

INTRODUCTION

The **global economy** slightly moderated its pace of expansion from 3.5 percent in 2023 to 3.3 percent in 2024, in a context marked by the persistence of adverse factors such as geopolitical tensions in Ukraine and the Middle East, as well as an increase in trade frictions following the presidential elections in the United States. In addition to this, there was a slower process of monetary easing by the Federal Reserve, due to the slow convergence of inflation towards its target, which contributed to a less favorable international environment for growth. The lower dynamism of world economic activity was accompanied by a gradual reduction in **global inflation**, which went from 5.7 to 4.5 percent between 2023 and 2024, due to a generalized slowdown in price increases in developed and emerging economies.

The dynamism of green industries, the scarcity of concentrates and the intensification of geopolitical risks drove up the prices of the main industrial and precious metals, which make up an important part of Peru's exports. In parallel, high levels of oil supply and inventories, together with record crops and favorable production prospects for foodstuffs such as wheat and maize, reduced the prices of the main inputs that Peru imports. As a result, the **terms of trade** –measured as the ratio between average export and import prices– increased by 12.6 percent in 2024.

The **current account of the balance of payments**, in terms of GDP, recorded a higher surplus, from 0.3 percent in 2023 to 2.2 percent in 2024. This result was mainly due to an improvement in the trade surplus, as a result of the increase in the terms of trade and the growth in the volume of exports of traditional fishery products, natural gas and gold; and to a lesser extent, the recovery of tourism, favorable

employment conditions abroad and the higher return on our external assets. The financial account recorded a **net capital inflow** of USD 1 995 million (0.7 percent of GDP), as opposed to the net outflow of USD 871 million in 2023; due to the higher net external financing received by the public sector through the issuance of global bonds to cover its financial requirements. Consequently, **Net International Reserves** increased by USD 7,954 million and accumulated a balance of USD 78,987 million at the end of 2024, equivalent to 26.8 percent of GDP. An important part of this increase is explained by the reduction of assets abroad by residents (AFPs), which were used to finance the withdrawal of pension funds.

The **Peruvian economy** grew 3.3 percent in 2024, which represented a recovery from the 0.4 percent decline in 2023. The rebound was due to the progressive reversal of the factors that had limited its performance in the previous year. These factors include: (i) the adverse effects of climatic phenomena such as El Niño and droughts, which affected production in primary sectors, as well as exports and employment; (ii) the presence of social conflicts; (iii) the fall in business confidence; and (iv) the impact of the political cycle on public investment.

On the supply side, the dissipation of these factors in 2024 allowed for the recovery of primary activities, which grew 4.1 percent, with advances in the agricultural sector, fishing and associated manufacturing. Likewise, non-primary sectors reversed the decline of 2023 (-1.3 percent) and grew 3.1 percent, driven by manufacturing, construction and services. On the demand side, the recovery of the labor market and the reduction in inflation favorably influenced household purchasing power, allowing them to recompose their basket and increase consumption; while the improvement

in business confidence boosted private investment. In addition, public investment by subnational governments reversed the 5.4 percent contraction recorded in 2023 by increasing at a double-digit growth rate, a fact not observed since 2012, excluding the years affected by the pandemic.

The **fiscal deficit** rose from 2.7 percent of GDP in 2023 to 3.5 percent in 2024. Revenues increased 2.4 percent in real terms, following the economic recovery, higher employment, high prices of export metals and import growth. However, this rate of expansion was lower than that of output, resulting in a drop in the revenue ratio from 19.4 to 18.7 percent of GDP. In addition to this, strong growth in public investment and wage increases drove up Non-financial expenditures. The **gross debt of the Non-Financial Public Sector** increased from S/ 329,234 million in 2023 to S/ 355,181 million at the end of 2024, mainly due to the increase in the fiscal deficit and the depreciation of the Sol against the US dollar. Despite the increase in nominal terms, gross debt as a percentage of GDP decreased from 32.4 to 32.1 percent between 2023 and 2024, while net debt went from 22.1 to 23.5 percent of GDP.

Inflation during 2024 continued to show a downward trend and closed the year at 1.97 percent, around the center of the target range (1 to 3 percent) since May. Non-food and energy inflation also remained within the target range since August and fell to 2.60 percent at the end of the year. Food and energy prices rose 1.2 percent (3.6 percent in 2023). The fall in agricultural perishable food and vehicle fuel prices was noteworthy.

In 2024, the BCRP continued with the **monetary easing** process initiated in September 2023. During 2024, the reference rate was reduced

in seven monthly meetings of the Monetary Program, in each case by 25 basis points, and remained unchanged in March, June, July, October and December. Thus, the interest rate closed the year at 5.00 percent. Discounting inflation expectations, the real reference rate stood at 2.55 percent, close to the estimated neutral level of approximately 2.0 percent. A neutral real interest rate is one that is consistent with an economy operating at its potential level and with inflation aligned with its long-term target.

The balance of liquidity injection operations in domestic currency decreased from S/ 33,052 million at the end of 2023 to S/ 25,897 million at December 31, 2024. This flow is mainly explained by the maturity of alternative portfolio repo operations (S/ 3,992 million) and the amortization of repo operations of government-secured repos of credit portfolio guaranteed by the National Government- from the Reactiva Perú program (S/ 3,566 million). The annual growth rate of total credit to the private sector slowed down from 1.4 percent in 2023 to 0.4 percent in 2024. As a percentage of GDP, the balance of credit to the private sector represented 38.0 percent, down from 41.0 percent in 2023.

The BCRP's Interoperability Strategy, progressively deployed since 2023, has driven rapid growth in digital payments, with more than 160 million additional monthly transactions by December 2024. Progress in the first phases has been supported by the ease of use of wallets, the expansion of QR Codes and the increase in payments via banking applications. Currently, the integration of e-money issuers continues and the implementation of Phase 4 is being prepared, which seeks to incorporate fintech and big tech players through a payment initiation model.