11.3	0.28	Electricity	2.6	-2.8	-0.06
Fresh vegetables	0.2	76.3	0.16	Landline and mobile phone service	4.3	-1.3	-0.05
Public water supply	1.4	10.3	0.14	Avocado	0.2	-16.6	-0.04
Eating out	15.5	0.6	0.10	Domestic ground transportation	0.3	-13.4	-0.04
Other fresh fruits	0.6	11.0	0.08	Passion fruit	0.1	-29.2	-0.03
Potato	0.7	5.7	0.05	Domestic air transport	0.2	-12.9	-0.03
Eggs	0.7	4.8	0.04	Grapes	0.1	-19.9	-0.02
Domestic transportation	8.1	0.4	0.03	Corn	0.1	-14.2	-0.02
Domestic and household services	2.2	1.6	0.03	Whole chili peppers	0.1	-25.4	-0.02
Education	8.6	0.2	0.02	Scallions	0.0	-43.0	-0.01
Total			**0.93**	**Total**			**-0.32**

Food

Chicken meat was the product that contributed the largest positive price change (11.3 percent). The largest increase was recorded in February (7.5 percent compared to January) due to lower supply. Higher temperatures make the fattening process more difficult, a situation exacerbated by the spread of Newcastle disease on informal farms.

The price of fresh legumes rose 76.3 percent, with the sharpest increase recorded in February due to a rise in the price of green peas. During that month, their price increased due to lower supply. Shipments to Lima from Junín decreased by 7.9 percent month-over-month for the American variety and by 47.7 percent for the highland variety. This follows heavier rainfall in the central highlands since January, which affected crop yields.

The "eating out" category rose 0.6 percent during the January–February period. The largest increase was recorded in February for traditional and regional dishes (0.7 percent compared to January). For its part, the price of restaurant set menus saw successive increases of 0.6 percent and 0.4 percent in January and February, respectively. These trends reflect increased demand for this service during the summer.

The "other fresh fruits" category rose by 11.0 percent. In January, demand for mangoes increased following the start of summer, which coincided with a seasonal decline in the supply of Edward and Haden varieties from the northern coast. In February, there was notably lower production of Sabrina and San Andreas strawberries (a 28.3 percent decrease in shipments from the Lima valleys compared to January) due to the early end of the harvest season, as well as damage to crops in the province of Huaral caused by increased rainfall.

The price of potatoes rose by 5.7 percent, with the largest increase recorded in January (4.8 percent compared to December 2025) due to a seasonal decline in supply. Average daily shipments from Lima and Junín fell by 28.0 percent and 8.7 percent, respectively, compared to December 2025. Similarly, yellow potatoes saw a decline in shipments from Huánuco, the main supplying region (-37.6 percent).

The price of lemons rose by 4.8 percent, with the largest increase occurring in February. This price increase was primarily due to a reduction in supply following the outbreak of Newcastle disease in late 2025, which affected the laying hen populations of small-scale producers. This led to a decrease in egg production. In addition, higher temperatures make the product more perishable and increase marketing costs.

Avocados were the product that contributed the largest negative price change (-16.6 percent). The sharpest price drop was recorded in February due to an increase in supply. The February supply of the "fuerte" variety rose 9.6 percent compared to January, in line with seasonal factors, with Lima and Ancash being the main sources of supply.

Services

The price for public water supply rose by 10.3 percent following the rate increase mandated by SUNASS, which was reflected in February's bills. This is due to a medium-term rate adjustment that takes into account an increase in SEDAPAL's average capital costs (see Box 9) and higher fixed charges resulting from inflation.

In the fixed and mobile telephone services sector, prices fell by 1.3 percent. This result reflected the decline in February in the mobile telephone usage segment, amid increased competition and greater mobile number portability.

Domestic land transportation fares fell by 13.4 percent. This occurred amid a seasonal reversal of the price increases typically seen during the end-of-year holidays.

Energy

Electricity rates recorded a decline of 2.8 percent in the January–February period, following a decline in February. Key factors contributing to this result included a weaker exchange rate, downward adjustments due to compensation mechanisms, a decrease in fixed transmission costs, and a lower Wholesale Price Index.

Forecasts

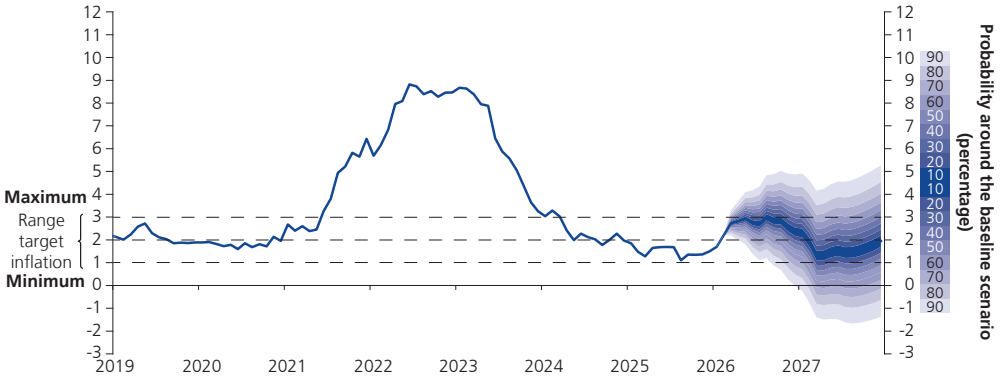
101. The BCRP designs and implements its monetary policy measures in response to inflation forecasts and inflation determinants. These forecasts are prepared for a horizon of 18 to 24 months, taking into account all available macroeconomic and financial information. The main factors influencing inflation, which may be domestic or external in nature, are: inflation expectations, imported inflation (which is influenced by exchange rate effects), inflation excluding food and energy, and inflationary pressures associated with both demand- and supply-side factors.

Furthermore, as part of the process of preparing inflation forecasts, uncertainty is quantified using various statistical tools and estimated dynamic macroeconomic models, followed by the specification of risk scenarios along with their probabilities of occurrence. The following presents the baseline scenario for the inflation forecast in this Report, along with the balance of risks that could cause a potential deviation of the inflation trajectory from that scenario, taking into account both the magnitude of the deviation and the probability of occurrence.

