

# PERU

The economy expanded 3.4 percent in 2025, with growth expected at 2.7 percent in 2026. Job creation is expected to bring poverty down to 33.4 percent. Yet subdued productivity growth and weak public service delivery remain binding constraints on growth, jobs, and poverty reduction. Fiscal slippages, climate shocks and lower commodity prices represent key downside risks.

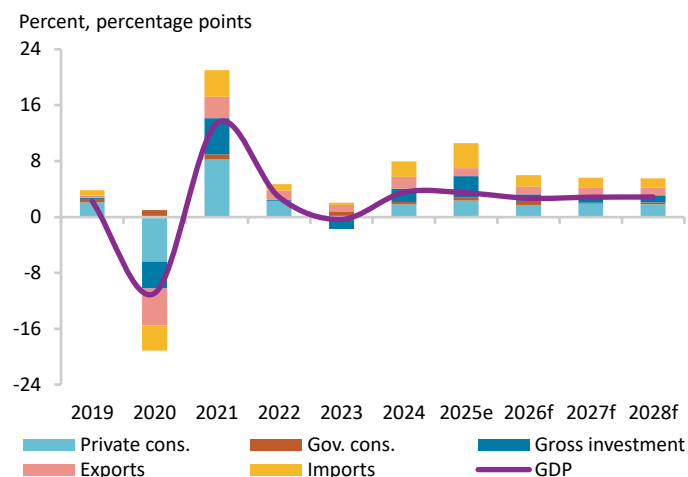
## Key conditions and challenges

Sound macroeconomic fundamentals—low public debt, sizable international reserves, a credible central bank, and a well-capitalized financial sector—have underpinned Peru's resilience to shocks. Nonetheless, fiscal risks have increased in recent years, with actions by Congress and state-owned enterprises contributing to weaker fiscal outcomes.

Peru's growth over the past decade has been roughly half the pace of the 2002–2013 commodity cycle boom. As a result, job creation and poverty reduction have been comparatively modest. Currently, 70.9 percent of workers are in informal jobs, rising to 94.5 percent in rural areas. As of 2024, 36.2 percent of Peruvians lived on less than US\$8.30 per day—above pre-pandemic levels—and more than half of the population faced food insecurity.

Sustaining stronger growth will require better public service delivery, removing barriers that limit the productivity growth of firms, and continued fiscal prudence alongside political stability. Advancing inclusive growth will also depend on expanding formal employment, promoting gender equality, and strengthening social protection.

FIGURE 1 / Real GDP growth and contributions to real GDP growth



Sources: Central Reserve Bank of Peru (BCRP) and World Bank.

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$8.30/day
<b>34.6</b>	<b>12.4</b>
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
<b>77.7</b>	<b>113.9</b>
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
<b>339.3</b>	<b>9812.4</b>

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2025. 6/ 2025.

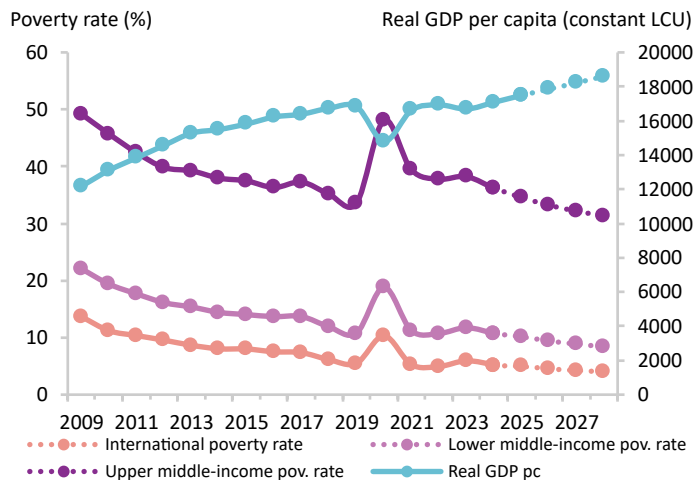
## Recent developments

In 2025, the economy grew for a second consecutive year, at 3.4 percent, slightly above its potential. Unlike 2024—when investment growth was driven by the public sector—private investment in 2025 expanded by 10 percent, the fastest rate in 12 years. Favorable external conditions—terms of trade surpassing the historical peaks of 1951 and 1974—and a recovery of business confidence sustained the broad-based private investment momentum despite political uncertainty.

Private consumption grew by 3.6 percent in 2025, supported by formal employment expansion, a recovery in credit following two years of stagnation, and low inflation. This dynamism is estimated to have driven a 1.6 percentage-point decline in poverty, reaching 34.6 percent in 2025.

After two consecutive years of breaching the fiscal deficit ceiling, Peru met its end-year target of 2.2 percent of GDP in 2025. The 1.3 percentage-point consolidation from 2024 was driven by a sharp expenditure reduction—including lower financial support to the state-owned company PetroPerú, which accounted for 0.5 percentage points of

FIGURE 2 / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: See footnotes in table on the next page.

