

Country Insight Snapshot

Panama

February 2021





OVERVIEW

OVERALL COUNTRY RISK RATING: DB3b

Slight risk: Enough uncertainty over expected returns to warrant close monitoring of country risk. Customers should actively manage their risk exposures.

A

Rating Outlook: Stable →

CORE OUTLOOK

- + The trend towards an ageing population will be less severe than in other countries in the region; the proportion of people aged 60 and over will rise only moderately by 2030.
- + Panama nearly doubled its intangible (e.g. human) capital in 2000-08.
- If climate change were to cut back urban, agricultural and industrial water availability, it would constitute an economic and political emergency.
- Long-term growth will be frustrated by institutional shortcomings and a weak education system.

KEY DEVELOPMENT

Business continuity improves as cargo transit efficiency is enhanced by an increase in the draught limit for vessels transiting the Panama Canal.

CREDIT ENVIRONMENT OUTLOOK

A

Trend: Stable →

Key Development has had a positive impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK

A

Trend: Stable →

Key Development has had a positive impact on the outlook.

MARKET ENVIRONMENT OUTLOOK

A

Trend: Stable →

Key Development has had a positive impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK

A

Trend: Stable →

Key Development has had a neutral impact on the outlook.



KEY INDICATORS

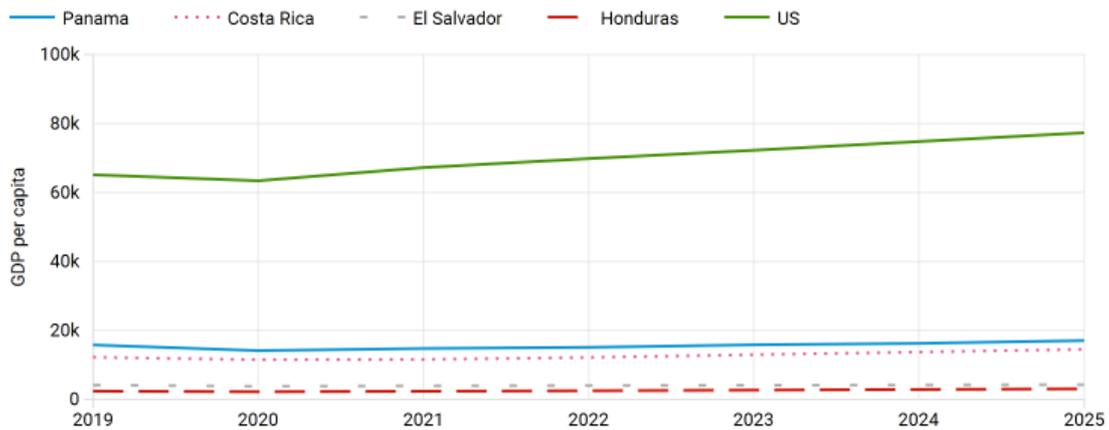
Rating History and Comparison



Source: Dun & Bradstreet

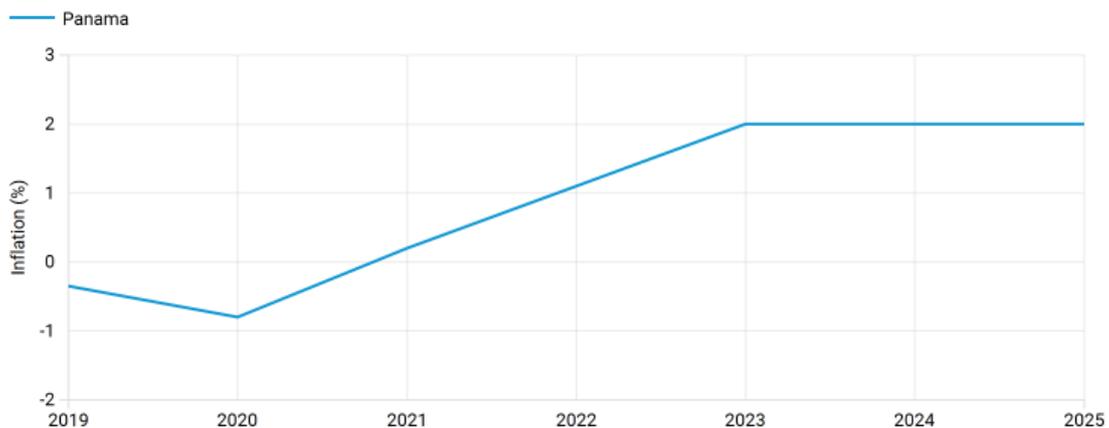
Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source: Haver Analytics/Dun & Bradstreet

