



Panama: Its role as a regional trade integrator.

Ivan A. Zarak Arias

Vice Minister of Economy, The Republic of Panama.

Financial Times Forum
June 2015



GOBIERNO DE LA REPÚBLICA DE
PANAMÁ

A vertical strip on the left side of the slide shows a nighttime cityscape. Tall buildings are illuminated, and a multi-lane highway in the foreground has long, bright light trails from moving vehicles. The sky is a deep blue.

Content:

1.

Country Economic Outlook

2.

The Strategic Government Plan (SGP)

3.

Logistics and trade sector

4.

Final remarks

A vertical strip on the left side of the slide shows a nighttime cityscape. It features tall buildings with lit windows and a multi-lane highway in the foreground with long, bright white light trails from moving vehicles. The sky is a deep blue.

Content:

1.

Country Economic Outlook

2.

The Strategic Government Plan (SGP)

3.

Logistics and trade sector

4.

Final remarks

1. Country Economic Outlook

COUNTRY OVERVIEW

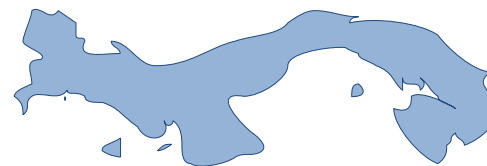
KEY INDICATORS

MACROECONOMIC PROJECTIONS

INTERNATIONAL PERSPECTIVE

Located in Central America and proclaimed as “center of the world, heart of the universe”. Panama has historically been recognized for its unique geographical position....

The Republic of Panama



Country Generals:

Form of State:*

*: All three are independent.

Democratic Presidency

National Assembly

Judicial System

Political Division:

*: 3 considered provinces and 2 districts.

10 Provinces

5 Indigenous Regions*

Currency:

US Dollar

Political orientation:

Centre-Right

Main Political Parties:

Part. Panameñista (G)

Part. Popular (G)

PRD (C)

Molirena (O)

Cambio Democratico (O)

Notes: G: Government, C: Congress, O: Opposition
PRD: Partido Revolucionario Democrático

Since the Spanish Empire times Panama was used as a trade route with the *Camino Real* and *Camino de Cruces* paths, nowadays is considered one of the most important world trade routes thanks to the Panama Canal and its logistics hub.

Population:
3.8 Million

Land Area:
75,517 Sq. Km.

Language:
Spanish

Main Religion:
Roman Catholic

1. Country Economic Outlook

COUNTRY
OVERVIEW

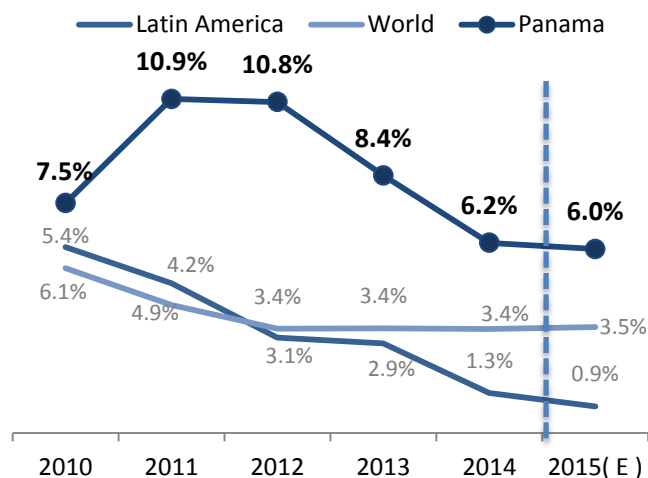
KEY INDICATORS

MACROECONOMIC
PROJECTIONS

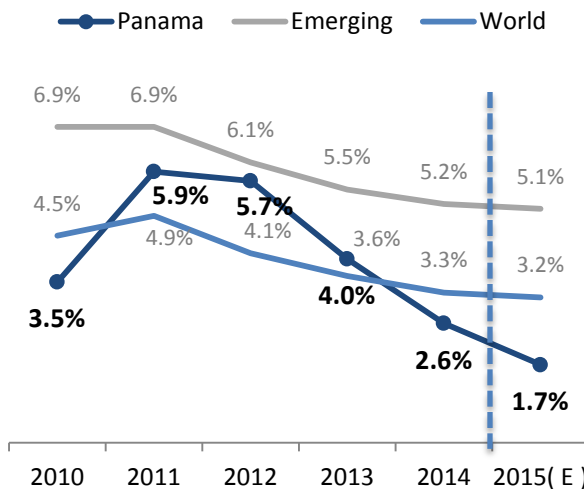
INTERNATIONAL
PERSPECTIVE

Panamanian economic growth during the last 5 years has been higher than the world and latin america.

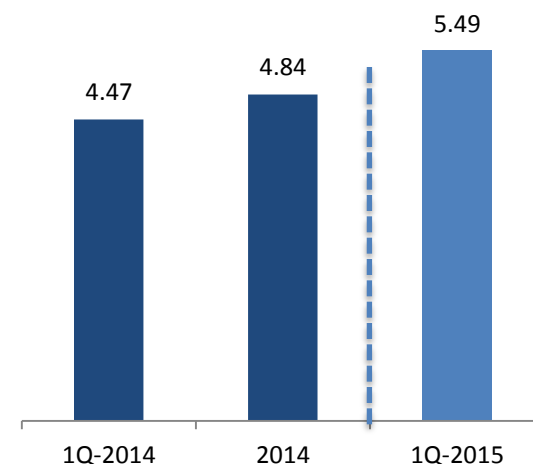
Economic Growth



Inflation



Monthly Economic Activity Index (IMAE)



- The US Dollar appreciation, the decline in oil prices and volatility reduction measures in prices helped reduce inflation.
- The Monthly Economic Activity Index (IMAE) reinforces the different outlooks of international organizations for the Panamanian economic growth compared to those in the region.

