# Republic of Peru's rating reaffirmed at 'CareEdge BBB-/Stable'

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|---|---|
| Issuer rating (Long-Term Foreign Currency) | CareEdge BBB-/Stable (Unsolicited) |

**Rating action**
CareEdge Global has reaffirmed the Long-Term Foreign Currency Rating of the **Republic of Peru** at **'CareEdge BBB-/Stable'** (Unsolicited).

**Rationale**
The reaffirmation of Peru's rating is driven by its low government debt burden, with general government gross debt at 30.2% of GDP in 2025, well below the regional average. It also reflects a track record of relatively stable macroeconomic management and a comfortable external position, supported by steady foreign direct investment (FDI) inflows and adequate foreign exchange reserves.

These strengths are partly offset by structural vulnerabilities, including a high dependence on commodity exports, exposure to climate-related shocks such as El Niño, and persistently weak governance indicators.

Institutional challenges stem from frequent leadership changes, political fragmentation, corruption-related issues, and episodes of civil unrest, which have historically weighed on investor confidence. However, the reintroduction of bicameral legislature from 2026 is expected to gradually support greater political stability by reducing the frequency of leadership changes and improving policy continuity.

**Outlook: Stable**
The stable outlook reflects CareEdge Global's expectations that Peru's strong fiscal and external buffers will help it withstand potential shocks. General government gross debt is expected to remain low, averaging 31% of GDP over the next five years, providing a key source of resilience. In addition, Peru has a strong external position, with foreign exchange reserves of approximately USD 98 billion as of end-May 2026, sufficient to cover more than 15 months of imports.

Peru's supportive growth momentum points to macroeconomic recovery following the pandemic and the geopolitical disruptions in 2022. Real GDP grew by 3.4% in 2025 amid low inflation, while the country recorded a current account surplus of 3.1% of GDP. This momentum is expected to continue, with real GDP growth averaging 2.8% over the next five years, inflation remaining close to the central bank's 2% target, and the current account staying in surplus.

On the institutional front, the reintroduction of bicameral legislature from 2026 is expected to gradually support greater political stability by reducing the frequency of leadership changes and improving policy continuity. However, political developments are a key monitorable from a credit perspective, as historical political instability weighs on Peru's credit profile.

**Upside scenario**
Peru's credit ratings could be upgraded if stronger and more diversified economic growth is accompanied by improvements in fiscal management. The reintroduction of bicameral legislature, along with a reduction in the number of political parties following the April and June 2026 elections, could support political stability over time, as impeachment motions would require approval by both houses.

**Downside scenario**
Downside risks to Peru's credit ratings may stem from a sharp deceleration in economic growth, driven by adverse spillovers of ongoing trade tensions affecting key export markets. Furthermore, a significant increase in the debt-to-GDP ratio, coupled with a rising interest payment-to-revenue ratio, could impact on the country's credit profile.

## Key rating drivers

### Economic structure & resilience

Peru is a leading global exporter of copper, gold, silver, and zinc. The mining sector is the principal driver of export earnings (more than 50% of total exports) and FDI (3% of GDP in 2025). However, structural vulnerabilities persist, including a large informal sector, with over 70% of workers operating outside the formal economy. The economy is also exposed to commodity price volatility and a concentrated export base, with China and the United States accounting for 35% and 14% of exports, respectively, heightening sensitivity to external demand and price cycles. Furthermore, Peru remains vulnerable to climate shocks, including El Niño.

Following a contraction of 0.4% in 2023, driven by successive El Niño-related climate shocks and episodes of social unrest, real GDP rebounded to 3.5% in 2024 and maintained momentum at 3.4% in 2025. The expansion in 2025 was supported by private consumption amid an improving labour market, easing inflation, and successive withdrawals from private pension funds.

Looking ahead, growth is expected to average 2.8% over the next five years, close to potential growth. Potential improvements in the investment climate, contingent on political stability, are an important monitorable.

### Fiscal strength

Peru's debt profile remains among the most conservative in Latin America, with general government gross debt at 30.2% of GDP in 2025, well below the regional average. It is expected to remain stable and average 31% of GDP over the medium term. Debt affordability remains manageable, reflected in an average interest-to-revenue ratio of around 8% over 2021-2025.