Inflation (%)



Source: Haver Analytics/Dun & Bradstreet



Economic Indicators

Indicator	2018	2019	2020e	2021f	2022f	2023f	2024f	2025f
C/A balance % GDP	-7.8	-5.4	-6.9	-6.2	-5.2	-4.7	-3.6	-3.3
FX reserves (yr-end, USDbn)	3.1	4.4	4.3	4.4	4.8	5.0	5.3	5.6
Govt balance, % GDP	-2.0	-4.1	-7.6	-6.5	-3.8	-2.0	-1.9	-1.4
Inflation, annual avge %	0.8	-0.4	-0.8	0.2	1.1	2.0	2.0	2.0
Real GDP Growth, %	3.7	3.0	-9.0	4.0	4.7	4.8	5.0	5.0

Source: Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

The Superintendency of Banks of Panama (SBP) has announced a series of economic support measures designed to help businesses and households cushion the impact of financial disruptions caused by the Covid-19 outbreak. In particular, the SBP permitted banks to use the accumulated provisioning dynamic, estimated at USD1.3bn or 2% of GDP, to absorb the impact of credit losses. In addition, the Ministry of Finance and the National Bank of Panama established two trusts as part of the country's economic reactivation strategy to bolster business. The measure offers funding of USD150m and USD500m respectively to support the liquidity needs of micro, small and medium-size enterprises and productive sectors. Meanwhile, tax relief measures for the benefit of families and businesses have been introduced, including an extension of income-tax filing deadlines and proposals for a 10% discount to individuals and businesses who declare and pay their tax obligations early. We continue to recommend LC terms, but shippers should expect trade disruptions if local banks find it difficult to secure external credit lines as global liquidity conditions continue to tighten.

TRADE TERMS AND TRANSFER SITUATION

Minimum Terms: LC

The minimum form of documentation or trading method that Dun & Bradstreet advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms: LC

Dun & Bradstreet's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms: 30-90 days

Normal period of credit associated with transactions with companies in the stated country.

Local Delays: 0-1 month

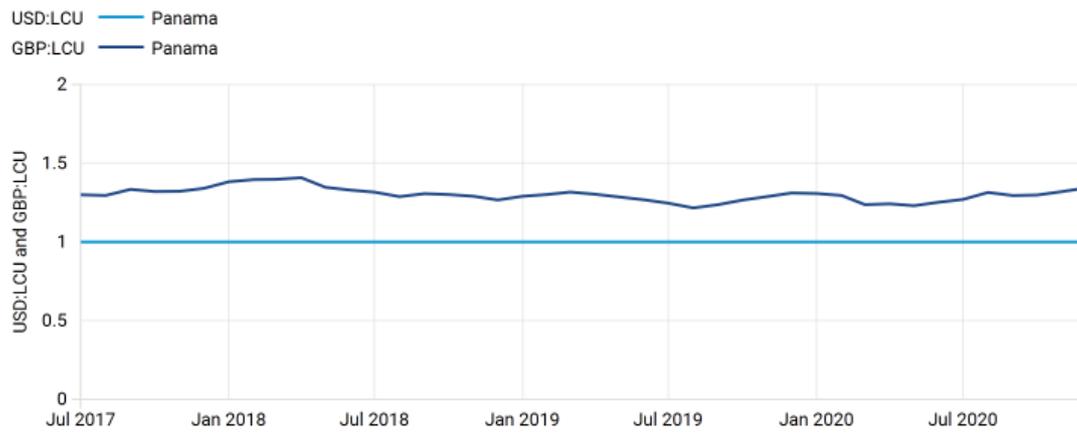
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: No delays reported

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.