GDP—and stronger corporate income tax collections. Public debt edged down to 30.2 percent of GDP. Sovereign spreads remain low compared to regional peers, at 139 basis points.

Inflation remained within the central bank's 1–3 percent target band until 2025. Before the global oil shock triggered by the conflict in the Middle East, headline inflation rose to 2.2 percent in the first two months of 2026, driven by a moderate El Niño Costero climate event. In March, a two-week disruption of the country's main natural gas pipeline forced a temporary shift to costly imported fuels, pushing inflation above target to 3.8 percent. The central bank has maintained a neutral monetary stance, holding the policy rate at 4.25 percent as of March 2026.

Sharp improvements in terms of trade (e.g., copper and gold, up more than 40 percent over the past two years) turned the current account from balance in 2023 to a surplus of 3.1 percent of GDP in 2025. A relative abundance of U.S. dollars locally, combined with a weaker dollar internationally, drove a 7 percent appreciation of the local currency between January 2025 and March 2026. The central bank intervened to smooth volatility, accumulating reserves that reached 29 percent of GDP by March 2026 (15 months of import cover).

## Outlook

Growth is projected at 2.7 percent in 2026, underpinned by continued favorable export commodity prices and positive business

confidence, but adversely affected by the global oil price shock. Beyond mining, major infrastructure projects are set to support investment across other sectors. As temporary supply shocks dissipate, inflation is projected to converge to 3.0 percent by end-2026. Poverty is expected to decline in 2026, reaching 33.4 percent, as employment dynamism should more than offset the impact of rising price pressures.

Fiscal consolidation is anticipated to continue in 2026, albeit at a slower pace, with the deficit narrowing to 1.9 percent of GDP. The adjustment remains predominantly expenditure-driven: the approved 2026 budget shows the lowest annual growth in 17 years. The fiscal cost of the oil shock is expected to remain modest, with historical subsidies peaking at 0.2 percent of GDP, though this is contingent on the duration and scale of the Middle East conflict. Over the medium term, consolidation is projected to continue through 2028, bringing the deficit to 1.6 percent of GDP, with public debt remaining broadly stable.

Risks are tilted to the downside. On the external front, lower prices of Peru's main commodity exports and a protracted Middle East conflict could both weigh on growth. Domestically, key risks include a higher fiscal deficit from costly new legislation, a stronger-than-expected El Niño Costero event affecting agriculture performance and prices, and policy uncertainty in the lead-up to the April and June elections.

### Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
<b>Real GDP growth, at constant market prices</b>	-0.4	3.5	3.4	2.7	2.8	2.8
Private consumption	0.1	2.8	3.6	2.7	2.9	2.8
Government consumption	4.9	2.1	2.8	4.0	1.0	2.1
Gross fixed capital investment	-4.5	5.6	9.1	3.6	4.2	3.7
Exports, goods and services	4.1	6.6	4.4	4.1	4.0	4.0
Imports, goods and services	1.3	8.4	12.8	5.5	4.5	4.2
<b>Real GDP growth, at constant factor prices</b>	-0.1	3.5	3.4	2.7	2.8	2.8
Agriculture	-3.7	5.9	4.8	1.6	4.0	3.4
Industry	-1.4	3.1	2.8	2.8	2.0	2.0
Services	1.1	3.5	3.5	2.7	3.1	3.3
<b>Employment rate (% of working-age population, 15 years+)</b>	67.1	66.6	66.5	66.6	66.7	66.8
<b>Inflation (consumer price index)</b>	3.2	2.0	1.5	3.0	2.5	2.0
<b>Current account balance (% of GDP)</b>	0.3	2.2	3.1	2.9	2.9	2.9
<b>Net foreign direct investment inflow (% of GDP)</b>	1.1	1.9	2.9	2.0	2.0	1.7
<b>Fiscal balance (% of GDP)</b>	-2.7	-3.5	-2.2	-1.9	-1.7	-1.6
<b>Revenues (% of GDP)</b>	23.5	22.8	22.6	23.0	23.1	23.1
<b>Debt (% of GDP)</b>	32.3	32.0	30.2	30.5	30.6	30.7
<b>Primary balance (% of GDP)</b>	-1.1	-1.8	-0.6	-0.1	0.1	0.1
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	5.9	5.1	5.0	4.6	4.4	4.1
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	11.7	10.7	10.2	9.5	9.0	8.5
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	38.3	36.2	34.6	33.4	32.4	31.5
<b>GHG emissions growth (mtCO2e)</b>	-1.2	0.2	0.3	0.8	0.9	0.8

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on SEDLAC harmonization, using 2024-ENAH0. Actual data: 2024. Nowcast: 2025. Forecasts are from 2026 to 2028.

2/ Projections using microsimulation methodology.