1. Country Economic Outlook

COUNTRY OVERVIEW

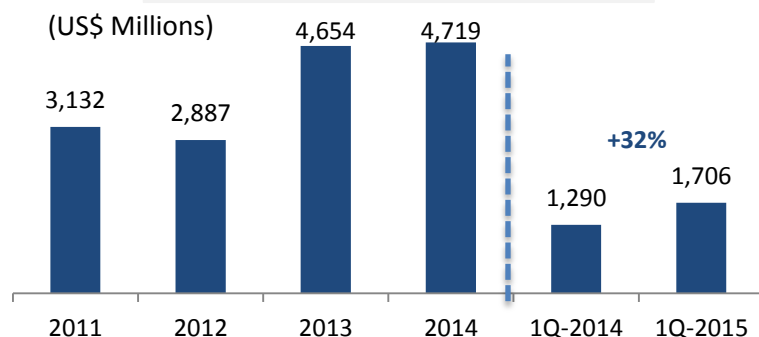
KEY INDICATORS

MACROECONOMIC PROJECTIONS

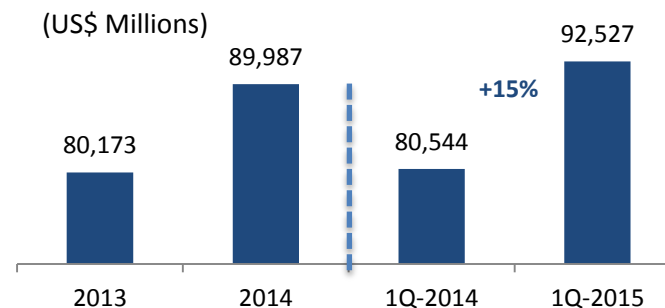
INTERNATIONAL PERSPECTIVE

We continue to attract investors and our financial system becomes stronger. Meanwhile job creation continues, helping sustain full employment rates...

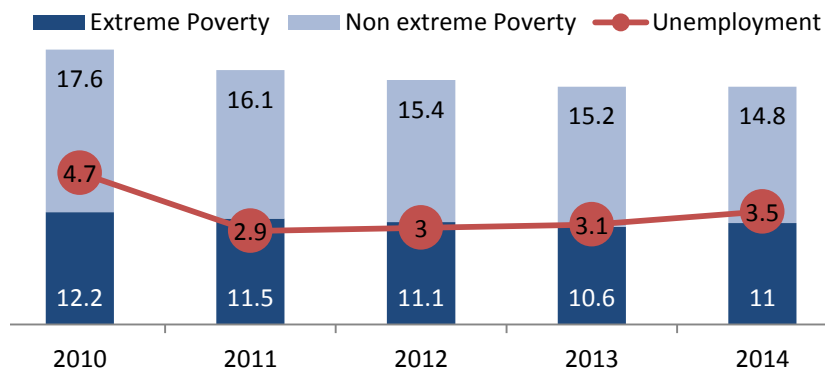
Foreign Direct Investment



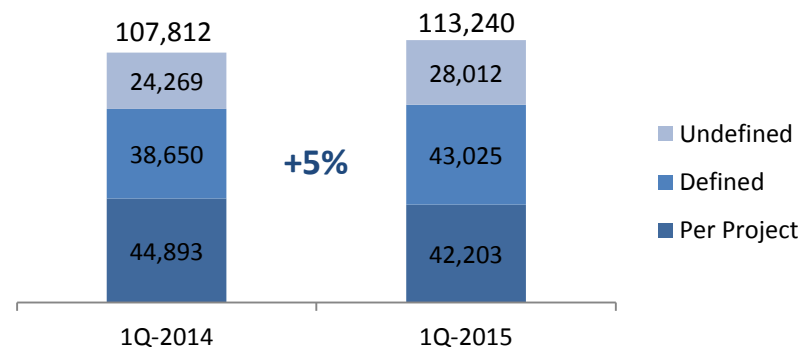
National Banking System Assets



Poverty and Unemployment



Jobs Created



1. Country Economic Outlook

COUNTRY
OVERVIEW

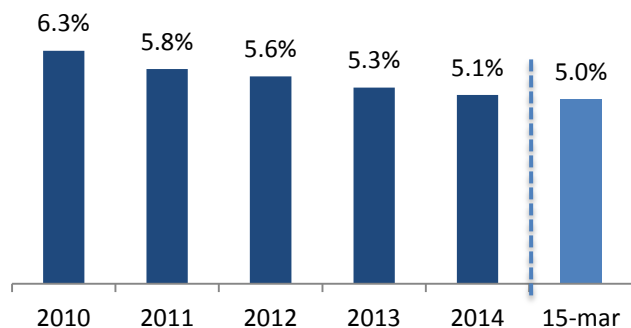
KEY INDICATORS

MACROECONOMIC
PROJECTIONS

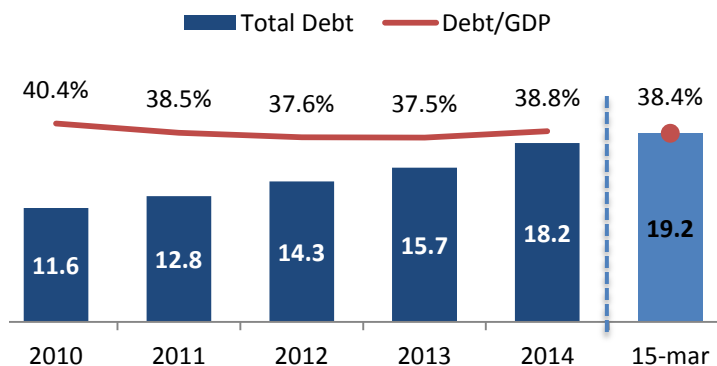
INTERNATIONAL
PERSPECTIVE

Debt levels continue to be moderate and financially sound...

