



Economic and Financial Newsletter
June 2024



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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.

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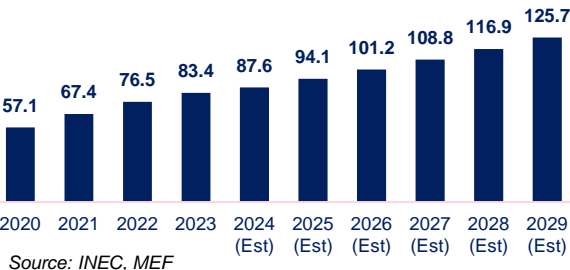
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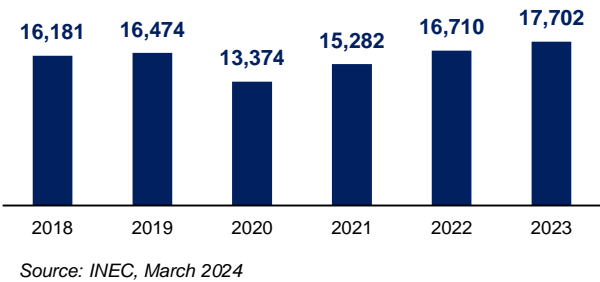
MACROECONOMIC LANDSCAPE (1/2)

Key economic and fiscal data (1/2)

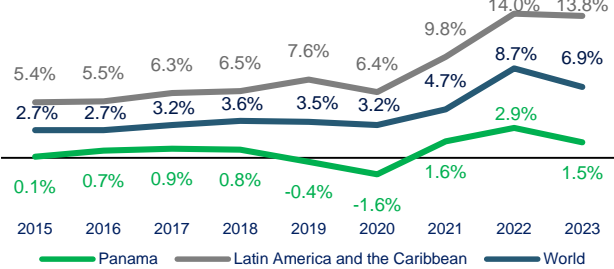
Nominal GDP (USD billions)



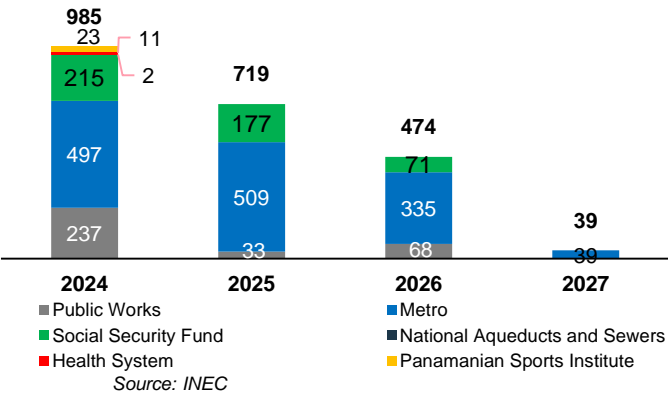
Real GDP Per Capita (USD)



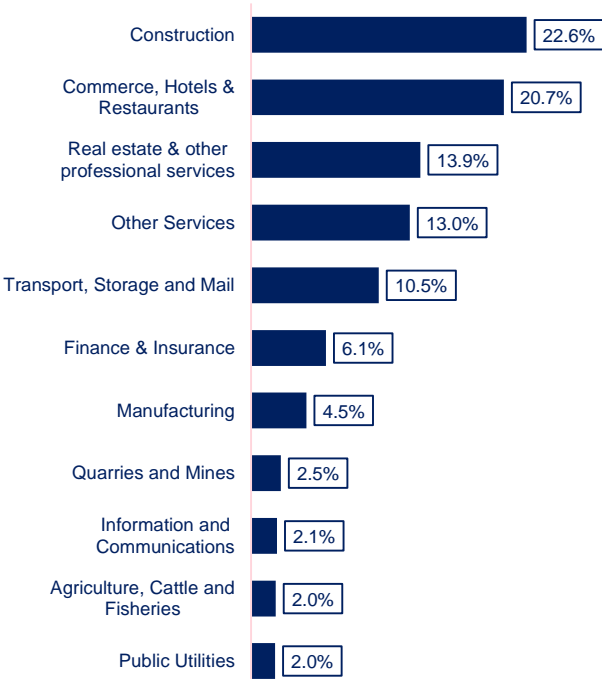
Inflation Rate (%)



