



“Panama: Beyond the Canal”

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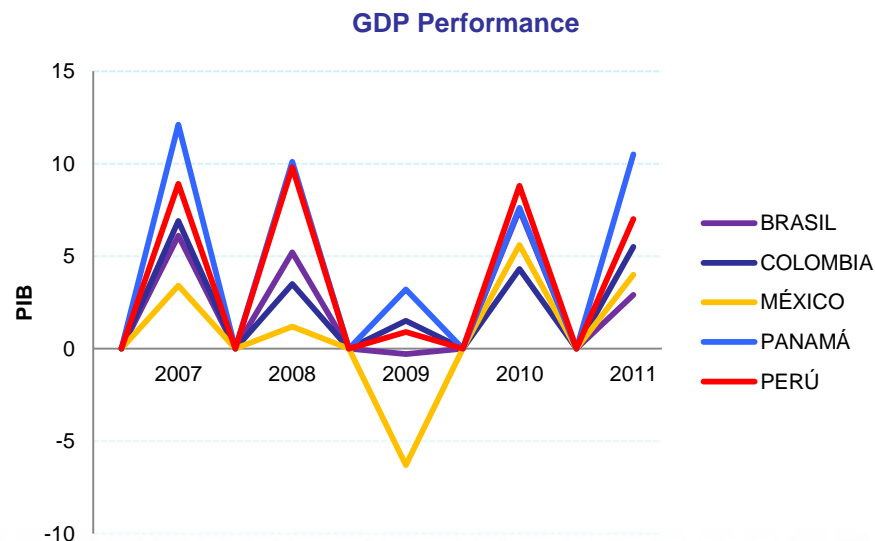
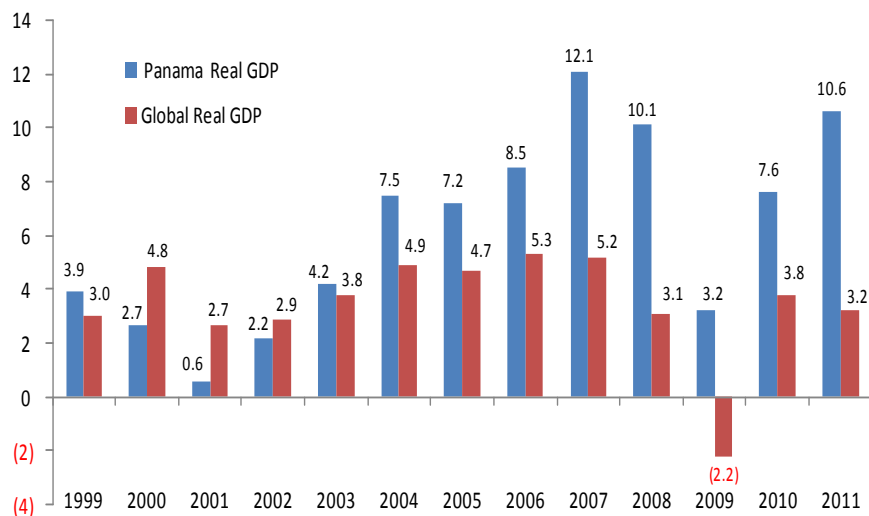
Economic Performance



Panama has demonstrated a strong, sustainable growth, averaging 7.3% during the last 10 years.

During 2011, Panama's economy grew at a rate of 10.6%.

- The growth experienced in 2011 is due mainly to the construction, real estate, transportation, telecommunications, and trade sectors.
- Once again Panama has exceeded the economic growth averages, both regionally and globally.