Weighted Average Cost of Debt

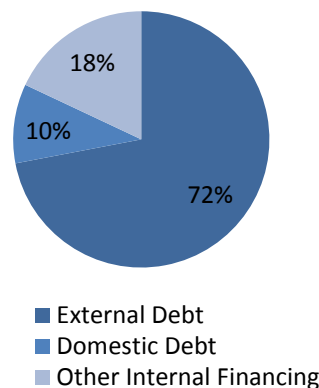


Gross Debt
Debt/GDP (US\$Bn)



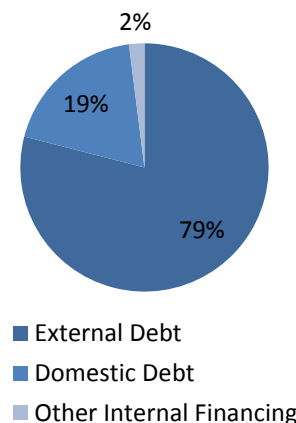
Debt Profile

March 2005

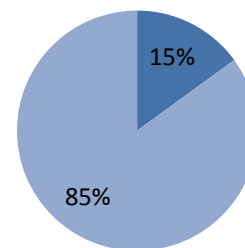


■ External Debt
■ Domestic Debt
■ Other Internal Financing

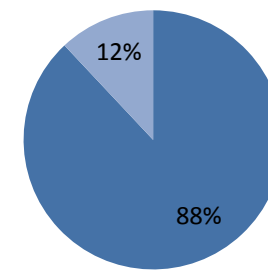
March 2015



■ External Debt
■ Domestic Debt
■ Other Internal Financing



■ Fixed Rate ■ Variable Rate



■ Fixed Rate ■ Variable Rate

1. Country Economic Outlook

COUNTRY
OVERVIEW

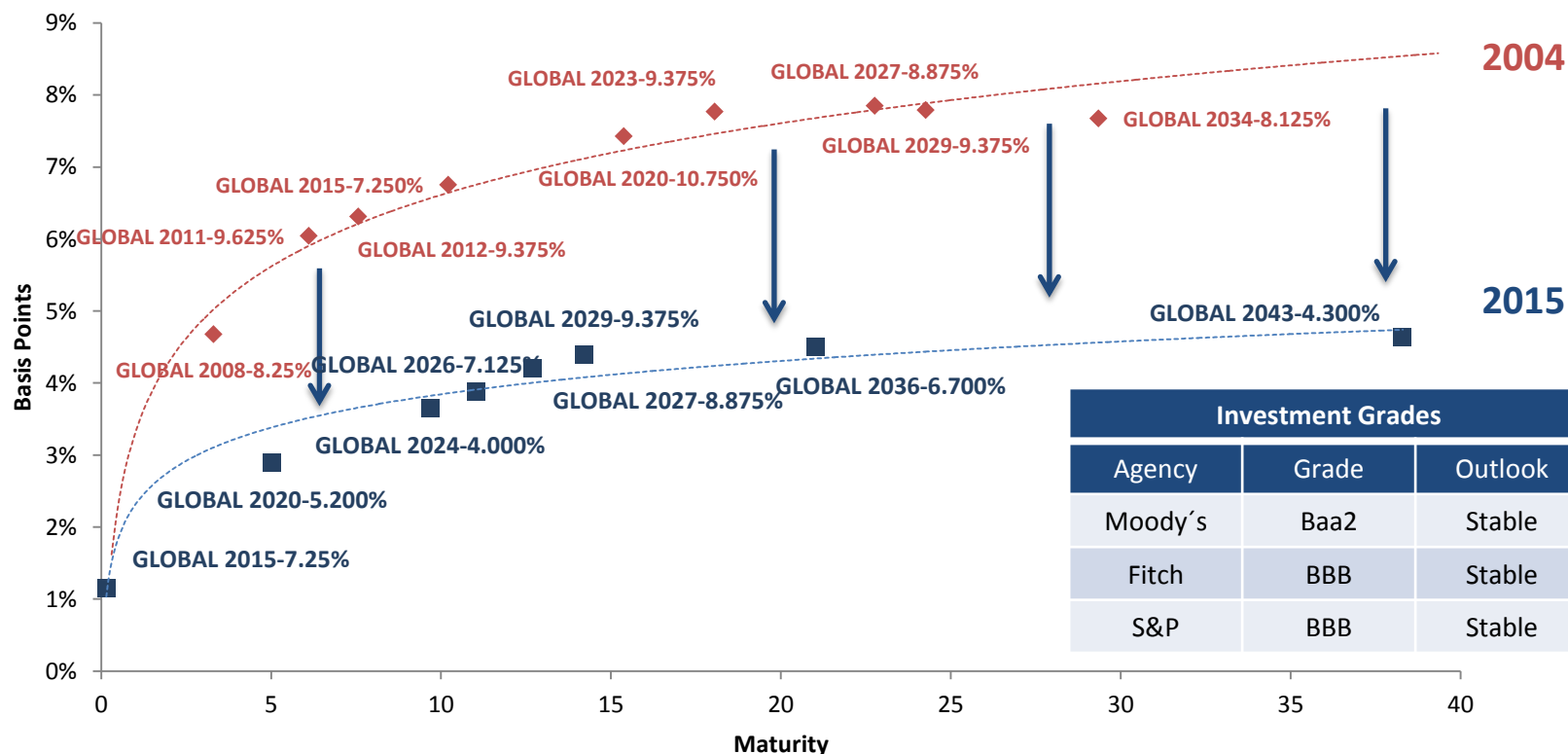
KEY INDICATORS

MACROECONOMIC
PROJECTIONS

INTERNATIONAL
PERSPECTIVE

Lower yields in our debt instruments confirm our good economic position, this has also helped to maintain our investment grade.

