

PANAMA: A VIBRANT AND DYNAMIC ECONOMY

CSS Conference on Panama

Guillermo O. Chapman

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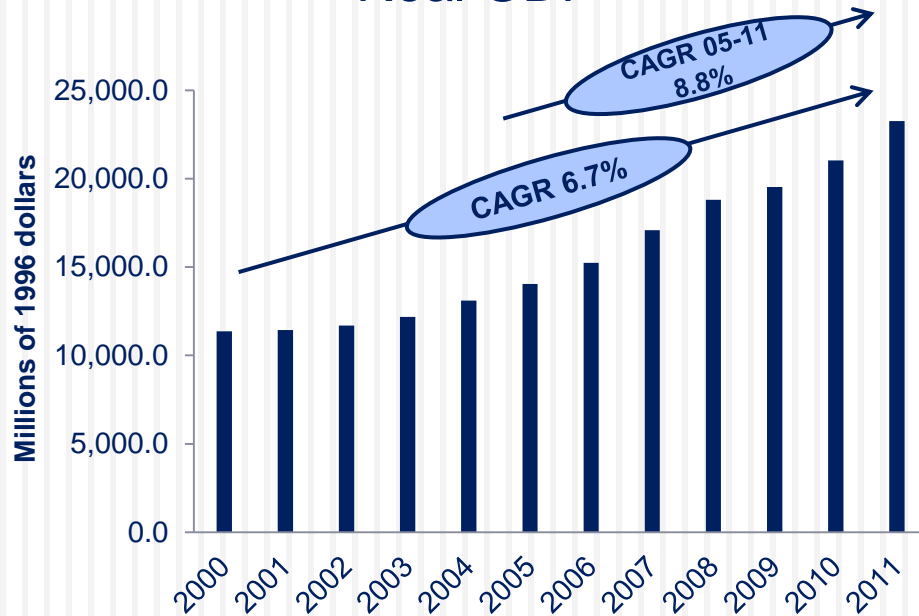
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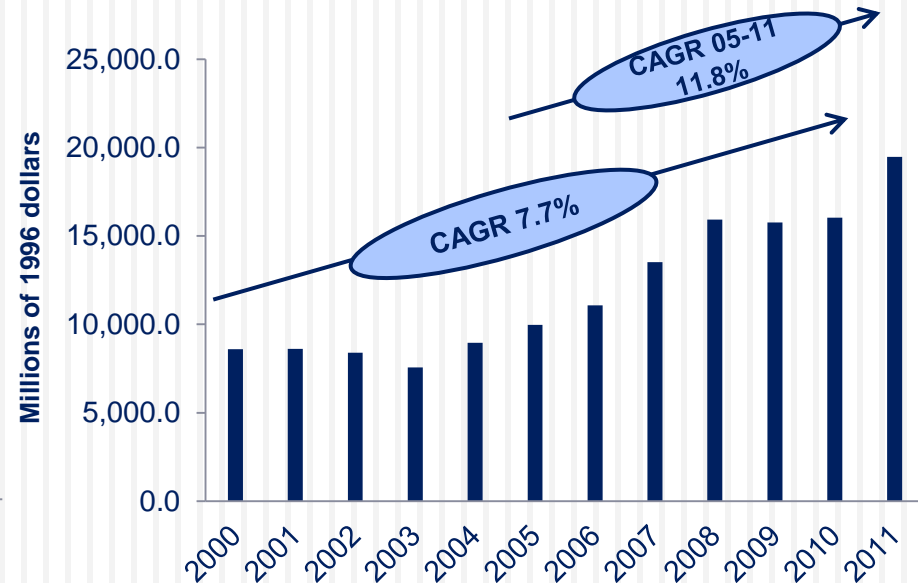


