



Economic and Financial Newsletter
May 2024



MEF Leadership

Héctor E. Alexander H.
Minister of Economy and Finance

Carlos E. Gonzalez Miranda
Vice-Minister of Economy

Jorge L. Almengor C.
Vice-Minister of Finance

Key Contacts

Julio Marquínez,
Director of Public Financing

Carlos Ledezma,
Head of Credit Resource Management

Christian Arrocha,
Lead Analyst, Credit Resource Mgmt.



OVERVIEW

The aim of this Newsletter is to share selected key economic and financial information with Panama's stakeholders, ensuring regular and transparent communication. This document is based solely on publicly available information.

*Feedback on the content and format of this newsletter can be provided to:
jmarquinez@mef.gob.pa and/or cledezma@mef.gob.pa*

Table of Contents

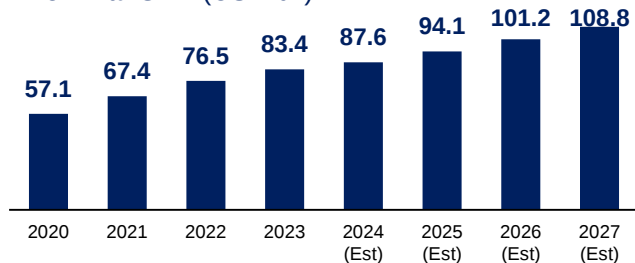
Macroeconomic landscape	3
Fiscal matters	5
Debt and capital markets	6
Key publications	9
<i>IMF Staff Concluding Statement of the 2024 Article IV Mission</i>	<i>9</i>
Selected recent news	10
<i>Panama exits EU list of high-risk countries, following removal from FATF grey list</i>	<i>10</i>
<i>Council of Ministers approves creation of a dry multimodal Canal</i>	<i>10</i>
<i>Record passenger traffic recorded at Tocumen International Airport</i>	<i>10</i>
<i>Panama launches its Sustainable Finance Taxonomy</i>	<i>10</i>
<i>Extension of the Panama i-Link to new asset classes</i>	<i>11</i>
<i>CABEI approved USD240 million for energy transition</i>	<i>11</i>
<i>Launch of the PPP for the East Pan-American Highway</i>	<i>11</i>
<i>Maersk service to use the Panama Canal again</i>	<i>12</i>
Key upcoming dates	13



MACROECONOMIC LANDSCAPE (1/2)

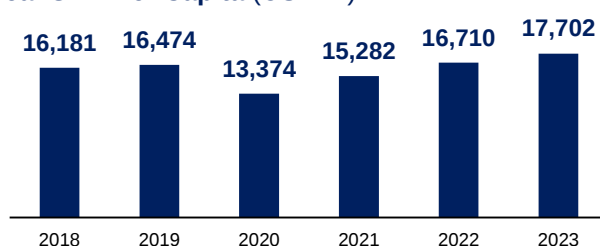
Key economic data

Nominal GDP (USD bn)



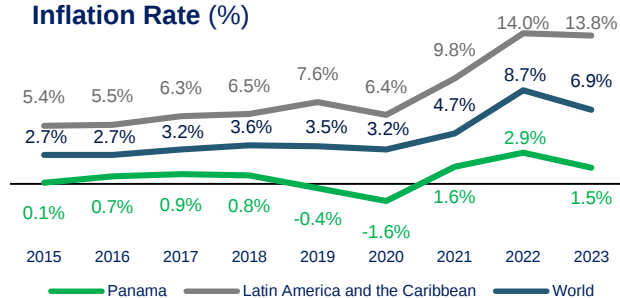
Source: INEC, MEF

Real GDP Per Capita (USD m)



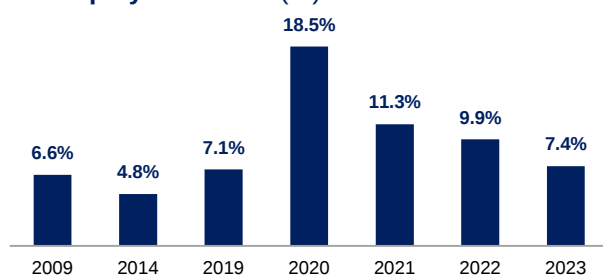
Source: INEC, March 2024

Inflation Rate (%)