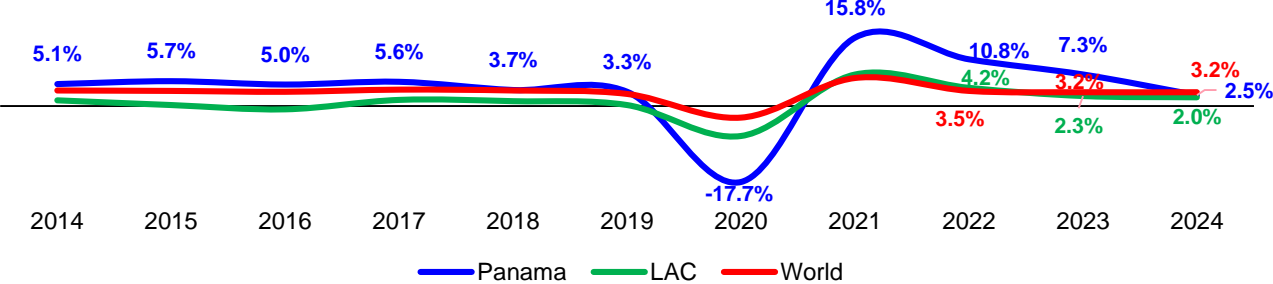
Budgeted Public Investment in Turnkey Infrastructure (USD m)



Sectoral contribution to real GDP, accumulated to March 2024



Real GDP Growth (%)



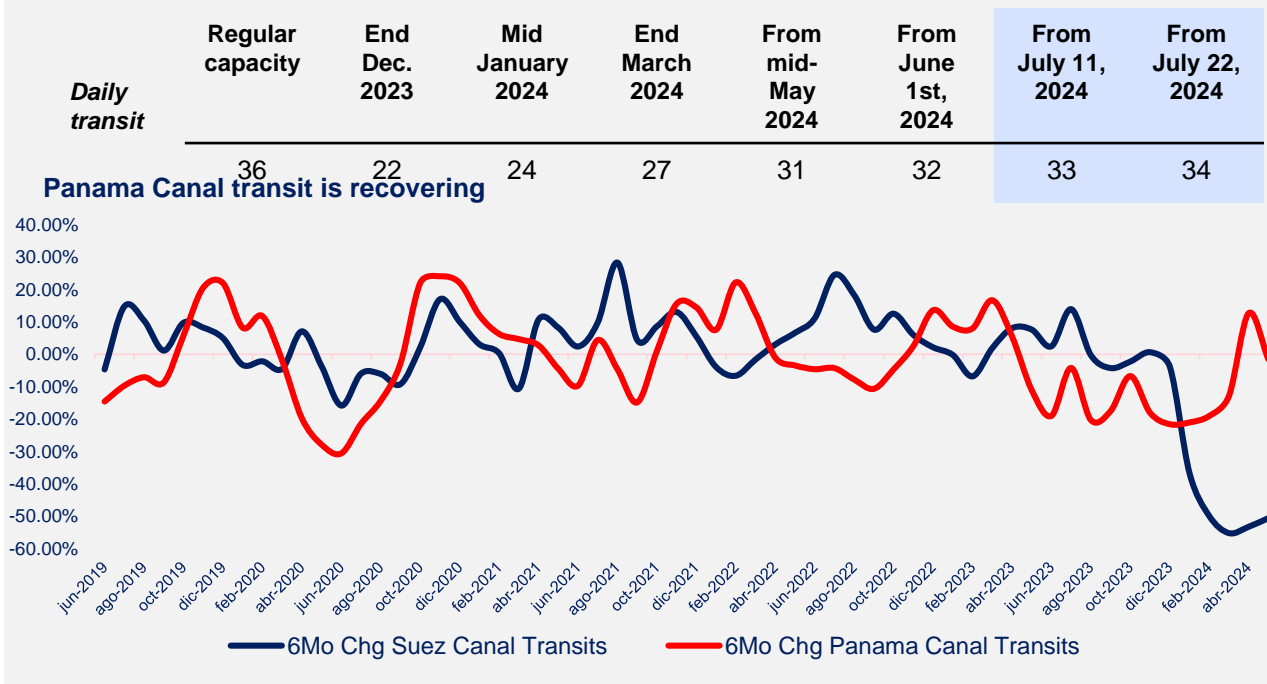


MACROECONOMIC LANDSCAPE (2/2)

