



Republic of Panama Fiscal Performance First Quarter 2017

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GOBIERNO DE LA REPÚBLICA DE
PANAMÁ



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Ministerio de Economía y Finanzas

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Key Indicators

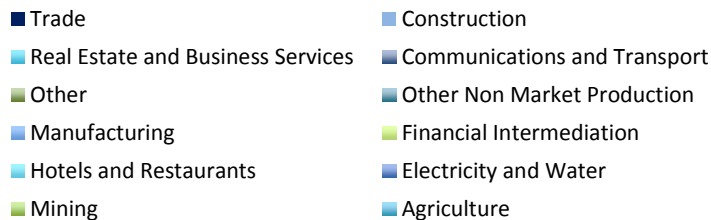
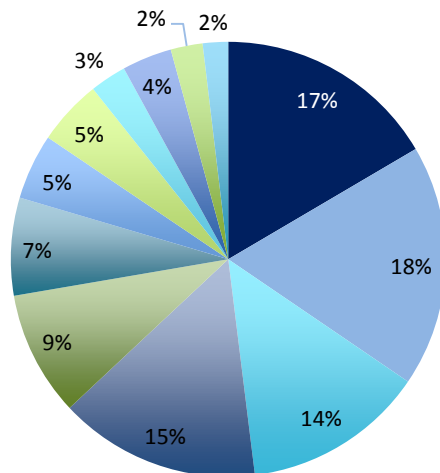
Social Indicators

Projections

Panama's growth continues to be supported by a well diversified economy where no growth sector accounts for more than 20% of GDP

Diversified economy: no sector accounts for more than 20% of GDP.

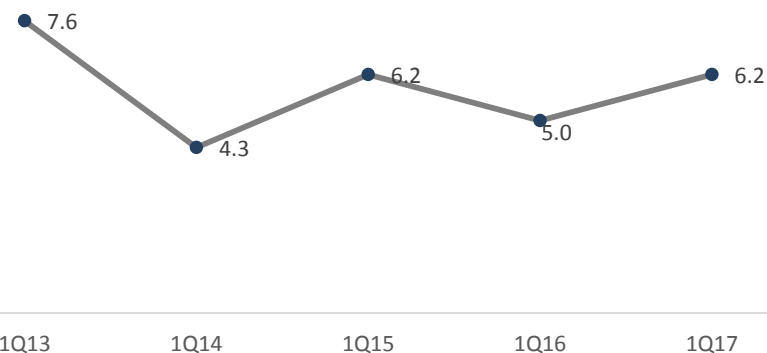
GDP by sector, as of March 2017



Source: INEC

GDP grew 6.2% in the first quarter of 2017 mainly driven by trade, construction, and communications and transport.

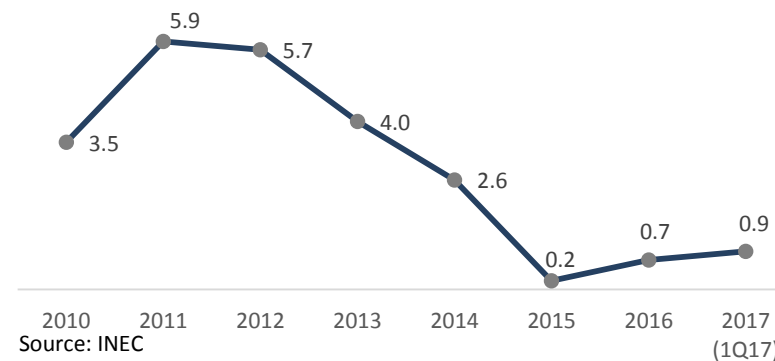
GDP Growth (%)



Source: INEC

Inflation is slowly rising but remains low due to global market conditions.

Inflation (%)



Source: INEC

Key Indicators

Social Indicators

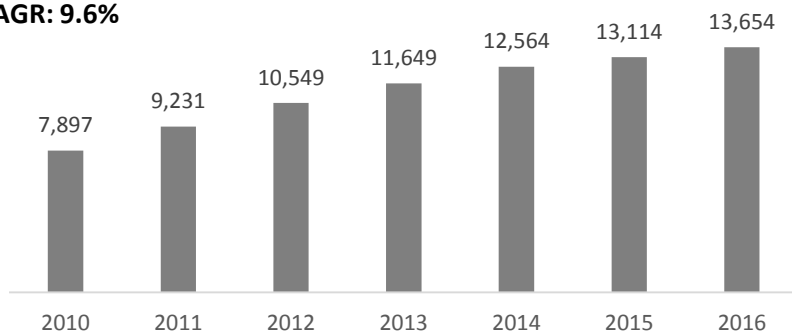
Projections

Extreme poverty has fallen for the first time in history below 10%. This, among other social indicators, reflect government efforts to improve life quality and provide development.

GDP per capita has been growing steadily.

GDP per capita (\$/person)

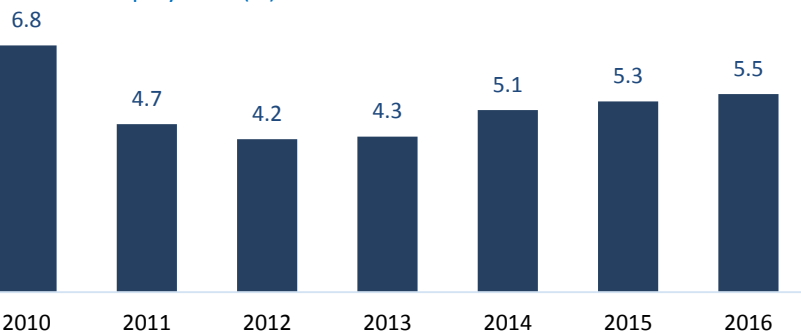
CAGR: 9.6%



Source: IMF.

Unemployment levels continue to remain low.