After two consecutive years of fiscal rule breaches, the government achieved notable fiscal correction in 2025. The general government fiscal deficit narrowed to 2.4% of GDP in 2025 from 3.5% in 2024, meeting the revised fiscal rule target. This consolidation was driven by a combination of elevated commodity revenues, higher tax revenues, improved tax enforcement, and a moderation in capital expenditure, notably through reduced transfers to the state-owned oil company Petroperú. Looking ahead, the IMF projects a further reduction in the fiscal deficit to approximately 2% of GDP in 2026, although this remains above the fiscal rule's transitional target of 1.8% of GDP.

Against this backdrop, fiscal consolidation is progressing, but structural constraints continue to shape the trajectory. Peru's fiscal profile is characterised by modest revenues and spending rigidities. The revenue base is relatively modest compared with other commodity-driven economies. General government revenue averaged 19.1% of GDP during 2021-25. This is further constrained by the growing scale of illegal mining, which limits potential revenue gains. Elevated expenditure rigidity, with salaries and subsidies accounting for around 40% of spending, also poses a key risk to the fiscal profile.

A relatively large share of government debt held by external creditors (41% as of 2025) subjects it to external uncertainties. In addition, continued legislative approval of private pension fund withdrawals (eight rounds since 2020) is gradually reshaping funding dynamics by reducing the reliance on stable domestic funding sources such as pension funds, and increasing reliance on other investors for financing.

## External position & linkages

Peru's external position is a key credit strength. The current account recorded a surplus of 2.2% of GDP in 2024, further widening to 3.1% of GDP in 2025, its strongest outcome since 2006, driven by elevated copper and gold prices alongside a recovery in agricultural and fishing export volumes. The surplus is projected at 3.4% of GDP in 2026, before gradually moderating as terms of trade normalise and rising private investment lifts import demand over the medium term. Adverse spillovers of ongoing trade tensions affecting key export destination countries could limit this momentum.

FDI net inflows remain resilient, rebounding to around 3% of GDP in 2025 from 2.3% in 2024, and are expected to strengthen further on the back of mining project pipeline and elevated metal prices. Peru's external debt, at 28% of GDP in 2025, is low and is on a declining trajectory, while external financing needs are manageable.

External buffers remain strong. Foreign exchange reserves reached USD 98.5 billion in May 2026, equivalent to nearly 15 months of import cover, providing substantial protection against external shocks.

## Monetary & financial stability

Peru's managed floating exchange rate regime continues to provide a degree of flexibility in absorbing external shocks, although partial dollarisation persists, with credit dollarisation at 23% in 2025 and deposit dollarisation at 26.5%. Private sector credit remains relatively low at 49% of GDP, while asset quality pressures are evident in the banking sector, with non-performing loans at 4%. Meanwhile, the financial sector is adequately capitalised with sound liquidity buffers.

The Banco Central de Reserva del Perú (BCRP) operates with strong institutional independence under an explicit inflation-targeting framework (1-3% target band) and has maintained its monetary credibility regionally. Headline inflation, which returned to the target band in mid-2024 and averaged 1.5% in 2025, faces renewed pressure in 2026, rising to 3.5% in May and temporarily breaching the upper target band due to higher oil prices. However, the central bank expects both headline and core inflation to gradually converge back to the target, approaching 2% by 2027. In this context, the policy rate was retained at 4.25% in June 2026, extending the policy pause for a ninth consecutive meeting.

## Institutions & quality of governance

Peru's political environment has been characterised by frequent leadership changes, corruption allegations, recurring executive-legislative conflict, and episodes of civil unrest, resulting in significant institutional instability that has weighed on the credit profile.

In February 2026, President José Jeri was impeached shortly before national elections, marking the third presidential impeachment in five years and the seventh presidential change in the past decade. His predecessors, including former President Dina Boluarte and former President Pedro Castillo, were also impeached. This persistent instability has weakened policy continuity, internal security, and investor sentiment.

