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ECONOMIC AND POLITICAL OVERVIEW

ECONOMIC OVERVIEW

Panama's economy is small, very much open, highly diversified, dollar-driven, and highly competitive by regional standards. Before the pandemic, Panama saw significant income growth, with its income compared to the US rising from 33% to 48% over two decades. This was propelled by rapid development fueled by major projects like expanding the Panama Canal and Tocumen airport, along with growth in service and logistics sectors supported by these projects. Panama was hit hard by the pandemic, but the economic recovery has been strong. In 2023, GDP grew by 7.5%, benefiting from high investment particularly in construction. In late 2023, Panama's Supreme Court deemed the new mining contract with copper mine operator Minera unconstitutional, leading the government to declare its intention to shut down the mine. Consequently, GDP growth is forecasted to drop to 2.5% in 2024 before gradually recovering in the medium term (IMF). The anticipated slowdown primarily stems from the closure of Minera, which directly and indirectly accounted for approximately 5% of Panama's GDP.

Since the peak of the pandemic, there has been notable fiscal consolidation. The fiscal deficit of the non-financial public sector decreased from 4% of GDP in 2022 to 3% in 2023. This decline in the deficit-to-GDP ratio was driven by increased revenues, including payments from the copper mine Minera and land sales to the ACP, alongside reduced public investment, although interest payments saw a significant increase. In 2024, the government aims to further reduce the fiscal deficit to 2%, although the target is seen as ambitious by the IMF, considering that the 2024 budget authorizes an increase in spending of 3% of GDP compared to the 2023 outcome. In 2023, gross public debt slightly decreased to 52.8% of GDP and should decrease marginally to 51.4% by 2025 as per the IMF, although increasing deficit budget may reverse the trend. The average inflation rate decreased from 2.9% in 2022 to 1.5% in 2023 and consistently stayed lower than other regional countries. It is estimated to remain at a low level of 2.2% (year-on-year) by the end of 2024 and around 2% in the following years (IMF).

According to the World Bank, Panama has a GDP per capita (PPP) of USD 39,280; however, despite remarkable progress made by the authorities in recent years, income inequality is among the highest in the region and poverty has increased as a result of the COVID-19 pandemic, especially within the most vulnerable groups. Unemployment, which spiked from 7.1% in 2019 to 18.5% in 2020, fell to approximately 8% in 2023 (IMF). For income convergence to persist, there must be a boost in labor productivity growth. In the 25 years before the pandemic, approximately 75% of Panama's income improvement compared to the U.S. stemmed from a rise in the employment-to-population ratio, rather than faster labor productivity growth. However, it's expected that the increase in the employment-to-population ratio will slow down in the future. According to the IMF, attracting FDI, enhancing educational quality, and decreasing informal employment are crucial steps to foster labor productivity and growth.

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
GDP <i>(billions USD)</i>	76.52	82.35	87.24	92.57	98.20
GDP <i>(Constant Prices, Annual % Change)</i>	10.8	6.0	4.0	4.0	4.0
GDP per Capita <i>(USD)</i>	17,410	18,493	19,346	20,275	21,250

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
General Government Balance <i>(in % of GDP)</i>	-3.7	-2.9	-2.0	-1.5	-1.5
General Government Gross Debt <i>(in % of GDP)</i>	53.7	52.8	52.3	51.4	50.5
Inflation Rate <i>(%)</i>	n/a	1.5	1.9	2.0	2.0
Unemployment Rate <i>(% of the Labour Force)</i>	8.8	8.0	8.0	8.0	8.0
Current Account <i>(billions USD)</i>	-3.00	-2.99	-2.82	-2.73	-2.76
Current Account <i>(in % of GDP)</i>	-3.9	-3.6	-3.2	-3.0	-2.8

Source: IMF - World Economic Outlook Database , October 2021

Country Risk

See the country [risk analysis](#) provided by [La Coface](#).