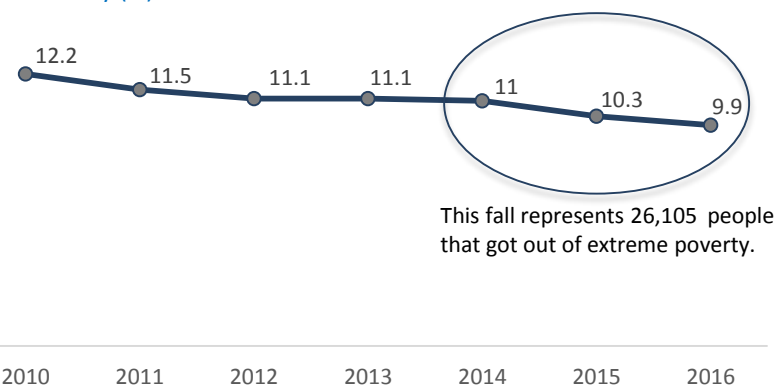
Total Unemployment (%)



Source: INEC.

For the first time, extreme poverty levels are below 10%.

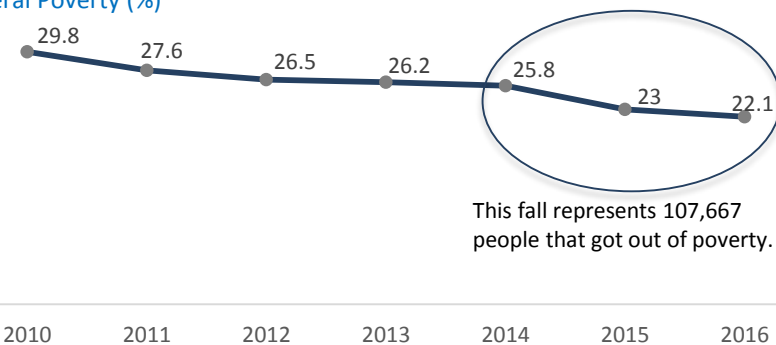
Extreme Poverty (%)



Source: MEF-DAES.

In the last two years 107,667 people have left poverty.

General Poverty (%)



Source: MEF-DAES.

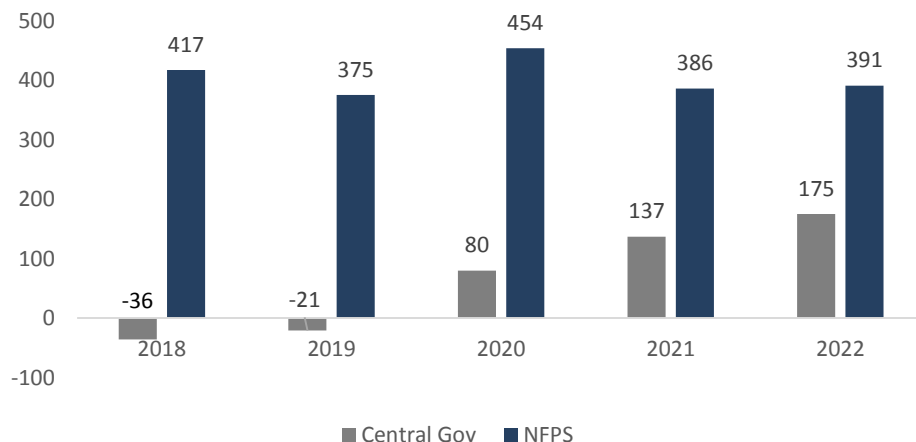
Key Indicators

Social Indicators

Projections

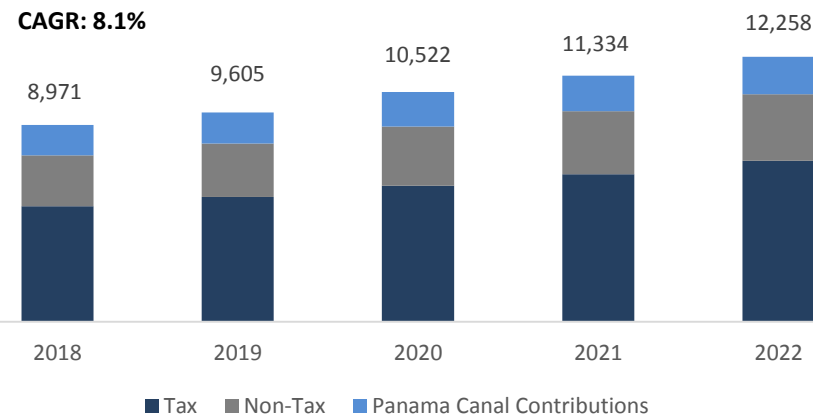
The established projections of the Medium Term Fiscal Framework 2018-2022 present a sustainable public debt ratio over time and allocates amounts to important investments.

Primary Balance (in US\$ million)

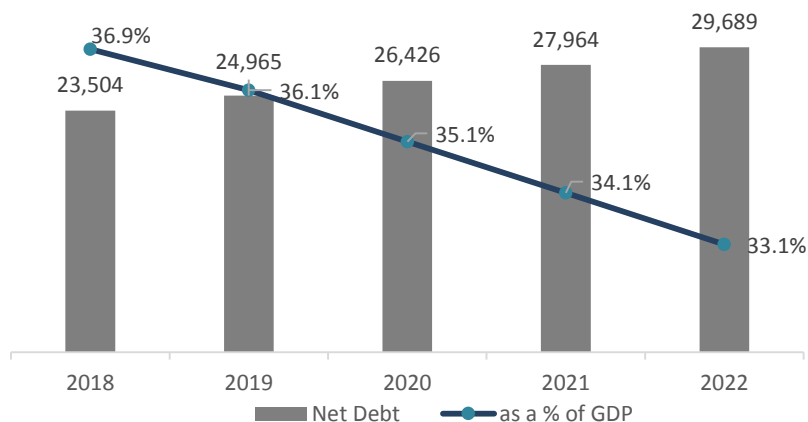


Composition of Central Government Current Revenues (in US\$ million)