External Yield Curve of Panama – 2004 Vs. 2015



1. Country Economic Outlook

COUNTRY OVERVIEW

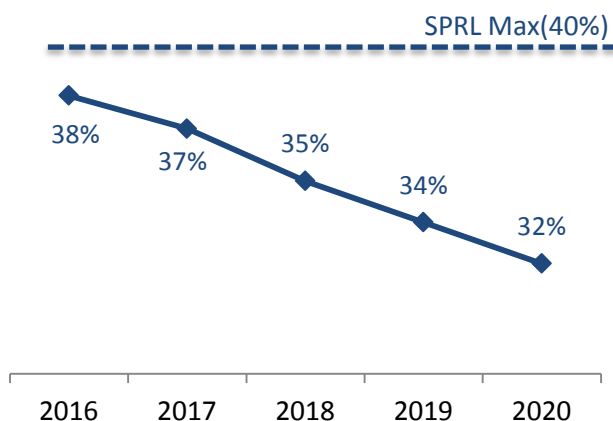
KEY INDICATORS

MACROECONOMIC PROJECTIONS

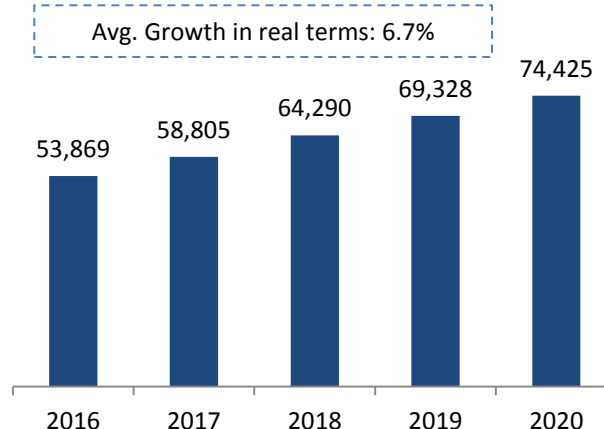
INTERNATIONAL PERSPECTIVE

Is expected that our GDP (current prices) will be increased in \$20.5 Bn, by 2020. Also our debt/GDP ratio is expected to be reduced to 32%..

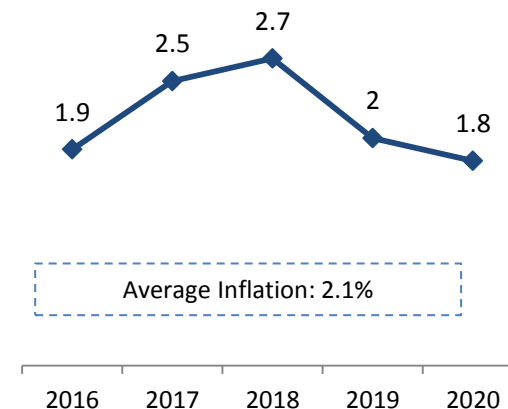
Forecasted Debt/GDP ratio
(%/GDP)



GDP Current Prices
(\$ Mn)



Inflation
(%)



- Growth will be given in a favorable outlook, with a balanced risk spectrum given the worldwide situation. (IMF)
- A 6.7% growth rate is ideal to continue with job creation, expansion of the economy without having a negative impact on prices.

COUNTRY
OVERVIEW

KEY INDICATORS

MACROECONOMIC
PROJECTIONS

INTERNATIONAL
PERSPECTIVE

In March 2015 the IMF released the concluding statement for their 2014 Article 4 consultation, in the report they highlight the favorable economic outlook within a balanced risk spectrum considering the world economy situation.



Article IV Concluding Statement remarks

“Panama has a very dynamic public administration when it comes to economic policy implementation.”

“We expect Panama to be the growth leading economy in Latin America for the upcoming years. “

“Positive reforms to the financial sector continue to advance at a good pace. This clarifies the long term benefits of a more transparent financial sector.”

A vertical strip on the left side of the slide shows a nighttime cityscape. Tall buildings are illuminated, and a multi-lane highway in the foreground shows long, bright light trails from moving vehicles. The sky is a deep blue.

Content:

1.

Country Economic Outlook

2.

The Strategic Government Plan (SGP)

3.

Logistics and trade sector

4.

Final remarks

2. The Strategic Government Plan (SGP)

SGP

INVESTMENTS

The Strategic Government Plan (SGP) looks to improve economic competitiveness with a more inclusive growth and social development that equals the economical....

Objectives of the Strategic Government Plan (SGP) 2015-19

- Lay out the Government's medium- and long-term vision of Panama, and create a new development phase, strengthening the Panamanian economy and including all citizens
- Key components of the Plan:
 - Economic strategy
 - Social strategy
 - 5 Year Public Investment Plan (\$19.5Bn)
 - Fiscal framework
- The primary objective of the Economic and Social strategies is to enhance Panama's competitiveness while increasing economic inclusion to develop a sustainable and equitable economy

Strategies to achieve Economic & Social goals:

- Increase access to basic sanitation in rural areas
- Reduce informal settlements
- Consolidate Panama's position as a logistics hub, driven by the country's increasing value-add throughout the production chain
- Human resource and capacity development
- Enhancement and stabilization of the legal system
- Execution of the 5 Year Public Investment Plan, while ensuring prudent public finances and a reduction in the public debt level to 33% of GDP by 2019

The PEG is focused on leveraging Panama's comparative advantages to become the economic hub of the Americas, including the logistics sector which has been a key performer throughout out development.

