

FOCUS ON INTERNATIONAL TRADE

PANAMA

THE REPUBLIC OF PANAMA TODAY

Location	The Republic of Panama is a narrow country situated at the southern end of the isthmus separating North and South America. It is bounded to the west by Costa Rica and to the east by Colombia in South America. The Caribbean Sea is to the north, and the Pacific Ocean to the south.
Size	75,517 sq. km. (29,157 sq. miles).
Land Boundaries	555 km.
Coastline	2,490 km.
Land use	Arable Land: 7.26%, Permanent crops: 1.95% and others: 90.79%.
Population	4,404,108 (estimated for 2023)*.
Population Density	42 per sq. km.
Birth Rate	17.71/1000 for 2023. *
Death Rate	5.88/1000 for 2023 . *
Population growth rate	1.51 % (July 2023.). *
Life expectancy	78.44 years (men 75.6 years and women 81.46 years).*
Literacy rate	95.7% male:98 8 and female:95.4% (2019)*.
Capital City	Panama
Other Large Cities	San Miguelito, Tocumen, David, Nuevo Arraijan, Puerto Armuelles, Pacora, Santiago, La Chorrera, Colon, Changuinola, and Pedregal etc.
Religion	Almost all of the inhabitants profess Christianity, and some 85% are Roman Catholic.
Language	Spanish is the official language.
Climate	Panama has a tropical maritime climate (warm, humid days and cool nights). There is little seasonal variation in temperatures, which average 23 ⁰ C—27 ⁰ C (73 ⁰ F—81 ⁰ F) in coastal areas. The rainy season is from April until December.
International Relations	Panama is a member of the UN, WTO, OAS, Inter-American Development Bank, ACS, IOM, Non-aligned Movement and WTO.
Internet domain	.pa
International dialing code	+507
Currency	The unit of currency is the balboa (PAB) of 100 cents.

***Estimated figure**

NATIONAL ECONOMY

In the decade-and-half preceding the Covid-19 pandemic, an unprecedented construction and investment boom precipitated a rapid economic expansion in Panama. The Panama Canal and Tocumen Airport were expanded, there was large scale building of new skyscrapers in Panama City, and one of the largest copper mines in the world was constructed. Economic growth was further supported by the expansion of the services and logistics sectors, which benefited from the widening of the Panama Canal. With a rapid expansion of the capital stock, real GDP grew by 6 percent annually, poverty declined sharply, and income levels rapidly converged with those in advanced countries.

The Covid-19 pandemic led to a deep downturn, with real GDP shrinking by 18 percent and unemployment spiking to 18½ percent in 2020, from 7 percent in 2019.

The recovery has been very strong, but the outlook is uncertain. Output expanded by 15 percent in 2021 and a projected 9 percent in 2022. Employment has rebounded strongly, while inflation remained low compared with other countries. The fiscal deficit declined to from 10.4 percent of GDP in 2020 to 4 percent of GDP in 2022. Nonetheless, risks of new external shocks have emerged, including a sharper than expected downturn of the world economy, renewed surges of food and energy prices, and disruptions to global capital markets. There are also uncertainties about when the rebound of the deep Covid-related downturn will have run its course, and what the medium-term growth potential of Panama will be given that construction is unlikely to provide the same support to growth as it has in the past decade and a half. Other domestic risks include a prolonged inclusion of Panama in the Financial Action Task Force (FATF) grey list and disruptions to copper mining activities after negotiations between the government and Minera Panama on a new contract failed to meet a mid-December 2022 deadline.

Executive Board Assessment

In the course of Article IV consultation between IMF and Panama RP, Executive Directors of the IMF agreed with the thrust of the staff appraisal. Panama witnessed a strong post-pandemic economic recovery, supported by a rebound in the global economy. However, the outlook remains uncertain, with risks of new external shocks, vulnerabilities from a prolonged inclusion in the Financial Action Task Force (FATF) grey list, and possible disruptions to copper mining activities following delays in reaching a new mining agreement. Looking ahead, Directors concurred that policies should focus on rebuilding buffers and ensuring the convergence of Panamanian income levels with those in advanced countries continues. While welcoming the recent progress, they underscored the critical importance of prioritizing an exit from the FATF grey list at the earliest date possible by expeditiously addressing the remaining deficiencies in the AML/CFT regulatory framework.