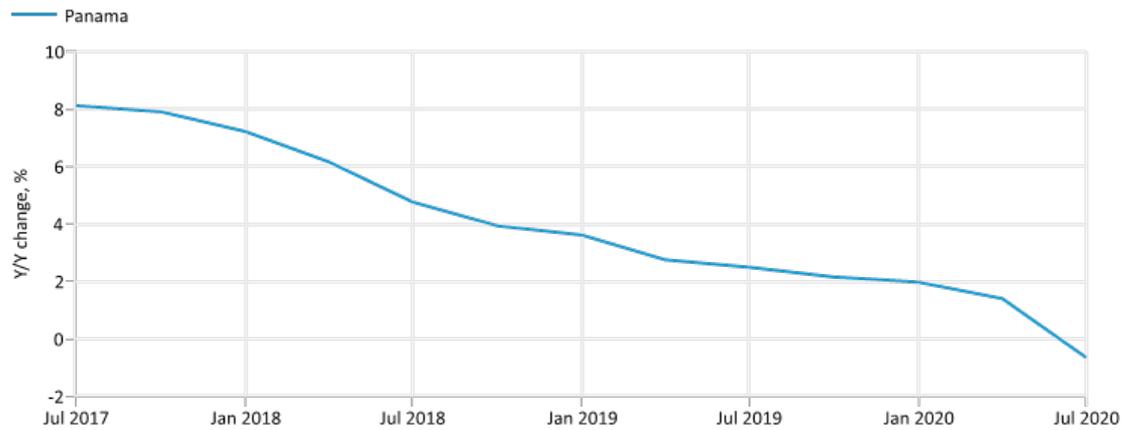
Exchange Rate



Source: International Monetary Fund/Dun & Bradstreet

LCU (local currency unit) = US dollar

Bank Lending to the Private Sector



Source: IMF, Central Banks, Haver Analytics



RISKS AND OPPORTUNITIES

Business Continuity

Increased draught on the Panama Canal will expedite LNG shipments

Freight logistics are set to improve as a result of an increase in the draught limit for vessels transiting the Canal. The Panama Canal Authority increased the permitted draught of vessels passing through the waterway to 50 feet (from 48 feet) as a result of higher levels of rainfall, resource planning measures and efficient water use. An increase in the maximum authorised draught for ships transiting the Neopanamax Locks will enable more containerised cargo to transit the Canal, favourably rendering cost-competitive and efficient logistics services directly associated with larger trade volumes as well as movement of goods to overseas markets. By allowing larger ships to transit, waiting times will be minimised and the number of ships handled on a daily basis is expected to increase, giving a measure of export stability to carriers sending vessels through the Canal. This is a significant development, as one of the major drawbacks experienced by the Canal, particularly over 2020, was low water levels at the Gatun Lake, the main source of water for the waterway, complicating efforts to ensure full draughts for ships to traverse the waterway.

Notably, increased draught limits will assist in expediting critical shipments of liquefied natural gas (LNG), which have in past months faced significant delays on Canal transits to Asia. Increasing shipments of LNG in response to higher Asian demand for LNG amid the peak gas heating season have resulted in significant LNG carrier congestion at the Panama Canal, triggering costly delays for LNG deliveries to Asia. This higher demand for the commodity - combined with seasonal fog, Covid-19 safety procedures and limited availability of transit slots - have, in addition to increasing crossing wait times, resulted in increased daily charter rates to USD350,000/day daily rental (from USD65,000/day in 2020), adding considerable costs to Asian-bound LNG shipments via the Panama Canal. Shippers, especially LNG tankers arriving without a reservation, can, due to relaxed draught restrictions, expect an ease in waiting times and shipping (charter and fuel) costs at the Panama Canal in the outlook period.

Market Potential

New river crossing will boost trade with Costa Rica

Elsewhere, trade and investment ties with Costa Rica are set to benefit from the completion of the new Sixaola Binational Bridge, which is carded for completion in H1-2021. The new bridge, which crosses the Sixaola River, will connect Panama with Costa Rica, one of Panama's main Central American export markets, expediting commercial cross-border trade and improving the efficient transport of domestic freight. Of significance to cross-border road transport operators and other stakeholders with an interest in cross-border business between Panama, Costa Rica and neighbouring Central American markets, the bridge is expected to improve the efficient transport of freight destined for national and international markets, as it will serve as a commercial link between the Port of Colon in Panama and the container terminals in Puerto Limon, Costa Rica. In parallel, the bridge, which will link the provinces of Limon, Costa Rica to Bocas del Toro, Panama will have a critical role in supporting cross-border business in hotels and restaurants, retail and wholesale trade, transport and communications, social and personal services, arising from a ramping up of bi-national tourism and ancillary service activities.