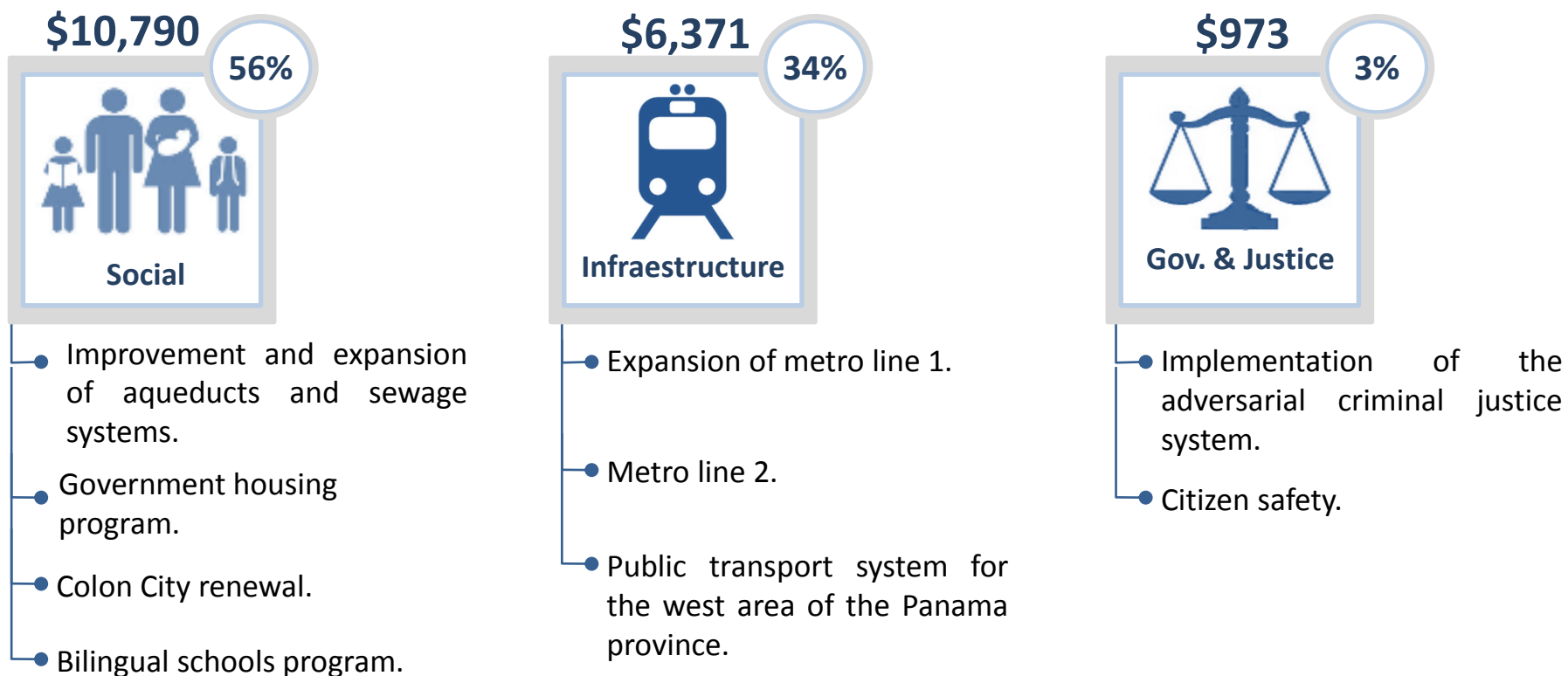
2. The Strategic Government Plan (SGP)

SGP

INVESTMENTS

The 19.5 Billion 5-Year investment plan included in the SGP, assigns more than 80% of its amount to improve citizens life quality by focusing on public infrastructure and social needs...

(Millions of USD)



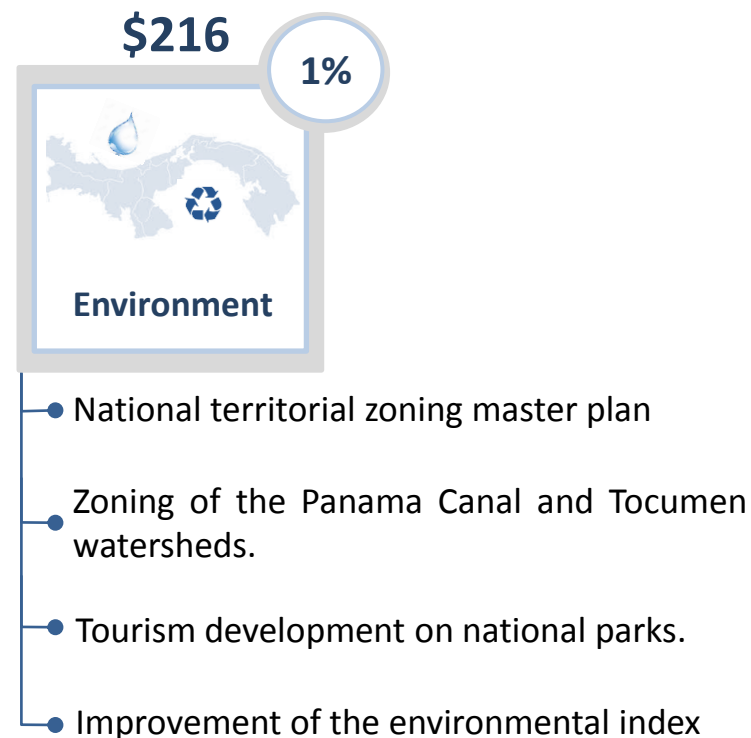
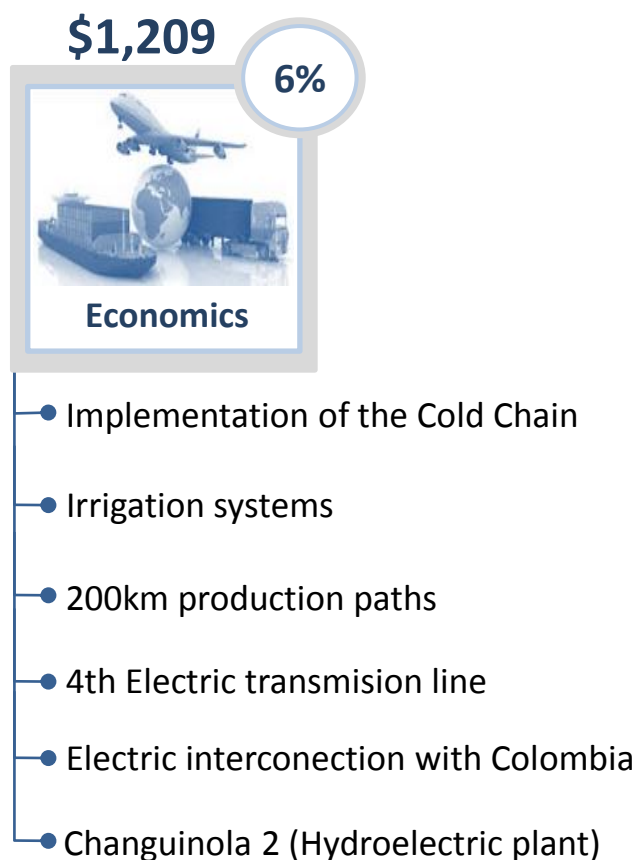
2. The Strategic Government Plan (SGP)