THE STYLIZED FACTS

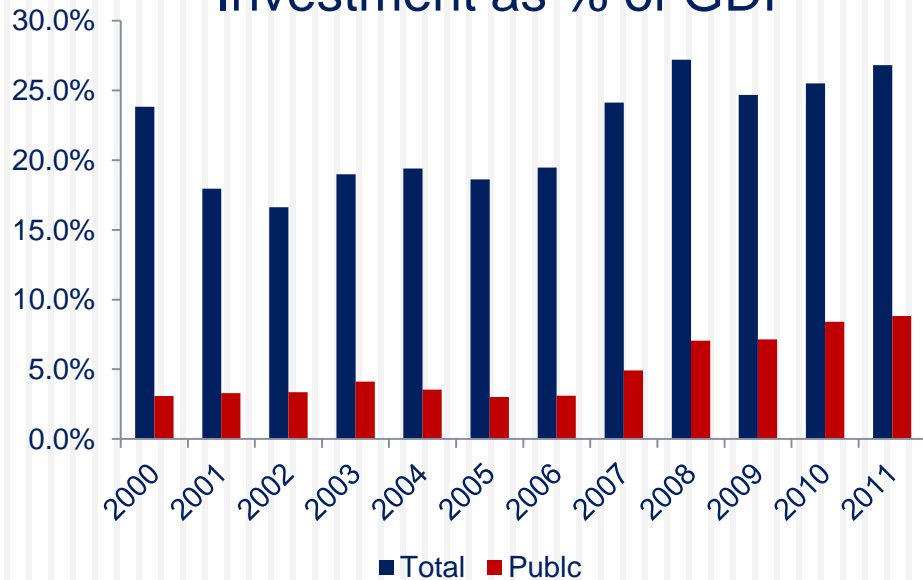
Real GDP



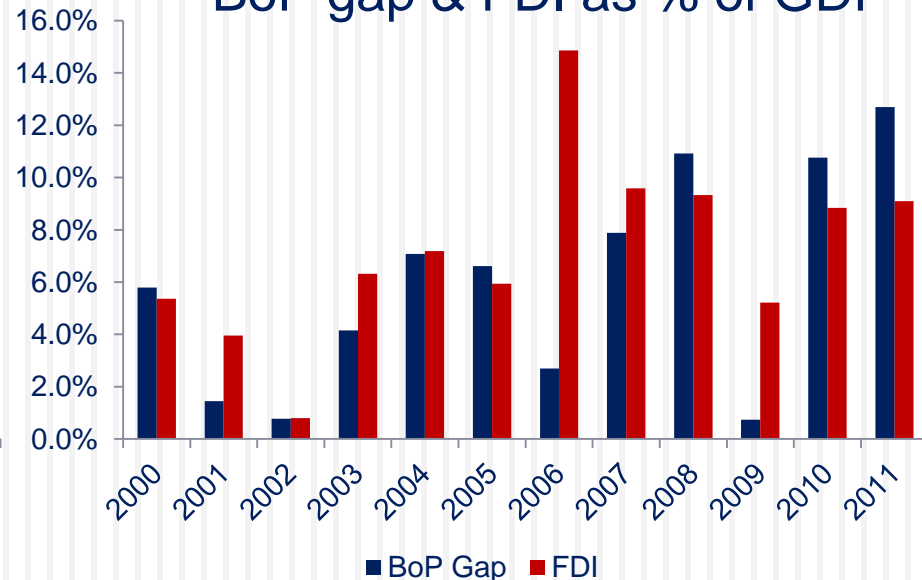
Exports of Goods & Services



Investment as % of GDP