Key highlights

- Over the last decade, Panama, which is a highly diversified, serviced-based economy grew on average by 5% each year. After growing by 7.5% in 2023, GDP is set to grow by 2.5% in 2024. Real GDP grew by 1.7% in the first quarter of 2024 compared to the same period in 2023. This indicator, valued in chained volume measurements, recorded an estimated amount of **USD20,498.0 million** for the quarter, which corresponds to an increase of **USD336.5 million** compared to the same quarter in 2023.
- Inflation remains contained**, as evidenced in the May report, which shows a decrease from the previous month, reaching a year-over-year variation of 1.3%.
- Tocumen International Airport continues to live up to it's nickname, "Hub of the Americas", having processed over 1.6 million passengers in the month of May. During the first 5 months of 2024, Tocumen processed more than 7.7 million passengers, or 8.6% more than the same period in 2023. The airport expects more than 19 million passengers for 2024.
- Since May 31st, the Panama Canal has been effectively operating at around 90% capacity.** The Canal will increase the number of transits to 33 on the 11th of July (from 31 mid-May and 32 in June) and 34 from July 22nd. At the same time, effective May 30, 2024, the Panama Canal increased the permitted draft to 45 feet. The maximum draft allowed is 50 feet.

Zoom on the Panama Canal activity



Source: IMF Portwatch, INEC, ACP



FISCAL MATTERS

2024 Budget Execution

- In every election year, the outgoing government is only allowed to execute 50% of the operating budget (investment budget not included in this restriction) which allows for the incoming administration to review execution as they see fit. At the time of this writing, the incoming Minister, Felipe Chapman, and his team have been working hand in hand with the current Minister, Hector E. Alexander, and his team to ensure a smooth transition on July 1st.

	March 2024	March 2023	Δ vs. 2023
Total Income	3,096.0	2,814.5	+10.0%
Of which Current	2,872.6	2,571.7	+11.7%
Total Expenditure	4,738.7	4,336.5	+9.3%
Current	3,472.7	3,335.5	+4.1%
Capital	1,266.0	1,001.0	+26.5%
Fiscal balance	-1,642.7	-1,522.1	-7.9%
% GDP	-1.88%	-1.83%	

Source: MEF, March Fiscal Balance

2024 Budget and Accumulated Revenue Collection to May 2024

- The 2024 Budget amounts to USD 30.7 billion. **One of its strategic objectives is 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 May 2024 vs May 2023 (USDm)

	May 2024	May 2023	Difference	
			USD	Percentage
Tax revenues	2,215.9	1,942.8	+273.1	+14.1%
Direct taxes	1,232.4	1,080.4	+142.0	+14.1%
Indirect taxes	983.5	842.4	+121.1	+14.0%
Non-tax revenues	552.8	491.1	61.7	12.6%

Source: MEF, Balance Fiscal

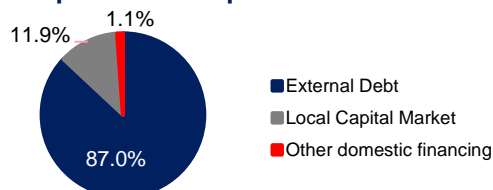


DEBT AND CAPITAL MARKETS (1/3)

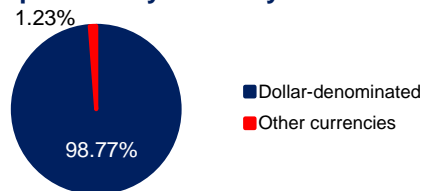
General update on debt profile, at end of May 2024

- **Total debt outstanding** as of May was USD49.7 billion, with a Weighted Average Cost of 5.36%. Growth in the debt stock is limited in part by the deficit restrictions required by law. Weighted average maturities amounts to 13.69 years.
- The balance of the total public debt decreased by USD804.1 million (-1.6%) compared to the balance recorded at the end of April 2024.