MAIN SECTORS OF INDUSTRY

The economy of Panama is largely dependent on the mining, agriculture, and timber industries. The country has one of the largest copper ore reserves in the world, as well as large reserves of gold, manganese, and iron. Hydropower is also a major natural resource in Panama as it supplies 60% of all electricity in the country. Additionally, 30% of the country's land is devoted to farming, as agriculture is one of the industries that contributes the most to the economy. Overall, agriculture accounts for 2.6% of GDP and employs 15% of the labour force (World Bank, latest data available) - about 80% of all farmers in the country are family farmers. Panama produces mainly bananas and different varieties of vegetables, maize, sugarcane, rice, coffee, watermelons, cocoa beans, pineapples, potatoes, coconuts, soybeans, timber, milk, livestock, and shrimp. For the agricultural year 2023-2024, the planting of 92,757 hectares has been scheduled, with the participation of 1,680 producers, projecting a harvest of 437,106 metric tons, equivalent to 9,616,332 quintals, with an average yield of 104 quintals per hectare (data National Directorate of Agriculture of the Ministry of Agricultural Development).

The industrial sector is not very developed and contributes 26.2% of GDP, employing 17% of the labour force. More than 40% of Panama's land is forest land, so logging is a big industry in the country. The main industrial activities are in agribusinesses, dairy, sugar refining, apparel manufacturing, petroleum products, chemicals, paper and paper products, printing, furniture, and building. The manufacturing sector as a whole accounts for only 5% of GDP.

Panama's economy is pegged to the dollar and the service industry is the biggest in the country, accounting for 68.1% of Panama's GDP and employing 68% of the workforce. Transport is the most important sector of the service industry, as it comprises the Panama Canal - the government's chief revenue source. Other well-developed sectors are logistics, banking, the Colón Free Zone (a focal point for foreign investment in the manufacturing industry), insurance, container ports, boat registrations, and tourism. Panama is also an important country for offshore banking services.

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Employment By Sector <i>(in % of Total Employment)</i>	15.7	16.8	67.5
Value Added <i>(in % of GDP)</i>	2.6	26.2	68.1
Value Added <i>(Annual % Change)</i>	5.2	12.7	10.4

Source: World Bank - Latest available data.

Monetary Indicators	2016	2017	2018	2019	2020
Panamean Balboa (PAB) - Average Annual Exchange Rate For 1 USD	1.00	1.00	1.00	1.00	1.00

Source: World Bank - Latest available data.

FOREIGN TRADE

Panama is mainly export-oriented and highly dependent on trade, which represents 87% of GDP (World Bank, latest data available). The country also has one of the largest trading fleets in the world. In 2022, copper and banana exports emerged as the primary export leaders, comprising 76.6% and 3.5% of the total, respectively. Following closely were frozen shrimp exports at 1.6%, crude palm oil at 1.4%, and medicines at 1.3%. The top imports included petroleum oils (20.8%), motor vehicles (4.9%), medicaments (4.2%), petroleum gas (1.8%), telephone sets (1.4%), and maize (1.3% - data Comtrade).

In 2022, the country's main export partners were China (32.7%), Japan (15.0%), South Korea (7.4%), India (6.5%), Germany (6.4%), and Spain (4.3%), whereas imports came chiefly from the United States (24.2%), China (10.8%), Mexico (4.3%), Costa Rica (3.3%), and Colombia (3% - data Comtrade). The expansion of the canal has more than doubled its capacity, allowing it to accommodate vessels that were originally too wide with the United States and China being the first users of this vessel type. The country has trade agreements with the United States, Mexico, Peru, Canada, Chile, Singapore, Taiwan, and Israel. Panama is also a member of the "Central American Integration System" (or SICA), a regional institution whose main purpose is to promote integration between Central American countries, fostering security, freedom, democracy, and social development within the region. Additionally, Panama is also one of the countries in the Central America-EFTA agreement, as well as the Central America-EU agreement.

According to the last available data from WTO, Panama imported USD 29.2 million worth of goods and USD 5.9 million in services in 2021. Over the same period, the country exported USD 15.2 billion in goods and USD 15.9 million in services. Between January and July 2023, Panama reached its highest export earnings in a seven-month period, totaling USD 2.36 billion. A substantial amount, USD 1.65 billion, stemmed from copper exports. In contrast to the corresponding period in 2022, total exports have increased by 10.7%, reflecting robust economic expansion across diverse sectors (data Ministry of Commerce and Industries).

