Peru

Strong underlying economy and investment beyond recovery

Peru enters 2027 from a position of relative strength, with El Niño representing a temporary disruption rather than a change in the underlying trajectory. Strong external accounts, private investment and improving confidence should support resilience through the first-half shock. Greater political predictability and an investment-oriented policy agenda should reinforce private-sector momentum, contributing to a more favourable medium-term growth outlook.

Yasser Rodrigo

Peru closes 2026 with solid underlying momentum. Gross domestic product (GDP) is expected to grow 3.4%, alongside stronger domestic demand growth of 5.6% and a 10.5% expansion in private investment. Headline growth, however, understates the economy's underlying strength: Peru's Ministry of Economy and Finance (MEF) estimates that in the first half of 2026, the actual growth of 3.0% would have been around 4.0% absent the climate shock. Business expectations reinforce this picture, with investment and hiring intentions near their strongest levels in years.

Domestic and external conditions should boost investment in 2027. Following Keiko Fujimori's election in June 2026, the new administration has prioritised private investment, employment, infrastructure, formalisation and state efficiency. Early business indicators are supportive, with 16 of the Central Reserve Bank of Peru (BCRP)'s 18 indicators in optimistic territory in July, and investment and hiring expectations remaining strong. At the same time, record terms of trade — supported by high copper and gold prices — and a trade surplus projected at around 37 billion US dollars in 2027 should reinforce external resilience and support the sol. Together, greater policy predictability and strong external fundamentals are expected to strengthen the environment for domestic and foreign investment, particularly in mining, infrastructure and energy.

Fiscal fundamentals are also still relatively contained, although consolidation will hinge on execution. Under the MEF's baseline, the fiscal deficit narrows from 1.8% of GDP in 2026 to 1.4% in 2027, with public debt around 29% of GDP; however, previously approved expenditure measures could lift the deficit to 2.7%. Meanwhile, household fundamentals continue to improve, with formal employment up 4.2% in the first half of 2026 and average formal wages rising 4.8%.

The main challenge in 2027 will be El Niño, which the BCRP estimates could subtract around 1.1 percentage points from annual growth. This should produce a two-speed year, with activity weakening in the first half of 2027 before rebounding strongly in the

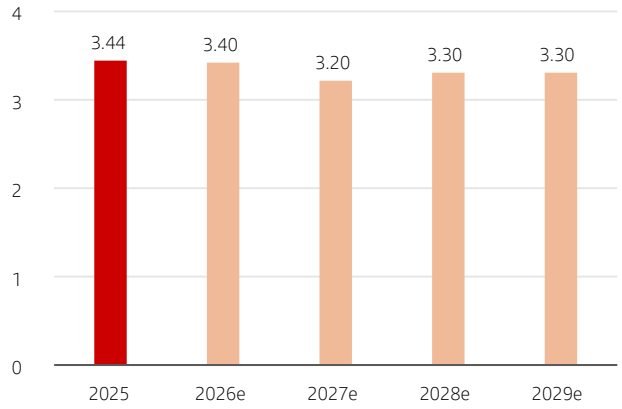
Peru

second half, leaving full-year growth at 3.2%. Inflation should remain temporarily elevated before normalising towards 2.8% by year-end. El Niño interrupts Peru's acceleration rather than changing its medium-term trajectory. Strong private-sector momentum provides a buffer, with private investment expanding 15.5% in the first half of 2026, supporting activity and the prospect of a rapid recovery once the climate shock fades.

The investment cycle extends beyond the immediate recovery. MEF projections point to sustained private investment growth through 2030, supported by a broad pipeline across mining and critical minerals, infrastructure and concessions, energy and other sectors. If execution follows this pipeline, 2027 could mark the beginning of a multi-year capital expenditure cycle rather than simply a post-El Niño rebound.

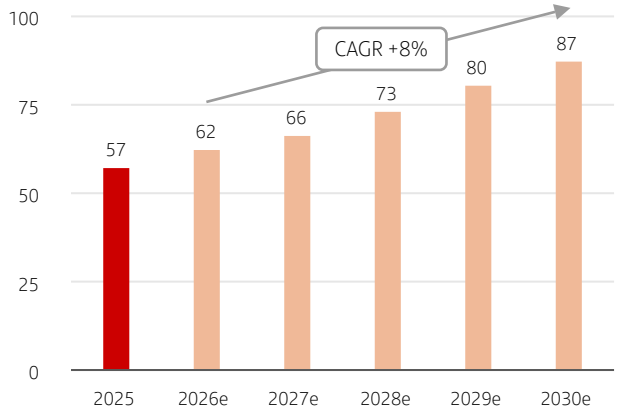
Our take on artificial intelligence (AI): a new source of growth, but one that could initially widen Peru's productivity gap. AI offers a medium-term productivity upside, but adoption will likely be uneven. With informality around 70% and only 10% of CEOs integrating AI into core processes, initial gains could concentrate among larger, formal firms, widening productivity gaps. Over time, broader adoption, stronger human capital and improved digital infrastructure could allow AI to support productivity convergence.

Peru: Resilience through the shock
(GDP growth, %, y/y)



Source: Business Advisory Services (SAE – Apoyo Consultoría).

Peru: Private investment remains the growth engine
(USD bn)



Source: Peru's Ministry of Economy and Finance (MEF).

Macroeconomic forecasts

	2026e	2027e	2028e
GDP growth (%)	3.4	3.2	3.3
Unemployment rate	5.7	5.0	5.0
CPI inflation	4.0	3.0	2.5

Source: Santander Research. Annual average.