

## Panama

The Economic Commission for Latin America and the Caribbean (ECLAC) estimates 6.1% GDP growth for Panama in 2023. This rate, which would be the highest of any Latin American country, is primarily a result of good performance by the commerce, construction, and transport and communications sectors. However, growth will be slower than in 2022 (10.8%), owing to convergence towards pre-pandemic activity levels, the global economic slowdown, weaker international trade flows, and uncertainty stemming from the conflicts that have erupted in Eastern Europe and the Middle East. Two internal factors have also affected the country's economic performance: protests over a contentious mining contract, and the drought, which caused delays in shipping traffic through the Canal.

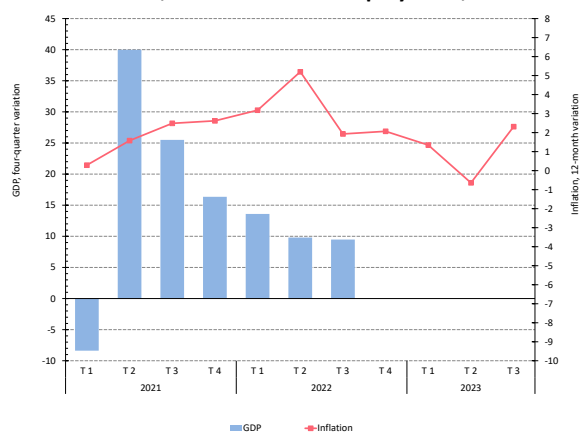
The non-financial public sector deficit for 2023 is expected to be close to the ceiling set by the Fiscal Social Responsibility Act (3.0% of GDP). The current account deficit is on course to be around 4.0% of GDP at year end (3.9% in 2022), as increased demand for imported goods will be partly offset by growth in exports of goods and services from the Colón Free Zone. Although the drought and the phasing out of subsidies and price controls are expected to affect food, fuel and transport prices, forecast annual inflation is 2.0%. The August 2023 Labour Market Survey shows a considerable reduction in the open unemployment rate, from 8.2% in April 2022 to 5.8%.

The central government deficit was 4.5% of GDP for the first half of 2023 (3.4% for the same period of 2022). Total revenues fell by 3.0% year-on-year in real terms; non-tax revenues shrank by 7.8% and tax revenues fell by 5.9%, affected by the extension of the deadline for payment of 2022 taxes. Total expenditure rose by 14.5% in real terms, as a result of a 34.9% increase in other current expenditures (other than salaries). Capital expenditure increased by just 0.4%. In the third quarter of 2023, total public debt stood at US\$ 45.792 billion, equivalent to 55.9% of GDP (down 2.0 percentage points from the end of 2022). External debt, which accounts for 83.9% of total public debt, grew by 4.3% between December 2022 and September 2023, while domestic debt shrank by 0.8%.

The average real three-month deposit rate was 0.74% for January to August (compared to -2.23% in 2022). This increase in the real rate reflected a rise in nominal rates and slower inflation. Average real lending rates for January to August were also higher than in the prior-year period. The real rate for credit cards was 18.41% (16.65% in 2022) and the average rate for home loans rose from 2.66% for 2022 to 3.97% for January to August 2023. Financial institutions have raised nominal rates, in keeping with the restrictive international monetary conditions.

From December 2022 to August 2023, the cumulative balance of credit extended to the private sector grew by 1.5%. The largest increase was to mining and quarrying (26%), although

**Panama: GDP, Inflation and Unemployment, 2021-2023**



**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

lending to the sector accounted for just 0.1% of the entire portfolio. In contrast, lending to the financial and insurance sectors declined by 13.4%.

According to information available at the time of writing, the current account of the balance of payments for the first quarter of 2023 recorded a surplus of US\$ 1.102 billion, compared to a deficit of US\$ 648 million for the same period of the prior year. The surplus was a result of significant growth in exports and a reduction in imports. Total goods exports grew 17.2% year-on-year from January to July, mainly driven by a 20.4% increase in re-exports from the Colón Free Zone, which account for 74.4% of total exports. Domestic exports expanded by 3.6%, including copper shipments, which grew by only 1.4% and accounted for 75.1% of the value of all Panamanian exports (excluding the Colón Free Zone).