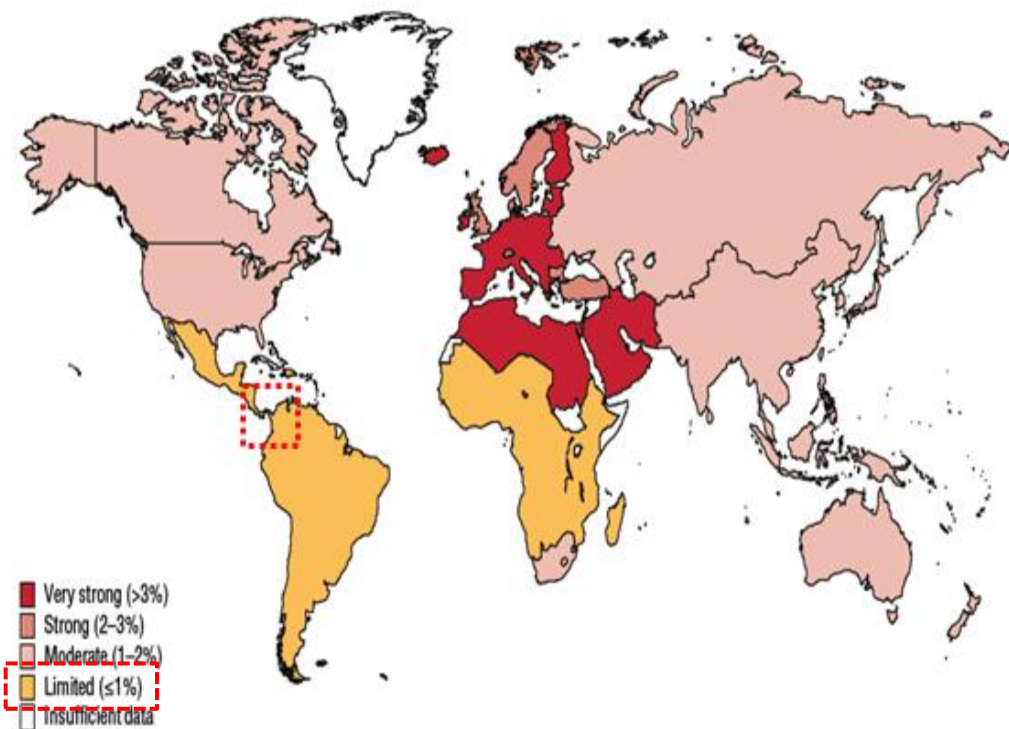


Economic Performance



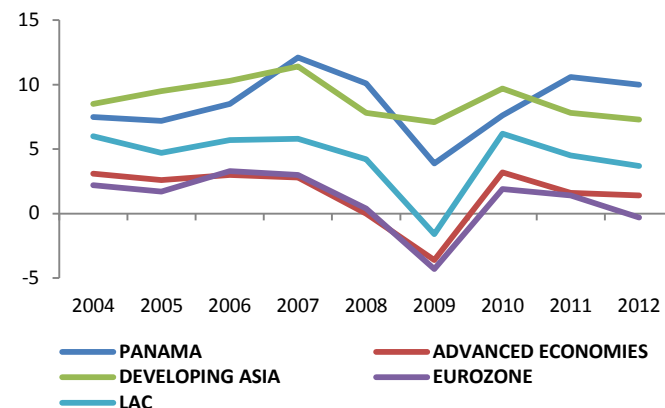
Panama's economy remains resilient to external shocks and will continue to outperform most of developed economies in 2012.

Impact of the Eurozone crisis in global growth perspectives

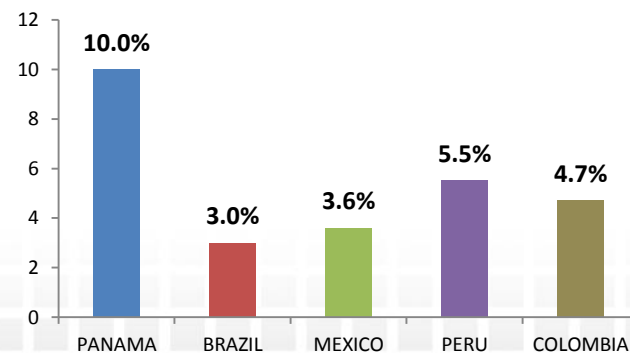


Source: IMF WEO (April, 2012) and Bloomberg.

