



Directorate of Economic and Social Analysis

Preliminary report of the economic and social activities January to April 2017¹

Summary. Global economy is improving as manufacturing and commerce is becoming more dynamic. The same happened with the national economy, which has been strengthened mainly by the generation of electricity, construction, wholesale and retail trade and transportation sectors. Even though the rate of inflation increased some products and services such as communications were not affected. Furthermore, the average caloric cost of a significant number of products from the food basket for the districts of Panama and San Miguelito and the rest of the country became cheaper.

I. International Economic Environment

Global economic activity improved after manufacturing and trade were boosted by greater confidence on international financial markets. This, in turn, allowed a wide availability of financial resources thereby improving their purchasing capacity at international level. All this after two years (2015 and 2016) of a somehow weak global behavior characterized by diminished international production and trade. This was stated by the World Bank (WB), which estimates strong global growth of 2.7% for 2017 and 2.9% for 2018.

For Latin America and the Caribbean (LAC), growth seems to stabilize for this year (2017), but not all member countries show the same behavior. Brazil and Argentina appear to be emerging from their recession, Colombia somewhat slowing down, Mexico with modest growth, Chile and Peru growing moderately, and in Venezuela hyperinflation and other factors continue to significantly affect its economy. The WB estimates for LAC a growth of 0.8% for 2017 and projects 2.1% for 2018 while for Panama estimates are at 5.2% and 5.4% for 2017 and 2018, respectively.

II. National economic Performance

2.1 Power supply sector

The national supply of electricity increased by 18,799 Mwh or 0.6% from January to April compared to last year when the increase was 15 times higher than this year (282,976 Mwh or 9.1% more).

To a large extent, this slowdown in the growth of the supply of electricity is due to a reduction in the demand, accumulated to April, of 18,315 Mwh or 0.7%. The reduction came from three main consumers who together demanded 96.2% of the energy sold: commerce (-0.8%), households (-0.3%) and Government (-0.1%).

Although less electricity was generated by thermal plants (16.2%), the wholesale market for Panamanian electricity showed increasing marginal costs month after month. From January to April it averaged B/.81.08 / Mwh of energy, which represented an increase of 23.1% over the same period of 2016, when this cost averaged B/.65.87 / Mwh.

2.2 Construction

Number of projects, investment, and areas of construction: January to April 2013 - 2017^{a/}

Year	Number of projects	Investment (million of dollars)	Area (thousand square meters)
2013	3,129	526.8	978.5
2014	4,793	652.2	1,118.0
2015	4,605	668.5	1,047.3
2016	3,152	668.9	1,381.9
2017	4,298	796.1	1,517.5

^{a/} Corresponds to solicitations for construction permits in the following districts: Aguadulce, Arraiján, Colón, Chitré, David, La Chorrera, Panamá, San Miguelito y Santiago.

Source: National Statistics and Census Institute.

The value of construction permits totaled B/.796.1 million (19.0% or B/.127.2 million more). The invest-

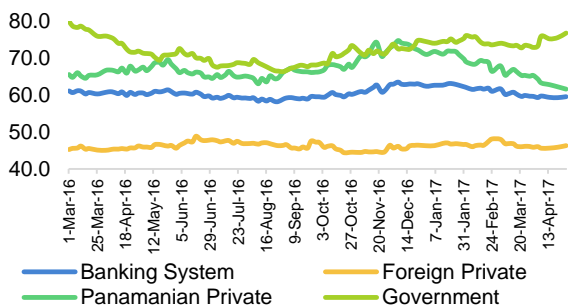
¹ Unless otherwise stated, the variations indicated in this report are estimated in relation to the same period of the previous year.

ment was boosted by growth in both types of construction permits: commercial (20.8%) and residential (17.5%). The number of projects grew (36.4%), and so did the construction areas (9.8%), encouraged by new housing units.

2.3 Banking

From January to April this year the average liquidity index for the National Banking System was 62.1%, demonstrating that the sector is still solid. By type of bank, the government sector showed a liquidity index of 74.0%, followed by foreign private banking with 70.1%, while domestic private banking registered 46.5%.