To ensure debt sustainability in the medium term, Directors highlighted the importance of further reducing the fiscal deficit, in accordance with the fiscal rule. They agreed that tax revenue will need to increase to sustainably reduce the fiscal deficit while preserving social spending and creating room for more education spending. In this context, Directors stressed the importance of improving tax and customs collection efficiency; broadening the tax base by reducing exemptions, deductions, and tax expenditures; and addressing the deficits in the defined-benefit pension component of the social security system.

Directors noted that capital adequacy and liquidity indicators in the banking sector are well above regulatory minima. As Panama does not have a lender of last resort and deposit insurance, they emphasized the importance of keeping the banking system well capitalized and liquid. In this context, they highlighted the need for continued intensive supervision and monitoring and expanding the macroprudential policy toolkit to mitigate future asset quality and liquidity risks. They also urged AML/CFT regulation and supervision to be applied to Fintech companies.

Directors noted that Panama's past income convergence to advanced-economy levels was driven by an unprecedented construction boom. To sustain convergence, Directors underscored the necessity for other productive sectors to take over, and for governance and human capital to improve. They also called for structural reforms to enhance innovation, improve critical infrastructure, and strengthen labor policies to bolster competitiveness and growth potential. Directors encouraged the authorities to work toward SDDS subscription, and stressed the importance of more timely statistics, which would reinforce transparency.

Table 1. Panama: Selected Economic and Social Indicators

					Est.	Projections					
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Production and Prices	(Percent change)										
Real GDP (2007 prices)	3.7	3.0	-17.9	15.3	9.0	5.0	4.0	4.0	4.0	4.0	4.0
Consumer price index (average)	0.8	-0.4	-1.6	1.6	2.9	2.2	2.2	2.0	2.0	2.0	2.0
Consumer price index (end-of-year)	0.2	-0.1	-1.6	2.6	2.1	3.1	2.0	2.0	2.0	2.0	2.0
Output gap (% of potential)	4.2	2.0	-17.1	-6.3	-0.9	0.0	0.0	0.0	0.0	0.0	0.0
Demand Components (at constant prices)											
Public consumption	6.5	4.9	16.2	5.4	-5.4	-0.4	2.0	2.6	2.1	3.1	3.1
Private consumption	2.3	4.9	-15.5	-0.7	15.8	6.0	3.6	3.4	3.0	3.5	3.7
Public investment ^{1/}	6.9	1.0	-62.4	133.7	13.5	12.4	-4.6	-3.4	5.1	8.4	7.7
Private investment	-0.4	-0.9	-45.4	47.4	15.5	5.2	5.9	5.7	3.9	3.2	3.4
Exports	5.3	1.2	-20.6	25.4	12.3	5.4	6.6	5.3	5.5	5.4	5.1
Imports	4.5	-2.5	-34.0	32.4	7.7	2.5	8.7	5.9	5.2	5.7	5.7
Financial Sector											
Private sector credit	4.5	2.4	-2.6	1.5	5.4	5.6	6.1	6.1	6.1	6.1	6.1
Broad money	2.8	2.3	9.5	4.1	12.1	7.4	6.3	6.1	6.1	6.1	6.1
Average deposit rate (Percent)	1.9	2.0	1.8	1.4	1.8						
Average lending rate (Percent)	7.8	7.8	7.7	7.6	7.6						
Saving-Investment Balance	(In percent of GDP)										
Gross domestic investment	41.5	38.3	24.1	32.5	34.3	34.7	34.8	34.8	34.8	34.8	34.8
Public sector	6.2	6.0	2.6	5.2	5.4	5.8	5.3	4.9	5.0	5.2	5.4
Private sector	35.3	32.3	21.5	27.3	28.9	28.9	29.4	29.9	29.9	29.6	29.4
Gross national savings	33.9	33.3	23.7	29.3	30.4	30.7	31.2	31.8	32.1	32.1	32.3
Public sector	4.2	2.6	-4.2	-2.1	0.4	2.4	2.6	3.1	3.6	3.8	4.0
Private sector	29.7	30.8	27.9	31.4	30.1	28.3	28.6	28.7	28.4	28.3	28.3
Public Finances ^{1/}											
Revenue and grants	22.0	20.8	21.5	20.5	22.2	23.1	23.3	23.5	23.6	23.8	23.9
Expenditure	24.9	23.9	30.7	27.1	26.0	25.8	25.1	24.6	24.5	24.7	24.9
Current, including interest	17.2	17.7	25.2	21.9	20.6	20.0	19.8	19.7	19.6	19.5	19.5
Capital	6.6	6.2	5.5	5.2	5.4	5.8	5.3	4.9	5.0	5.2	5.4
Overall balance, including ACP	-2.9	-3.1	-9.2	-6.5	-3.8	-2.7	-1.8	-1.2	-0.9	-0.9	-1.0
Overall balance, excluding ACP	-3.2	-3.4	-10.4	-6.7	-4.0	-3.0	-2.0	-1.5	-1.5	-1.5	-1.5
Total Public Debt											
Debt of Non-Financial Public Sector ^{2/}	37.3	41.9	65.6	58.4	55.4	54.9	54.1	53.2	52.4	51.5	50.8
External	31.1	35.2	54.1	50.6	50.9	50.8	51.1	50.5	50.2	49.5	48.8