YoY GDP Growth



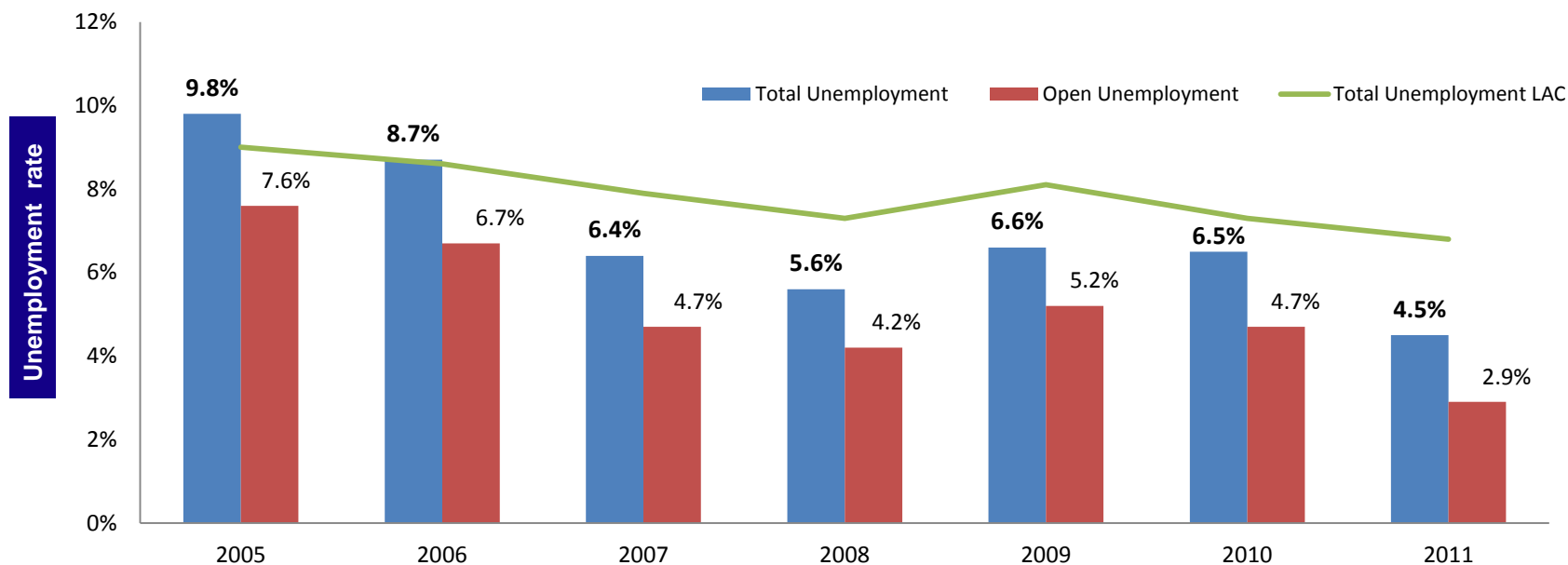
Expected 2012 GDP Growth



Economic Performance



Unemployment rate is at record lows while inflation is expected to remain at levels similar to 2011.

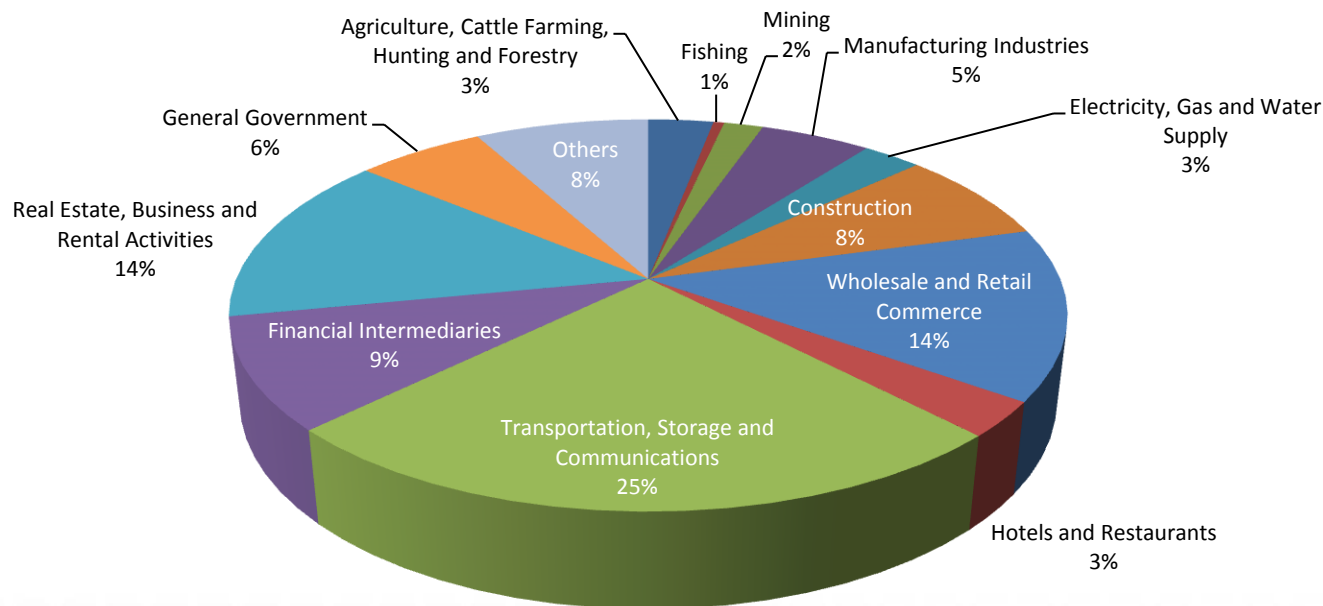


The diversification of the Panamanian economy has allowed the country to face difficult times of global uncertainty without major setbacks.

None of the most important sectors of the economy contribute more than 25% to GDP.

- The Panama Canal, considered the core of the national economy, only contributes around 5.7% to GDP.