Liquidity index of the National Banking System, according to month and day of information and by origin of the bank: Years 2016 and 2017



Source: Superintendence of Banks of Panama.

In recent months the average interest rates on loans charged by the National Banking System have increased in some sectors. In this respect, the highest increases occurred in loans to personal consumption, rising from 9.5% in April 2016 to 10.8% in the same period of 2017 (1.3 percentage points more); and agriculture, from 5.5% to 6.1% (0.6 percentage point more). These increases are not only influenced by the international rates, but also by the competition of the different banking institutions as well as the behavior of the economy.

2.4 Insurance

Average number of policies subscribed, Premium income and claims payments: January to April 2016 and 2017

Year	Average number of subscribed policies	Million of dollars	
		Premium Income	Claims Payments
2016	1,385,925	458.3	175.5
2017	1,484,499	475.2	213.3

Source: Superintendence of Insurance and Reinsurance of Panama.

Insurance companies subscribed a higher number of policies (98,574 or 7.1% more), totaling 1,484,499, which in turn contributed to higher premiums B/.475.2 million (3.7% more).

Claims rate increased from B/.175.5 million on April last year to B/.213.3 million this year.

2.5 Stock Exchange

Transactions were carried out for B/.1,534.2 million accumulated to April, B/.431.5 million or 22.0% less. Primary market transactions accounted for (B/.825.2 million) and buybacks (B/.238.9 million) decreased. Secondary market transactions (B/.470.1 million) increased.

Transactions carried out at the Stock Exchange, according to market and financial instrument: January to April 2016 and 2017

(Million of dollars)

Values and market	2016	2017	Variation	
			Absolute	Percent
Total.....	1,965.6	1,534.2	-431.5	-22.0
MARKET				
Primary Market	1,027.4	825.2	-202.2	-19.7
Secondary Market.....	432.0	470.1	38.1	8.8
Buybacks	506.2	238.9	-267.3	-52.8
ENTITIES				
Private.....	1,400.5	970.6	-429.8	-30.7
Government.....	565.2	563.5	-1.6	-0.3

Source: Stock Exchange of Panama

2.6 Wholesale and retail trade

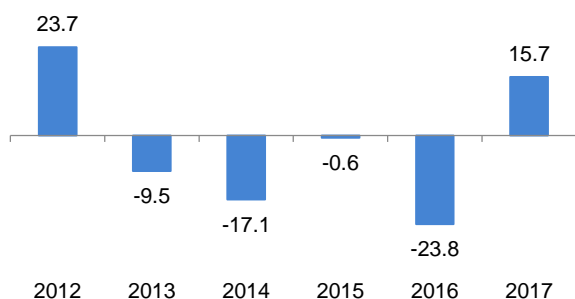
This activities continued to grow in the first four months of the year due to the performance of the Colon Free Zone (CFZ) and the local wholesale trade.

The re-export sales of the CFZ grew B/.456.2 million or 15.7%. Re-exports during this year have increased for four consecutive months (January: 9.3%, February: 36.9%, March: 6.0% and April: 13.3%), which did not occur since 2012; on a cumulative basis it is the first time, in the four month period of 2017, showing sales growth figures since 2012. The increase in re-exports to Puerto Rico (B/.512.4 million) has been a key factor in the sales improvement of prescription drugs distributed from the CFZ.

The value of imports of wholesale trade grew by B/.291.7 million or 8.3% accumulated to April 2017 compared to the same period of 2016. Sales were driven by imports of consumer goods 17.8%, of

which all groups had growths: fuel (37.8%), domestic utensils (16.8%), semi-durable (8.2%) and non-durable goods (7.1%).

Percentage change in the value of re-exports at the Colon Free Zone: January to April 2012 - 2017



Source: National Institute of Statistics and Census.