Graph 92

INFLATION FORECAST: 2026–2027

(Percentage change over the last twelve months of months)



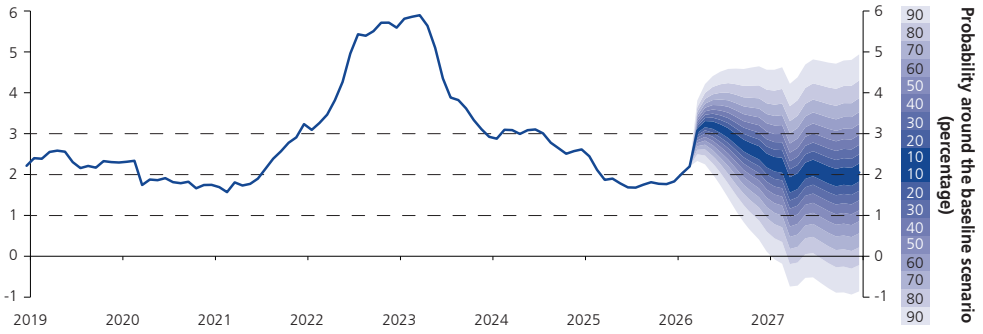
Note: This fan chart shows the distribution of possible values for the inflation forecast over the projection horizon. Its central line represents the mode of the distribution and shows the baseline scenario presented in this Inflation Report. Each pair of bands in the fan chart (each shade or hue) represents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

Year-on-year inflation is projected to remain in the upper end of the target range in the coming months, due to the impact of weather-related factors and the expected increase in fuel prices resulting from escalating geopolitical tensions; it is then expected to settle in the middle of that range. Inflation is estimated at 2.4 percent for 2026 and 2.0 percent for 2027. It should be pointed out that the year-over-year change in prices excluding food and energy (SAE) also reflects a temporary increase during the first quarter, due mainly to the rate adjustment for water and sewer services.

Graph 93

FORECASTED INFLATION EXCLUDING FOOD AND ENERGY (SAE): 2026–2027

(Percentage change over the last twelve months of the year)



Note: This fan chart shows the distribution of possible values for the inflation forecast excluding food and energy (SAE) over the projection horizon. Its central line represents 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 hue) represents a 10 percent probability and indicates the possible values for the evolution of SAE inflation over the forecast horizon associated with this level of confidence.
Source: BCRP.

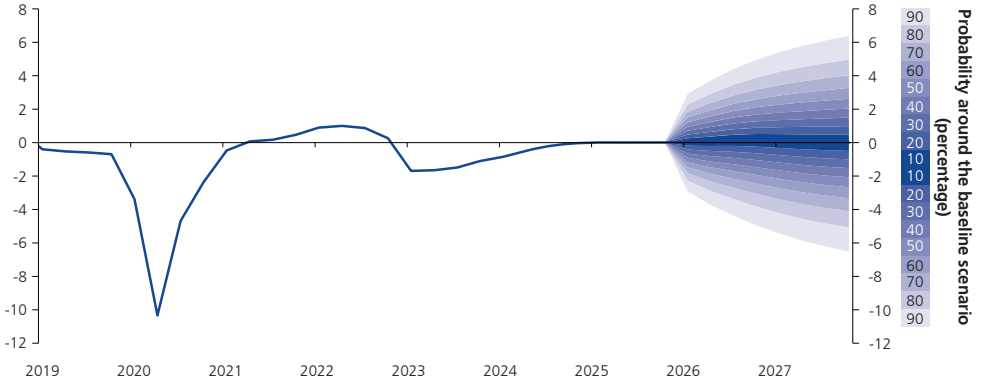
This forecast assumes economic activity around its potential level and stable inflation expectations around the midpoint of the target range.

102. Business confidence, which began to recover in 2024 after three years of negative readings, is expected to continue recovering over the projection horizon. Meanwhile, terms of trade are expected to remain highly favorable. Consequently, the output gap is projected to remain near its neutral value over the projection horizon.

Graph 94

OUTPUT GAP FORECAST: 2026–2027

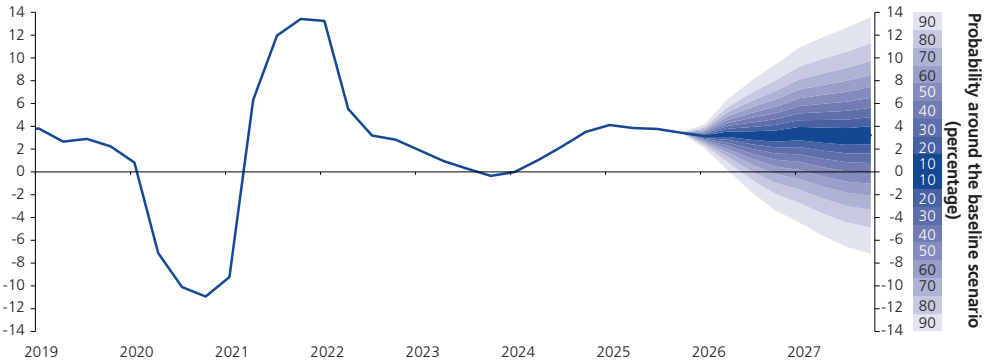
(Percentage of potential output, quarterly average)



Note: This fan chart shows the distribution of possible values for the output gap forecast over the forecast horizon. Its central line represents the mode of the distribution and shows the baseline scenario forecast presented in this Inflation Report. Each pair of bands in the fan chart (each shade or hue) represents a 10 percent probability and indicates the possible values for the evolution of the output gap over the forecast horizon associated with this confidence level.
Source: BCRP.

103. In line with the evolution of the output gap and the estimate of potential GDP, economic growth of 3.2 percent is projected for 2026 and 2027.

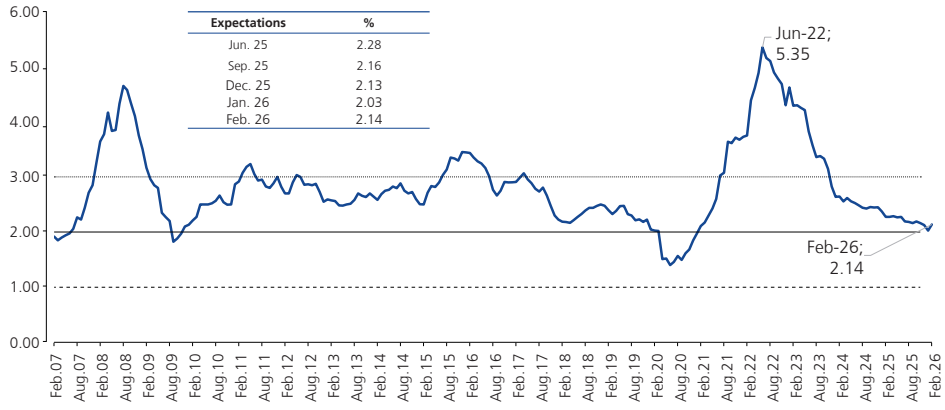
Graph 95
GDP GROWTH FORECAST: 2026–2027
(4-quarter moving average percentage change)



Note: This fan chart shows the distribution of possible values for the GDP growth forecast over the projection horizon. Its central line represents the mode of the distribution and shows the baseline scenario forecast presented in this Inflation Report. Each pair of bands in the fan chart (each shade or hue) represents a 10 percent probability and indicates the possible values for GDP growth over the forecast horizon associated with this level of confidence.
Source: BCRP.

104. Inflation expectations, calculated based on surveys of financial and non-financial businesses, as well as economic analysts, indicate a range for the expected inflation rate of between 2.0 and 2.15 percent for 2026. (These figures are lower than those in the December Inflation Report.) For 2027, a range of 2.15 to 2.25 percent is expected. Likewise, 12-month inflation expectations stood at 2.14 percent in February 2026, lower than reported in the previous Inflation Report and close to the center of the inflation target range.

Graph 96
TWELVE-MONTH INFLATION EXPECTATIONS
(Percentage points)



Source: BCRP.