The reform implemented to address this concern will gradually improve stability. The reintroduction of a bicameral legislature from 2026 could support greater policy continuity over time, as impeachment motions would require approval by both the houses. Further, a reduction in the number of political parties following the April and June 2026 elections could help reduce legislative fragmentation and strengthen the executive's ability to build durable majorities for passing legislation. These developments are key monitorables from a credit perspective.

| Select indicators | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Unit** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026 F** | **2027F** |
| **Economic indicators** | | | | | | | | | |
| Nominal GDP | USD billion | 209 | 229 | 248 | 273 | 295 | 341 | 381 | 386 |
| GDP per capita (constant-PPP) | USD | 13,909 | 15,580 | 15,845 | 15,634 | 16,023 | 16,410 | 16,705 | 17,003 |
| Real GDP growth | % | -10.9 | 13.4 | 2.8 | -0.4 | 3.5 | 3.4 | 2.8 | 2.8 |
| GFCF/GDP | % | 19.9 | 23.1 | 23.3 | 21.2 | 20.8 | 20.5 | - | - |
| Gross domestic savings/GDP | % | 20.4 | 19.7 | 17.9 | 19.6 | 21.9 | 23.4 | 23.8 | 23.3 |
| Exports (G&S)/GDP | % | 21.7 | 28.8 | 28.7 | 26.7 | 28.2 | 29.8 | - | - |
| Working age (15-64) population (% share in total) | % | 65.8 | 66.1 | 66.4 | 66.6 | 66.8 | 66.9 | 67.0 | 67.1 |
| Old age (65+) population (% share in total) | % | 8.7 | 8.8 | 8.8 | 9.0 | 9.2 | 9.5 | 9.7 | 10.0 |
| **Fiscal indicators – general government** | | | | | | | | | |
| Fiscal balance/GDP | % | -8.2 | -2.5 | -1.4 | -2.7 | -3.5 | -2.4 | -2.0 | -2.0 |
| Revenue/GDP | % | 17.5 | 20.6 | 21.7 | 19.3 | 18.7 | 19.1 | 19.4 | 19.3 |
| Expenditure/GDP | % | 25.7 | 23.1 | 23.1 | 22.1 | 22.2 | 21.4 | 21.3 | 21.3 |
| GG gross debt/GDP | % | 34.3 | 35.5 | 33.5 | 32.4 | 32.1 | 30.2 | 30.0 | 31.0 |
| GG external debt (by creditor)/GG gross debt | % | 40.8 | 51.9 | 49.7 | 45.9 | 45.8 | 41.3 | - | - |
| Interest/revenue | % | 9.2 | 7.1 | 7.2 | 8.4 | 8.8 | 8.2 | - | - |
| **External indicators** | | | | | | | | | |
| Current account balance/GDP | % | 0.8 | -2.2 | -4.0 | 0.3 | 2.2 | 3.1 | 3.4 | 2.5 |
| FDI, net inflows/GDP | % | 0.3 | 3.1 | 4.5 | 1.6 | 2.3 | 3.0 | - | - |
| Outstanding FII liabilities/GDP | % | 34.0 | 34.3 | 30.9 | 28.1 | 28.0 | 28.9 | - | - |
| NIIP/GDP | % | -35.9 | -35.9 | -40.5 | 37.5 | -32.4 | -26.7 | - | - |
| Foreign exchange reserves | USD billion | 74.9 | 78.5 | 72.2 | 71.3 | 79.2 | 90.3 | - | - |
| Import cover | Months | 21.1 | 16.0 | 12.4 | 13.4 | 14.2 | 14.5 | - | - |
| External debt/GDP | % | 35.1 | 39.2 | 36.8 | 34.2 | 31.7 | 27.5 | - | - |
| **Monetary and financial indicators** | | | | | | | | | |
| CPI inflation | % | 1.8 | 4.0 | 7.9 | 6.3 | 2.4 | 1.5 | 2.5 | 1.8 |
| Non-performing loans/total gross loans | % | 4.1 | 3.9 | 4.1 | 4.5 | 4.0 | - | - | - |
| Exchange rate (average) | LC Per USD | 3.5 | 3.9 | 3.8 | 3.7 | 3.8 | 3.6 | - | - |
| Private debt, loans and debt securities/GDP | % | 71.2 | 62.4 | 60.4 | 54.0 | 49.1 | - | - | - |

Sources: International Monetary Fund, World Bank, Bank for International Settlements, National Sources, Haver Analytics, 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 2025

**Solicitation status**
The rating is unsolicited

**Rating history**

| Instrument | Type | Rating | Date |
|---|---|---|---|
| **Issuer Rating** | Long-Term Foreign Currency | CareEdge BBB-/Stable | June 24, 2026 |
| **Issuer Rating** | Long-Term Foreign Currency | CareEdge BBB-/Stable | June 27, 2025 |
| **Issuer Rating** | Long-Term Foreign Currency | CareEdge BBB- | October 3, 2024 |

**Criteria applied**
CareEdge Sovereign Rating Methodology

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