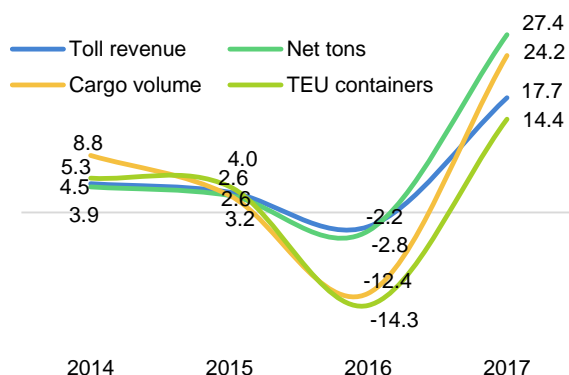
2.7 Transportation, storage, and communications.

According to the national economic indicators of the National Institute of Statistics and Census (INEC), 4,960 vessels went through the Panama Canal, 5.5% more than in 2016, increased traffic of both high draft (4.1%) and low draft vessels (13.1%).

The Panama Canal Authority (ACP) reported B/.753.3 million in toll revenues, up 17.7%, net ton movement was 27.4% higher this year and cargo volume increased 24.2%. In April the first passenger ship crossed through the new set of locks and was the beginning of a new business opportunity for this type of segment, according to ACP.

The National Port System moved 27.9 million metric tons, 16.7% more cargo, due to the dynamism of the containerized cargo (19.6%), bulk (13.9%) and, to a lesser extent, general cargo (3.7%). The ports: Panama Ports, Cristobal, Balboa, Manzanillo International Terminal, and Colon Container Terminal moved 2.2 million TEU, 14.4% more.

Percentage change of Transportation indicators, storage and communications: January to April: 2014 - 2017



Source: National Statistics and Census Institute.

2.8 Other community, social, and personal service activities.

Measured by the indicators on leisure activities they grew 0.5%. The increase was driven mainly by bets on slot machines type A (0.6%) and sports betting rooms (40.0%).

2.9 Manufacturing Industries.

The activity is boosted with increases in most of its main indicators. The food side of the business increased mainly by the production of evaporated milk, powdered and condensed (5.2%), natural milk (0.9%) and pasteurized (1.4%).

Some exports also increased, unrefined sugar (40.3%), fishmeal and fish oil (357.3%) and beef meat (5.6%).

Non-metallic mineral production continued to grow, with both ready-mixed concrete (13.5%) and gray cement (6.6%) meeting an upward demand in the construction sector

2.10 Agriculture, livestock, hunting, and forestry.

Livestock breeding continued to grow in some activities. Beef and veal (104.7 thousand heads), pork (163.1 thousand heads) and chicken (54.6 metric tons) were offered for consumption and industrial purposes; last two in greater quantities than the previous year (0.9% and 0.7%, respectively).

Agricultural exports fell 14.9%. Less live animals were sent to overseas markets (bovine thoroughbred livestock 68.3%), but more frozen meat in boneless and bone-in pieces (12.3%) and edible bovine and porcine offal, fresh, chilled or frozen (9.7 %). The main markets were China-Taiwan, Jamaica, Spain, Mexico and Hong Kong.

Livestock production in Panama: January to April 2013 - 2017

Year	Slaughter of cattle (in thousand heads)				Production of poultry	
	Bovine		Porcine		Metric tons	% change
	Slaughtered animals	% change	Slaughtered animals	% change		
2013	128.5	..	144.7	..	42.6	..
2014	122.4	-4.6	141.0	-2.6	47.4	11.4
2015	126.9	3.6	145.9	3.4	50.0	5.4
2016	115.5	-9.0	161.6	10.8	54.2	8.4
2017	104.7	-9.3	163.1	0.9	54.6	0.7

Source: National Statistics and Census Institute.

2.11 Fishing

Fish exports were 8.3% less from January to April. Exported less quantities of salmonids (22.6%), cobia fish (15.0%), swordfish (29.1%) and shrimp and prawns (23.3%), considering that climatic conditions were not the most favorable for catching species and that the period of the prohibition season of the shrimp ended on the first days of April.