Table 44
INFLATION EXPECTATIONS SURVEY
(In percentage)

	IR Sep.25	IR Dec.25	IR Mar.26*
Financial System			
2026	2.20	2.20	2.10
2027		2.15	2.15
Economic Analysts			
2026	2.30	2.20	2.15
2027		2.20	2.25
Non-Financial Businesses			
2026	2.50	2.25	2.00
2027		2.30	2.20

*Survey conducted as of February 27.
Source: BCRP.

105. Likewise, an additional determinant of inflation is the imported component, which combines the effect of international prices for products imported by our country (such as oil, wheat, soybeans, and maize) with the effect of exchange rate fluctuations (the sol against the U.S. dollar).

Thus, average import prices are projected to rise by 7.1 percent in 2026 and remain at that average throughout 2027. It is assumed that the exchange rate would resume its appreciating trend over the forecast horizon, in line with improved terms of trade.

The effects mentioned above (an output gap close to its neutral value and inflation expectations gradually converging toward 2 percent) are expected to help inflation settle around the center of the target range (2.0 percent) over the forecast horizon.

Risks to the inflation projection

106. Compared to the latest Inflation Report from December, the balance of risks has been revised upward. Among the factors that could lead to higher inflation is an increased risk of supply shocks, distinguishing between those of domestic and external origin; while among the factors that could lead to lower inflation is an increased risk of weaker external demand. On balance, the risks of higher inflation outweigh the risks of lower inflation.

- **Supply shocks (domestic)**

The risk of higher domestic prices is taken into account in the event that the Coastal El Niño phenomenon increases in intensity and duration.

- **Supply shocks (external)**

The risk of a greater impact of imported inflation on domestic prices is considered, due to the possibility of further escalation in geopolitical tensions, which could lead to additional increases in fuel and fertilizer prices, freight costs, and potential global food shortages.

- **Financial shocks**

In a scenario of political uncertainty, an increase in country risk is likely to materialize. For its part, on the international front, escalating geopolitical tensions and a significant correction in the valuation of artificial intelligence-related projects could lead to increased volatility in international financial markets and trigger capital outflows in emerging

economies. This would be because investors would seek to reallocate their investment portfolios toward assets perceived as safer, in response to their new assessments of return and risk.

These factors could put upward pressure on the exchange rate, thereby contributing to higher inflation. The expected impact of this risk remains unchanged from the previous Report.

- **Domestic demand shocks**

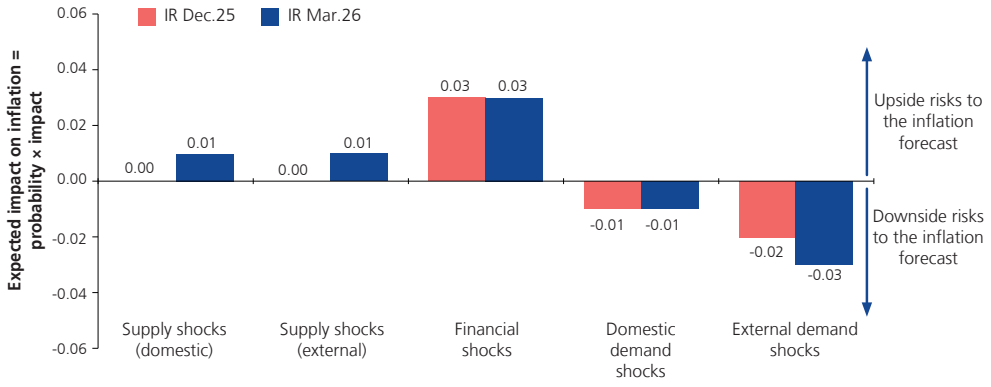
A scenario of political uncertainty could undermine growth in consumption and private investment. Lower private investment spending would lead to lower capital accumulation and, consequently, lower potential economic growth. This potential contraction in private spending could be partially offset by higher public spending over the forecast horizon. The expected impact of this risk remains unchanged from that reported in December.

- **External demand shocks**

Concerns remain about a slowdown in Global growth, which would lead to lower demand for our main export products (external demand). This potential scenario would be driven, on the one hand, by the intensification and prolongation of geopolitical tensions; and on the other, by the adverse effects of ongoing trade negotiations and changes in global trade patterns and interrelationships. Both would generate new disruptions in global supply chains, higher logistics costs associated with international trade, and higher inflation rates with negative effects on consumption.

On the other hand, risks persist of higher financing costs in international markets due to high levels of debt and the prospect of larger fiscal deficits in several advanced economies, as well as lenders' heightened perception of risk. These factors, combined with the risk of a slowdown in technological innovation sectors such as artificial intelligence, would portend a further slowdown in global growth and, likely, lower terms of trade, primarily associated with the prices of the raw materials we export. The impact of this risk has increased compared to what was presented in the previous Inflation Report.

Graph 97
INFLATION RISK BALANCE



Source: BCRP.

Box 9
DRINKING WATER RATE STRUCTURES IN THE REGION

This box reviews water and sanitation rates in a sample of cities in the region.

Economic regulation of water and sanitation

Government intervention in rates stems from the natural monopoly characteristics of this sector. This condition is based on cost subadditivity, whereby provision by a single company is more efficient (less costly) than providing the same quantity through multiple separate companies. In the case of drinking water, subadditivity is associated with the distribution network (water collection, treatment plants, and pipelines), where duplicating infrastructure would generate redundant and inefficient social costs. In sanitation, this efficiency extends to sewer services and wastewater treatment plants, where a single infrastructure optimizes capital investment.

The design of the rate structure can reflect various economic and social objectives, including:

- Encouraging efficient water use.
- Cost recovery: Ensuring that revenues cover the cost of providing the service without causing a cash flow problem or compromising the financial stability of the service provider.
- Economic efficiency: The rate should cover the provider's marginal cost per cubic meter of distribution to the household or business receiving the service. It takes into account water usage decisions from both financial and environmental perspectives.
- Equity: The rate should differentiate between consumers based on income criteria to establish the individual cost of service provision.
- Affordability: As an essential good, set rates as low as possible to avoid limiting access. The cost would be covered by the government or cross-subsidies.

The tariff structure used in practice tends to align more closely with some of these objectives than with others and will therefore reflect each regulator's criteria for determining which objectives are most important. In the region, the standard approach consists of a fixed rate to cover administrative costs and a variable rate based on increasing consumption brackets, with the aim of passing on a larger share of the cost to consumers who use a greater volume of drinking water (a type of cross-subsidy).

To achieve additional social objectives such as equity, affordability, and universal access, many countries in the region use, in addition to tariffs, a range of instruments such as direct consumer subsidies, social funds, subsidies for new connections, and other mechanisms outside the tariff structure, with the aim of better targeting financial support to consumers. Thus, the regulatory challenge, in general, lies not only in establishing this tariff structure but also in coordinating a series of instruments to achieve both economic and social objectives, encompassing efficiency, affordability, and access.