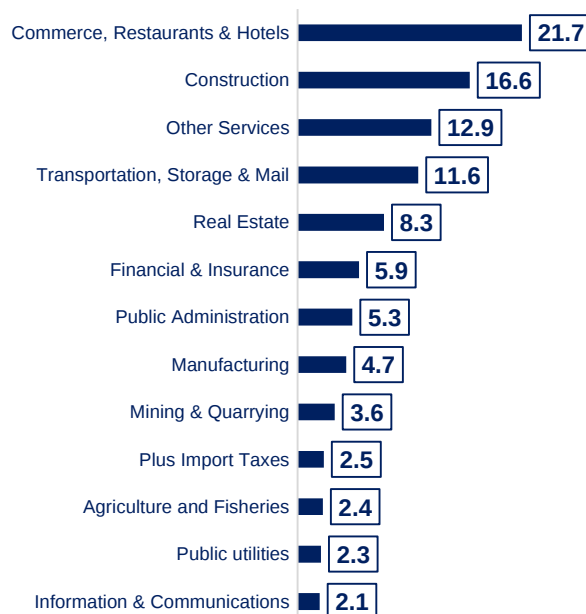
Source: INEC, IMF WEO April 2024

Unemployment Rate (%)



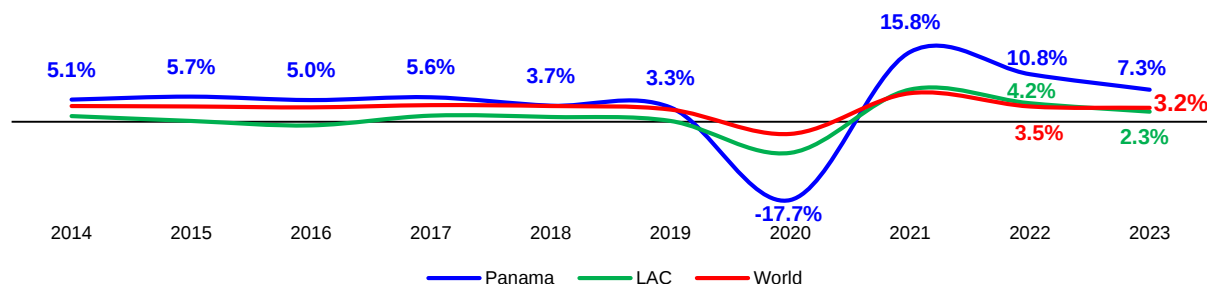
Source: INEC

Sectoral contribution to real GDP, accumulated to December 2023 (%)



Source: INEC

Real GDP Growth (%)



Source: INEC, Avance de Cifras del Producto Interno Bruto / IMF WEO April 2024



MACROECONOMIC LANDSCAPE (2/2)

