CareEdge Global assigns 'Stable' outlook to the rating of Republic of Peru

Reaffirms Long-Term Foreign Currency Rating of 'CareEdge BBB-' (Unsolicited)

Issuer rating	CareEdge BBB-/Stable (Unsolicited)

CareEdge Global has assigned a 'Stable' outlook to the rating of Republic of Peru, while reaffirming the Long-Term Foreign Currency rating of 'CareEdge BBB-' (Unsolicited).

The stable credit outlook reflects CareEdge Global Rating's expectations that the country's comfortable foreign reserves position and moderate debt levels will enable it to navigate the challenges arising from the ongoing political instability and uncertainties in global trade dynamics. The country's general government gross (GGG) debt-to-GDP ratio is projected to remain at moderate levels, averaging approximately 35% between 2025 and 2029. Meanwhile, at the end of 2024, Peru had reserves worth $79 billion, sufficient to cover about 14 months of imports.

Upside Scenario

Peru's credit ratings could be upgraded if stronger economic growth is driven by diversification and is accompanied by improvements in fiscal management. Furthermore, strengthening of political stability would also serve as a catalyst for potential rating upgrades.

Downside Scenario

Downside risks to Peru's credit ratings may stem from a sharp deceleration in economic growth, potentially resulting from any adverse effects of ongoing trade tensions. Furthermore, a significant increase in the debt-to-GDP ratio, coupled with rising interest payment to revenue ratio, could further weigh over the country's creditworthiness. Moreover, continued political instability may intensify downward pressure on the ratings, thereby undermining investor confidence and fiscal policy predictability.

Rationale

The reaffirmation of Peru's rating reflects the government's moderate debt load, and a history of a stable regulatory framework. Its external position remains comfortable, supported by steady FDI flows and adequate forex reserve levels.

However, these strengths are partly offset by Peru's significant reliance on commodity exports. In addition, the political instability including frequent changes in the leadership, political fragmentation, corruption scandals, and civil unrest, tends to erode confidence in governance and institutional effectiveness.

Peru faces a 10% reciprocal tariff from the US (currently on hold). Though, the impact of tariffs on Peru is expected to be moderate, the trade-related developments will warrant close observation.

Key Rating Drivers

Economic Structure & Resilience

The country is a leading global exporter of minerals including copper, gold, silver, and zinc. After contracting by 0.4% in 2023, real GDP rebounded to 3.3% in 2024, driven by improved agricultural performance, mining, and stronger household consumption.

Peru's location along the Pacific Ocean makes it particularly susceptible to El Niño climate events, which disrupt weather patterns and result in revenue shortfalls during affected periods. In the long term, the economy faces demographic pressures, notably an aging population, which could challenge fiscal sustainability and strain public services.

The Chancay Port, a major infrastructure initiative developed in collaboration with China under the Belt and Road Initiative, is expected to enhance trade efficiency and generate incremental revenue. Mining will continue to be a key driver of medium-term growth. Projects such as Tía María and Zafranal are expected to ramp up production, contributing to sustained economic momentum. Due to these reasons, GDP growth is projected to average of 2.6% expected between 2025 and 2029 compared with a growth of 1.6% between 2020 and 2024.

Despite these growth enablers, Peru remains vulnerable to fluctuations in copper prices and is reliant on international trade, with China and the United States, which account for 33% and 13% of its exports, respectively. A marked decline in demand from China especially in the context of ongoing trade tensions with the U.S. represents a significant downside risk and will remain a critical factor to monitor.

Fiscal Strength

Peru has maintained a robust fiscal framework with rule-based checks to ensure discipline in public finances, with the executive, legislature, and the independent Fiscal Council each playing distinct roles.

The government's commitment to medium-term fiscal goals and its willingness to reallocate or reduce selective expenditures based on revenue performance are likely to support the debt metrics. Over the period from 2025 to 2029, the fiscal deficit is projected to average 1.8% of GDP. The 2025 national budget anticipates a 0.9% of GDP increase in tax revenues, supported by favourable commodity prices and expanded taxation, including levies on digital services. Achieving fiscal consolidation in 2025 may need additional efforts considering the tendency for public expenditure to rise in the lead-up to the 2026 elections.