Water Supply and Sanitation

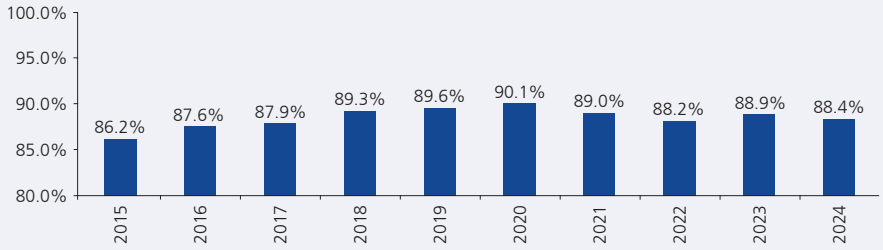
Lima is a city located in a desert region. The Aqueduct Water Risk Atlas indicator by the World Resources Institute (WRI)[46] shows that Lima and the cities along the Peruvian coast are in a state of very high water risk[47]. This risk will increase, as studies project a 30 percent reduction in water availability in Peru over the next decade (Aquafondo, 2024).

46 WRI is a global, non-profit organization funded by the European Union that is oriented to research and building coalitions for climate action and the energy transition worldwide.

47 The risk level is a comprehensive concept that includes physical availability (quantity), water quality, and regulatory or reputational risks. The calculation methodology is available in detail at https://www.wri.org/research/aqueduct-40-updated- decision-relevant-global-water-risk-indicators.

There are disparities in access to drinking water and sanitation services at the national level. According to the National Institute of Statistics and Informatics (INEI), as of 2024, 88.4 percent of the population has access to drinking water through a public water supply connection at home, which means that nearly 4 million Peruvians lack direct access and must seek a water source outside their homes. In Lima, this gap forces the most vulnerable sectors to rely on alternatives such as water trucks, which have significantly higher rates and offer limited, precarious, and inconsistent access. Those without connections bear the highest additional costs due to this infrastructure gap.[48]

ACCESS TO DRINKING WATER SERVICES VIA CONNECTION TO THE PUBLIC WATER SYSTEM AT RESIDENCES
(% of the total population)

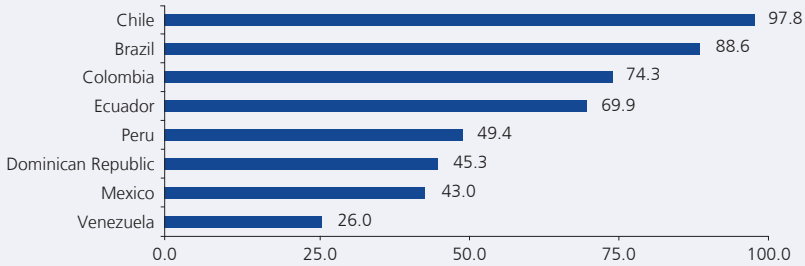


Source: INEI. Public water supply at home includes households that receive water through a public water supply system inside the dwelling or in the building where the dwelling is located.

SUNASS estimates that, over the next 30 years, S/ 138 billion in investment will be needed to close these gaps in coverage and quality, which involves, among other things, improving submetering as well as renovating and expanding the infrastructure. The regulator emphasized that Sedapal alone would require S/ 64 billion in the long term, which could not be covered solely by rates but would require financial support from the government[49].

To compare with a sample of countries in the region, the following chart presents a measure of access to safely managed drinking water. This measure is more stringent than mere access to the public water supply, as it refers to access to water with contaminant levels (fecal and chemical) within safety parameters and sourced from improved and safe water sources (where water is readily available). This is assessed by the World Health Organization (WHO) and the United Nations Children's Fund (UNICEF). 49.4 percent of the Peruvian population has access to safely managed drinking water, which means that more than 17 million Peruvians do not have access to a safe water source.

ACCESS TO SAFELY MANAGED DRINKING WATER SERVICES
(% of the total population)



Source: WASH. Safely managed drinking water comes from an improved source, is available in the home, available when needed, and free from fecal and priority chemical contamination.

48 For more details on the costs of not being connected to the network, see Bonifaz and Aragón (2008). In Lima, SUNASS estimates that if unconnected households were connected to Sedapal, they would save S/ 790 annually on their water bills and 35 minutes daily by avoiding the need to transport water from tanker trucks; in addition, they would receive water of lower quality, which would have a direct positive impact on their health.

49 Presentation by the president of SUNASS to the Congressional Committee on Consumer Protection and Public Service Regulatory Agencies in September 2025.

Water Rates in the Region

This section describes the regulatory principles applied in various cities across the region, illustrating the diversity of approaches used to oversee this strategic sector.

SEDAPAL (Metropolitan Lima and Callao)

The rates charged by Sanitation Service Providers (EPS) are regulated by SUNASS. SUNASS sets rates for periods ranging from three to five years; for SEDAPAL, this occurs every five years. Additionally, SUNASS monitors and oversees service quality, continuity, and coverage, among other aspects.

The regulatory framework for rate setting is the **efficient firm model** (incentive-based regulation), which projects the operating and investment costs of an ideal firm operating at optimal levels of productivity. The process is based on the **Optimized Master Plan (PMO)** submitted by the EPS, which supports this Rate Study and outlines the investments needed to maintain and improve infrastructure over the long term.

To achieve SEDAPAL's economic and financial equilibrium, the medium-term average cost is estimated as follows:

RATE FORMULA

$$CMP = \frac{[K_0 + \sum_{t=1}^{5} \frac{C_t + I_t + \Delta WK_t + Ip_t}{(1+r)^1} - \frac{K_5}{(1+r)^5}}{\sum_{t=1}^{5} \frac{Q_t}{(1+r)^1}}$$

Where:

K_0	: Capital base at the beginning of the period;
C_t	: Operating costs in period t;
I_t	: Investments in period t;
ΔWK_t	: Change in working capital in period t,
Ip	: Taxes in period t;
K_5	: Capital base at the end of the fifth regulatory year;
Q_t	: Revenue in period t;
r	: Discount rate or cost of capital;
t	: Period (regulatory year).

Fuente: SUNASS.

The regulations also provide for the adjustment of the service rate through indexation when the Wholesale Price Index (WPI) increases by 3 percent or more.

In late 2023, Decree-Law No. 1620 (which amended the Framework Law on the Management and Provision of Sanitation Services, Decree-Law No. 1280) introduced the possibility of a rate rebalancing, aimed at aligning revenues and costs to enable investments and the provision of drinking water and sanitation services[50]. For the tariff rebalancing approved for 2026, SUNASS updated the formula and parameters for the weighted average cost of capital (WACC) for the EPS. The formula now includes the opportunity cost of the resources transferred to the EPS. The WACC for SEDAPAL in soles rose from 4.22% to 5.78%, and its entire capital base is taken into account, increasing the base from S/ 5,161 million to S/ 9,975 million. Thus, in 2026, the average rate increased from S/ 4.37 to 5.00 per cubic meter (14.5 percent). The fixed rate was also adjusted for inflation from S/ 6.26 to S/ 6.32 per month.

