Peru: Staff Concluding Statement of the 2026 Article IV Mission

March 26, 2026

A Concluding Statement describes the preliminary findings of IMF staff at the end of an official staff visit (or 'mission'), in most cases to a member country. Missions are undertaken as part of regular (usually annual) consultations under Article IV (https://www.imf.org/external/pubs/ft/aa/index.htm) of the IMF's Articles of Agreement, in the context of a request to use IMF resources (borrow from the IMF), as part of discussions of staff monitored programs, or as part of other staff monitoring of economic developments.

The authorities have consented to the publication of this statement. The views expressed in this statement are those of the IMF staff and do not necessarily represent the views of the IMF's Executive Board. Based on the preliminary findings of this mission, staff will prepare a report that, subject to management approval, will be presented to the IMF Executive Board for discussion and decision.

Washington, DC: *An International Monetary Fund (IMF) mission led by Ms. Sònia Muñoz conducted discussions for the 2026 Article IV consultation with Peru during March 10-25, 2026, in Lima and Cusco. At the end of the visit, the mission issued the following statement, which summarizes its main conclusions and recommendations:*

Sustained growth amid elevated uncertainty

Record-high terms of trade (TOT) underpinned the positive momentum for economic activity in 2025. After a strong recovery in 2024, the economy continued to expand in 2025, reaching 3.4 percent and bringing economic activity close to potential. Growth in employment and income, a recovery in consumer confidence, and low inflation supported private consumption. Private investment grew 10 percent, its strongest pace since 2013 excluding the post-pandemic rebound, buoyed by high metal prices and steady progress of infrastructure projects. The BCRP continued monetary policy normalization, with inflation expectations firmly anchored and inflation around the midpoint of the target band. The current account surplus further improved to 3.1 percent of GDP, reflecting muted effects from trade barriers and strong agricultural export volumes. The fiscal deficit narrowed to 2.2 percent of GDP, meeting the fiscal rule target, but remained high in structural terms.

Growth is projected to moderate, with the impact of high metal prices broadly offsetting the global energy price shock. Under the assumption of limited spillovers from a short-lived war in the Middle East, growth is expected to reach 2.8 percent in 2026. A strong labor market and improving real incomes are expected to support private consumption in 2026, despite some headwinds to domestic demand from the electoral period. Favorable metal prices are projected to improve potential growth. Credit growth is expected to continue a moderate recovery. Higher energy prices would primarily affect transportation and food, temporarily raising headline and core inflation towards the upper range of the 1-3 percent target band in 2026. The current account balance is envisaged to remain in a surplus of 3.4 percent of GDP in 2026 and then gradually return to a deficit, in line with slow normalization of TOT and growing private investment. At current policies, the fiscal deficit would reach 2 percent of GDP in 2026 and remain above the fiscal rule targets in the medium term, with public debt stabilizing around 32 percent of GDP.

The balance of risks to the outlook is tilted to the downside given elevated external uncertainty, but Peru maintains ample buffers against shocks. Key domestic risks in the short term include political uncertainty, social unrest, and weather-related shocks, including a stronger *El Niño Costero*, while persistently high levels of insecurity and illegal mining could hold back medium-term growth prospects. External risks are dominated by spillovers from a protracted conflict in the Middle East, which could lead to second-round effects on inflation expectations, lower global growth, and tighter financial conditions. Additional external risks include regional geopolitical tensions, protectionism and trade disruptions, commodity price volatility, and prolonged policy uncertainty. On the upside, growth could be higher if high metal prices or increased political stability after the general elections lead to stronger private investment. Peru's macroeconomic resilience is reinforced by very strong buffers including low public debt, abundant international reserves, and access to international capital markets on favorable terms.

Addressing structural fiscal challenges

Achieving the authorities' fiscal targets will require rationalizing expenditure. At current policies, consolidation of about 0.9 percent of GDP by 2028 would be required to comply with the medium-term deficit target. Addressing public spending rigidities and inefficiencies as well as resisting unfunded legislative spending initiatives would support the authorities' fiscal goals, reduce the structural deficit, and avoid crowding out productive public investment. Savings could be obtained by slowing ongoing trends in public employment and wage growth, as well as improving procurement practices and the efficiency of public investment that would maximize growth and social returns. Reforms at Petroperú should proceed to improve governance, reduce costs, and ensure financial viability. Rationalizing spending would also protect space should a more prolonged and intense energy price shock require a fiscal offset. Any fiscal support should be targeted to the most vulnerable, feature clear sunset clauses, and avoid distorting hydrocarbon prices.

Revenue reforms are essential to close infrastructure and social gaps. Peru also faces significant gaps in infrastructure and education and health outcomes, while social protection remains limited. Addressing these gaps without endangering fiscal sustainability will require further reforms to durably raise the low tax-to-GDP ratio beyond the current TOT cycle. The recent *Acuerdo Fiscal* is a welcome government initiative to facilitate the public debate around fiscal sustainability and tax base expansion.