In the past, shocks such as the pandemic and social unrest resulted in the government its fiscal rule target. Yet, in 2024, Peru's fiscal deficit widened to 3.6% of GDP, higher than the fiscal rule target level of 2.8% for 2024 and up from 2.8% in 2023, primarily due to a decline in tax revenues and increased public investment. Capital expenditure rose by 0.6% of GDP, partly attributed to financial support for the state-owned oil company, Petroperu.

Peru has historically maintained a prudent debt profile, with general government debt at 32.8% of GDP in 2024, vs 32.9% the debt level in 2023. Even as deficit increased in 2024, debt reduced because the government utilised the public sector assets to finance the gap. Public sector assets declined to 8.6% in 2024, compared to 10.4% in 2023. Peru's government debt is projected to average 35.1% of GDP over the medium term. Petroperu's debt is estimated to be approximately 1.8% of GDP and it presents a limited contingent liability risk to the sovereign.

Debt affordability, as measured by the interest/revenue ratio, remains comfortable, with the average standing at 7.96% from 2020 to 2024.

The government's decision to allow withdrawal of pension funds is a risk as it could increase the dependence on foreign investors for debt financing. Private Pension savings amounted to 10% of GDP in 2024 compared with 22% of GDP in 2020.

External Position & Linkages

Peru's external assessment is supported by its strong forex reserve position, stable FDI inflows and moderate external debt levels. In 2024, the current account is estimated to have posted a surplus of 2.2% of GDP, compared to a surplus of 0.7% in 2023 and recovering from a deficit of 4% in 2022 supported by an improved trade balance due to the rise in copper prices. The current account balance is expected to moderate to 1.7% in 2025 due to the global external uncertainties.

FDI flows have remained resilient with FDI net inflows averaging 2.9% of GDP from 2021-2024. Favourable current account and FDI inflows have helped to add to Peru's reserves. At the end of 2024, reserves were sufficient to cover 14 months of import cover.

Monetary & Financial Stability

Peru's independent Central Bank (BCRP) operates with an inflation-targeting mandate. Proactive measures led policy rated being raised to 7.75% in January 2023 in response to inflation but were subsequently reduced to 4.5% in May 2025 as inflation reduced to 1.72%, which is within the target range of 1% and 3%.

The financial sector remains sound, characterized by adequate capitalization and liquidity. Peru operates under a floating exchange rate regime. The BCRP (Peru's central bank) intervenes in the foreign exchange market to mitigate exchange rate volatility without targeting a specific rate. Although initial interventions during the pandemic were limited, the BCRP significantly increased its forex market operations in 2021 to address heightened volatility due to political uncertainty. Since then, interventions have been relatively limited.

Dollarisation remains a notable feature of Peru's financial system. As of the latest data, credit dollarisation stands at 23%, while deposit dollarisation is at 28%, reflecting the continued use of U.S. dollars alongside the local currency in financial transactions.
Despite advancements in digital wallets and FinTech innovations, the overall level of financial inclusion remains a weakness.

Institutions & Quality of Governance

Peru's political environment is characterised by frequent leadership changes, allegations of corruption, and conflicts between the executive and legislature, resulting in significant institutional instability. These conditions are reflected in World Bank Governance Indicators, particularly in terms of political stability and control of corruption compared to regional peers. Continued leadership instability and widespread civil unrest, detract from Peru's creditworthiness.

President Dina Boluarte, in office since 2022, continues to grapple with historically low approval ratings, among the lowest globally, and is currently facing corruption allegations, further adding to political instability. During President Dina’s/Boluarte’s tenure, there were frequent changes to the post of Prime Minister. In fact, more recently in May 2025, Gustavo Adrianzén resigned from the post of the Prime Minister, just hours before a no-confidence vote was scheduled in Congress. His departure followed mounting pressure from legislators dissatisfied with his handling of escalating gang-related violence. In the aftermath, Justice Minister Eduardo Arana was appointed as the new Prime Minister.