SGP

INVESTMENTS

...However, an important amount of resources are focused on sectors that strength the economic base of the country and its environmental development.

(Millions of USD)



A vertical strip on the left side of the slide shows a nighttime cityscape. Tall buildings are illuminated, and a multi-lane highway in the foreground shows long, bright light trails from moving vehicles. The sky is a deep blue.

Content:

1.

Country Economic Outlook

2.

The Strategic Government Plan (SGP)

3.

Logistics and trade sector

4.

Final remarks

INDUSTRY

INVESTMENTS

INDUSTRY
COMPETITIVENESSBUSINESS
OPORTUNITIES

Taking advantage of it's unique geographical position, Panama has historically been considered an important trade route. Nowadays, we have a highly competitive logistics sector that aims to develop to the highest international standards..

The Republic of Panama Logistics Cluster



Main Components:

- Panama Canal
- 5 Seaports
- 2 International Airports
- 21 Free Zones
- Railway (Panama-Colon)
- 5 Logistic Parks
- Georgia Tech Research Center
- Oil Pipeline & Telecom cluster

Relevant Facts:

Over 800 air
connections

Home of important
logistic corporations

Panama Canal transits
for 2014: 13,482

National
Logistics Plan

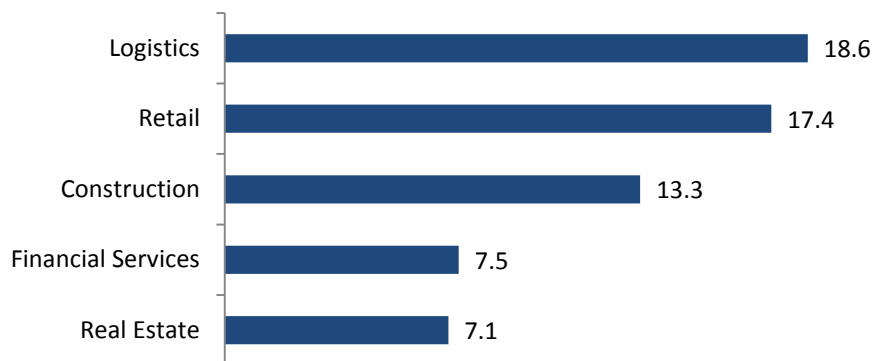
INDUSTRY

INVESTMENTS

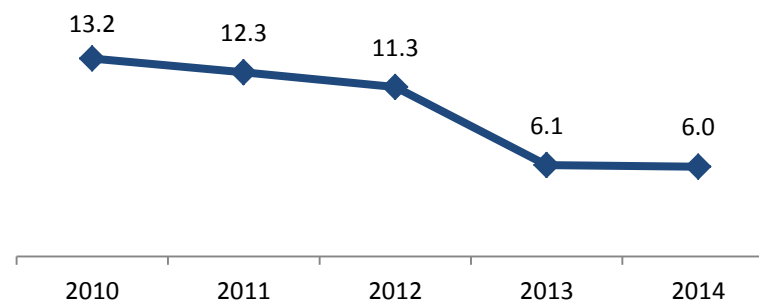
INDUSTRY
COMPETITIVENESSBUSINESS
OPORTUNITIES

The Logistics Industry maintains its position as one of the most important towards our GDP, for 2014 it represented \$6,631 million with a growth rate of 6.0%. The Colon Free Zone has re-exported on average \$13 Billion a year to the region in the last 5 years.