Domestic	6.3	6.7	11.5	7.8	4.5	4.1	3.0	2.7	2.2	2.0	2.0
Debt of ACP	4.2	3.8	4.2	3.2	2.6	2.1	1.7	1.3	1.0	0.7	0.4
Other ^{3/}	4.2	4.1	5.1	4.3	3.9	3.6	3.4	3.2	3.0	2.8	2.7
External Sector											
Current account	-7.6	-5.0	-0.4	-3.2	-3.9	-4.0	-3.5	-3.0	-2.8	-2.7	-2.5
Net exports from Colon Free Zone	2.5	2.7	3.1	2.5	2.2	2.2	2.2	2.3	2.3	2.4	2.4
Net oil imports	4.4	3.8	1.7	3.1	4.2	3.5	3.2	3.0	2.8	2.6	2.5
Net foreign direct investment inflows	7.5	5.6	0.1	2.6	4.0	4.3	4.3	4.2	4.1	3.9	3.8
External Debt	153.0	155.0	209.4	188.3	169.4	168.1	167.0	166.5	166.0	164.3	162.5
Memorandum Items:											
GDP (in millions of US\$)	64,929	66,984	53,977	63,605	71,299	76,540	81,383	86,331	91,580	97,148	103,055

Sources: Comptroller General; Superintendency of Banks; and IMF staff calculations.

1/ Includes Panama Canal Authority (ACP). Includes Staff adjustment to account for the accrual of previously unrecorded expenditure for 2015-18. These estimates are preliminary.

2/ Non-Financial Public Sector according to the definition in Law 31 of 2011.

3/ Includes debt of public enterprises outside the national definition of NFPS (ENA, ETESA, and AITSA) and non-consolidated agencies.

“NATIONAL ECONOMY” is based on IMF Executive Board Concludes 2022 Article IV Consultation with Panama March 24, 2023.

FOREIGN TRADE

Panama’s total exports in 2016 were of the order of US\$ 636 million. It increased to US\$ 1,726 million in 2020. Exports during the period from 2016 to 2020, in terms of percentage, grew highest (124.48%) in 2019 and lowest (1.52%) in 2018 in comparison with 2018 and 2017 respectively. The annual average compound growth rate worked out at 28.35%.

Imports, on the other hand, were of the order of US\$ 8,077 million in 2020 while in 2016 it was US\$ 11,697 million. Imports during the period from 2016 to 2020, in terms of percentage, grew highest (8.75%) in 2017 and fell maximum (-37.08%) in 2020 as compared to 2016 and 2019 respectively. The annual average compound rate of increase worked out at -8.84%.

Volume of trade registered an annual average (compound) growth rate of -5.58% from US\$ 12,333 million in 2016 to US\$ 9,803 million in 2020. **Panama** faced a deficit balance of trade payment during the said period.

Panama’s export and import, volume and balance of trade between 2016 and 2020 along with their growth rates are given in **Table-I**.

Main export items of Panama are raw sugar, banana, coffee, shrimps, yellowfin funa, other fish (fresh, dried and frozen), clothing, petroleum products and cigarettes etc. and major import items were vegetable products, food products, beverages and tobacco, mineral products, chemicals and chemical products, plastics and synthetic resins, paper and paper products, textiles and textile manufactures, basic metals and metal manufactures, electrical and electronic equipment and transport equipment etc.

Major trading partners of Panama are Belgium-Luxembourg, Brazil, Canada, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Finland, Germany, Guatemala, Honduras, Hong Kong, Italy, Japan,

Mexico, Netherlands Antilles, Nicaragua, Portugal, Puerto Rico, Spain, Sweden, Taiwan, Trinidad and Tobago, USA and Venezuela etc.