Main fishing exports:
January to April 2016 and 2017

Tariff category	2016		2017	
	Gross weight (metric tones)	FOB Value (thousand of dollars)	Gross weight (metric tones)	FOB Value (thousand of dollars)
Total.....	11,758.7	33,299.5	10,784.0	30,151.9
Fish	8,585.3	22,137.5	8,896.5	21,374.6
Fresh or chilled	4,434.9	12,546.8	5,161.9	13,581.1
Frozen.....	3,659.3	8,034.4	3,184.5	5,548.8
Fillets and other fish meat	490.4	1,540.6	550.0	2,244.7
Dry, salted or in brine.....	0.7	15.6	0.0	0.0
Crustacean.....	1,909.3	10,092.6	1,547.5	8,498.1
Molluscs	1,156.1	913.4	256.3	167.6
Aquatic invertebrates	108.0	156.0	83.8	111.6

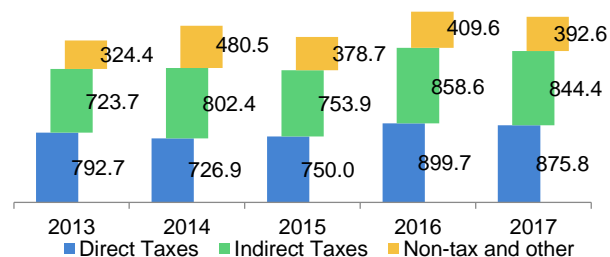
Source: National Statistics and Census Institute.

III. Fiscal update

Current revenues from Central Government were B/.2,158.5 million: B/.2,112.8 million in cash and B/.45.7 million in tax credits. Cash revenues decreased by B/.55.1 million (2.5%), mainly due to the lower collection of corporate income tax (B/.81.6 million less), and no lagged dividends from the Panama Canal (B/.39.1 million less) as in the previous year. Among those that increased is worth mentioning the income tax withheld from payrolls (B/.48.5 million more). Non-financial Public Sector debt amounted to B/.21,922.80 million (B/.532.7 million or 2.5% more than same period the year before).

Current cash revenues of Central Government, by type: January to April 2013 - 2017

(In million dollars)



Source: Ministry of Economics and Finance

IV. Cost of living

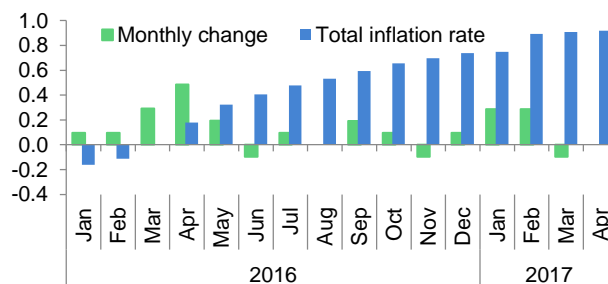
4.1 Inflation rate

From January to April inflation was 0.92% higher than that registered in 2016 (0.18%). The one at the districts of Panamá and San Miguelito was 0.44% and the rest of the country reached to 1.1%, in the latter the effects of the cost of transportation were more significant than in the city. In 2016 they were 0.10% and 0.15%, respectively.

Of the 12 groups of goods and services, Communications experienced a reduction in the price level (1.5%), with telephone equipment being more affordable (4.4%) and mobile telephone services (1.7%) given the availability of options offered by the service providers. The rest of the group showed a higher level of prices, 6 of them not higher than 1%, i.e.: food and non-alcoholic beverages (0.14%), recreation and culture (0.18%) and furniture, household goods and regular household maintenance (0.38%); the remaining 5 ranged from 1.1% to 2.9%, especially: education (2.9%) because of higher prices for high school (4.2%); transportation (2.7%) because of automobile fuel (10.2%) and housing, water, electricity and gas (1.6%), because of cooking gas (11.5%).

Monthly change of Price index paid by the local consumer and rate of domestic inflation, per month:
Years 2016 and 2017

(Percent)



Source: National Institute of Statistics and Census and Ministry of Economy and Finance.