GDP Composition Q1 2012



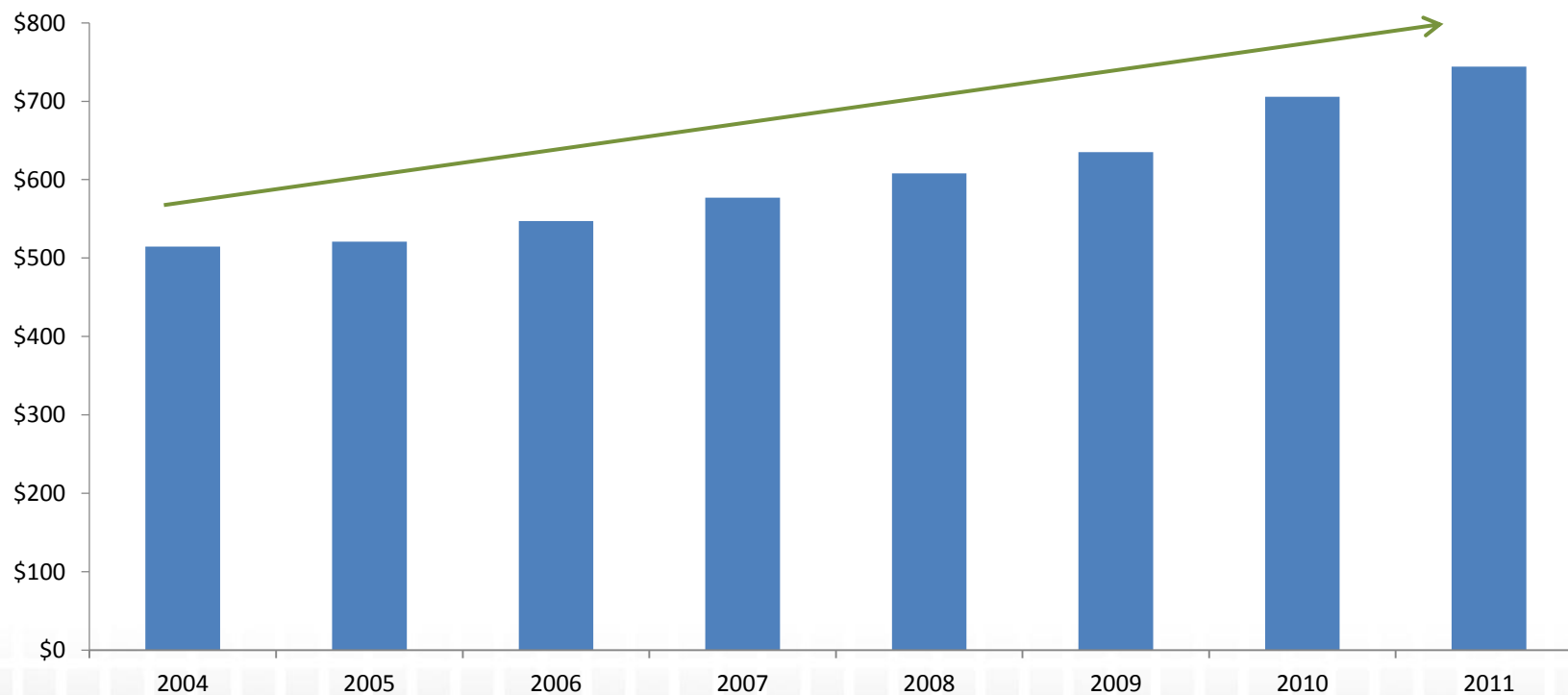
Economic Performance



Economic growth has been distributed evenly among the population, in terms of more jobs available and an increase in wages.

The mean salary has increased an amount of US\$229.47 or 44.6% since 2004.

Mean Wage (Monthly)



Economic Performance



The government keeps prioritizing projects that will improve social development, while reducing poverty and extreme poverty.

Economic growth in Panama, together with the creation of social programs such as “Red de Oportunidades” and “100 a los 70”, have contributed in diminishing poverty in society.

Year	Average		Extreme Poverty		Poverty	
	Extreme Poverty	Poverty	Urban	Rural	Urban	Rural
2006	17.6	38.3	5.7	38.6	23.6	64.4
2007	15.7	36.5	4.6	35.4	22.1	62.3
2008	15.3	33.8	4.2	35.2	19.6	59.4
2009	15.3	33.4	4.2	35.5	19.1	59.6
2010	12.2	29.8	4.1	27.0	16.6	54.1
2011	11.5	27.6	3.4	26.6	15.3	50.4



- Through the execution of other social programs such as “Beca Universal”, contributes to poverty alleviation.



Panama's Key Growth Drivers



Panama's Key Growth Drivers



The focus on sectors with the greatest potential will generate more than 500,000 new jobs over the next decade.

- Significant investment and reforms in the fields of education, health, public safety and public transportation are allowing the people of Panama to benefit from one of the highest standards of living in the region.
- During these five years, this investment is primarily focused on the construction of the infrastructure that is necessary for the development of the key activities that will generate jobs and stimulate growth and sustainable development, focus on national competitive advantages.

Key Growth Drivers

(Measured by their impact on incremental GDP and job creation)