Debt portfolio composition

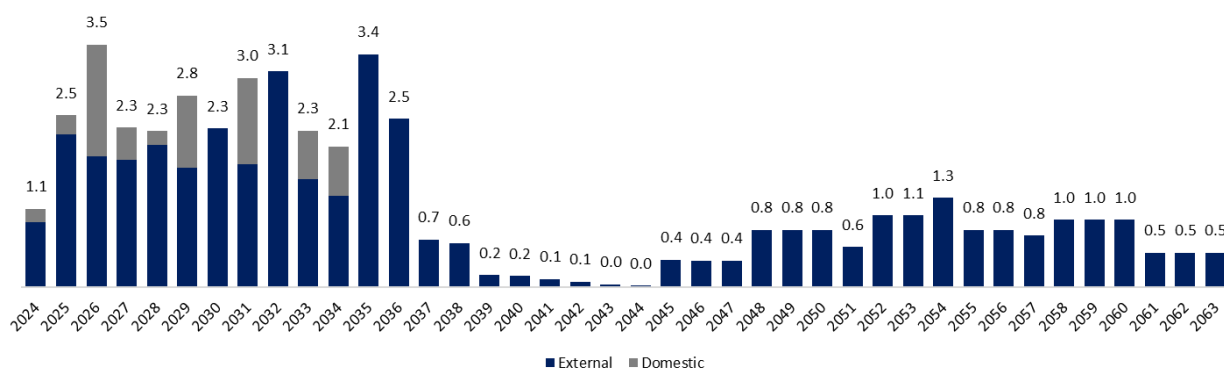


Composition by currency



Source: MEF, Public Financing Directorate

Debt Repayment Schedule by year (USD bn)



Source: MEF, Public Financing Directorate, May 2024

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

Banks w/Official Guarantees	9.65
Commercial Banking	82.09
Treasury Bills	203.65
Private Financing	267.58
Official Banking	302.90
Direct Loans from Govts.	372.41
Treasury Notes	2,622.43
Treasury Bonds	3,084.78
Multilaterals	9,604.42
Global Bonds	33,187.56

Source: MEF, Public Financing Directorate

Public Debt, Disbursements and Amortization from January 2024 to May 2024 (USD millions)

Private Financing	0.00	0.00
Bilateral	-9.25	0.00
Commercial Bank	-13.51	0.00
Treasury Bond	-1,088.00	0.00
Treasury Notes	0.00	626.67
Treasury Bills	-233.41	138.65
Official Banks	0.00	0.00
Multilateral	-418.33	653.74
Global Bonds	0.00	3,100.00

Source: MEF, Public Financing Directorate



DEBT AND CAPITAL MARKETS (2/3)

Bond market activity and metrics

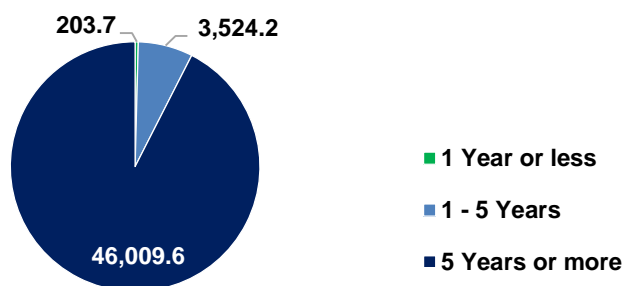
- At the end of May, local issuance outstanding totaled **USD5.9 billion**, which represents approximately 17.8% of the total portfolio of capital market instruments. The Directorate of Public Financing seeks to **further develop the local market through new issuances**. For the current fiscal year, the Republic of Panama is considering up to **USD1 billion in local issuance** to complete its fiscal year funding needs. Local T-bill demand in 2024 has been much higher than that of 2023. The Budget allows for USD298.4 million outstanding per year.