COUNTRY PROFILE AND STATISTICS

Overview

Panama's position at the crossroads of the North and South American continents, and the Pacific and Atlantic Oceans, has shaped its development as a major trans-shipment hub for global trade. The Panama Canal, opened in 1914, has provided the cornerstone for the development of prosperous maritime and trade-related industries, while dollarisation of the economy has underpinned macroeconomic stability and supported the establishment of a dynamic offshore banking sector.

Former President Martin Torrijos' bold leadership and visionary plans for an enlargement of the Panama Canal, as well as his success in pushing ahead with other fiscal and business-friendly reforms, supported an investment boom prior to the economic crisis of 2008, enabling strong economic growth and enhanced competitiveness. Successive presidents have, over the years, largely pursued policy continuity around a centrist platform, as there is still a broad political consensus backing pro-market economic policy-making.

Key Facts

Key Fact	Detail
Head of state	President Laurentino Cortizo Cohen
Capital	Panama City
Timezone	GMT -05-00
Official language	Spanish
Population (millions)	4.3
GDP (USD billions)	61.1
GDP per capita (USD)	14,152
Life expectancy (years)	78.2
Literacy (% of adult pop.)	95.4
Surface area (sq km)	75,520

Source: Various sources/Dun & Bradstreet

Historical Data

Metric	2016	2017	2018	2019	2020e
Real GDP growth (%)	5.0	5.3	3.7	3.0	-9.0
Nominal GDP in USDbn	58	62	65	67	61
Nominal GDP in local currency (bn)	58	62	65	67	61
GDP per Capita in USD	14,356	15,166	15,575	15,797	14,152
Population (year-end, m)	4.0	4.1	4.2	4.2	4.3
Exchange rate (yr avge, USD-LCU)	1.0	1.0	1.0	1.0	1.0
Current Account in USDbn	-4.6	-4.9	-5.1	-3.6	-4.2
Current Account (% of GDP)	-8.0	-7.9	-7.8	-5.4	-6.9
FX reserves (year-end, USDbn)	3.8	3.8	3.1	4.4	4.3
Import Cover (months)	2.1	1.7	1.3	1.6	1.5
Inflation (annual avge, %)	0.7	0.9	0.8	-0.4	-0.8
Govt Balance (% GDP)	-2.2	-1.9	-2.0	-4.1	-7.6

Source: Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2021f	2022f	2023f	2024f	2025f
Real GDP growth (%)	4.0	4.7	4.8	5.0	5.0
Nominal GDP in USDbn	64	66	70	73	77
Nominal GDP in local currency (bn)	64	66	70	73	77
GDP per Capita in USD	14,768	15,110	15,836	16,256	17,068
Population (year-end, m)	4.3	4.4	4.4	4.5	4.5
Exchange rate (yr avge, USD-LCU)	1.0	1.0	1.0	1.0	1.0
Current Account in USDbn	-3.9	-3.4	-3.2	-2.6	-2.6
Current Account (% of GDP)	-6.2	-5.2	-4.7	-3.6	-3.3
FX reserves (year-end, USDbn)	4.4	4.8	5.0	5.3	5.6
Import Cover (months)	1.5	1.7	2.0	2.1	2.3
Inflation (annual avge, %)	0.2	1.1	2.0	2.0	2.0
Govt Balance (% GDP)	-6.5	-3.8	-2.0	-1.9	-1.4

Source: Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Panama	Costa Rica	El Salvador	Honduras	US
Income per Capita (USD)	14,768	11,598	3,928	2,383	67,239
Country Population (m)	4.3	5.1	6.5	10.1	332.9
Internet users (% of population)	57.9	74.1	33.8	31.7	87.3
Real GDP Growth (% p.a., 2021 - 2030)	2.0 - 5.0	2.5 - 4.5	1.8 - 4.2	2.4 - 5.0	1.5 - 3.3

Source: Various sources/Dun & Bradstreet



LINKS

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Please click [here](#) to visit our online user guide.

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