50 Decree-Law No. 1620 also addresses the implementation of cross-subsidies and direct subsidies to benefit users living in poverty and extreme poverty. For further details on such measures, please refer to Law No. 32065, which establishes measures aimed at ensuring universal access to drinking water, financed by the Safe Water Investment Fund (FIAS).

MODIFICATION OF THE WACC CALCULATION

Sedapal's Weighted Average Cost of Capital (WACC) is calculated as follows:

$$WACC_{nme} = \underbrace{r_e * \left(\frac{E}{E+D+T}\right)}_{\text{Opportunity cost of capital}} + \underbrace{r_d * [1-t_e] * \left(\frac{D}{E+D+T}\right)}_{\text{Opportunity cost of capital}} + \underbrace{r_d * \left(\frac{T}{E+D+T}\right)}_{\text{Opportunity cost of donations or transfers}}$$

Where the opportunity cost of equity capital, r_e:

$$r_e = r_f + \underbrace{\beta * [r_m - r_f]}_{\text{beta and market risk premium}} + r_p$$

(r_f: risk-free rate; r_p: country risk rate)

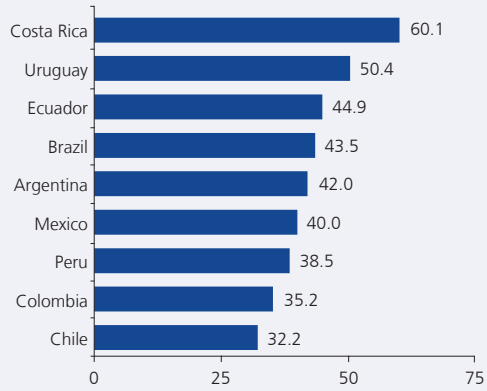
Previously, it was calculated in the Optimized Master Plan (PMO) without the third component:

$$WACC = R_e * \left(\frac{E}{E+D}\right) + R_d * \underbrace{[1 - (1 - t) * (1 - p\,t))]}_{\text{tax rate (te)}} * \left(\frac{D}{E+D}\right)$$

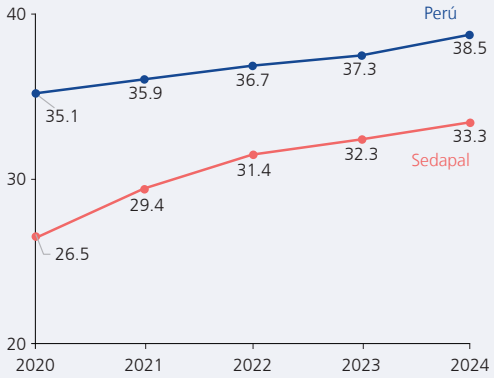
Source: SUNASS expert report for the recent tariff rebalancing.

Furthermore, the 2023 regulation distinguishes more clearly between base rate increases and conditional rate increases, with the former being independent of the achievement of targets. It also clarifies that any fines imposed on the company by regulators or other public agencies are incorporated into the rate. However, not linking all rate increases to management targets could risk reducing incentives for the company to improve efficiency. For example, it is necessary to continue monitoring the unaccounted-for water (ANF) indicator, which shows an upward trend.

Unbilled water (%)



Unbilled Water at the National Level and at Sedapal (2020–2024)



Source: Information from each regulator.

The following table, based on reports from the Association of Water and Sanitation Regulatory Agencies of the Americas (ADERASA) and information provided by regulatory agencies, shows how different rate structures coexist in the region, reflecting the varying emphasis placed on social criteria and economic efficiency.

TARIFF SCHEMES IN THE REGION

City	Scale > 1 million connections	Regulatory body responsible for approving rates	Tariff Setting	WACC as rate of return	Indexation
Buenos Aires	✓	Responsibilities of the Executive Branch	Economic and social criteria. Updated monthly.		
Bogotá	✓	✓ CRA	Efficient Business Model and efficiency comparison using Data Envelopment Analysis (DEA)	✓	✓ To CPI
La Paz		✓ AAPS	Covers operating costs only. Expansion subject to direct transfers	Fixed profitability index	✓ To the Housing Promotion Unit Index Housing Promotion (ufevización) based the CPI.
Lima	✓	✓ SUNASS	Efficient Business Model	✓	✓ To CPI
Montevideo	✓	Responsibility of the Executive Branch	Economic and social criteria. Updated annually		✓ To the CPI, the change in provider's wages and operating costs
Quito		Responsibility of the Metropolitan Council	Economic criteria		
Santiago	✓	✓ SISS	Efficient Business Model. A differentiated rate is applied during peak periods (summer).	Fixed profitability index	✓ Index: CPI, Producer Prices Producer and Imported Goods Manufacturing

Source: Information from each regulatory agency and ADERASA.

As can be seen, economic criteria are not the only factors considered in setting rates. Some cities (such as Buenos Aires and Montevideo) explicitly take social criteria (equity) into account when determining their rate structures. Most cities in the sample use tiered rates based on increasing consumption levels, with the exception of Santiago, Chile, which has a flat rate supplemented by direct subsidies funded by the government. Another tool used in many cities is targeting low-income consumers to provide them with "social rates" that include a cross- subsidy component (as in Lima, for example).

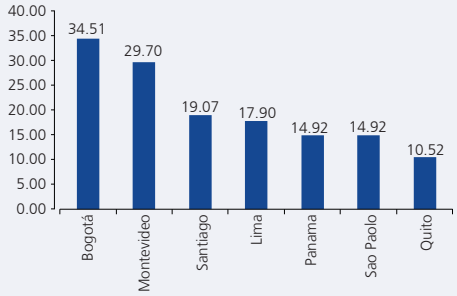
In addition, there are government programs that provide direct assistance to households facing access issues. In Lima, for example, the Ministry of Housing, Construction, and Sanitation (MVCS) implements the Safe Water Program for Lima and Callao (PASLC), which aims to close gaps in access to drinking water and sanitation. The program identifies beneficiaries through the Household Targeting System (SISFOH) and makes investments using public funds.

Comparison of rates

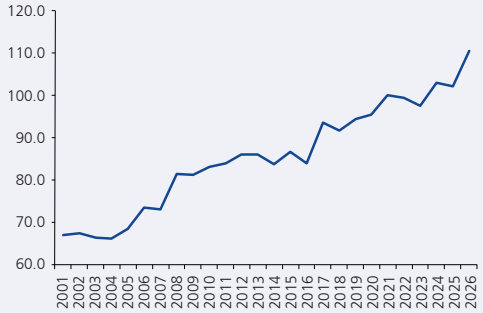
The following chart compares the rates, in dollars, for 15 cubic meters of unsubsidized residential water consumption that users would pay in certain cities across the region. Lima ranks fourth in the sample in terms of water and sewerage bills for this segment. This rate includes the impact of the rate rebalancing for 2026.

The price of the service in Lima is not solely the result of the recent rate adjustment. The graph on the right shows that, in recent years, the real rate for residential users has been rising due both to adjustments established in rate studies and to automatic indexation to the Consumer Price Index (CPI). During the 2015–2025 period, the CPI for water and sanitation rose by 74.7 percent on a cumulative basis. Of this amount, it is estimated that approximately 30 percentage points are attributable to the IPM adjustment.