The recently enacted public private partnership (PPP) frameworks could stimulate investment, but the authorities should carefully manage risks. While the recent boost in projects financed through PPP and works-for-taxes (OxI) could help Peru meet some of its infrastructure needs, it will be essential to closely monitor the accumulation of contingent liabilities and maintain neutrality when it comes to investment modality selection.

The implementation of the 2024 pension reform should proceed cautiously until the associated risks have been mitigated to ensure fiscal sustainability and stability of the pension system. The mandated transition of the public defined benefit system to a notional defined contribution system by 2030 and the facilitated switching of participants between the public and private systems may introduce risks of financing shortfalls for the two pension systems over the medium term. In addition, the original pension reform was significantly weakened in September 2025 upon approval of the eighth round of private pension fund (AFP) withdrawals and the removal of the exclusion from the minimum pension for affiliates who withdraw the entirety of their pension funds.

Maintaining a data dependent monetary policy stance

The current broadly neutral monetary policy stance remains appropriate and the BCRP should continue to allow exchange rate flexibility. The BCRP policy rate currently stands at 4.25 percent, implying an ex-ante real rate of 2.1 percent as of end-February 2026, slightly above estimated neutral rate of 2 percent. Looking ahead, monetary policy should remain data dependent in the context of multiple supply shocks and elevated uncertainty surrounding short-term inflationary pressures and inflation expectations. Continued exchange rate flexibility should be maintained to help cushion the impact of external shocks.

Strengthening financial sector deepening and safeguarding resilience

The financial system remains healthy and systemic risks are contained. Stress test analysis prepared by the authorities suggests that banks would remain sound even under adverse scenarios and contagion risks are limited. Fully operationalizing new regulations and closing remaining regulatory gaps will enhance financial resilience, including reviewing the activation criteria for the counter-cyclical capital buffer and extending recovery plans for systemically important domestic banks to the financial group level and to their resolution planning thereafter.

Addressing structural challenges would promote financial deepening and revive credit growth. The expansion of digital finance is increasing access to financial services, and credit to the private sector has accelerated towards the end of 2025. However, financial deepening has stalled, possibly due to structural limitations such as the high level of labor informality, low financial literacy, and limited usage and access to financial services. Moreover, credit-to-GDP remains below pre-pandemic levels, with the current cyclical downturn mainly reflecting weak demand for credit from subdued private investment levels as well as abundant liquidity from AFP withdrawals and high mining profits, including from illegal mining. Promoting competition and innovation, such as Open Banking and Finance frameworks, could address structural challenges.

Private pension withdrawals are detrimental to domestic capital markets and should be avoided. The recurrent withdrawals have reduced AFP portfolio yields, due to the liquidation of assets at a discount and the reallocation of the remaining portfolios towards more liquid assets. With AFPs being the largest investor in domestic corporate bonds, withdrawals have severely weakened the depth and long-term financing capacity of domestic capital markets.

Boosting investment and potential growth

A coordinated policy response is needed to reverse the rapid rise in illegal mining. High metal prices have triggered a significant expansion of illegal mining of gold and, more recently, copper, and created incentives for the involvement of organized crime. Continued regulatory ambiguity in the formalization process is allowing illegal operators to expand with impunity. Illegal mining poses risks to economic growth by discouraging formal investment and weakening institutions, with extensive socioeconomic repercussions, including on formal labor markets and insecurity. Recent legislation to expand the definition of illegal mining as a crime to downstream processing activities is welcome. However, further efforts are needed to close remaining legal gaps and establish clear pathways to formalization. Measures weakening property rights of mining concessions should be avoided. Enhancing anti-corruption institutions and state capacity in security, enforcement, and financial supervision should be supported by inter-agency, regional, and international cooperation. Targeted policies to raise living standards and promote economic opportunities in communities with illegal mining activities will also be essential to reduce incentives to engage in illegal mining.

Peru should implement urgently needed structural reforms to leverage the favorable TOT and durably lift potential growth. Previous high TOT periods spurred private investment and growth, boosted by significant structural reforms. In line with past staff advice, priorities include updating the fiscal decentralization framework and redesigning natural resource revenue-sharing formulas to ensure all citizens benefit from the mining windfall. Efforts continue to be needed to reform labor and tax regulations that impose excessive costs for formalizing or growing a business, enhance the independence and integrity of judicial bodies to end corruption impunity, build resilience to natural disasters, and embrace the opportunities of digital technologies and artificial intelligence. The OECD accession process provides a clear roadmap for reforms to boost the business climate, reduce informality, and reform the civil service to increase productivity, investments, and public spending efficiency.

The staff team is grateful to the Peruvian authorities and a range of public and private sector counterparts for their warm hospitality and candid discussions during the mission.

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