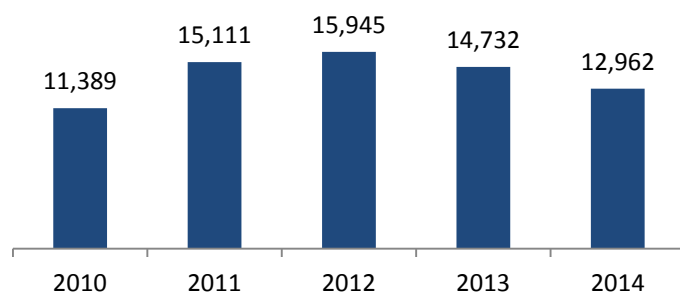
GDP Composition 2014 – Top five contributors
(%/GDP)



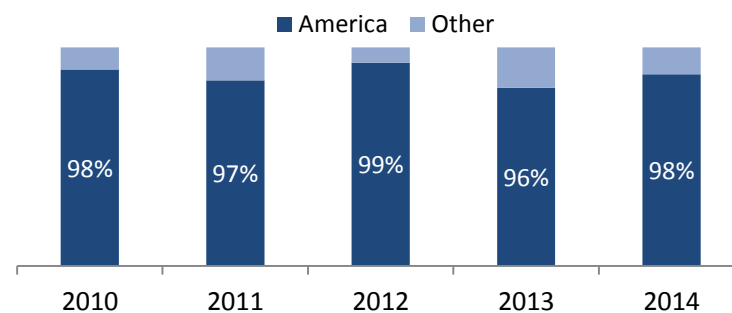
Logistics Industry Growth 2010-2014
(%Chng/YoY)



Total Colon Free Zone Re-exports 2010-2014
(\$Mn – FOB Value)



Colon Free Zone Re-exports to America 2010-2014
(% of Total)



INDUSTRY

INVESTMENTS

INDUSTRY
COMPETITIVENESSBUSINESS
OPORTUNITIES

We have set a \$5,856 million investment plan to boost industry development...

Relevant Projects

(US\$ Million)

Rehabilitation of port infraestructure	33
Multimodal Dock in Barú, Chiriquí.	24.5
Berth construction	23
Rehabilitation of Aguadulce Dock	19
Panama Pacifico	18.6
Ship controlling systems	14
Panamanian ships tracking systems	8
Port Cranes	6.5
Total	146.6

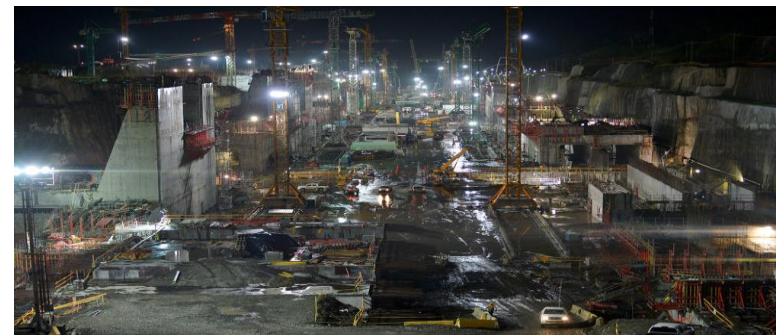
Other Investments

(US\$ Million)

Port of Corozal	750
Energy*	1,200
Roads & Highways	2,960
Tocumen Airport	800

*: Includes, Transmission lines 2 & 3 and Interconnection with Colombia.

The Panama Canal Expansion Project has around 90% of completion to date.



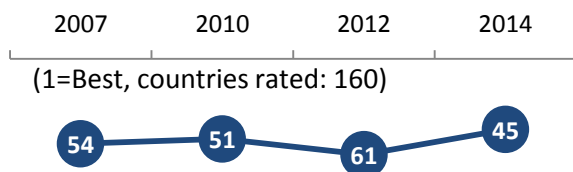
INDUSTRY

INVESTMENTS

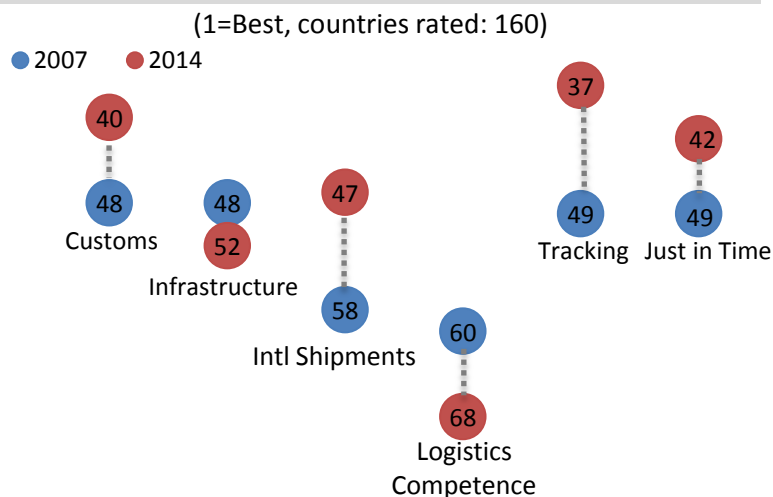
INDUSTRY
COMPETITIVENESSBUSINESS
OPORTUNITIES

Also, investments look for improving competitiveness, which has been good versus the region, but still has room for improvement worldwide.

Panama performance, Logistics Performance Index



Rating per area



Panama comparison against peers, LPI performance 2014

	World	Latam
Chile	42	1
Panama	45	2
Mexico	50	3
Argentina	60	4
El Salvador	64	5

Panama stands as the second most competitive country in the region, when it comes to logistics, only outpaced by Chile.

INDUSTRY

INVESTMENTS

INDUSTRY
COMPETITIVENESSBUSINESS
OPORTUNITIES

We are structuring a funding program with the IADB, which objective is to align the country to international standards and reinforce policy development..

Program Fundamentals

- Execute the mission of the Logistics Cabinet and the Logistics Secretariat.
- Key components:
 - Customs law reform.
 - Fullfilment of Panama compromises with COMIECO.
 - Start operations of the single trade gate (VUCE).
 - Creation of the maritime trade single gate. (ACP-AMP)
- The funding operation is stated to be between **\$150-\$200 million.**

Expected outcomes

- Strengthening the Logistics Competitiveness Secretariat with:
 - Organizational structure.
 - Human resources.
 - Operational budget.
- Boost and improvement of the industry dialogue between the private and public sector.
- Is expected that this operation will be performed in 2015.