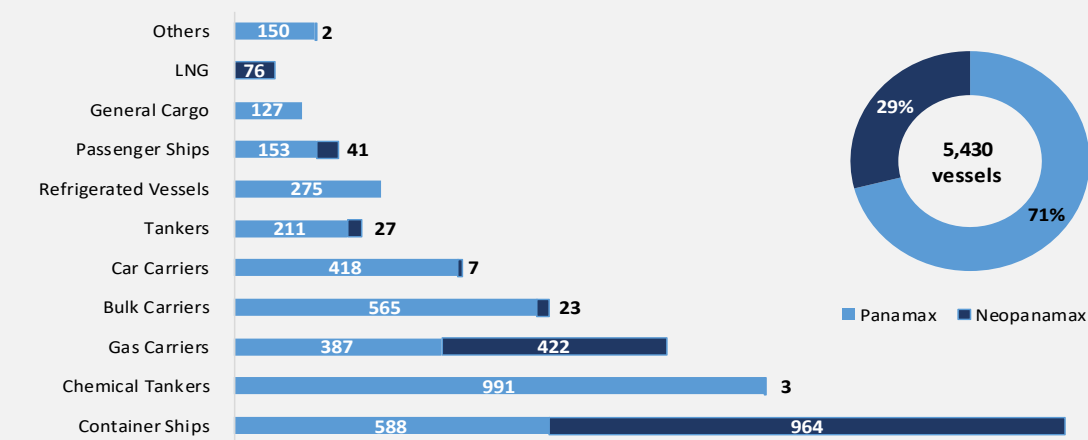
Key highlights

- **Panama is a highly diversified, serviced-based economy** (services account for more than 70% of GDP). **Real GDP grew by 7.3%** in 2023 and is expected to grow by **at least 2.5% in 2024**. With an estimated **nominal GDP of USD 87.6bn**, and real medium-term growth prospect of 5.0%, **Panama’s GDP is expected to exceed USD 100bn by 2027**.
- **Panama has one of the lowest inflation in the world**. Inflation, as measured by the average CPI with base year 2013, was 1.5% in 2023 compared to 2.0% in 2022.
- As of August 2023, Panama's unemployment rate fell to 7.4%, compared to 9.9% in April 2022.
- **The tourism sector continues to grow and traffic at the Tocumen International Airport in 2023 surpassed pre-pandemic levels** (17.8 million passengers in 2023, well-above its 2019 record level of 16.6 million passengers).
- **As of June 1st, the Panama Canal will effectively be operating at around 90% capacity**. On April 16th, the Panama Canal Authority **announced significant increases in transit capacity, raising the total number of daily transits from 27 to 31 vessels from May 16th**, and to 32 vessels a day as of June 1st, which will boost 2024 performance and revenues of the Canal. Between September 2023 and April 2024, 5,430 vessels transited the Panama Canal, of which 71% were Panamax size and 29% were Neopanamax size.

Zoom on the Panama Canal activity

Daily transit	Regular capacity	End Dec. 23	Mid January 24	End March 24	From mid-May 24	From June 24
	36	22	24	27	31	32

Panama Canal transit by market segment and lock type, Sep. 23 – Apr. 24



Source: ACP, Tránsito Acumulado del Canal de Panamá por Segmento de Mercado y Tipo de Esclusa



FISCAL MATTERS

Annual 2023 Budget Execution

- After the use of efficient counter-cyclical fiscal policy in 2020, Panama committed to a strong fiscal consolidation path, as established by the Fiscal Social Responsibility Law (FSRL).
- The fiscal balance target for 2023 was met. The Non Financial Public Sector overall deficit declined from 3.98% in 2023 to **2.95% of GDP in 2023** (USD 2,462.5 million), in compliance with the provisions of the FSRL (3.0%, according to Law No. 185 of November 25, 2020).

	December 2023	December 2022	Δ vs. 2022
Total Income	14,949.5	13,281.7	+12.6%
Of which Current	14,827.7	13,119.9	+13.0%
Total Expenditure	17,412.0	16,326.4	+6.6%
Current	13,577.7	12,212.9	+11.2%
Capital	3,834.3	4,113.5	-6.8%
Fiscal balance	-2,462.5	-3,044.7	-19.1%
% GDP	-2.95%	-3.98%	

Source: MEF, Balance Fiscal

2024 Budget and Q1-2024 Revenue Collection

- The 2024 Budget amounts to USD 30.7 billion. **One of its strategic objective ifs to comply with the 2% fiscal deficit** percentage target established in the FSRL for the fiscal year of 2024.
- **The first quarter of 2024 was marked by strong revenue collection.** As of end-March, Tax revenue collected amounted to USD 1,550 million, an **increase of 24.1% compared to the same period in 2023.**

Public Sector revenue (m USD)	
Tax Revenue	12,272
Non-tax Revenue	7,473
Equity Resources	2,789
Financing	8,156
TOTAL	30,690

Source: Budget 2024

Tax and Non-Tax Revenues accumulated to March 2024 vs March 2023 (USDm)

	Q1-2024	Q1-2023	Difference	
			USD	Percentage
Tax revenues	1,550.5	1,249.2	+301.3	+24.1%
Direct taxes	919.1	712.4	+206.7	+29.0%
Indirect taxes	631.5	536.8	+94.7	+17.6%
Non-tax revenues	392.8	329.5	+63.3	+19.2%
Current Expenses	2,530.9	2,992.6	-461.8	-15.4%

Source: MEF, Balance Fiscal

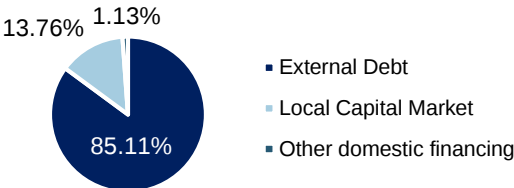


DEBT AND CAPITAL MARKETS (1/3)