The consumer price index (CPI) for April remained unchanged from the previous month. There were more groups of goods and services available to the population since out of twelve groups six showed lower CPI, among them the ones with the greatest structural weight in the index: food and non-alcoholic beverages (0.10%), where meat prices went down

4.2 Family food basket

The average caloric cost (from January to April) of the basic family food basket was B/.307.68 in the districts of Panama and San Miguelito, B/.1.79 or 0.59% more than last year, while the urban rest of the country cost was B/.281.95, B/.2.62 or 0.94% more.

Out of the 59 foodstuff items in the basket in Panama and San Miguelito 25 were cheaper, among them: yuca (11.2%), sausage (11.1%) and oranges (8.1%); while in the urban rest of the country were 19, the cheaper were: lean pork (9.1%), sausages (8.4%) and vegetable oil (4.5%).

V. Social update

5.1 Employment contracts

According to preliminary figures from the Ministry of Labor and Labor Development (MITRADEL) a total of 140,992 work contracts were registered at the main offices and regional offices, 6,496 or 4.4% less than the previous year. 90.1% of the decline corresponded to the lower enrollment in Panama City's central offices (5,855 or 6.0% less), especially those without maturity dates (6,154 or 20.8% less). There were fewer registrations of employment contracts (in absolute terms) for activities such as: transportation, storage and mail (3,968) and wholesale and retail trade - including free zones- (1,322). Meanwhile, in the set of regional directorates, the number of contracts was below those of the previous year at 641 or 1.3%.

Number of registered employment contracts, by type: January to April 2015 – 2017 (P)

Type	2015	2016	2017
Total.....	<u>148,124</u>	<u>147,488</u>	<u>140,992</u>
Fixed time contracts..	57,310	58,011	58,377
Unlimited time	35,989	36,802	31,190
Fixed project	54,825	52,675	51,425

Source: Ministry of Work and Labor Development.

5.2 Education

Job Training

The training offered at the National Institute of Vocational Training and Training for Human Development

(0.67%), oils and fats (0.21%) and transportation (0.19%) because of cheaper airplane tickets (26.3%). The recreation, culture and education groups did not show changes and the rest showed increases such as: restaurants and hotels (0.08%) and health (0.09%).

(INADEH) accumulated to April 2017 has managed to incorporate 3,397 people more than 2016. In total, 33,381 people enrolled, 42.8% have graduated, and the rest are still being trained. More women were trained (54.1%) than men (45.9%).

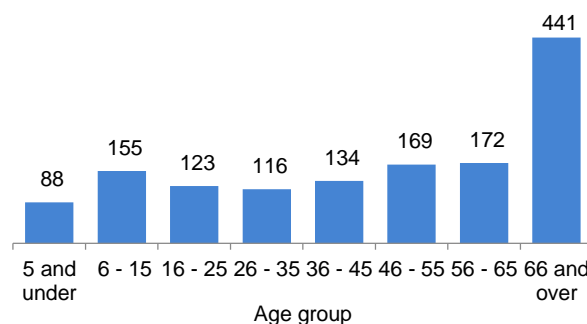
Training courses on commerce and services sector (66.9%) were more attractive to students since they allow a rapid insertion in the labor market. The Industrial sector courses were the most attended in the civil construction field, attributable to the large construction projects carried out by the State and requiring skilled labor. Meanwhile, the agricultural sector increased its enrollment by 19.4%. The training centers located in Tocumen and Puerto Escondido in Colón served the largest number of students: 35.0% and 15.0% of the total, respectively.

Literacy Programme

The "Muévete por Panamá" literacy program trained 480 people between January and April, 76.5% women and 23.2% men. Compared with 2016 there were 29 more people. The highest number of registered people were in Bocas del Toro (61 more), Herrera (11), Darién (7), Chiriquí (4) and Ngäbe Buglé (10). Proportionately, the provinces with the largest participation in the aggregate were Bocas del Toro (27.5%), Chiriquí (27.1%), Panama West (8.1%), and Ngäbe Buglé (19.8%).