Panama's Key Growth Drivers



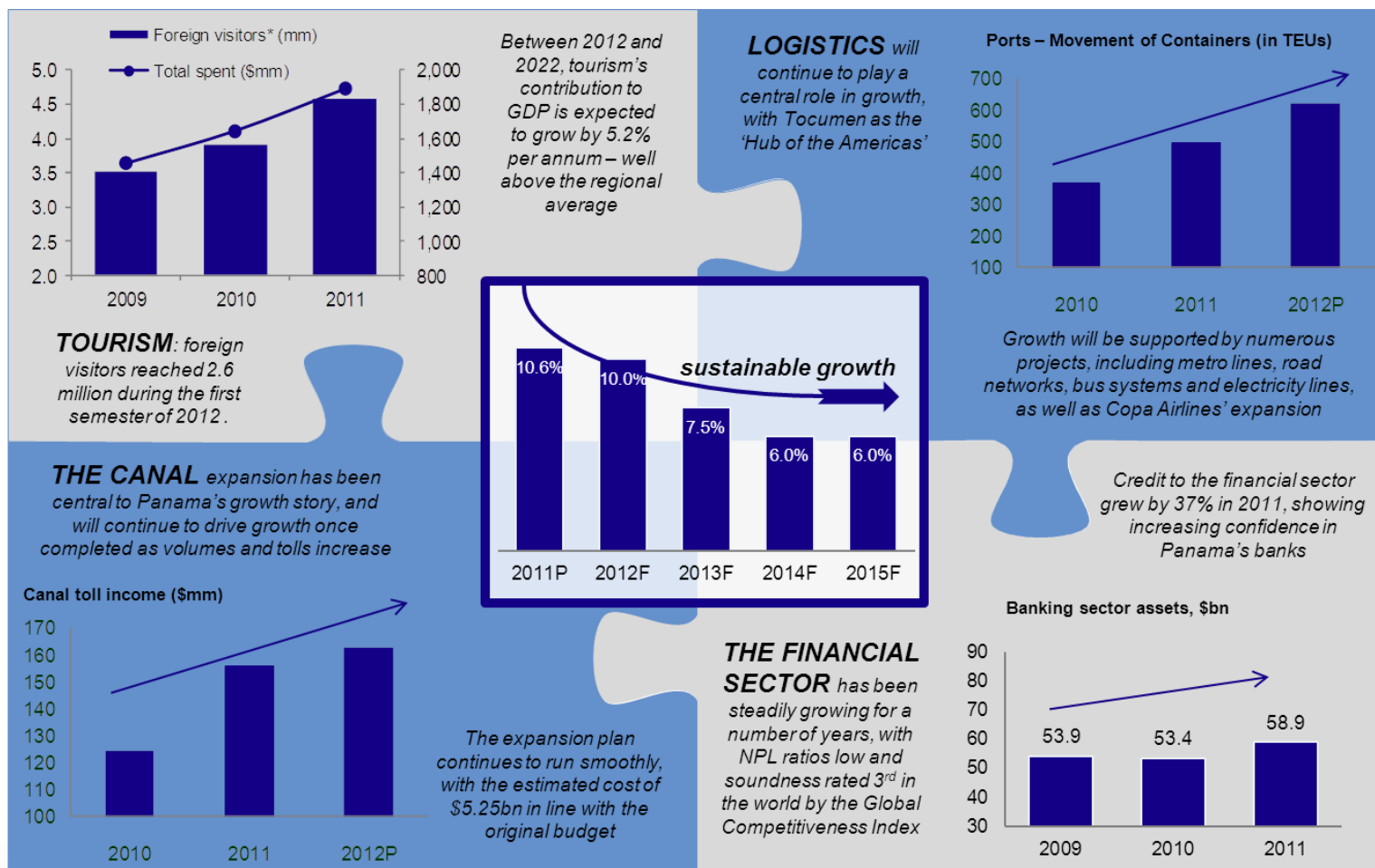
Logistics, tourism and financial services have been identified as the key growth drivers of Panama's economy.

		Competitive Advantage (current or potential)	Global Forces	Economic Impact (incremental GDP)	Social Impact (new jobs created)	Government's capacity to intervene
"Key Growth Drivers"	■ Logistics	●	●	●	◐	●
	■ Tourism	●	●	◐	◐	●
	■ Financial Services	◐	◐	◐	◐	◐
"Future Potential"	■ Off-shoring services	◐	◐	◐	◐	◐
	■ Maritime Services	◐	◐	◐	◐	◐
	■ Private Health Services	◐	◐	◐	◐	◐
	■ Regional Headquarters of Multinationals	◐	◐	◐	○	◐
	■ Refineries	○	◐	◐	◐	◐