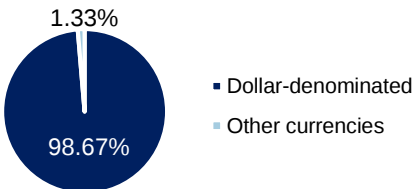
General update on debt profile, as of April 2024

- **Total debt outstanding** as of April is USD50.5 billion, with a Weighted Average Cost of 5.35%. Growth in the debt stock is limited in part by the deficit restrictions required by law. Weighted average maturities amounts to 13.48 years.
- **In 2024, Panama’s financing needs amount to USD 5.4bn.** Through its Global Bond issuance in February 2024, USD 3.1bn of these were covered, with the remainder expected to come from multilaterals (USD1.3bn) and local capital markets (approximately USD1bn)

Debt portfolio composition

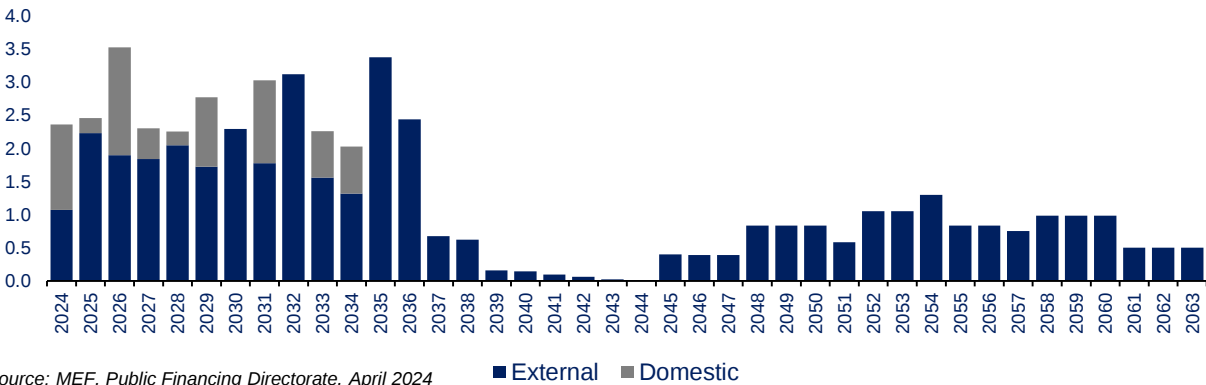


Composition by currency



Source: MEF, Public Financing Directorate

Debt Repayment Schedule by year (USD bn)



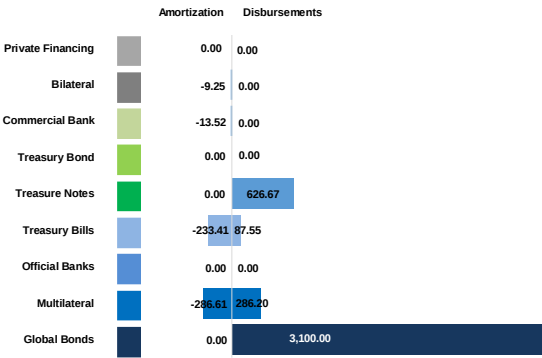
Source: MEF, Public Financing Directorate, April 2024

Balance of public debt by creditor as of April 2024 (USD millions)

Banks w/Official Guarantees	9.65
Commercial Banks	82.09
Treasury Bills	158.00
Private Financing	267.58
Official Banks	302.90
Direct Loans from Govts.	371.03
Treasury Notes	2,622.44
Treasury Bonds	4,172.78
Multilateral Inst.	9,367.55
Global Bonds	33,187.57

Source: MEF, Public Financing Directorate

Public Debt, Disbursements and Amortization from January 2024 to April 2024 (USD Millions)



Source: MEF, Public Financing Directorate



DEBT AND CAPITAL MARKETS (2/3)

Domestic bond market

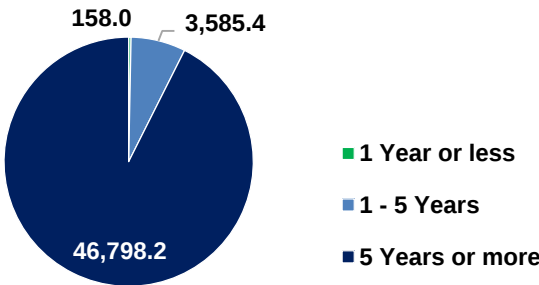
- At the end of April, local issuance outstanding totaled USD7.0 billion, which represents approximately 17.3% of the total portfolio of capital market instruments. The Directorate of Public Financing seeks to **further develop the local market through new issuances**. For the current fiscal year, the Republic of Panama is considering up to **USD1 billion in local issuance** to complete its fiscal year funding needs.