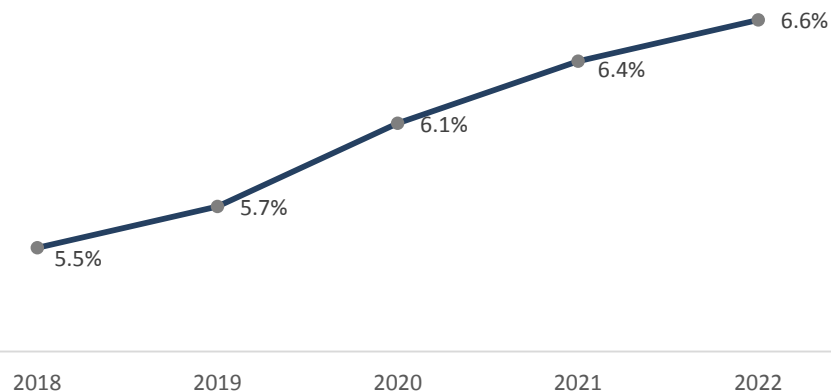
CAGR: 8.1%



Net Debt (in US\$ million)



Capital Expenditures of the NFPS (% of GDP)





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**2016 Revised Fiscal
Performance**
**1Q17 Fiscal
Performance**

At the end of 2016, 41% of the Central Government deficit was financed with CUT (treasury account) balances; financing the remaining balance through credit resources.

Central Government (In US\$ million)	2016	2015 Revised ^{1/}	Variation (YoY) %
Total Revenues	7,695	7,268	5.9%
Current Revenues	7,657	7,206	6.2%
1. Tax	5,573	5,072	9.9%
Direct	2,943	2,577	14.2%
Indirect	2,630	2,495	5.4%
2. Non-Tax	2,083	2,135	-2.4%
Capital Income	29	45	-35.0%
Donations	9	16	-42.8%
Total Expenditures	9,898	9,278	6.7%
Current Expenditures	6,271	5,993	4.6%
Personal services	2,505	2,187	14.5%
Goods and services	623	543	14.7%
Transfers ^{2/}	2,016	2,108	-4.4%
Interest	997	933	6.9%
Others	130	222	-41.7%
Current Savings	1,386	1,213	14.3%
Capital Expenditures	3,628	3,284	10.5%
Deficit	-2,203	-2,010	9.6%
% of GDP	-4.0%	-3.9%	

Source: CGR, SBP, BNP, CA, Decentralized Entities, MEF.

Figures may vary due to rounding effect.

Note: Total revenues and expenditures incorporate fiscal documents.

1/ The revenue update for 2015 is due to the official CGR rent tab in December 2015 having been delivered after the publication of the Revised 2015 Fiscal Blance

2/ Includes US\$180 million in 2016 and US\$157 million in 2015 from the program "120 a los 65".

Budgeted Nominal GDP 2016 = US\$ 55,188 million

Preliminary Nominal GDP 2015 = US\$ 52,132 million

- Total revenues of the Central Government including fiscal documents increased 5.9% or US\$427 million growth from 2015.
- Total expenditures reached US\$9,898 million, US\$620 million more than in 2015.
- Current Expenditures increased US\$278 million or 4.6%.
- Interests reached US\$997 million, increasing 6.9%.
- Capital expenditures increased to US\$3,628 million, which reflects a US\$344 million or 10.5% growth.
- The Central Government deficit in 2016 was US\$2,203 million (4.0% of GDP), compared with 2,010 million in 2015.

**2016 Revised Fiscal
Performance**
**1Q17 Fiscal
Performance**

The Current Savings of the NFPS grew 13.4% and financed 71% of NFPS capital expenditures.

Non-Financial Public Sector (US\$ million)	2016	2015 Revised	Variation (YoY) %
Total Revenues	11,609	10,701	8.5%
General Government Current Revenues	11,110	10,316	7.7%
Central Government	7,535	7,067	6.6%
CSS	3,380	3,049	10.9%
Consolidated Agencies	196	200	-2.4%
Public Enterprises Balance	68	123	-45.0%
Non-Consolidated Agencies and Others	399	198	101.7%
Capital Income	23	48	-52.1%
Donations	9	16	-42.8%
Total Expenditures	12,674	11,909	6.4%
Current Expenditures	8,910	8,285	7.5%
Current Expenditures (excluding interest)	7,906	7,345	7.6%
Central Government	4,658	4,378	6.4%
CSS	2,991	2,728	9.7%
Consolidated Agencies	257	239	7.6%
Interests	1,004	940	6.8%
Capital Expenditures	3,764	3,624	3.9%
Current Savings of NFPS	2,667	2,352	13.4%
Primary Balance	-61	-268	-77.4%
Deficit	-1,065	-1,208	-11.9%
% of GDP	-1.9%	-2.3%	
Sovereign Wealth Fund Adjustment	-237	-165	
% of GDP	-0.4%	-0.3%	
Adjusted Deficit	-828	-1,043	
% of GDP	-1.5%	-2.0%	

Source: CGR, SBP, BNP, CA, Decentralized Entities, MEF. Figures may vary due to rounding effect.

Budgeted Nominal GDP 2017 = US\$ 58,633 million.

Preliminary Nominal GDP 2016 = US\$ 55,188 million.

- Total Revenues of the NFPS in 2016 increased by US\$908 million compared to 2015.
- Improved performance of the current revenues of the Central Government is explained by the contributions of the CSS, the consolidated agencies and others.
- Total expenditures in 2016 were US\$12,674 million, an increase of US\$765 million in comparison with 2015, due primarily to an increase of current expenditures.
- The primary balance improved US\$207 million compared with 2015.
- The NFPS non-adjusted deficit was US\$1,065 million, or 1.9% of GDP; presenting a consolidation of 0.4% or US\$234 million compared with 2015.

**2016 Revised Fiscal
Performance**
**1Q17 Fiscal
Performance**

As of March 2017, the Central Government deficit decreased 62% in comparison to the same period of 2016, mainly due to a decrease of capital expenditures from payments made in the first quarter 2016 related to turnkey projects.