Panama's Key Growth Drivers



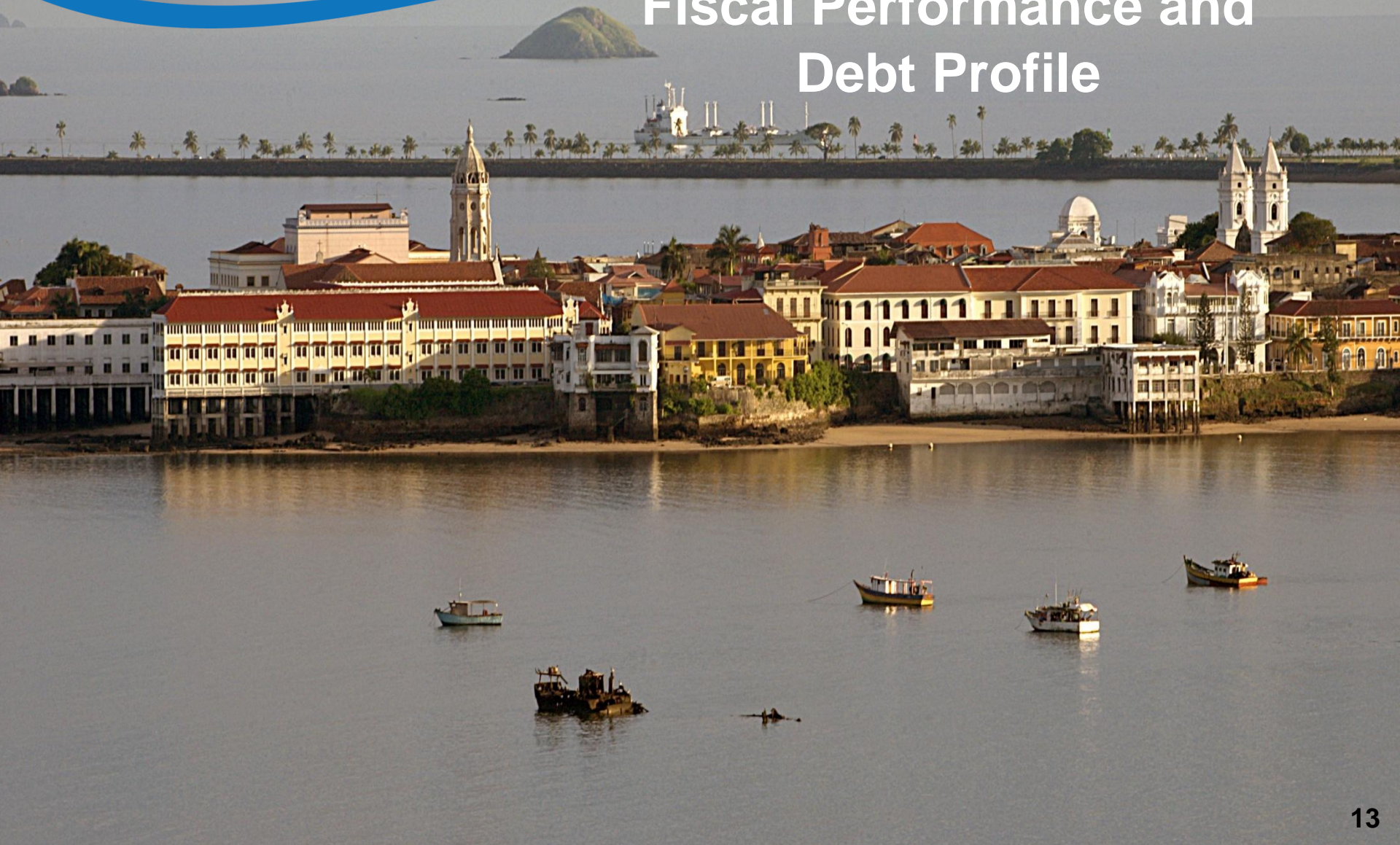
Panama's development objective is long-term, well-diversified and sustainable growth.



Source: INEC, World Travel and Tourism Council, Global Competitiveness Index



Fiscal Performance and Debt Profile

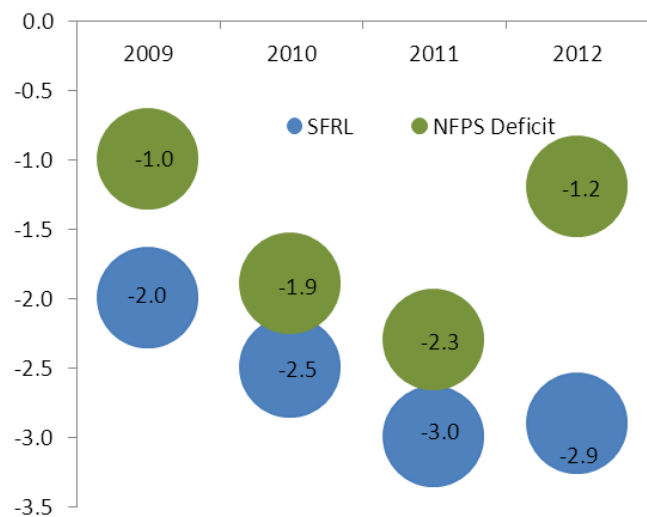


Panama's growth trend goes in line with an adequate fiscal performance.

With the enforcement of the Social Fiscal Responsibility Law (SFRL), Martinelli's administration has responsibly complied with the deficit limits established in law.

- In 2011, as a result of natural disasters which battered the country, an exception contemplated within the SFRL was requested to face the expenses caused by flooding.

Deficit allowed vs. Fiscal Results



Deficit of Countries with Investment Grade



Countries	2009	2010	2011
United States	-10.40%	-8.60%	-8.20%
Brazil	-3.32%	-2.97%	-2.39%
Mexico	-2.17%	-2.69%	-2.32%
Germany	-3.20%	-4.30%	-4.30%
Spain	-11.20%	-9.30%	-9.30%
Japan	-8.73%	-7.81%	-8.93%
United Kingdom	-10.88%	-9.91%	-8.13%