Looking ahead, the 2026 general elections will be a key inflexion point for Peru. The outcome will likely shape the country's political trajectory and play a crucial role in efforts to restore governance stability and institutional credibility.

Peru – Select Indicators									
	Unit	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025 F**	**2026 F**
Economic Indicators									
Nominal GDP	USD Billion	233	206	226	244	267	289	303	319
GDP Per Capita (Constant-PPP)	USD	15600	13694	15331	15591	15374	15729	16016	16271
Real GDP Growth	%	2.2	-10.9	13.4	2.8	-0.4	3.3	2.8	2.6
GFCF/GDP	%	22.5	20.9	25.0	25.0	22.9	22.5	-	-
Gross Domestic Savings/GDP	%	22.5	21. 0	25.0	22.4	22.5	24.9	-	-
Exports (G&S)/GDP	%	24.0	23.0	29.1	28.9	27.1	-	-	-
Working-Age (15-64) Population (% Share in Total)	%	64.8	65.1	65.3	65.6	65.7	65.9	66.0	66.1
Old-Age (65+) Population (% Share in Total)	%	8.2	8.3	8.3	8.4	8.6	8.8	9.0	9.2
Fiscal Indicators – General Government									
Fiscal Balance/GDP	%	-1.4	-8.3	-2.5	-1.4	-2.8	-3.6	-2.5	-2.3
Revenue/GDP	%	19.7	17.8	20.9	22.1	19.6	19.1	20.0	19.6
Expenditure/GDP	%	21.1	26.1	23.5	23.5	22.5	22.7	22.6	21.9
GG Gross Debt/GDP	%	26.9	34.9	36.1	34.0	33.0	32.8	33.7	34.7
GG External Debt (by Creditor)/GG Gross Debt	%	28.7	40.8	51.8	49.7	46.0	-	-	-
Interest/Revenue	%	6.3	8.1	7.2	7.2	8.4	8.9	-	-
External Indicators									
Current Account Balance/GDP	%	-0.6	0.9	-2.1	-4.1	0.7	2.2	1.7	1.3
FDI, Net Inflows/GDP	%	2.0	0.3	3.2	4.6	1.5	2.3	-	-
Outstanding FII Liabilities/GDP	%	29.8	35.3	36.9	33.1	29.9	-	-	-
NIIP/GDP	%	-35.5	-37.3	-38.2	-42.7	-39.6	-	-	-
Foreign Exchange Reserves	USD Billions	68.4	74.9	78.6	72.3	71.3	79.2	-	-
Import Cover	Months	15.9	21.2	16.11	12.5	13.6	14.1	-	-
External Debt/GDP	%	27.6	35.6	39.6	37.3	34.9	-	-	-
Monetary and Financial Indicators									
CPI Inflation	%	2.3	2.0	4.3	8.3	6.5	2.1	1.7	1.9
Exchange Rate (Average)	LC per USD	3.3	3.5	3.9	3.8	3.7	3.7	-	-
Non-Performing Loans/Total Gross Loans	%	3.4	4.1	3.9	4.1	4.5	4.0	-	-
Private debt, loans and debt securities/GDP	%	58.1	71.5	62.6	58.1	-	-	-	-

Sources: International Monetary Fund, World Bank, Bank for International Settlements, National Sources, CareEdge Global

Note: F - Forecast; PPP – Purchasing Power Parity; GFCF – Gross Fixed Capital Formation; Exports (G&S) – Exports of Goods and Services; GG – General Government; FDI – Foreign Direct Investment; FII – Foreign Institutional Investment; NIIP – Net International Investment Position; Data refers to fiscal/calendar year and actual/estimate as reported by the source; Where general government data is unavailable, central government data is used; Latest available data for 2023

Solicitation Status
The rating is unsolicited

Rating History

Instrument	Type	Rating	Date
Issuer Rating	Long-Term Foreign Currency (Unsolicited)	CareEdge BBB-/Stable	June 27, 2025
Issuer Rating	Long-Term Foreign Currency (Unsolicited)	CareEdge BBB-	October 03, 2024

Criteria Applied
CareEdge Sovereign Rating Methodology

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