Central Government (In US\$ million)	March 2017 (P)	March 2016 (P)	Variation (YoY) %
Total Revenues	1,672	1,696	-1.5%
Current Revenues	1,672	1,694	-1.3%
1. Tax	1,370	1,384	-1.0%
Direct	704	719	-2.2%
Indirect	667	665	0.3%
2. Non-Tax	301	309	-2.6%
Donations	0	3	-100.0%
Total Expenditures	1,962	2,457	-20.1%
Current Expenditures	1,548	1,556	-0.5%
Personal services	631	553	14.2%
Goods and services	74	105	-29.3%
Transfers ^{2/}	354	454	-22.0%
Interest	412	388	6.3%
Others	76	57	34.4%
Current Savings	124	138	-10.4%
Capital Expenditures	414	901	-54.0%
Deficit	-291	-761	-61.8%
% of GDP	-0.5%	-1.4%	

- Total revenues of the Central Government including fiscal documents reached to US\$1,672 million as of March 2017, decreasing 1.5% with respect to the previous year.
- Total expenditures in the first quarter of 2017 decreased US\$495 million or 20.1% in comparison with the previous year.
- Current Expenditures reached US\$1,548 million, a reduction of US\$8 million or 0.5% in comparison with 2016.
- Interest Expenses reached US\$412 million, increasing 6.3%.
- Capital expenditures as of March 2017 were US\$414 millions.
- The Central Government deficit as of March 2017 reached US\$291 million or 0.5% of GDP.

Source: CGR, SBP, BNP, CA, Decentralized Entities, MEF.

Figures may vary due to rounding effect.

Note: Total revenues and expenditures incorporate fiscal documents

Budgeted Nominal GDP 2017 = US\$ 58,633 million

Preliminary Nominal GDP 2016 = US\$ 55,188 million

**2016 Revised Fiscal
Performance**
**1Q17 Fiscal
Performance**

As of March 2017, the non adjusted balance presents a surplus of US\$204 million.

Non-Financial Public Sector (US\$ million)	March 2017 (P)	March 2016 (P)	Variation (YoY) %
Total Revenues	2,828	2,838	-0.4%
General Government Current Revenues	2,596	2,533	2.5%
Central Government	1,642	1,661	-1.1%
CSS	888	838	6.0%
Consolidated Agencies	66	35	89.4%
Public Enterprises Balance	121	20	511.8%
Non-Consolidated Agencies and Others	108	283	-61.8%
Capital Income	2	0	3195.0%
Donations	0	3	-100.0%
Total Expenditures	2,623	2,996	-12.4%
Current Expenditures	2,197	2,136	2.8%
Current Expenditures (excluding interest)	1,782	1,747	2.0%
Central Government	1,053	1,051	0.2%
CSS	667	637	4.8%
Consolidated Agencies	62	59	4.8%
Interests	415	390	6.4%
Capital Expenditures	427	860	-50.4%
Current Savings of NFPS	629	699	-10.1%
Primary Balance	619	232	167.2%
Deficit	204	-158	-229.4%
% of GDP	0.3%	-0.3%	
Adjusted Deficit	204	-158	
% of GDP	0.3%	-0.3%	

- Total Revenues of the NFPS as of March 2017 were US\$2,828 million, decreasing by 0.4% with respect to the same period last year.
- Meanwhile, Total Expenditures as of March 2017 decreased US\$373 million, or 12.4% in comparison to the same period in 2016
- The Current Savings of the NFPS reached US\$629 million.
- On the other hand, the non adjusted fiscal balance of the NFPS was positive at US\$204 million, representing 0.3% of GDP.

Source: CGR, SBP, BNP, CA, Decentralized Entities, MEF. Figures may vary due to rounding effect.

Budgeted Nominal GDP 2017 = US\$ 58,633 million.

Preliminary Nominal GDP 2016 = US\$ 55,188 million.



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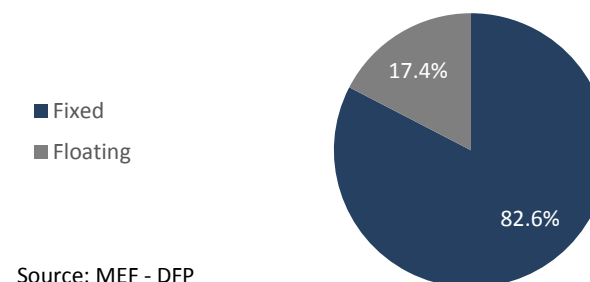
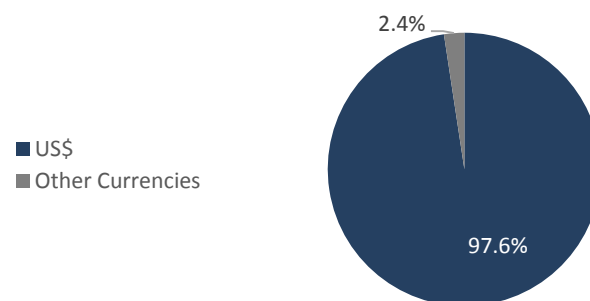
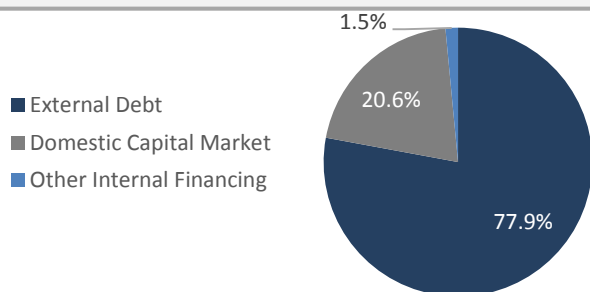
Debt Ratios

Risk Profile

DSA

As of March 2017, total public debt amounted to US\$21,963.8 million and more than half of it was issued in the capital markets.