BILATERAL TRADE WITH INDIA

Indo--Panama bilateral trade in 2017-18 was of the order of Rs. 1,735.95 crores. It increased to Rs.4,750.59 crores in 2021-22. The annual compound growth rate of volume of trade during the period from 2017-18 to 2021-22 was 28.62%. India enjoyed a deficit balance of trade during the said period (**see table II**). The average annual compound growth rates of exports and imports worked out at -15.47% and 66.80% respectively.

India's exports to, and imports from **Panama** of Merchandise Goods between 2017-18 and 2021-22 along with their growth rates are presented in **Table II**.

India's top ten merchandise goods exported to and top eight imported from **Panama** during 2017-18 to 2021-22, along with their growth rates are depicted in **Table III & IV** respectively.

Some important links

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Names and addresses of the organizations engaged in foreign trade in Panama Republic are:-

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Avda. El Paical
Apartado 55-2359 Paitilla
PANAMA

Tel : (00507) 3600686
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URL : <http://www.vicomex.gob.pa>

Asociacion Panamena de Exportadores (APEX)
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Tel : (00507) 2300260
Fax : (00507) 2300805
Email : apex@cableonda.net
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<http://www.industriales.org>

Camara de Comercio, Industrias y Agricultura de Panama
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Union Nacional de Pequena y Mediana Empresas (UNPYME)

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URL : <http://www.unpyme.or>

Sources

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NOTICE

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TABLE - I**PANAMA REPUBLIC'S TOTAL EXPORTS AND IMPORTS, VOLUME AND BALANCE OF TRADE
BETWEEN 2016 AND 2020.**

(Figures in US MILLION DOLLARS)

<i>Year</i>	<i>Exports</i>	<i>Percentage Growth in Exports</i>	<i>Import</i>	<i>Percentage Growth in Imports</i>	<i>Volume of Trade</i>	<i>Percentage Growth in Vol. of Trade</i>	<i>Balance of Trade</i>
2016	636		11,697		12,333		-11061
2017	660	3.77	12,720	8.75	13,380	8.49	-12060
2018	670	1.52	13,232	4.03	13,902	3.90	-12562
2019	1,504	124.48	12,836	-2.99	14,340	3.15	-11332
2020	1,726	14.76	8,077	-37.08	9,803	-31.64	-6351
Annual Compound Growth Rate	28.35		-8.84		-5.58		

NOTE : Figures relate to calendar year, January to December.**SOURCE :** UN COMTRADE PUBLICATION

TABLE - II**INDIA'S EXPORT TO AND IMPORT FROM PANAMA OF MERCHANDISE****GOODS DURING 2017-2018 TO 2021-2022**

(Value in CRORES)

Year	Exports	Percentage Growth in Exports	Import	Percentage Growth in Imports	Volume of Trade	Percentage Growth in Vol. of Trade	Balance of Trade
2017-18	1456.76		279.19		1735.95		1177.57
2018-19	1592.82	9.34	266.48	-4.55	1859.30	7.11	1326.34
2019-20	1689.54	6.07	534.53	100.59	2224.07	19.62	1155.01
2020-21	1122.39	-33.57	245.97	-53.98	1368.36	-38.47	876.42
2021-22	2589.60	130.72	2160.99	778.56	4750.59	247.17	428.61
Annual Compound Growth Rate	15.47		66.80		28.62		
NOTE :	Figures relate to Financial Year April to March.						
SOURCE :	Directorate General of Commercial Intelligence & Statistics, Ministry of Commerce & Industry, Kolkata 700 107.						

TABLE -III**INDIA'S MAJOR MERCHANDISE EXPORT TO PANAMA RP****2017-2018 TO 2021-2022 AND THEIR GROWTH RATES****(Value in Rs.CRORES)**