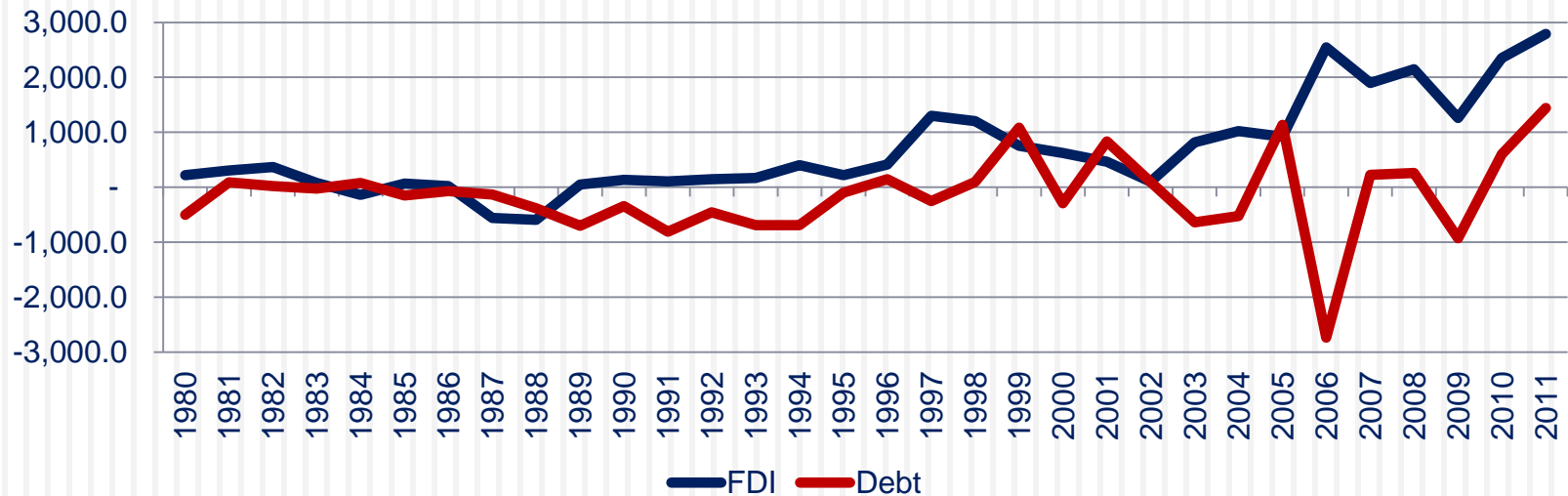


BoP gap & FDI as % of GDP



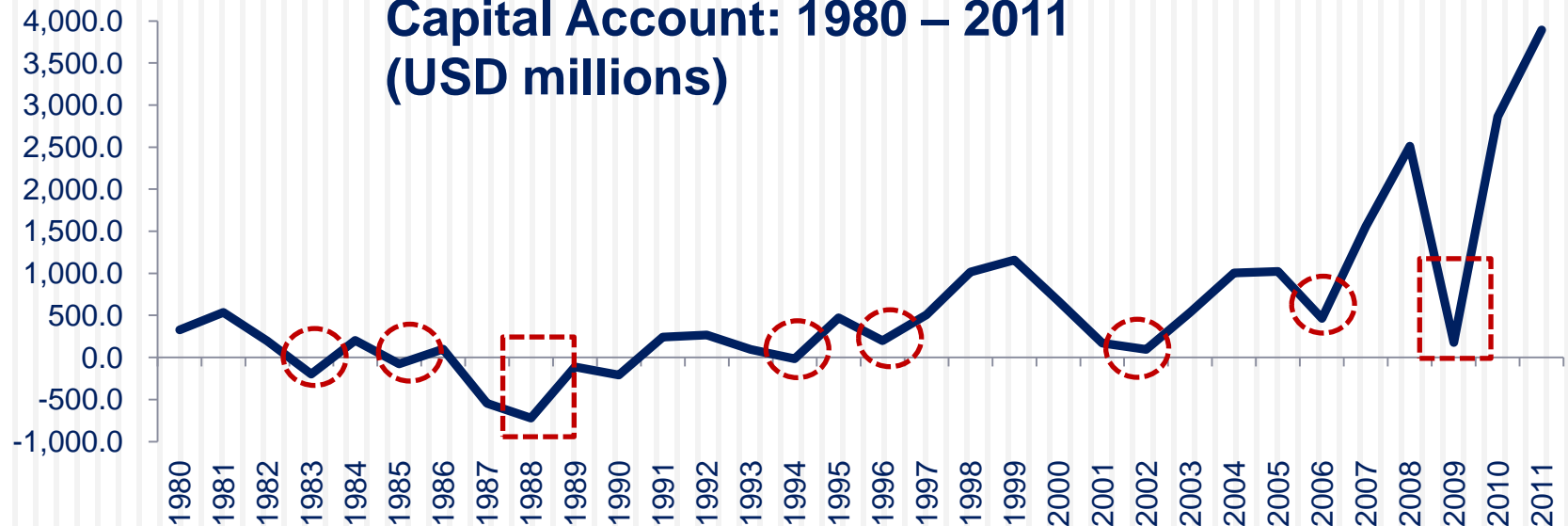
FDI and Net External Debt Flows: 1980 – 2011