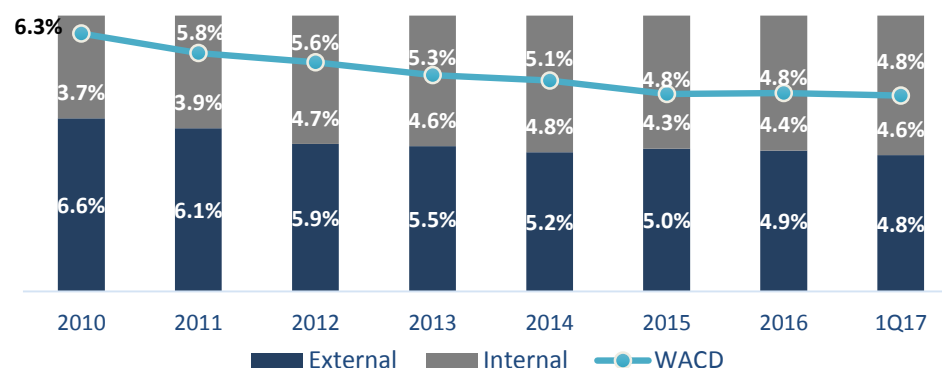
Debt Profile as of March 2017



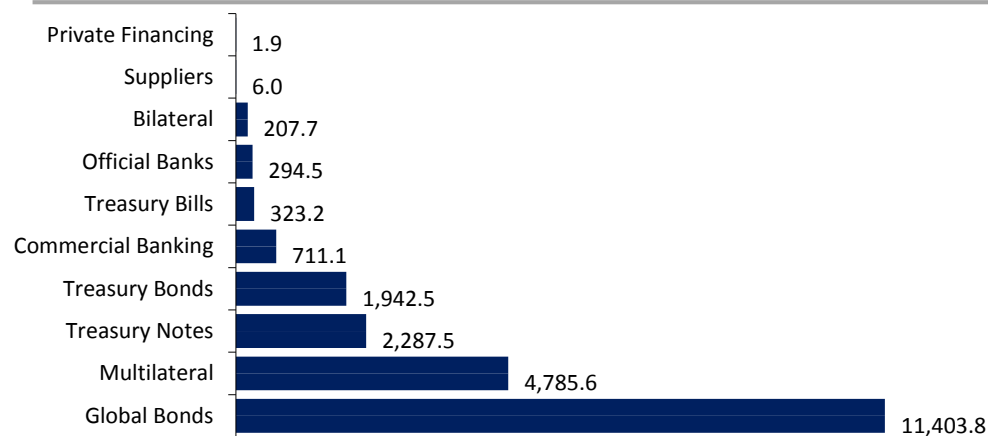
Source: MEF - DFP

Since 2010, the Weighted Average Cost of Debt (WACD) has gradually decreased due to market conditions and the debt strategy adopted by this Administration.

WACD (2010-2017)



Public Debt, Balance by Creditor, US\$MM (as of March 2017)



Portfolio
Composition

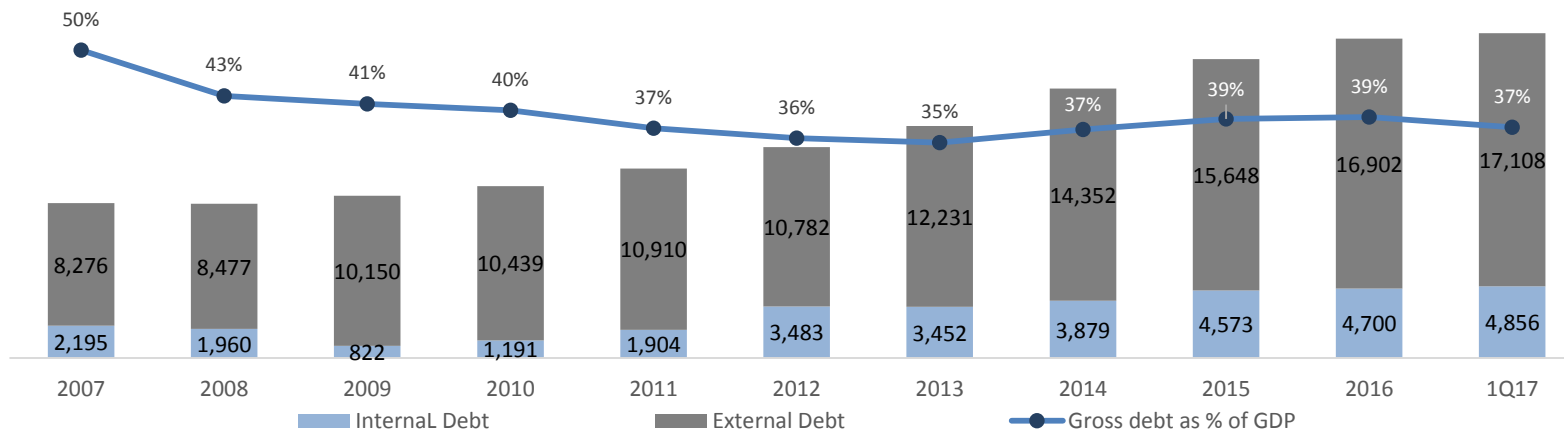
Debt Ratios

Risk Profile

DSA

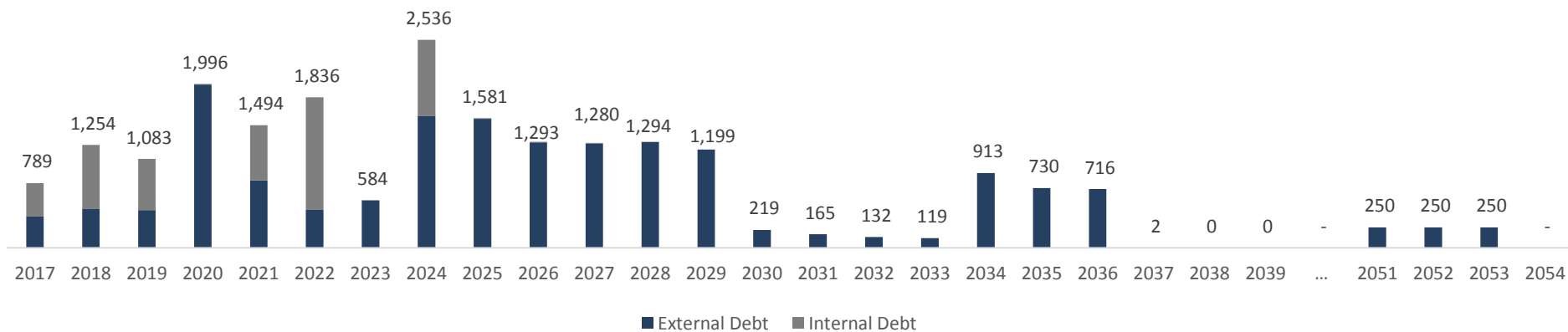
Panama's Total Debt to GDP ratio continues to decrease mainly due to strong GDP growth.