In the first seven months of 2023, imports of goods, excluding the Colón Free Zone, fell by 2.6% year-on-year. Imports of consumer goods fell by 9.4%, as fuel and lubricant imports declined in value terms by 19.2%. Imports of semi-finished goods also declined (-5.3%). Imports of capital goods, however, rose by 16.1%, with the fastest growth in goods for construction (34.5%). In the first quarter of the year, foreign direct investment (FDI) inflows amounted to US\$ 828.1 million (US\$ 87.5 million more than in the same quarter of 2022) but remain below pre-pandemic levels.

Cumulative GDP growth for the first three quarters was up 8.9% from the year-earlier period, reflecting the strong growth in construction (24.5%), transport, storage and communications (11.9%), mining and quarrying (11.1%) and commerce (10.5%). For the period January to September, the average for the monthly index of economic activity, in its original series, was 8.75% higher than it was in the same period of 2022.

In December 2023, the national consumer price index for urban areas was 1.9% higher year-on-year. The largest rise was in the category of housing, water, electricity and gas (9.9%), owing to the large monthly increase in January 2023 (9.5%) when the special electricity tariff came to an end. The unemployment rate stood at 7.4% in August 2023, down 2.5 percentage points from the level recorded in April 2022 (the most recent prior official information). This is close to the pre-pandemic rate (7.1% in 2019), as economic activities have resumed in full. Also in August, the labour participation rate was 62.4% (62.3% in April 2022), and 47.4% of the employed population outside the agricultural sector was in informal work.

ECLAC estimates that Panama's GDP will grow by 4.2% in 2024, a slowdown mainly explained by weaker international trade flows, is explained by the sharp downturn in mining activity on the heels of the cessation of operations by Minera Panama and the decree banning new metal mining concessions

**Panama: main economic indicators, 2021-2023**

	2021	2022	2023 <sup>a</sup>
<b>Annual growth rate</b>			
Gross domestic product	15.8	10.8	6.1
Per capita gross domestic product	14.3	9.4	...
Consumer prices	2.6	2.1	2.3 <sup>b</sup>
Real average wage <sup>c</sup>	6.2	...	...
Money (M1)	12.2	-0.9	-4.7 <sup>d</sup>
Real effective exchange rate <sup>e</sup>	6.6	2.2	0.0 <sup>b</sup>
Terms of trade	-3.6	-6.8	-5.9
<b>Annual average percentage</b>			
Open unemployment rate <sup>f</sup>	8.5	8.2	...
Central government			
Overall balance / GDP	-6.7	-4.1	...
Nominal deposit rate <sup>g</sup>	1.8	1.6	2.9 <sup>h</sup>
Nominal lending rate <sup>i</sup>	6.9	6.9	7.7 <sup>b</sup>
<b>Millions of dollars</b>			
Exports of goods and services	26 791	35 435	9 873
Imports of goods and services	24 545	35 428	7 729
Current account balance	-1 412	-3 004	1 101
Capital and financial balance <sup>j</sup>	776	1 122	-1 308
Overall balance	-637	-1 882	-207

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

a/ Estimates.

b/ Figures as of September.

c/ Corresponds to workers in small, medium and large businesses, in manufacturing, commerce and services.

d/ Figures as of June.

e/ A negative rate indicates an appreciation of the currency in real terms. Refers to the extraregional real effective exchange rate.

f/ Open unemployment rate includes an adjustment for workforce figures due to exclusion of hidden unemployment.

g/ 6 months deposit rate.

h/ Figures as of August.

i/ Interest rate on one-year trade credit.

j/ Includes errors and omissions.

in the country, and the ongoing drought, which forced a reduction in the number of vessels passing through the Canal, affecting agricultural production and disrupting the supply and consumption chain. Despite all of this, the economy will be driven by growth in services and construction. The current account deficit should be of a similar level to 2023, as imports and exports are expected to expand at similar rates. The General State Budget for 2024 accounts for a widening of 6.2% compared to the amended 2023 budget, but the public sector is expected to comply with the fiscal deficit limit (2.0% of GDP). The consumer price index is forecast to show a slightly faster annual variation, of around 2.5%, owing to the end of the special subsidies that were in place in 2023.