(USD millions)

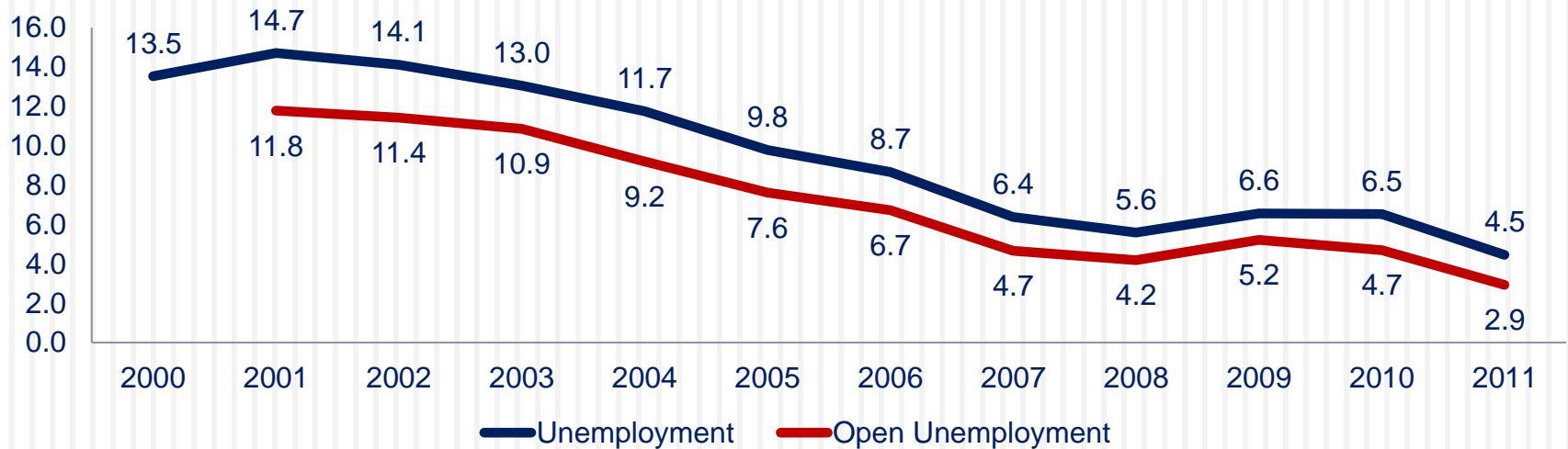


Capital Account: 1980 – 2011

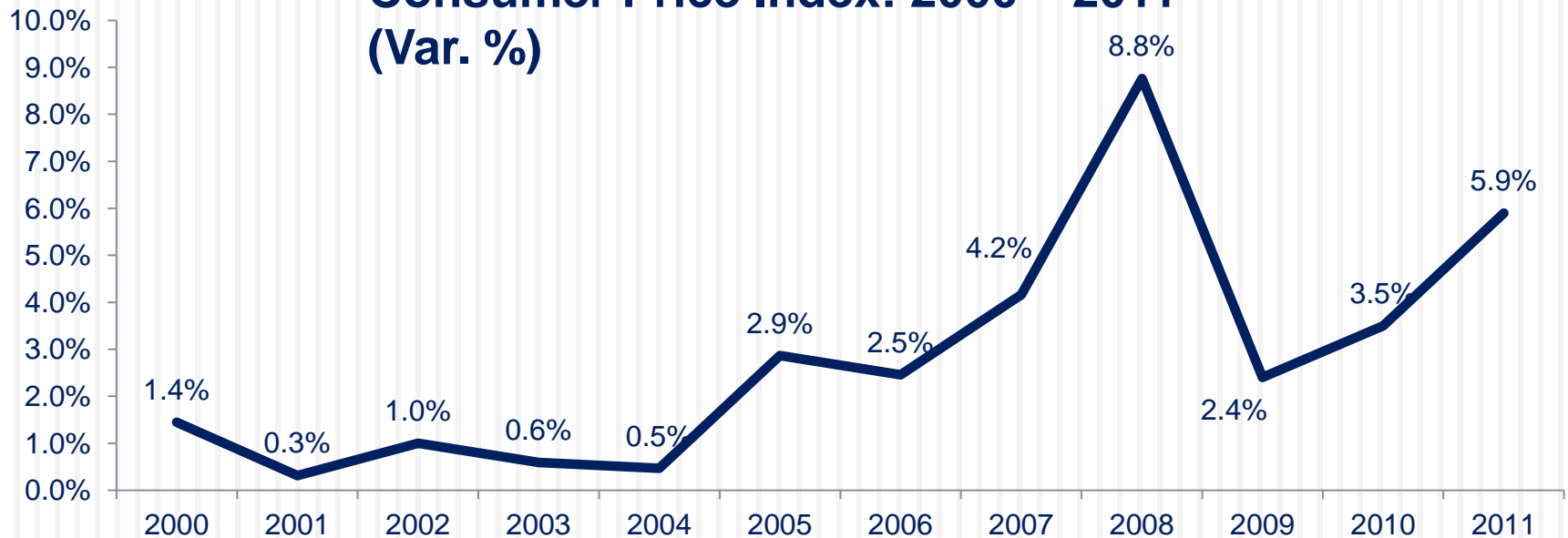
(USD millions)



Total and Open Unemployment: 2000-2011 (% of labor force)



Consumer Price Index: 2000 – 2011 (Var. %)



GDP Structure by Economic Activity in 2011: Panama, Central America and Colombia

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	Sector	Panama	Central America	Colombia
1	Agriculture	3.7%	12.8%	6.5%
2	Mining and quarrying	1.5%	0.5%	8.6%
3	Manufacturing	5.2%	19.4%	12.9%
4	Electricity, Gas and Water	2.6%	2.2%	3.5%
5	Construction	6.4%	3.1%	7.0%
6	Commerce	18.0%	13.6%	11.6%
7	Transportation and Communications	24.1%	11.3%	6.4%
8	Financial Intermediation	6.1%	1.0%	4.5%
9	Realty and services to business	14.5%	9.9%	14.7%
10	Social and private health services	4.8%	12.1%	15.8%