Treasury bill auction in May 2024

Maturity	12 Months
Issue date	May 14, 2024
Amount put out to tender (USD million)	125.2
Amount submitted (USD million)	45.7
Amount retained (USD million)	2.7
Average weighted yield %	6.11
Coverage of the amount put out to tender	2.74x

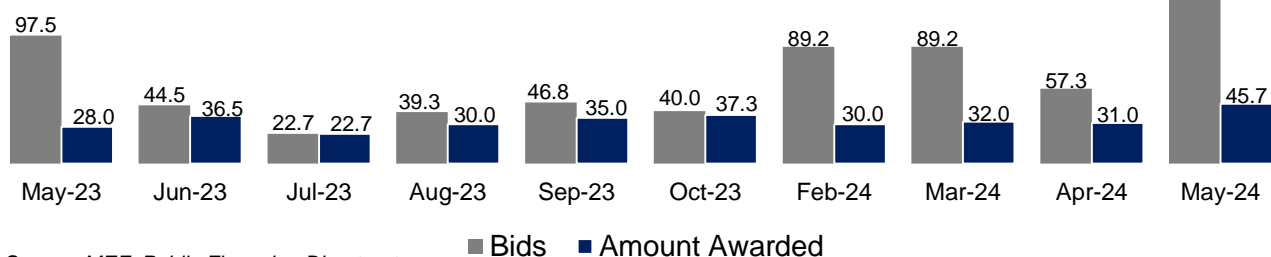
Source: MEF, Public Financing Directorate

Average maturity breakdown by financing facility (external and Internal) as of May 2024 (USD millions)



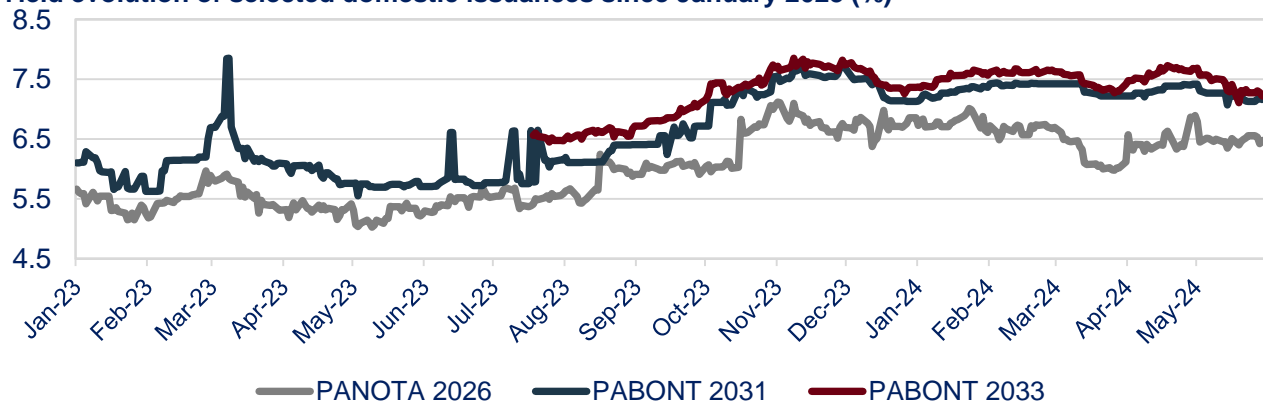
Source: MEF, Public Financing Directorate

Treasury Bills outstanding, in USD millions – Annual program of USD298.4 million



Source: MEF, Public Financing Directorate

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



Source : Bloomberg, May 31, 2024



DEBT AND CAPITAL MARKETS (3/3)

Bond market activity and metrics (cont.)