Gross Debt-to-GDP (\$ millions)



Panama actively manages its debt maturity profile to avoid concentration of amortization in any given year.

Redemption Profile (as of March 2017)



Portfolio Composition

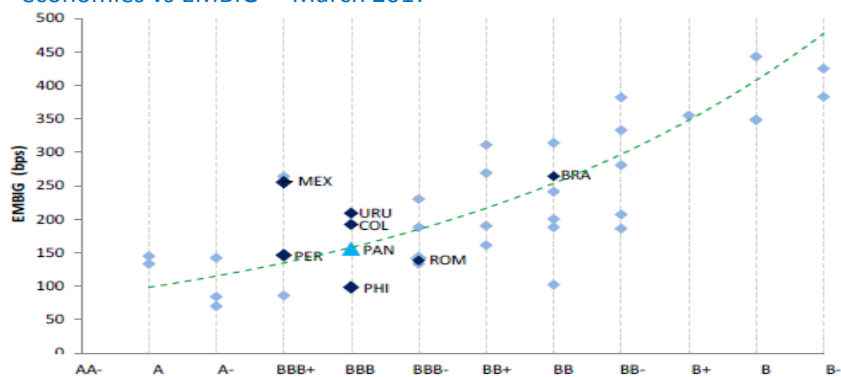
Debt Ratios

Risk Profile

DSA

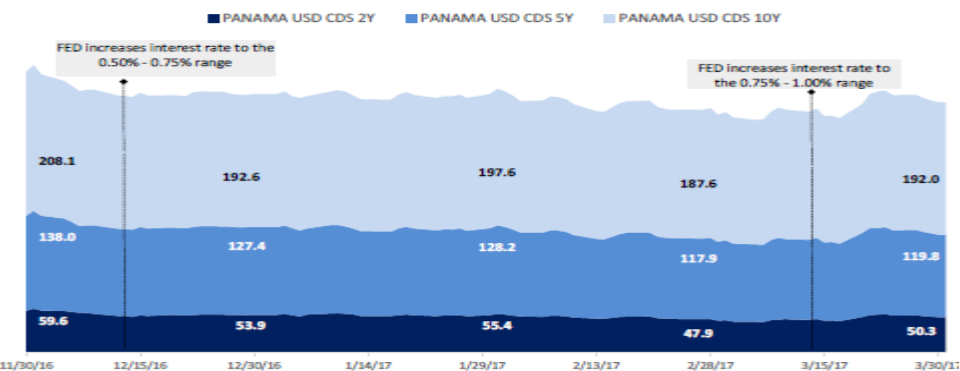
Panama shows a strong risk profile on a comparative basis with its regional peers.

S&P Credit Risk Rating of Latin America Countries and emerging economies vs EMBIG – March 2017



The performance of CDS demonstrates Panama is an attractive investment destination.

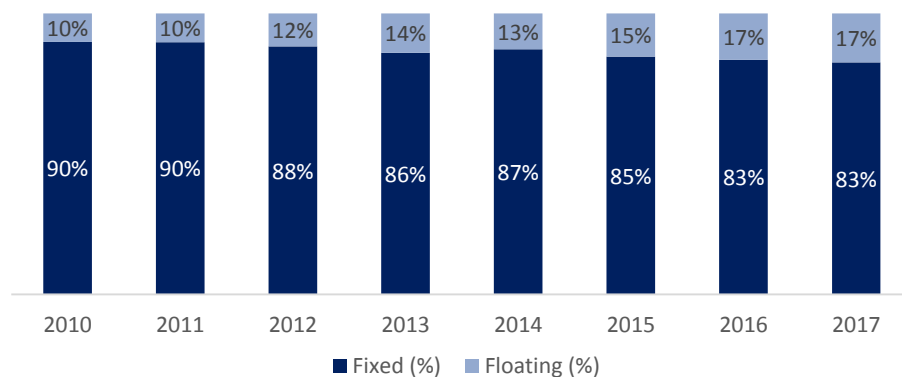
Credit Default Swaps (CDS) – November 2016 – March 2017



Source: Bloomberg

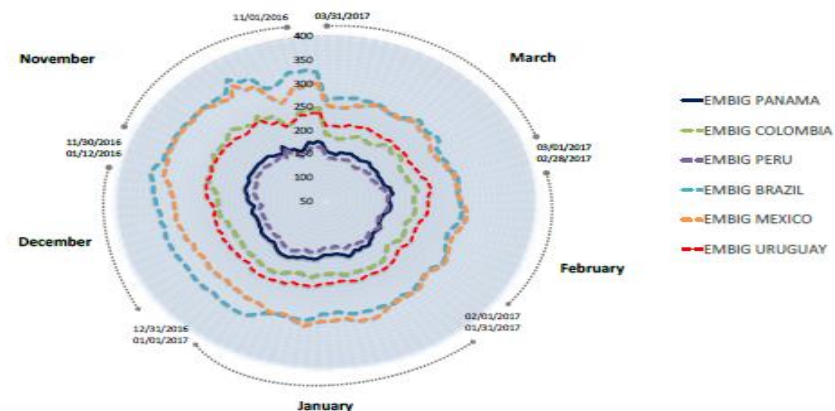
Panama has a manageable risk with respect to interest rate volatility.

Composition of Debt by Type of Rate (2010-2017)



Panama's EMBIG spread remains tight against regional peers.