Treasury bill auction in April 2024

Maturity	12 Months
Issue date	April 14, 2024
Amount put out to tender (USD million)	57.3
Amount submitted (USD million)	31.0
Amount retained (USD million)	1.86
Average weighted yield	6.30
Coverage of the amount put out to tender	1.85

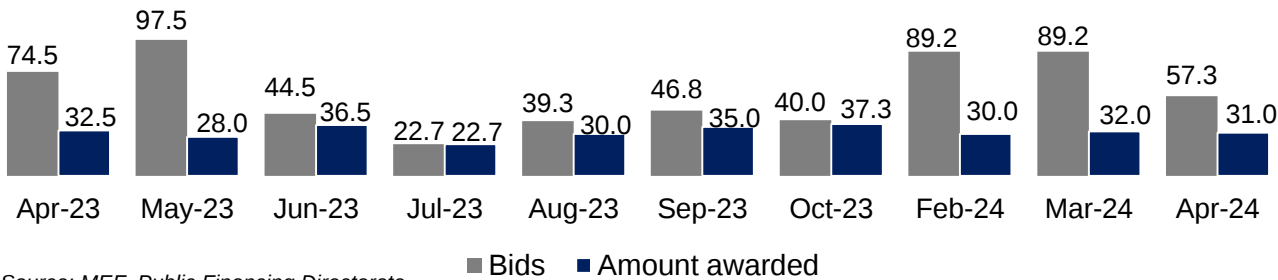
Source: MEF, Public Financing Directorate

Maturity breakdown of issuances as of April 2024 (USD millions)



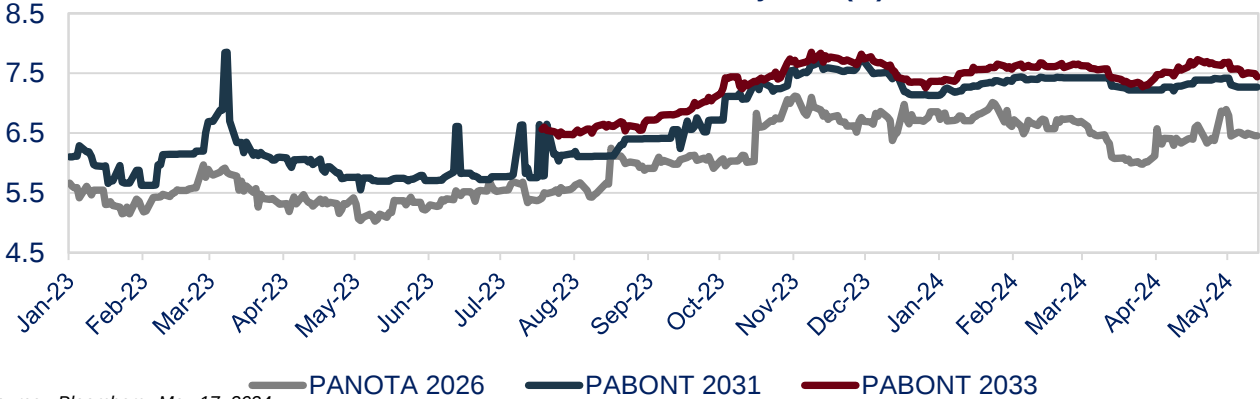
Source: MEF, Public Financing Directorate

Treasury Bills outstanding, in USD millions



Source: MEF, Public Financing Directorate

Yield evolution of selected domestic issuances since January 2023 (%)



Source : Bloomberg, May 17, 2024



DEBT AND CAPITAL MARKETS (3/3)