Foreign Trade Values	2018	2019	2020	2021	2022
Imports of Goods (million USD)	23,006	21,492	14,740	20,596	29,249
Exports of Goods (million USD)	11,480	11,318	9,483	13,161	15,278
Imports of Services (million USD)	5,209	5,113	3,212	4,143	5,985
Exports of Services (million USD)	13,547	13,734	8,192	10,648	15,982

Source: World Trade Organisation (WTO) ; Latest available data

Foreign Trade Indicators	2018	2019	2020	2021	2022
Trade Balance (million USD)	-9,207	-7,532	-2,802	-3,591	-9,299
Trade Balance (Including Service) (million USD)	-869	1,089	2,178	2,914	453

Source: World Bank ; Latest available data

Foreign Trade Forecasts	2023	2024 (e)	2025 (e)	2026 (e)	2027 (e)
Volume of exports of goods and services (Annual % change)	7.2	7.4	5.6	4.2	4.3
Volume of imports of goods and services (Annual % change)	2.2	11.5	5.7	4.6	5.2

Source: IMF, World Economic Outlook ; Latest available data

Note: (e) Estimated Data

International Economic Cooperation

Panama joined the WTO in 1997. It made a free-exchange agreement with Taiwan (2004), Salvador (2003) and Canada (2009) on the elimination of tariffs in sectors of industry, agriculture, forestry and fishing. The country is currently negotiating with the United States. Panama has also shown interest in negotiating with MERCOSUR and has been invited to join the G3 (which unites Venezuela, Colombia and Mexico). Finally, Panama signed a [Free Trade Agreement with Canada](#).

Main Partner Countries

Main Customers (% of Exports)	2022
China	32.7%
Japan	15.0%
South Korea	7.4%
India	6.5%
Germany	6.4%
See More Countries	32.0%

Main Suppliers (% of Imports)	2022
United States	24.2%
China	10.8%
Mexico	4.3%
Colombia	3.0%
Brazil	2.2%
See More Countries	55.5%

Source: Comtrade, Latest Available Data

POLITICAL OUTLINE

Current Political Leaders

President: Laurentino "Nito" Cortizio Cohen (since 1 July 2019)

Vice President: José Gabriel Carrizo Jaén (since 1 July 2019)

Next Election Dates

Presidential: 5 May 2024

National Assembly: 5 May 2024

Main Political Parties

Panama's political system is based on a multi-party system where parties work together to form coalition governments. The country's major political parties are:

- [Democratic Revolutionary Party](#) (PRD): centre-left, populist, social-democratic
- [Democratic Change](#) (CD): centre-right, opposition, works toward continued economic growth and better infrastructure
- [Nationalist Republican Liberal Movement](#) (MOLIRENA): centre-right, pro-business, liberal, conservative. Allied with the CD
- [Panamenista Party](#) (PP): right-wing, populist, conservative
- [Another Way Movement](#) (MOCA): big-tent
- [Realizing Goals](#) (RM): centre-right to right-wing
- People's Party (PP): centre-right, christian democracy, conservative. Formerly known as Christian Democratic Party or PDC.

Executive Power

The president is both the chief of state and the head of the government. The president and the vice-president are elected by popular vote to serve a five-year term and are not eligible for a consecutive re-election. The president appoints the Cabinet and has executive powers, which include the implementation of the law within the country and running the day-to-day affairs.

Legislative Power

The legislature in Panama is unicameral. The parliament, called the National Assembly, has 71 seats and its members are elected by popular vote for five-year terms. The legislature is a branch of the power which is equal to and independent of the executive. Legislative power is vested in both the government and the National Assembly.

COVID-19 COUNTRY RESPONSE

Travel restrictions

Regularly updated travel information for all countries with regards to Covid-19 related entry regulations, flight bans, test and vaccines requirements is available on [TravelDoc Infopage](#).

To find information about the current travel regulations, including health requirements, it is also advised to consult Travel Regulations Map provided and updated on a daily basis by [IATA](#).

Import & export restrictions

A general overview of trade restrictions which were adopted by different countries during the COVID-19 pandemic is available on the [International Trade Centre's COVID-19 Temporary Trade Measures](#) webpage.

Economic recovery plan

For the general overview of the key economic policy responses to the COVID-19 pandemic (fiscal, monetary and

macroeconomic) undertaken by the government of Panama, please consult the country's dedicated section in the [IMF's Policy Tracker platform](#).

Support plan for businesses

For an evaluation of impact of the Covid pandemic on SMEs and an inventory of country responses to foster SME resilience, refer to the OECD's [SME Covid-19 Policy Responses](#) document.

You can also consult the World Bank's [Map of SME-Support Measures in Response to COVID-19](#).