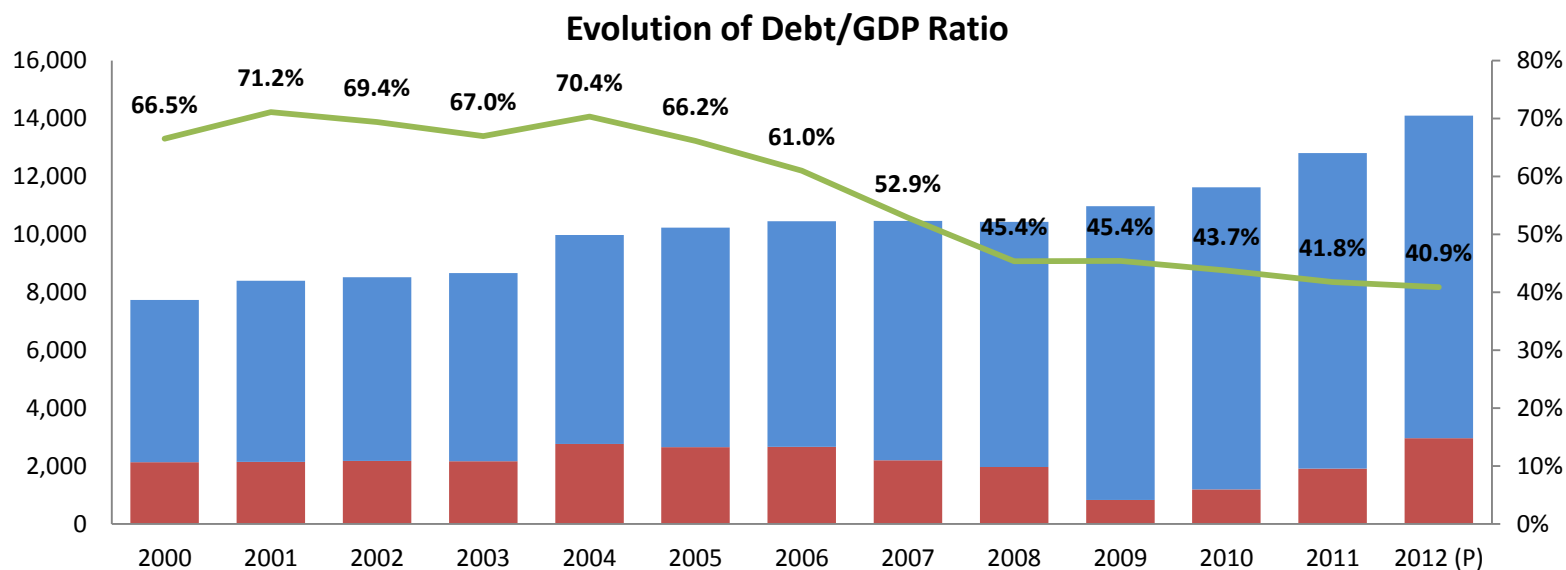
Sovereign Debt Profile



Also, the percentage of Debt to GDP continues its downward trend in the past few years.

In 2011, this ratio reached a level of 41.8%, which represents a reduction of 2% compared to 2010.

- The balance of public debt at the end of 2011 was US\$12,814.2 millions, representing an increase of US\$1,184.8 millions when compared to the balance of December 31, 2010.



- By the end of 2012, Debt/GDP ratio is expected to be 40.9%.

Sovereign Debt Profile

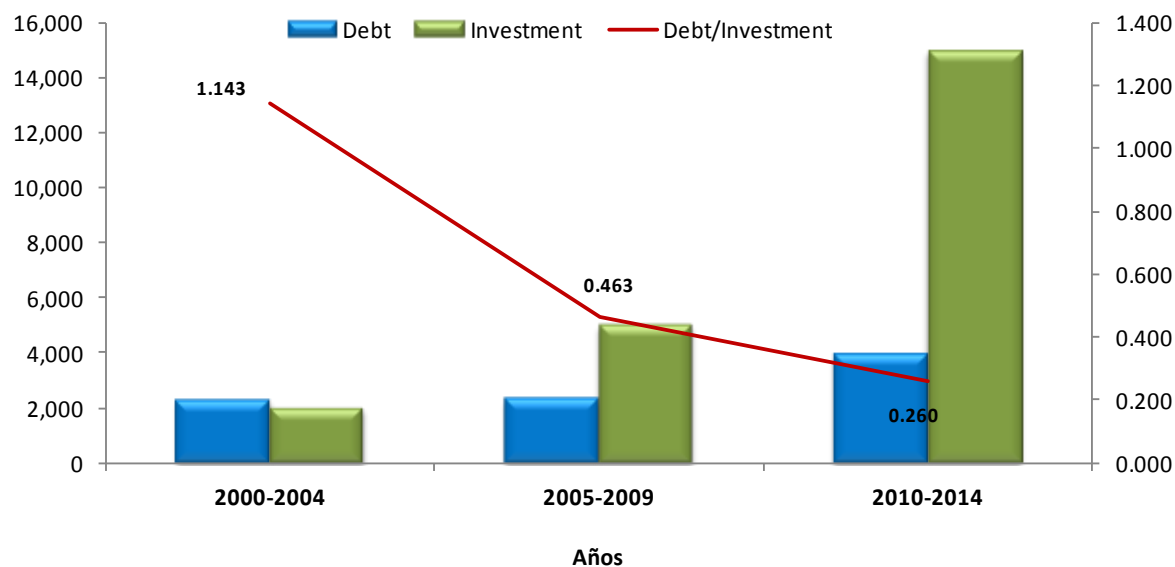


Through the Government Strategic Plan, the resources of the State will be invested more efficiently for the benefit of all the economic sectors.