Global bond markets

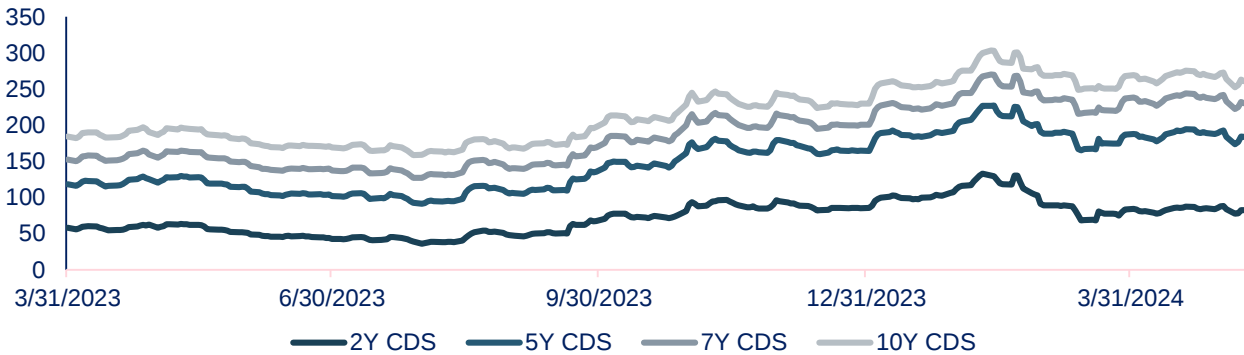
In February 2024, the Republic of Panama successfully issued three Global Bonds in the international market for a total amount of USD3.1 billion. The issue generated demand for an amount of more than USD19 billion.

Intraday trading levels of the Bonds issued in February

Global Bonds	Outanding amount in millions of USD	Coupon (%)	Price	Variation 1 month Δ	Yield	Variation 1 month Δ (bps)
PANAMA 2031	1,100	7.500	102.51	-1.51	7.03	26.05
PANAMA 2038	1,250	8.000	104.37	-1.38	7.48	12.8
PANAMA 2057	750	7.875	100.76	-0.99	7.81	8.22

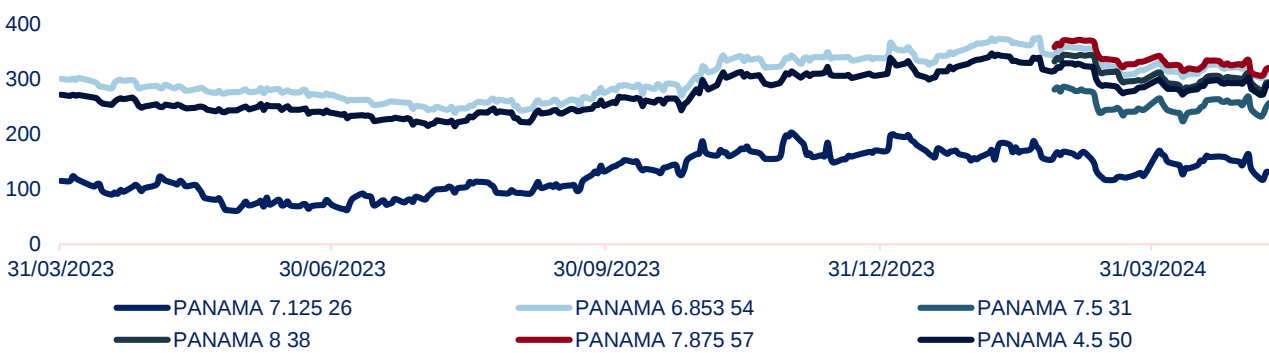
Source : Bloomberg, May 9, 2024

Evolution of CDS from April 2023 to April 2024 (bps)



Source : Bloomberg, April 30, 2024

Evolution of G-Spread of selected Global Bonds from April 2023 to April 2024 (bps)



Source : Bloomberg, April 30, 2024



KEY PUBLICATIONS

Panama and the IMF – extracts of the IMF Staff and Executive Board Concluding Statement of the March 4, 2024 Article IV Mission

“...the economic recovery has been strong. In 2023, GDP grew by 7.5 percent, exceeding expectations for the third year in a row. ”

“Over the medium-term, GDP is expected to grow by 4 percent”

“Unemployment, which had surged from 7.1 % in 2019 to 18½ % in 2020, declined to 7.4 % in August 2023. Average inflation declined from 2.9 % in 2022 to 1.5 % in 2023 and remained well below other countries in the region.”

“Since the height of the pandemic, there has been significant fiscal consolidation. The NFPS overall fiscal deficit declined from 10.2 % of GDP in 2020 to 4.0 % of GDP in 2022. It was further reduced to 3.0 % of GDP in 2023.”

“Staff assesses that a fiscal deficit of 4 percent of GDP in 2024 would be adequate from a cyclical perspective”

“Aggregate capital and liquidity buffers in Panama’s banking sector are well above regulatory minima and all banks meet the regulatory requirements.”