Quarterly Comparison of Global EMBIG (November 2016 – March 2017)



Portfolio Composition

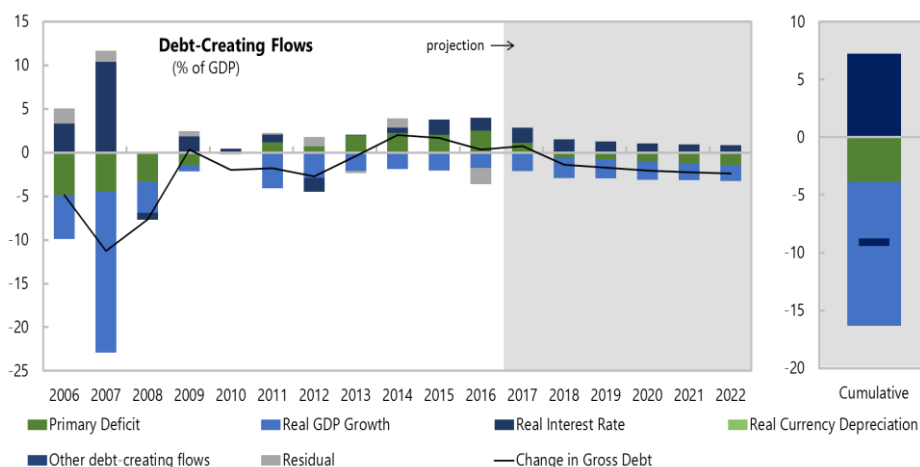
Debt Ratios

Risk Profile

DSA

The Republic of Panama published for the first time the Debt Sustainability Analysis, created by the World Bank and the IMF, in order to provide a comprehensive analysis on the country's public debt.

The main drivers of debt accumulation or reduction are the primary balance and economic growth.



Expected Results

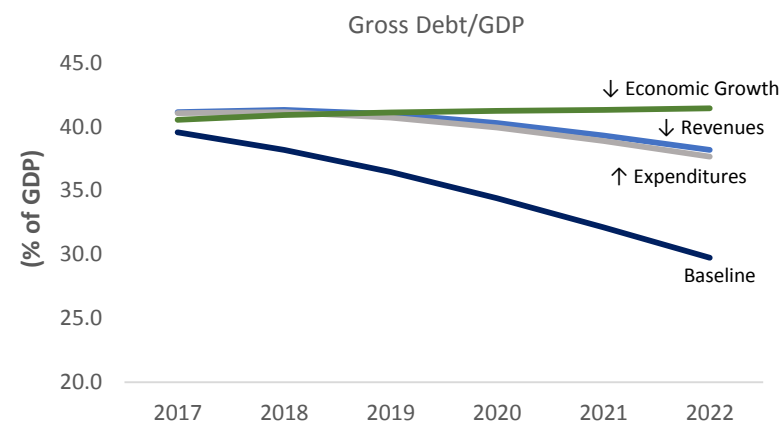
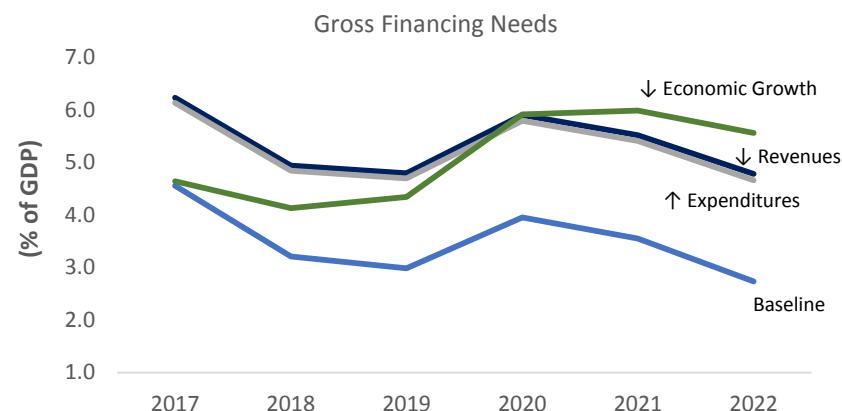
Clarity on the impact of market shocks to public debt and fiscal balance.

Understanding of the fiscal policy of the country and its impact on debt.

Analysis of current strategies to identify possible deficiencies

Local or foreign market alerts for possible debt crisis

The analysis showed that after applying diverse shocks the Gross Financing Needs and Debt-to-GDP ratio still maintain sustainable levels.