5.3 Helping people with disabilities

Number of people with disabilities that benefited from the programs, by age group: January to April 2017



Source: National Secretariat for Disability.

The National Disability Secretariat (SENADIS) has benefited 1,398 people with physical and/or mental

disabilities that also live in poverty and social vulnerability. 174 or 11.1% less people than the same period in 2016.

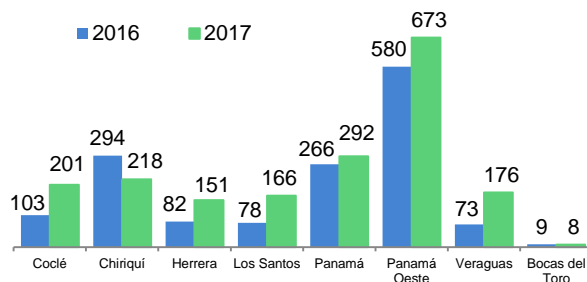
The entity distributed B/.197,353 as follows: B/.105,390 to set up 142 family businesses; B/.87,913 to purchase hearing aids, prostheses (orthotics of feet, ankle, hip) and wheelchairs, and B/.4,050 to cover health and education expenses of 27 people.

By age group, 17.4% were under 16 years of age, 17.1% were between 16 and 35 years of age, 21.7% were between 36 and 55 years old and 43.8% were 56 years of age or older.

5.4 Solidarity Fund for Housing

The government allocated B/.17.4 million for the acquisition of 1,885 housing solutions, 297 with a five thousand dollar bond and 1,588 with a ten thousand dollar bond and benefiting 7,275 poor people (families with monthly income up to B/.1,200.00). They were 451 people or 6.6% more than the one accumulated to April 2016.

Number of resolutions issued in the Solidarity Housing Fund program, by province: January to April 2016 and 2017



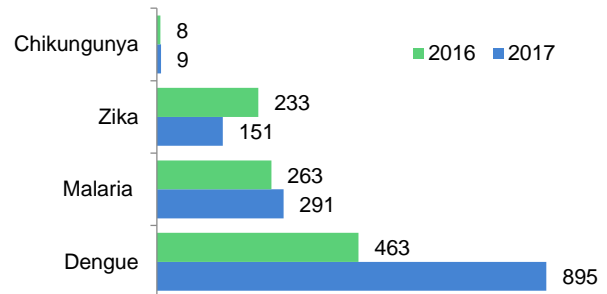
Source: Ministry of Housing and Territorial Ordering.

The largest number of housing resolutions were granted in Panama West (673), Panama (292), Chiriquí (218) and Coclé (201), totaling B/.12.6 million or 72.6% of the total donations. The lowest number was registered in Bocas del Toro (8) and Los Santos (166).

5.5 Epidemiology

According to data from the Ministry of Health (MINSa) between January and April the number of people infected with mosquito *Aedes aegypti* (Dengue, Zika, Chikungunya and yellow fever) and *Anopheles* (Malaria transmitter) increased by 379 or 32.9 percent, from 967 in 2016 to 1,346 in 2017. The most affected health regions were Panama Metro, West Panama, Herrera and Bocas del Toro.

Dengue confirmed cases, Chikungunya, Zika and Malaria: January to April 2016 y 2017



Source: Ministry of Health.

895 cases of Dengue were detected (93.3% more); 291 of Malaria (10.6% more); 151 of the Zika virus, being the only one that managed to decrease the number of cases compared to the previous year (35.2%). Meanwhile, the number of people infected with Chikungunya virus has remained stable (less than 10 cases).



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Ministerio de Economía y Finanzas

Dulcideo de la Guardia
Ministro
Iván Zarak
Viceministro de Economía
Eyda Varela de Chinchilla
Viceministra de Finanzas

Dirección de Análisis Económico y Social
Raul Moreira Rivera
Director
Margarita Aquino Cornejo
Subdirectora
Teléfono: 00 (507) 507 7072