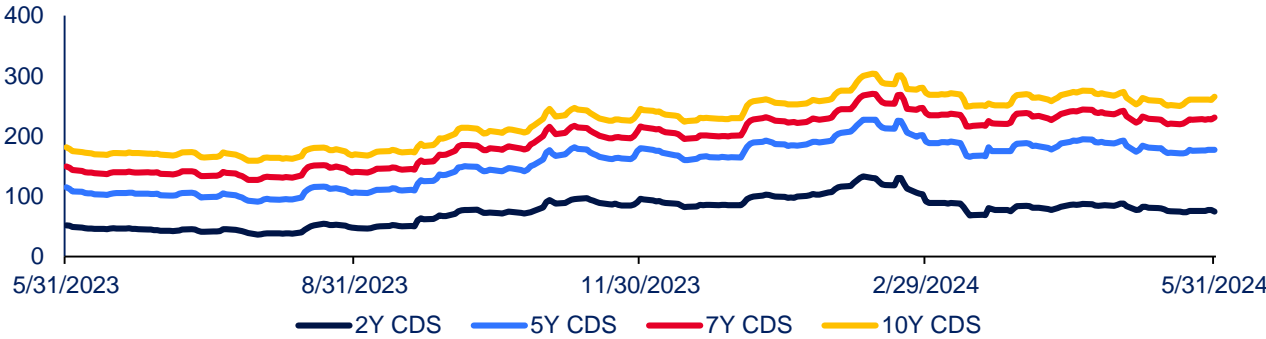
Panama’s global bonds have performed well since the last issuance in February and those bonds have held yields as the transition to a new government continues.

Intraday trading levels of the Bonds issued in February

Global Bonds	Outstanding amount in millions of USD	Coupon (%)	Price (%)	Variation 1 month Δ	Yield (%)	Variation 1 month Δ (bps)
PANAMA 2031	1,100	7.500	104.08	+2.14	6.82	-41.2
PANAMA 2038	1,250	8.000	105.49	+2.86	7.42	-32.3
PANAMA 2057	750	7.875	103.97	+5.13	7.59	-43.6

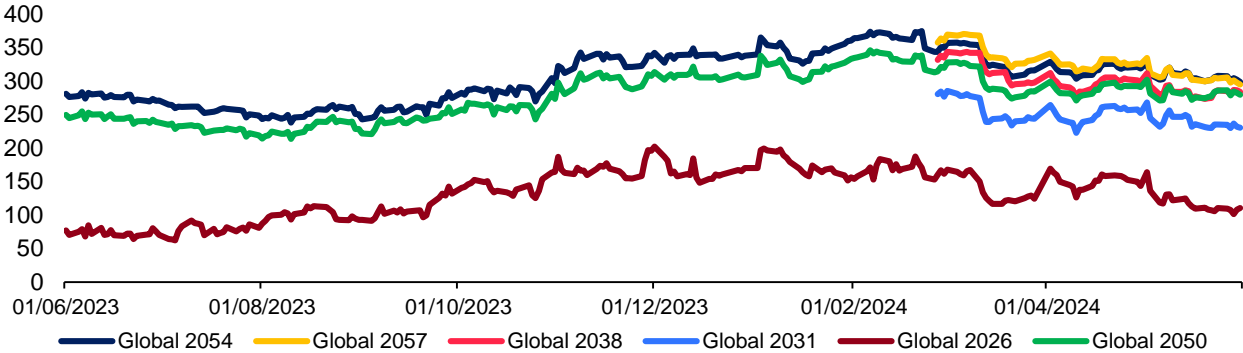
Source : Bloomberg, May 31, 2024

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



Source : Bloomberg, May 31, 2024

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



Source : Bloomberg, May 31, 2024



KEY PUBLICATIONS

Extracts from recent publications from rating agencies

As expressed in recent encounters with investors and news outlets, the Republic of Panama remains committed to its Investment Grade status and is regularly engaging with ratings agencies. The measures being taken to improve communication and access with all invested parties are key to this initiative.

	Current rating	Latest rating action
S&P	BBB, Outlook Negative	November 8, 2023
Moody's	Baa3, Outlook Stable	May 15, 2024
Fitch	BB+, Outlook Stable	March 28, 2024

“On May 5, José Raúl Mulino was elected as the new president of Panama, and his administration will take office on July 1. Panama also elected a Congress, which will be fragmented. We expect continuity in key economic policies after the change in administration.”