Sl. No.	Name of the Merchandise Commodities	Value of Exports					Annual Growth Rates			
		2017-18	2018-19	2019-20	2020-21	2021-22	18-19 over 2017-18	19-20 over 2018-19	20-21 over 2019-20	21-22 over 2020-21
1	Petroleum Products	2.29	2.52	2.90	2.58	813.20	10.04	15.08	-11.03	31419.38
	Share in total export	0.16	0.16	0.17	0.23	31.40				
2	RMG Cotton Including Accessories	1161.02	199.31	226.67	135.56	351.07	-82.83	13.73	-40.19	158.98
	Share in total export	79.70	12.51	13.42	12.08	13.56				
3	Motor Vehicle/Cars	314.48	330.75	311.54	158.38	301.68	5.17	-5.81	-49.16	90.48
	Share in total export	21.59	20.77	18.44	14.11	11.65				
4	RMG Of Other Textile Materials	66.68	82.75	78.52	50.03	136.77	24.10	-5.11	-36.28	173.38
	Share in total export	4.58	5.20	4.65	4.46	5.28				
5	Drugs Formulations, Biologicals	57.82	97.30	76.19	143.20	134.35	68.28	-21.70	87.95	-6.18
	Share in total export	3.97	6.11	4.51	12.76	5.19				
6	RMG Manmade Fibres	213.05	183.42	146.02	77.87	116.39	-13.91	-20.39	-46.67	49.47
	Share in total export	14.62	11.52	8.64	6.94	4.49				
7	Cotton, Fabrics, Madeups Etc.	51.46	65.12	49.95	36.40	82.56	26.54	-23.30	-27.13	126.81
	Share in total export	3.53	4.09	2.96	3.24	3.19				
8	Manmade Yarn Fabrics Madeups	68.54	85.89	58.60	39.93	81.81	25.31	-31.77	-31.86	104.88
	Share in total export	4.70	5.39	3.47	3.56	3.16				
9	Moulded And Extruded Goods	49.66	49.17	46.14	39.10	48.97	-0.99	-6.16	-15.26	25.24
	Share in total export	3.41	3.09	2.73	3.48	1.89				
10	ATM, Injctng. Mlding. Mchnry. Etc	2.91	5.80	0.49	21.25	34.36	99.31	-91.55	4236.73	61.69
	Share in total export	0.20	0.36	0.03	1.89	1.33				
	Total export to PANAMA RP	1456.76	1592.82	1689.54	1122.39	2589.60	9.34	6.07	-33.57	130.72

NOTE : Figures relate to Financial Year, April to March.**SOURCE** : Directorate General of Commercial Intelligence & Statistics, Ministry of Commerce & Industry, Kolkata : 700 107.

TABLE -IV**INDIA'S MAJOR MERCHANDISE IMPORT FROM PANAMA RP****2017-2018 TO 2021-2022 AND THEIR GROWTH RATES****(Value in Rs. CRORES)**

Sl. No.	Name of the Merchandise Commodities	Value of Imports					Annual Growth Rates			
		2017-18	2018-19	2019-20	2020-21	2021-22	18-19 over 2017-18	19-20 over 2018-19	20-21 over 2019-20	21-22 over 2020-21
1	Bulk Minerals And Ores			234.00		1769.41			-100.00	
	Share in total imports			43.78		81.88				
2	Wood And Wood Products	242.66	242.12	253.82	208.10	309.40	-0.22	4.83	-18.01	48.68
	Share in total imports	86.92	90.86	47.48	84.60	14.32				
3	Iron And Steel	0.46	9.23	23.70	12.32	51.10	1906.52	156.77	-48.02	314.77
	Share in total imports.	0.16	3.46	4.43	5.01	2.36				
4	Aluminium, Products Of Aluminium	4.71	6.57	13.05	11.06	14.41	39.49	98.63	-15.25	30.29
	Share in total import	1.69	2.47	2.44	4.50	0.67				
5	Paper, Paper Board And Products	2.16	3.48	2.93	2013.00	6.13	61.11	-15.80	68603.07	-99.70
	Share in total import	0.77	1.31	0.55	818.39	0.28				
6	Other Construction machinery	0.48	0.07	2.22	3.05	4.21	-85.42	3071.43	37.39	38.03
	Share in total import	0.17	0.03	0.42	1.24	0.19				
7	Medical And Scientific Instruments		0.12			1.64		-100.00		
	Share in total import		0.05			0.08				
8	Copper And Products Made of Copr		0.78	0.25	2.21	1.32		-67.95	784.00	-40.27
	Share in total import		0.29	0.05	0.90	0.06				
9	Petroleum Products	0.22		0.03	0.79	1.05	-100.00		2533.33	32.91
	Share in total import	0.08		0.01	0.32	0.05				
10	Electronic Instruments	0.01		0.03	0.75	0.67	-100.00		2400.00	-10.67
	Share in total import	0.00		0.01	0.30	0.03				
	Total import from PANAMA RP	279.19	266.48	534.53	245.97	2160.99	-4.55	100.59	-53.98	778.56

NOTE : Figures relate to Financial Year, April to March.**SOURCE** : Directorate General of Commercial Intelligence & Statistics, Ministry of Commerce & Industry, Kolkata : 700 107.