“the defined benefit component of the social security system (CSS), which will run out of resources in late 2025”

“Improving tax and customs collection efficiency will help. The Internal Revenue Directorate and Customs Administration undertook modernization reforms, including the improvement of data gathering processes for personal income tax collection; the adoption of the electronic invoice; the creation of a data analysis unit to improve cross-checking of data and detect tax non-compliance; the launch of a new Large Taxpayers Unit; and new, state-of-the-art, scanners at customs checkpoints.”

Executive Directors “...commended the authorities’ commitment to protecting the health and lives of Panamanians through a vaccination program.”

“Directors welcomed the long-term goals of enhancing the efficiency of spending, particularly in health, education, and social areas, including improving the living conditions of indigenous populations.”

SELECTED RECENT NEWS (1/3)

Panama exits EU list of high-risk countries, following removal from FATF grey list

On October 27, 2023, the Financial Action Task Force (FATF), excluded Panama from its gray list, after demonstrating that the country strengthened the effectiveness of its AML/CFT regime to comply with its Action Plan commitments.

On March 14, 2024, the Ministry of the Presidency of the Republic of Panama announced that the European Union Commission removed Panama from the European Union's list of high-risk countries for strategic deficiencies in the prevention of money laundering and terrorist financing. Shortly thereafter, though, on April 23rd a motion was passed by the EU Parliament to reverse this decision.

Council of Ministers approves the creation of a Multimodal Dry Canal

On 13 March 2024, the Cabinet Council approved the creation of the Omar Torrijos Herrera Multimodal Dry Canal for Transshipment of Goods of the Republic of Panama. This project seeks to modernize the logistics platform, streamline customs procedures, the transfer of goods, improve clearance times, maintain competitiveness in the sector and carry out transshipment operations with the current assets in the national territory in the face of new trends in international logistics, in order to generate greater cargo mobility and increase efficiency as a country. The Multimodal Dry Canal project will use existing roads, railways, port facilities, airports and duty-free zones in a new "special customs jurisdiction".



Record passenger traffic recorded at Tocumen Airport in 2023

Tocumen International Airport (AITSA) set a record for passenger movement during 2023 by processing 17,825,465 million passengers, surpassing the all-time high of 16,582,601 million passengers recorded in 2019. The 2023 performance is the result of the confidence of airlines that have increased their frequencies and destinations. These facts have strengthened Panama's reputation and relevance as the main transit and regional connectivity point for passengers and cargo.

Panama launches its Sustainable Finance Taxonomy

In March, Panama launched its Sustainable Finance Taxonomy, becoming the first Central American country to design such a document. This taxonomy will support Panama to attract capital towards sustainable investments, through a facilitated identification of projects. It was prepared in coordination with representatives from the public and private sectors, and implemented with the support of the United Nations Environment Programme, the Green Climate Fund and the European Union.

SELECTED RECENT NEWS (2/3)

Extension of the Panama i-Link to new asset classes

In March 2024, Panama i-Link got extended to encompasses new asset classes, notably corporate and multilateral/supranational fixed income. This expansion signifies a broadening of investment opportunities within the Panama i-Link framework, providing investors with access to a more diverse range of financial instruments. By including these additional asset classes, the platform aims to enhance its appeal and utility, potentially attracting a wider pool of investors seeking to diversify their portfolios and capitalize on emerging opportunities in the market.

CABEI approved USD240 million for energy transition

On March 15, 2024, the Central American Bank for Economic Integration (CABEI) approved financing in the amount of USD240 million, with the objective of promoting a just energy transition in the face of climate change as a key element for the decarbonization of the country's economy. This operation focuses on the adoption of national and cross-cutting strategies of the Energy Transition Agenda 2020-2030.

IBRD approved USD350 million for climate resilience

On March 22, 2024, the World Bank, through the IBRD, approved financing in the amount of USD350 million, with the purpose of bolstering reforms to decarbonize the transport and energy sectors and help build the capacity to adapt to climate change and mitigate its effects.

Fitch downgrades Panama to 'BB+' and revises Outlook to Stable

On March 28, 2024, Fitch ratings downgraded the country rating to 'BB+', which reflects their perception of fiscal and governance challenges that have been aggravated by the events surrounding the closure of the country's largest mine. Moody's and S&P have been clear that they prefer to evaluate the new administration's initiatives before engaging in another review.