Government Key Players:

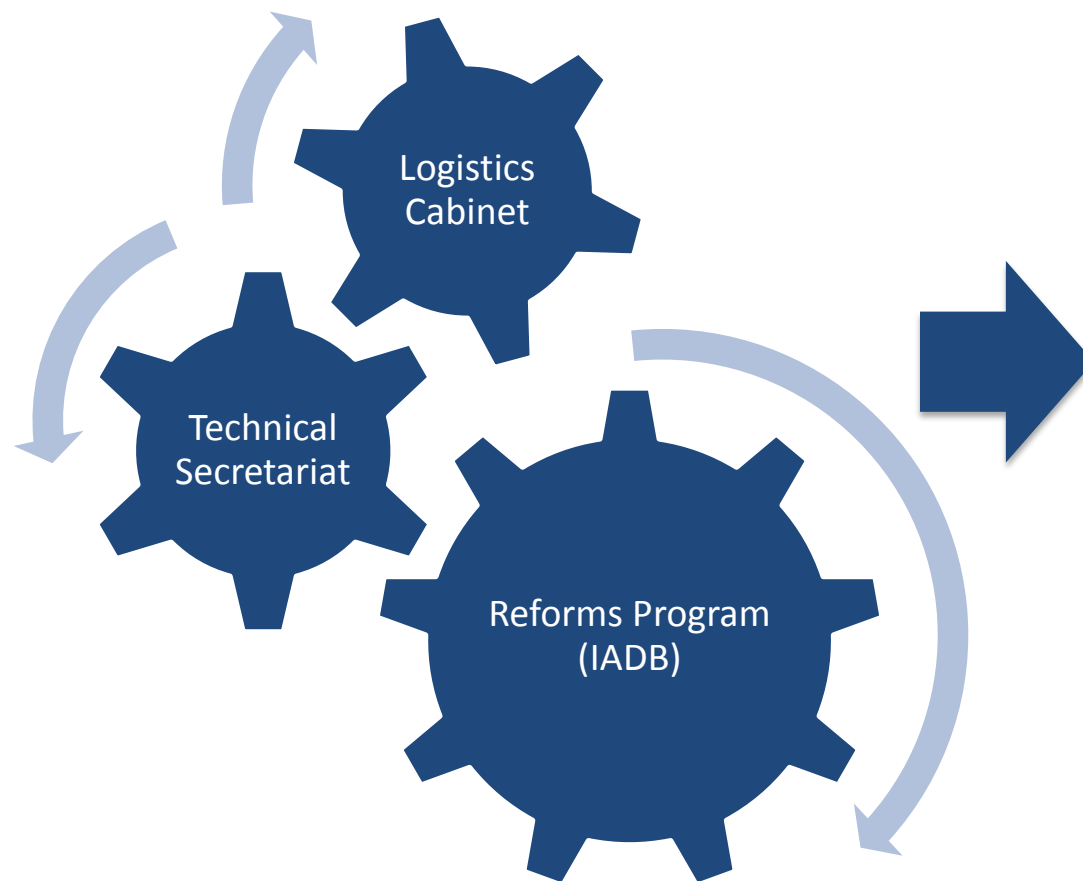
Ministry of Economics
& FinancePanama Canal
Authority & AMPLogistics
SecretariatINADEH, MOP &
Customs

INDUSTRY

INVESTMENTS

INDUSTRY
COMPETITIVENESSBUSINESS
OPORTUNITIES

In regards to Public Policy, we intend to improve competitiveness and stablish a clear framework for the industry to develop in a healthier way..



National Logistics Plan

The NLP looks to improve:

1. Infraestructure and added value logistics services.
2. Industry legal frame.
3. Innovations and HR development.
4. International Trade process simplification.
5. Access to financial resources.
6. Institutional framework.

INDUSTRY

INVESTMENTS

INDUSTRY
COMPETITIVENESSBUSINESS
OPORTUNITIES

As an aftermath to the amount of investments, new business opportunities have and will born...

Logistics Sector Opportunities



Panama Canal Expansion

Liquified Natural Gas (LNG)

Liquid Energetic Hub (Vepak & Exxon)

Auxiliary Maritime Services

Corozal Port

Suplying and MRO's – Panama Canal

Airports

Cargo Terminal

MRO's and airplanes shop (Colon Airport)

- Public policy is intended to reduce risk for our new investors, securing investments and their returns.

A vertical strip on the left side of the slide shows a nighttime cityscape. Tall buildings are illuminated, and a multi-lane highway in the foreground has long, bright light trails from moving vehicles. The sky is a deep blue.

Content:

1.

Country Economic Outlook

2.

The Strategic Government Plan (SGP)

3.

Logistics and trade sector

4.

Final remarks

5. Final Remarks

1. The Panamanian economy continues with its steady growth at a more sustainable rate; with a well managed inflation.
2. Fiscal policy remains focused on responsibility and optimization in order to achieve the social investment goals.
3. A pro-business philosophy added to our strategic plan looks towards a more inclusive, competitive country with a lot more hardened social development.
4. Our focus on social development establishes the means for the transition of a government spending economy to a people production driven basis.
5. Logistics continues to be a key player on our development and we expect to reinforce it even more with the National Logistics Plan.
6. Panama will continue to be a key player in regional trade, simplifying trade procedures, aligning with international standards and continuing the attraction of investors.



mef
Ministerio de Economía y Finanzas



GOBIERNO DE LA REPÚBLICA DE
PANAMÁ

Síguenos en:



mefpanama



@mefpanama



YouTube

www.mef.gob.pa