S&P, Panama’s President-Elect Faces Difficulties in Restoring Growth And Stopping Fiscal Slippage With A Fragmented Assembly, May 6, 2024

“Panama's recent growth figures are nevertheless strong relative to its own history and to rating peers. [...] Relative to Baa-rated peers, Panama's growth rate was the second-highest for 2023, [...], and was more than triple the Baa median growth rate of 2.3%.”

Moody’s, Credit Opinion, May 15, 2024

“We expect revenue-side measures will be key to a successful consolidation effort in light of greater spending rigidities. [...] Electronic invoicing may help collections, and other efforts to improve administration may do so as well.”

Fitch, What Investors Want to Know: Outlook for Panama Following Elections and Downgrade, May 21, 2024

“We expect Panama’s diversified economy, its geographic location as a logistics hub, and a robust pipeline of private and public sector projects to partially offset the short term impact of the mining setback.”

S&P, Panama’s President-Elect Faces Difficulties in Restoring Growth And Stopping Fiscal Slippage With A Fragmented Assembly, May 6, 2024



SELECTED RECENT NEWS (1/3)

The CSS transfers over USD500 million to the IVM Fund

On May 11, 2024, the Administration of the Social Security Fund (CSS) reported that it transferred more than USD500 million to the Disability, Old Age and Death Fund (IVM). Director Enrique Lau Cortés indicated that with how well the administrative funds have been managed, a surplus was made possible, thus permitting the transfer that was transferred.

President-Elect Mulino appoints 14 of the 17 Ministers to Cabinet

On May 16, 2024, José Raúl Mulino, the elected president of Panama, appointed 14 of the 17 ministers that make up the Cabinet Council. Felipe Chapman was appointed as Minister of the Ministry of Economy and Finance, while Javier Martínez-Acha was appointed as the Ministry of Foreign Affairs. Maruja Herrera was appointed as Minister of the Ministry of Culture and Jackeline Muñoz was appointed as Minister of the Ministry of Labor and Labor Development. Fernando Joaquín Boyd was appointed as the Minister of Health. Juan Carlos Navarro was appointed to lead the Ministry of the Environment and Juan Ramón de Icaza was appointed as the head of the Canal Affairs portfolio and the Goals Secretariat. Frank Ábrego was appointed as the new Minister of Security and Beatriz Carles was appointed as the Minister of Social Development. Mulino confirmed the appointments of Julio Moltó (Ministry of Commerce), Roberto José Linares (Ministry of Agricultural Development), Niurka Palacios (Ministry of Women), José Luis Andrade (Ministry of Public Works) and Juan Carlos Orillac (Ministry of the Presidency).

General Managers at State-affiliated banks are named

On May 23, 2024, President-Elect José Raúl Mulino confirmed Javier Carrizo Esquivel to remain as the general manager of Banco Nacional and appointed Andrés Farrugia González as General Manager at Caja de Ahorros. In addition, Roberto Arnulfo Barria Stanziola was named General Manager of the Agriculture Development Bank.

Additional Ministers and Directors are named

On May 24, 2024, Jaime Jované, a civil engineer, was named the new Minister of Housing and Territorial Planning. On May 28th, Dinoska Montalvo was named the Government Minister and Lucy Molinar as the next Minister of Education.

On May 31st, Camilo Valdés was tabbed to lead the General Revenue Directorate. Renowned local golfer, Miguel Angel Ordoñez was named Director of the Panamanian Sports Institute and Roger E. Mojica as Director of the National Migration Service.



SELECTED RECENT NEWS (2/3)

Mulino announces that his administration will pay state suppliers and focus on public debt management

In his first address to the public after winning the presidency, President-elect José Raúl Mulino announced his commitment to pay accumulated debt with State suppliers and comply with obligations to service the debt.

Chamber of Commerce looks forward to private investment under Mulino

The president of the Chamber of Commerce, Industry and Agriculture (CCIAP), Adolfo Fábrega, stated that the commitment of the elected president, José Raúl Mulino, to private investment, productivity and job creation gives the country's businessmen peace of mind. He described as "encouraging" the points in which Mulino referred to private enterprise, job creation and development for the country in his speech after being informed that he had been elected president of the country for the period 2024-2029.