Launch of the PPP for the East Pan-American Highway

On April 8, 2024, the Ministry of Public Works issued the Order to Proceed, authorizing the company Ruta del ESTE Sociedad Concesionaria S.A., to start the execution of the PPP Contract to begin the rehabilitation, improvement and maintenance of the East Pan- American Highway.

The company is expected to invest 282 million USD.





SELECTED RECENT NEWS (3/3)

Maersk service resumes use of Panama Canal

On April 9, 2024, the shipping company Maersk announced that it will resume passage through the Panama Canal, through the Maersk OC1 service as of May 10, 2024. The Maersk OC1 service represents 8 monthly transits, distributed in 4 northbound and 4 southbound, with an average of 250,000 PC/UMS (Panama Canal Universal Measurement System) tons and 28,000 TEUs (20-foot containers), which would reenter the Canal each month.

President-elect presents his Cabinet

On May 5th, 2024, Panama held elections for all publicly held positions and the representative of the Realizando Metas party, José Raúl Mulino, was declared the winner later that evening. The elections were held peacefully and with a participation rate of more than 77%. President-elect José Raúl Mulino has since announced 14 of the ministers who will make up the Cabinet Council, and appointed economist Felipe Chapman as Minister of Economy and Finance. Mr. Chapman is President and Managing Partner at INDESA Capital, a leading financial services and advisory firm in the Republic of Panama. He was CEO of the Panama Stock Exchange in from 1998 to 2003.



KEY UPCOMING DATES

Data release

Notable events

Monthly basis

Monthly revenue collection data

As of June 1st

Panama Canal capacity increases to 32 vessels a day

As of June 3rd

Government administrative transition begins

As of June 16th

Publication of the Consumer Price Index (CPI) - May 2024

As of June 17th

Publication of the Quarterly Gross Domestic Product (GDPT) of the Republic – 1Q 2024

As of June 19th

Publication of the Monthly Index of Economic Activity (IMAE) - March 2024

As of July 1st

Inauguration of Panama President – Elect



DISCLAIMER



MINISTERIO DE
ECONOMÍA Y FINANZAS

Directorate of Public Financing

Primary email:

Dfp-negociacion@mef.gob.pa

Phone Number:

+507-507-7843

Director of Public Financing

Ing. Julio Marquinez

jmarquinez@mef.gob.pa

Head of Credit Resource Management

Carlos Ledezma

cledezma@mef.gob.pa

Lead Analyst, Credit Resource Management

Christian Arrocha

carrocha@mef.gob.pa

Head of Capital Markets

Jose Diógenes Sanchez

jsanchezc@mef.gob.pa

Any decision to purchase any securities of the Republic should be made solely on the basis of conditions of the securities and the information to be contained in the respective prospectus, prospectus supplement or equivalent disclosure document produced in connection with the offering of such securities. Prospective investors are required to make their own independent investigations and appraisals of the business and financial condition of the Republic and the nature of any securities of the Republic before taking any investment decision with respect to securities of the Republic. The contents of this presentation should not be the basis for making investment decisions, nor should the presentation be construed as a recommendation to engage in investment transactions. This presentation is not related to the provision of advisory services regarding investment, tax, legal, financial, accounting, consulting or any other related services, nor is a recommendation being provided to buy, sell or purchase any good or product.

This presentation contains forward-looking statements, which include all statements other than statements of historical facts, including, without limitation, any statements preceded by, followed by or including the words "targets," "believes," "contemplates," "projects," "estimates," "expects," "aims," "intends," "may," "anticipates," "would," "could" or similar expressions or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Republic's control that could cause the Republic's actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements speak only as at the date of this presentation. The financial information in this presentation should be used for reference purposes only with the understanding that market conditions may change and past performance is not an indicator of future performance. The Republic expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in its expectations with regard thereto or any change in events, conditions or circumstances on which any of such statements are based. However, the Republic reserves the right to update, amend or delete information contained in this presentation without prior notice.

The Republic, the Ministry of Economy and Finance (MEF) and the Directorate of Public Financing of MEF do not assume legal responsibility nor will they be liable for the way that this information may be interpreted, including any inaccuracies, assumptions, or projections related to this information. The Republic, MEF and the Directorate of Public Financing of MEF will not be liable for any loss or damage that directly or indirectly arises with respect to the use of this information.