During the current administration, of each dollar spent on public investment, \$0.26 cents came from public debt.

GDP/Public Investment Relationship

2000-2004	For every dollar invested, 1.14 dollars came from debt
2005-2009	For every dollar invested, 0.43 dollars came from debt
2010-2014	For every dollar invested, 0.26 dollars came from debt

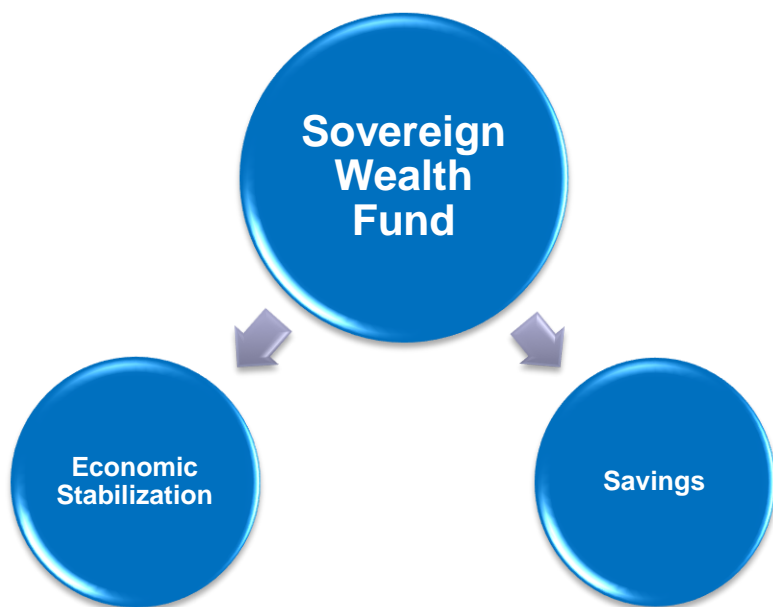




Panama Savings Fund



The Panama Savings Fund (FAP) will allow the Republic to accumulate long-term savings that will enhance its capacity to handle emergency situations and economic slowdowns.



❖ Economic Stabilization

In predetermined cases (natural disasters, economic crisis), the FAP could be used as a counter-cycle tool to avoid an increase in debt.

❖ National Savings

The SWF would work as a national savings fund for future generations.

Fitch Ratings: “Successful implementation of the legislation to establish a macro-prudential fund to save part of the windfall coming from the enlarged canal would strengthen the country’s fiscal framework.”

Growth Forecasted



Starting in 2015, contributions of the Panama Canal Authority (ACP) in excess of the equivalent of 3.5% of GDP of the current fiscal year will be deposited in the FAP.

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2040
Panama Savings Fund – FAP														
In million US\$	1,200	1,200	1,200	1,430	1,826	2,245	2,531	2,890	3,357	3,930	4,559	5,231	5,922	6,923
% of GDP	3.2%	2.9%	2.6%	2.9%	3.4%	3.9%	4.0%	4.2%	4.5%	4.9%	5.3%	5.6%	5.8%	2.4%
ACP Contributions (in million US\$)														
Remains in National Treasury	972	1,104	1,416	1,724	1,873	2,035	2,212	2,403	2,599	2,811	3,039	3,287	3,554	5,712
Transferred to FAP	0	0	0	230	396	419	286	360	467	572	630	671	691	0.0
NFPS Gross Debt (% of GDP)	40.3%	40.2%	39.7%	38.0%	36.0%	33.6%	31.5%	29.4%	27.7%	26.1%	24.7%	23.3%	22.1%	20.7%
NFPS Net Debt (% of GDP)	37.2%	37.3%	37.0%	35.1%	32.6%	29.8%	27.4%	25.2%	23.2%	21.2%	19.4%	17.7%	16.2%	18.2%
CG Capital Expenditure (in million US\$)	2,668	2,879	3,348	3,243	3,348	3,477	3,961	4,444	4,869	5,283	5,604	6,038	6,567	15,952
NFPS Capital Expenditure (in million US\$)	2,910	3,295	3,782	3,697	3,823	3,976	4,357	4,877	5,340	5,785	6,158	6,638	7,225	17,592



Conclusions



The economic diversification and the execution of an ambitious public investment program, positions Panama as an extremely competitive country with an ample range of investment opportunities.

- Panama has demonstrated a robust, sustained economic growth, and it is currently exceeding the economic growth averages, both regionally and globally.
- This economic growth goes together with responsible fiscal policies, based on the Social Fiscal Responsibility Law (SFRL).
- The ratio of public debt to GDP continues its downward trend. These obligations are being used to generate the highest historic levels of public investment projects.
- The diversification of the Panamanian economy is the base for the sustained economic growth of the country.
- The Global Competitiveness Report for 2012-2013 ranks Panama as the 40th most competitive country in the world and the first in Central America.
- A diversified economy, the execution of a disciplined and aggressive public investment plan, the Canal expansion and investment grade ratings from all three major rating agencies, Panama continues to be a sound and secure investment opportunity.



Thank you