UN's ECLAC raises Panama's economic growth expectation to 3% in 2024

The Economic Commission for Latin America and the Caribbean (ECLAC) revised the growth projection for the region's economies slightly upwards in 2024. According to new estimates, the United Nations agency predicts that the region will grow on average by 2.1% this year, with South America growing 1.6%, Central America and Mexico 2.7% and the Caribbean (excluding Guyana) 2.8%.

ProPanamá and the UN's Food & Agriculture Organization FAO analyze opportunities for the pineapple, coffee, and cocoa value chains

The Authority for the Attraction of Investments and the Promotion of Exports (ProPanamá) and the Food and Agriculture Organization of the United Nations (FAO) presented, at the Chamber of Commerce, Industries, Agriculture and Tourism of Chiriquí (CAMCHI), the results of the opportunity studies of the pineapple, coffee, cocoa and chocolate value chains, products that stood out as priorities, among the eleven items of importance for the national agri-food sector and identified as potential for its internationalization and development and investment opportunities.

This first report resulted in the identification of eleven items of importance for the national agri-food sector and the commitment to contribute to the generation of information on the specific status of crops previously identified by the Ministry of Agricultural Development (MIDA) and ProPanamá as potential for internationalization. The items selected for more in-depth studies were pineapple, coffee and cocoa.



SELECTED RECENT NEWS (3/3)

Panama projects sales of more than \$1 million after trade mission in Puerto Rico

On May 15 and 16, business conferences were held between Panama and Puerto Rico in the city of San Juan in which it is estimated that sales projections will exceed one million dollars.

The trade mission was organized by the Ministry of Commerce and Industries (MICI).

The projections are the result of more than 250 meetings with more than 50 buyers, including major supermarket chains, hardware stores, distributors, cash & carry and club stores.

MICI has described it as "an unprecedented milestone." They stated that two companies related to seafood sent the first exports to the Caribbean island, after the conclusion of this business visit, which included the participation of 17 companies linked to the food and beverage, manufacturing and construction sectors.

ZLC operations grow by 5.2% at the end of the first quarter of 2024

The value of re-exports from the ZLC during the first quarter of 2024 was \$2,791.8 million. The commercial operations of the Colón Free Zone (CFZ) continue to show positive performance.

In fact, at the end of the first quarter of 2024, the transactions registered in the free zone totaled \$6,707.6 million, which represents an increase of 5.2% compared to the same period in 2023.

According to the figures published by the National Institute of Statistics and Census (INEC) of the Comptroller General of the Republic, they indicate that, of that total, \$3,915.8 million corresponded to imports, reflecting an increase of 49.5% compared to the first half of 2023, which speaks of a strong renewal of inventories by the users of the ZLC.

For its part, the value of re-exports from the ZLC during the first quarter of 2024 was \$2,791.8 million, reflecting a drop of 25.7% in relation to the \$3,756.8 million reached in the same period of 2023.

The 2023-2024 Cruiseship Season is becoming a resounding success

To date, 67 cruise ships have been attended at both the Atlantic and Pacific ports. Of a total of 299,913 passengers on board, resulted in 40,065 embarkations and 41,991 disembarkations, which resulted in 237 instances of tour and guide services. At the Cruise Terminal on Perico Island on the Pacific coast, over 5 thousand passengers are received daily.

With 96% of the votes, Panama was elected to the United Nations Security Council

The Republic of Panama was elected as a non-permanent member of the United Nations Security Council, for the period 2025-2026, after obtaining 183 of 190 votes in the elections held on the 6th of June at the 78th session of the UN General Assembly.



KEY UPCOMING DATES

Data release

Notable events

Monthly basis
Monthly revenue collection data

As of June 17th
Publication of Various Transport and Travel Data - April 2024

As of June 17th
Publication of the Quarterly Gross Domestic Product (QGDP) 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

As of July 16th
Principal Monthly Economic Indicators - June 2024



DISCLAIMER



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