Source: INDESA with data from the CGR, DANE and Central Banks

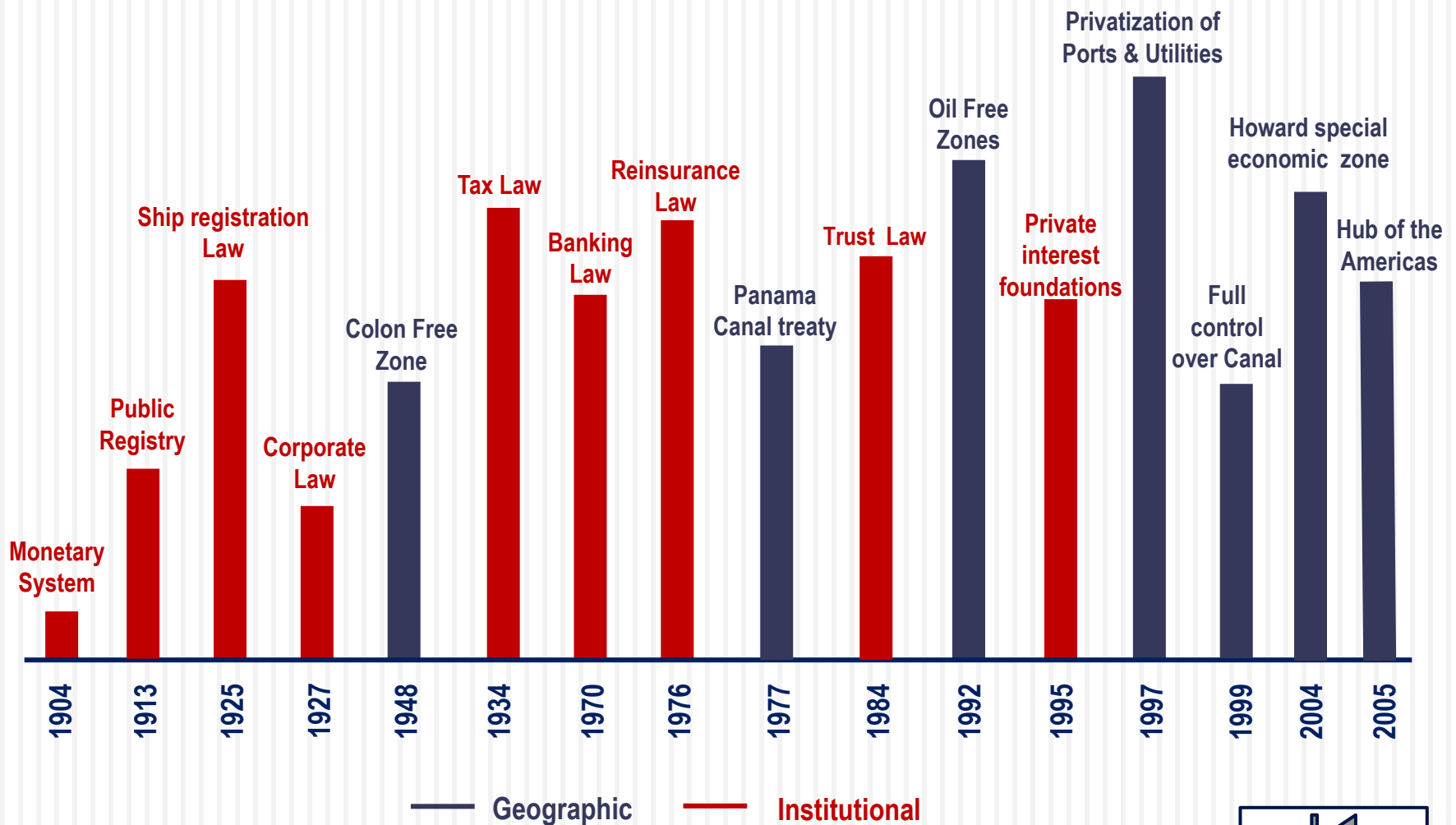


GROWTH DRIVERS

Growth drivers

- Self-discovery
- Public policies of the mid-1990s
 - ▣ Opening the economy to world trade
 - ▣ Privatization of ports and utilities
 - ▣ Coming to terms with the public debt overhang
 - ▣ Elimination of exclusivity to investment incentives
 - ▣ Balanced budgets and surpluses
- Devolution of lands and transfer of the Canal and assets

Self-Discovery Milestones





THREATS

The reverse of the coin: threats

- Income distribution (Gini of 52%) and poverty: there's progress but it is slow
- Limited human resources skills pool and a poor public educational system
- Lack of an agricultural strategy
- Low domestic savings and dependence on FDI and credit: the danger of a “sudden stop”
- Inflation and the loss of real income, especially to the poorest



THE POTENTIAL

The potential

- The perspectives are indeed positive
- We face very serious threats, but they are manageable
- The expansion of the Canal opens new vistas of additional activity and revenue
- Parallel with the expanded waterway a world class logistics center is beginning to develop
- Tourism is a new, fledgling and promising industry

The potential, cont.

- There are possibilities for agriculture both domestic and external with a sound strategy
- The financial center and the aviation hub can reach new levels
- The economic model is sustainable, with some adjustments
- Panamanians have been throughout history a peace-loving hard-working people who would make all of these possible