Bill for residential use of 15 cubic meters of water and sewer service, excluding VAT (in USD)



Relative price of water and sewer service (Index Dec 2021 = 100)



Source: Tariff information from each EPS and INEI. The comparative analysis assumes unsubsidized consumption during off-peak periods. Exchange rates are as of
March 17, 2026. The calculated relative price includes the forecast.
(*) IR March 2026.

Final Comments

This review shows that tariff structures in the region vary widely, with differing emphases on social and economic objectives. In the case of Lima, the scale of operations and the city's location in an area where water availability is projected to decline in the long term make it difficult to close the gaps in access and service quality without significant investments, which will have to be covered by tariffs and public funds. In this regard, while increased investment requires a tariff policy that ensures the company's financial sustainability, such tariffs must also provide incentives for ongoing service improvement.

References

- Aquafondo (2024). *How the water crisis may affect Peru in the coming years.*
- ADERASA & SUNASS (2025). *Regional Rates: Comparative Analysis of ADERASA Member Countries.*
- ADERASA & SUNASS (2023). *ADERASA Annual Report 2023: Benchmarking of management indicators for operators in member countries.*
- World Bank (2002). *Water: Reform of the Water and Sanitation Sector* (Paper No. 26538). Public-Private Infrastructure Advisory Facility; Water and Sanitation Program.
- Bonifaz, J. L., & Aragón, G. (2012). *Cost overruns due to a lack of drinking water infrastructure: an empirical approach* (Discussion Paper DD/08/12). Research Center of the Universidad del Pacífico.
- Bonifaz, J. L., & Montoya, J. (2013). *Proposal to improve the progressivity of the cross-subsidy for drinking water at SEDAPAL* (Discussion Paper DD/13/10). Research Center of the University of the Pacific.
- Gutiérrez, M. (2025). *Presentation to the Commission on Consumer Protection and Public Service Regulatory Agencies of the Congress of the Republic.* SUNASS.
- Iberico, J., & Huarancca, R. (2024). *Challenges in Improving Drinking Water Supply in Peru.* Revista Moneda (199), 31–36. BCRP.
- INEI (2024). Access to basic services in Peru.
- Rivas, R., et al. (2025). *Final proposal to modify the tariff level and structure, and the "Labor Relations" management goal for the remainder of SEDAPAL S.A.'s 2022–2027 regulatory period*. Specialist Report No. 00256-2025. SUNASS.
- SUNASS & REDES (2026). *Living in the Desert: How Much Water We Consume and What Quality of Service We Have in Metropolitan Lima and Callao.*
- SUNASS (2021). *Rate Study: Lima Drinking Water and Sewerage Service* (SEDAPAL S.A.) 2022–2027.

Box 10
ASYMMETRICAL PERSISTENCE OF INFLATION IN LATIN AMERICA: EVIDENCE FROM CHILE, COLOMBIA, AND PERU

Does inflation return to its equilibrium level at the same rate in response to positive or negative deviations? A recent study by Aguilar, Garibay, and Quineche (2026) examines this question for Chile, Colombia, and Peru using quantile autoregression —a methodology that, in contrast with standard unit root tests, allows for the identification of asymmetric dynamics based on the magnitude and sign of inflationary shocks—. The analysis uses monthly inflation data from January 1992 to December 2023, seasonally adjusted using the TRAMO/SEATS[51] procedure.

Measuring the Severity of Price Shocks

This study measures the effects of unexpected inflation deviations according to their magnitude and sign. To this end, autoregressive models are estimated for different points in the data distribution; particularly, the effects of shocks in the deciles of the distribution τ = [0.1; 0.2; …; 0.9] are considered, where τ = 0.1 represents the first decile.

The analysis is based on deviations of inflation from its long-run level: $z_t=\pi_t- \overline{\pi}$, where π_t represents the monthly inflation rate of a given country and $\overline{\pi}$ represents its long-run level, which in this study is defined as its official inflation target. Thus, the midpoint of the target range for Peru is 2 percent, while the target for Chile and Colombia is 3 percent[52].

The dynamics of inflation deviations from their long-run level across different distribution quantiles can be described by the following quantile-based autoregressive equation:

$$Q_{z_t}(\tau)=\varphi_0(\tau)+ \varphi_1(\tau)z_{t-1}+\Sigma_{j=1}^{q}\varphi_{j+1}(\tau)\Delta z_{t-j}$$

where $\varphi_0(\tau)$ and $\varphi_1(\tau)$ represent the intercept and the autoregressive parameter at quantile τ, respectively.

The following tables present the quantile estimates of the intercept ($\varphi_0(\tau)$) and the term capturing persistence ($\varphi_1(\tau)$). The significance of $\varphi_0(\tau)$ evalúa la hipótesis nula $\varphi_0(\tau)=0$ using the Student's t-test; while the significance of $\varphi_1(\tau)$ tests the unit root hypothesis[53].

Estimates of $\varphi_0(\tau)$ can be interpreted as the magnitude of inflation shocks at the τth quantile of the distribution: for example, a value of -3.5 means that, in the sample under consideration, 10 percent of the negative inflation shocks had a value less than or equal to -3.5.

The results of the estimation are presented in the following table. As can be seen, as the quantile τ, increases, so does $\varphi_0(\tau)$. This indicates that the largest negative and positive shocks are located at the extremes of the distribution; that is, they are less frequent than typical shocks. Thus, in the case of Chile, for example, an inflation deviation greater than 4.7 percentage points, or less than -3.8, has a probability of occurring of less than 10 percent; whereas deviations falling between -1.4 and 1.9 percentage points have a probability of 40 percent. It is also worth noting that, in Colombia, inflation shocks have been smaller across the entire distribution compared to Chile and Peru, and that Peru has the lowest median inflation deviation relative to the other two countries with inflation targets.

51 The importance of seasonal adjustment in Peru's monthly inflation is documented by Quineche et al. (2025).

52 As a robustness check, Aguilar, Garibay, and Quineche (2026) replicate the analysis using alternative definitions of the long-run level: the historical sample mean and a hybrid measure that combines a trend estimated by the HP filter for the pre-target period with the official target for the post-target period. The asymmetric pattern holds across all specifications.

53 The $tn(\tau)$ statistic proposed by Koenker & Xiao (2004) is used for the unit root test.

Positive shocks are more persistent than negative ones

The coefficients $\varphi_1(\tau)$, which measure the persistence of inflation deviations from the target level, increase systematically toward the upper quantiles of the distribution in all three countries, meaning that large, unexpected increases in inflation are considerably more persistent than inflation deviations below the target level. In the lower quantiles, which capture inflation deviations below the target, inflation reverses quickly, whereas in the upper quantiles, the reversal is much slower or nonexistent. A key finding is the identification of the thresholds beyond which the unit root hypothesis cannot be rejected —that is, where $\varphi_1(\tau)$. ceases to be statistically significant—: the 60th quantile for Colombia, the 70th for Chile, and the 80th for Peru. This implies that, for all three countries, high persistence is concentrated in the most extreme positive shocks, while shocks of lesser magnitude —particularly negative ones— dissipate more rapidly.