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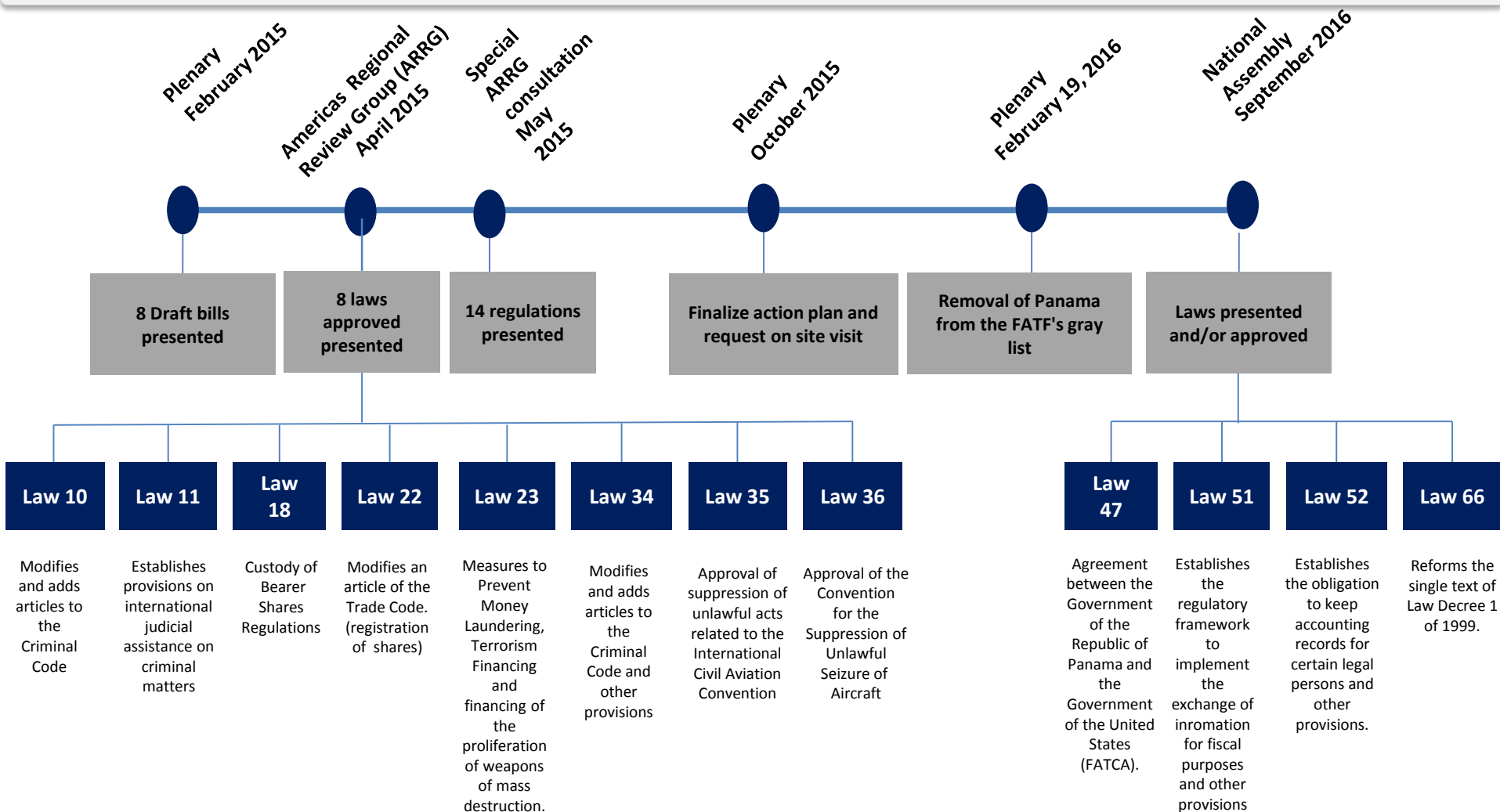
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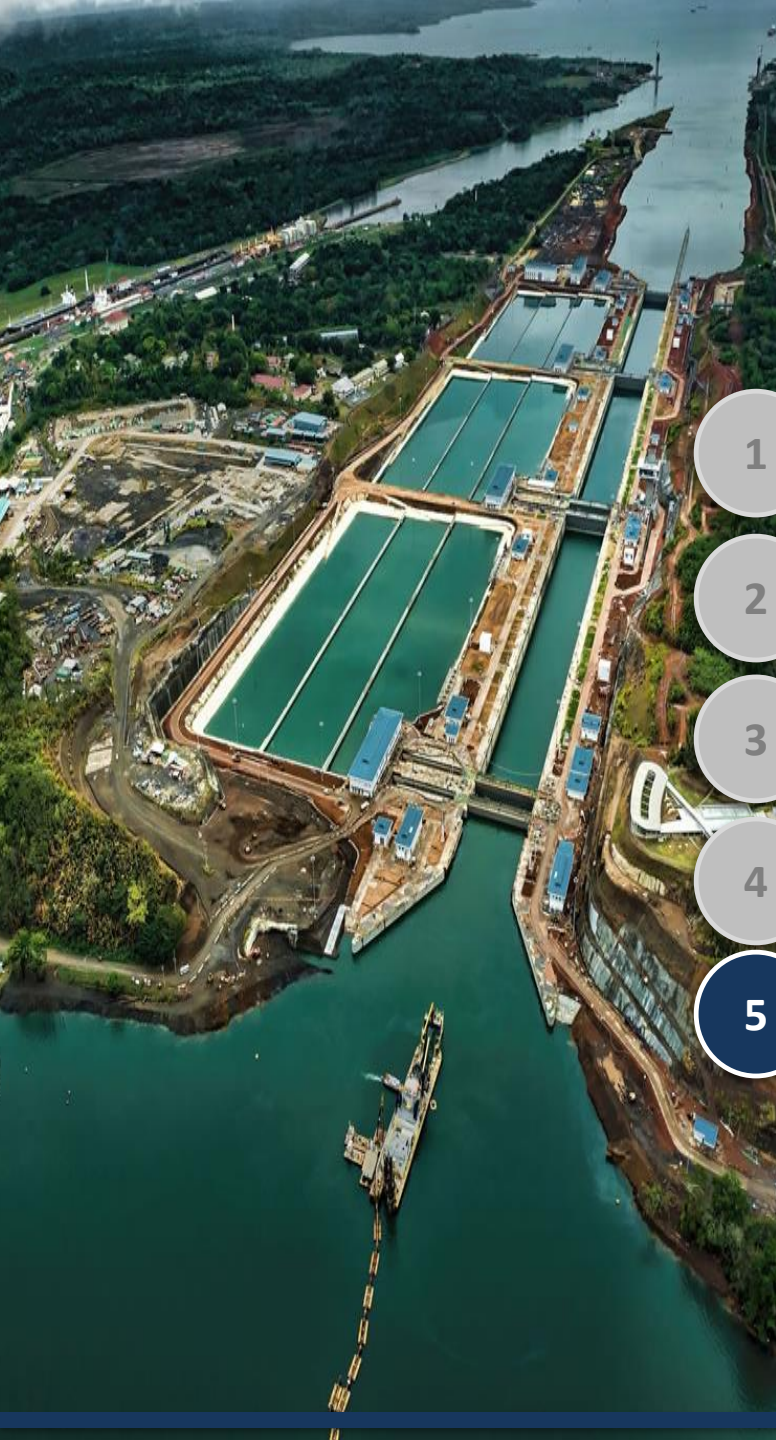
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Panama continues strengthening its regulatory framework to prevent money laundering and other illicit activities .





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1.

Panama's diversified economy and low inflation continue to support strong economic growth with 6.2% growth for the first quarter of 2017.

2.

At the end of 2016, 41% of the Central Government deficit was financed with CUT (treasury account) balances; the financing the remaining balance through credit resources.

3.

As of March 2017, the non adjusted balance of the NFPS presents a surplus of US\$204 million.

4.

Panama's risk indicators continue to perform well against Latin American peers, reinforcing international investors' trust in the country.

5.

The Republic of Panama published for the first time the Debt Sustainability Analysis, created by the World Bank and the IMF, in order to provide a comprehensive analysis on the country's public debt.

6.

There have been great advances and effort from Panama to improve the transparency of the country, including new laws and the removal of Panama from the FATF gray list.



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