ESTIMATES OF INFLATION PERSISTENCE BY QUANTILE: WITH A BREAK IN INFLATION TARGETS

Country	τ	0.1	0.2	0.3	0.4	0.5	0.6	0.7	0.8	0.9
Peru	$\varphi_0(\tau)$	-3.520*	-2.225*	-1.284*	-0.451***	0.206	0.920*	1.562*	2.788*	4.001*
	$\varphi_1(\tau)$	0.688*	0.730*	0.780*	0.778*	0.794*	0.806*	0.867*	0.980	1.125
Chile	$\varphi_0(\tau)$	-3.805*	-2.290*	-1.456*	-0.443***	0.320	1.037*	1.908*	3.427*	4.732*
	$\varphi_1(\tau)$	0.537*	0.546*	0.570*	0.658*	0.709*	0.754*	0.855	0.871	0.914
Colombia	$\varphi_0(\tau)$	-2.086*	-1.339*	-0.718*	-0.430*	0.226	0.702*	1.198*	1.656*	2.543*
	$\varphi_1(\tau)$	0.763*	0.849*	0.904*	0.944***	0.936**	0.961	0.961	1.010	1.076

Note: For $\varphi_0(\tau)$, the Student's t-test is used for the null hypothesis of zero, while for $\varphi_1(\tau)$, the null hypothesis of a unit root is tested using the $t_n(\tau)$.
* Significant at the 1% level.
** Significant at the 5% level.
***Significant at the 10% level.

As shown in the table below, when the adoption of the inflation-targeting framework is treated as a structural break —January 2002 for Peru and September 1999 for Chile and Colombia— the coefficients $\varphi_1(\tau)$ in the upper quantiles decrease systematically across all three countries. This result may reflect greater credibility of monetary policy in achieving a faster return of inflation to the target level in the face of large positive inflation deviations. Likewise, the median of inflation deviations is closer to zero, which would also indicate a distribution of inflation that is better centered on the target range once the inflation targeting regime was adopted. However, the asymmetric pattern persists: positive shocks remain considerably more persistent than negative ones, even within the period following the adoption of the regime. This result is robust to multiple structural breaks identified using the Bai and Perron (2003) procedure and to different definitions of the long-run level of inflation.

ESTIMATES OF INFLATION PERSISTENCE BY QUANTILE: WITH A BREAK IN INFLATION TARGETS

Country	τ	0.1	0.2	0.3	0.4	0.5	0.6	0.7	0.8	0.9
Peru	$\varphi_0(\tau)$	-4.716*	-3.382*	-2.354*	-1.148*	-0.280	0.534***	1.416*	2.737*	4.452*
	$\varphi_1(\tau)$	0.826*	0.838*	0.846*	0.806*	0.854*	0.851*	0.890*	0.930	0.954
Chile	$\varphi_0(\tau)$	-4.582*	-3.140*	-1.881*	-1.034*	-0.141	0.747	1.615*	3.176*	4.564*
	$\varphi_1(\tau)$	0.452*	0.461*	0.552*	0.558*	0.597*	0.742*	0.784***	0.789***	0.860
Colombia	$\varphi_0(\tau)$	-2.974*	-1.865*	-1.165*	-0.652*	0.025	0.595*	1.095*	1.782*	3.021*
	$\varphi_1(\tau)$	0.770***	0.770*	0.799*	0.818*	0.813*	0.810*	0.840*	0.860***	0.805***

Note: For $\varphi_0(\tau)$, the Student's t-test is used for the null hypothesis of zero, while for $\varphi_1(\tau)$, the null hypothesis of a unit root is tested using the $t_n(\tau)$.
* Significant at the 1% level.
* Significant at the 1% level.
** Significant at the 5% level.
***Significant at the 10% level.

Implications for Monetary Policy

Since positive shocks are structurally more persistent than negative ones, a symmetric reaction function underestimates the monetary policy effort required to contain episodes of high inflation. Empirical

evidence suggests that central banks should respond more aggressively to inflationary pressures above target than to of equal magnitude in the opposite direction, and that early preventive action is particularly valuable. The post-pandemic inflationary episode is consistent with these findings: all three countries experienced inflation increases that proved persistent. Peru, notably, managed to return to the center of its target range —2.0 percent— by December 2024, an outcome consistent with the overall stationarity documented by the analysis.[54]

References

- Aguilar, J., Garibay, R., and Quineche, R. (2026). Asymmetric Inflation Persistence in Latin America: Evidence from Chile, Colombia, and Peru Using Quantile Autoregression Analysis. *Latin American Economic Review, 37*.
- Bai, J., and Perron, P. (2003). Computation and analysis of multiple structural change models. Journal of Applied Econometrics, 18(1), 1–22.
- Koenker, R., and Xiao, Z. (2004). Unit root quantile autoregression inference. *Journal of the American Statistical Association, 99(467)*, 775–787.
- Quineche, R., Aguilar, J., and Garibay, R. (2025). When inflation follows a clock: seasonality and monthly patterns in Peruvian inflation. *Revista Moneda,* (203), 4–9.

54 Aguilar, Garibay, and Quineche (2026) document that inflation exhibits global stationarity in all three countries: the QKS statistical test by Koenker and Xiao (2004) rejects the unit root hypothesis at the 1 percent significance level for Chile, Colombia, and Peru.

Box 11
REGIONAL TRANSMISSION OF INFLATION IN PERU

Inflation does not evolve in isolation among the departments of a single country; inflationary shocks tend to spread across geographic areas with varying intensity.

This box discusses the characteristics of this regional interconnection based on a recent study by Aguilar and Quineche (2025). This study empirically analyzes the regional transmission of inflation in Peru using spillover methodologies in both the time and frequency domains, identifying the timeframes over which price changes in one region affect others.

Thus, the analysis shows that Lima is the primary net source of inflationary spillovers among Peru's regions, particularly in the long term, reflecting its large share of national consumption, its role as a financial hub, and its position as the main distribution center. In addition, although the pandemic temporarily disrupted these interconnections, they recovered quickly, and Lima's role as a transmitter intensified following the pandemic. These results are consistent with and complement the previous work of Winkelried and Gutiérrez (2015) and Sánchez et al. (2017).

Data and regionalization

The analysis uses monthly CPI data for Peru's 25 largest cities, published by INEI between 2002 and 2024. These cities are grouped into nine economic regions according to the classification by Gonzales de Olarte (2003), which reflects both historical-cultural ties and patterns of economic integration —market linkages, trade ties, and productive specialization. Regional CPIs are constructed using weighted averages that reflect each city's share in national consumption patterns, ensuring consistency with INEI's national inflation calculations.

High interconnectivity

Using the methodology of Diebold and Yilmaz (2012), the total spillover index (TSI) stands at 73.6 percent, indicating that nearly three-quarters of the variance in the inflation forecast error across regions stems from interregional shocks rather than domestic idiosyncratic factors.[55] The directional analysis reveals Lima as the dominant transmitter, with net spillovers of 23.94 percentage points (significant at the 1 percent level), reflecting its concentration of national consumption, its role as a financial center, and its position as the main distribution hub.[56] At the opposite end of the spectrum, regions 8 (southern tourist region) and 9 (Amazon region) are significant net recipients with net spillovers of -22.62 and -24.87 percentage points, respectively, consistently absorbing external shocks without an equivalent capacity for transmission.

55 The methodology developed by Diebold and Yilmaz (2012) involves measuring spillovers (contagion) in financial systems based on decompositions of forecast error variance in VAR models. Their approach defines measures of spillovers that quantify how much of a variable's future uncertainty is attributable to shocks in other variables, and then aggregates this information to obtain an overall contagion index. In this way, they provide a tool for assessing interdependence and systemic risk over time. The total spillover index (TSI) measures the percentage of the system's total inflationary variability attributable to cross-regional effects. A high TSI indicates strong interconnection; a low TSI suggests that each region evolves independently.

56 NET spillovers are calculated as the difference between what a region transmits to others (TO) minus what it receives from others (FROM). Positive values indicate that the region is a net transmitter of inflation; negative values indicate that it is a net receiver.

SPILLOVERS IN THE DOMAIN OF TIME

Region	To	From	Net
Lima	100.43***	76.49***	23.94***
Region 2	76.06***	75.96***	0.1
Region 3	78.80***	78.18***	0.62
Region 4	83.84***	78.48***	5.36
Region 5	80.97***	76.13***	4.84
Region 6	72.13***	68.37***	3.76
Region 7	84.37***	75.50***	8.87***
Region 8	39.30***	61.93***	-22.62***
Region 9	46.54***	71.41***	-24.87***
ITS = 73,60***			

Note: This table reports static spillovers in the time domain among regions of Peru. TO measures the total spillovers transmitted by each region; FROM measures the total spillovers received; and NET is calculated as the difference between TO and FROM. ITS represents the Total Spillover Index. Statistical significance: *** 1 percent, ** 5 percent, and * 10 percent.

The most significant finding emerges when spillovers are broken down by time horizon using the methodology of Baruník and Křehlík (2018).[57] Inflationary interdependence among regions is markedly more pronounced in the long run —a spillover frequency index (SFI) of 44.7— than in the short run —an SFI of 29.0— suggesting that persistent and structural forces are the main drivers of regional price transmission.[58]

In the long term (horizons longer than 6 months), Lima exhibits the highest net spillover: 27.23 percentage points, structurally and persistently transmitting inflation through aggregate demand dynamics and the formation of expectations. Regions 8 (Cusco, Abancay, and Puerto Maldonado) and 9 (Amazonia) are consistent net recipients with spillovers of -17.07 and -24.29 percentage points, reflecting their structural dependence on price trends determined in Lima.

In the short term (2 to 6 months), the pattern reverses: Lima becomes a net recipient with a spillover of -3.24 percentage points. Regions 3 (Chiclayo, Cajamarca, and Chachapoyas) and 7 (Huánuco, Cerro de Pasco, and Huancayo) emerge as primary transmitters with net spillovers of 6.51 and 4.89 percentage points, respectively. These regions are key agricultural producers —potatoes, rice, sugar, legumes, and fruits— that drive the immediate dynamics of food prices in Lima's consumer basket, where food accounts for approximately 37 percent of total consumption. This suggests that price shocks in these areas may foreshadow inflationary pressures in Lima's CPI before they fully materialize.

SPILLOVERS IN THE FREQUENCY DOMAIN

Region	Toward	From	Net	Toward	From	Net
	Short term: 2 to 6 months			*Long term: more than 6 months*		
Lima	34.81***	38.04***	-3.24	65.70***	38.47***	27.23***
Region 2	34.47***	35.43***	-0.96	41.24***	40.55***	0.69
Region 3	35.06***	28.55***	6.51***	43.69***	49.71***	-6.02
Region 4	37.07***	34.06***	3.01	46.65***	44.45***	2.21
Region 5	29.22***	28.47***	0.75	51.94***	41.00***	4.23
Region 6	22.26***	26.89***	-4.62	50.51***	41.56***	8.80
Region 7	34.14***	29.25***	4.89*	50.51***	46.29***	4.23
Region 8	12.50***	17.87***	-5.37**	27.55***	44.32***	-17.07**
Region 9	21.42***	22.38***	-0.96	24.91***	49.19***	-24.29***
	IFS= 28.99* **			**IFS = 44.70*** **		

Note: This table reports spillovers in the frequency domain, broken down into short-term (2–6 months) and long-term (more than 6 months) bands. IFS stands for the Frequency Spillover Index. Statistical significance: *** 1 percent, ** 5 percent, and * 10 percent.

57 The methodology developed by Baruník and Křehlík (2018) involves extending spillover measures to the frequency domain through the spectral representation of variance decompositions. This makes it possible to decompose spillovers into frequency bands and, thus, distinguish between short-term effects—which are rapid and transitory—and long-term effects—which are persistent and enduring.

58 In spectral analysis, the ISF measures the percentage of the system's total inflationary variability that is attributable to cross-regional effects within a specific frequency band (short- or long-term). A high ISF in a given band indicates strong interconnection across those time horizons.

Resilience during the pandemic

The dynamic analysis shows that the lockdowns of 2020–2021 temporarily disrupted transmission mechanisms: the ITS declined from 75.95 percent in February 2020 to 67.81 percent in June 2021. However, the recovery was rapid —by December 2022, the ITS had returned to 74.40 percent— demonstrating the resilience of the underlying structural relationships. Furthermore, Lima's net spillovers followed a steep upward trajectory in the post-pandemic period, driven primarily by the strengthening of long-term transmission, which reinforces its position as an anchor of the inflation-targeting framework and is consistent with the effective anchoring of inflation expectations documented by Quineche et al. (2024) for the Peruvian case.

References

- Aguilar, J. and Quineche, R. (2025). Regional Inflation Spillovers and Monetary Policy Design: Evidence from Peru's Inflation-Targeting Framework. *Journal of Policy Modeling.*
- Baruník, J. and Křehlík, T. (2018). Measuring the frequency dynamics of financial connectedness and systemic risk. *Journal of Financial Econometrics, 16(2)*, 271–296.
- Diebold, F. X. and Yilmaz, K. (2012). Better to give than to receive: Predictive directional measurement of volatility spillovers. *International Journal of Forecasting, 28(1)*, 57–66.
- Gonzales de Olarte, E. (2003). Integrated Regions: Incentive Law for the Integration and Formation of Regions—*Economic and Political Guidelines.* Publishing Fund of the Peruvian Congress.
- Quineche, R., Aguilar, J., & Garibay, R. (2024). Analyzing economic agents' inflation expectations during the post-COVID-19 pandemic period in Latin America. *Revista Moneda, (198)*, 4–9.
- Rodríguez, M., Martínez, J., & Sánchez, E. (2017). Convergence of regional inflation rates. *Moneda Journal, (172)*, 9–13.
- Winkelried, D., & Gutierrez, J. E. (2015). Regional inflation dynamics and inflation targeting. The case of Peru. Journal of Applied Economics, 18(2), 199–224.