

Directorate of Economic and Social Analysis

Preliminary report of the economic and social activities  
January to May 2017<sup>a</sup>

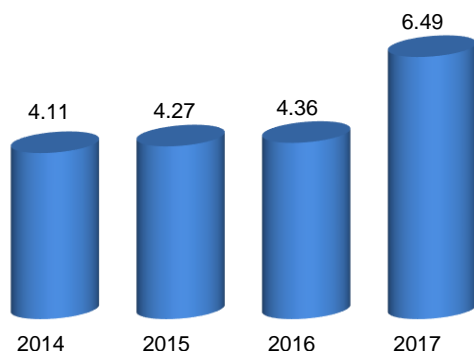
**Summary.** Panama's economic activity remained strong, with the Monthly Index of Economic Activity (IMAE) growing, a better performance at the Colon Free Zone and wholesale trade. Construction investment looks promising with new projects, especially in the districts of San Miguelito and Colón. The Canal also contributed to the economic boom, with an increased number of ships crossing the route which generated higher toll revenues. Regarding tax revenues, although the receipts declined in relation to the previous year, they were notoriously higher in this month of May. The performance of the national economy, in turn, allowed for relatively stable inflation and the continuation of social and infrastructure programs.

I. Economic performance

1.1 Monthly index of economic activity (IMAE)

It grew 6.49% accumulated from January to May 2017 compared to the same period of 2016, being the highest growth in the original series since 2013.

IMAE Growth:  
January to May 2013 - 2017  
(Percent)



Source: National Statistics and Census Institute.

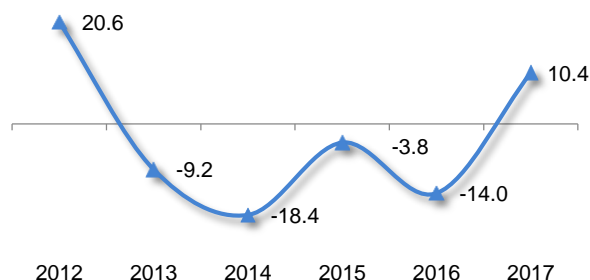
The activities that achieved the highest growth were: Construction; Exploitation of mines and quarries; Transport, storage and communications; Electricity and water and Public administration.

1.2 Wholesale and retail trade

At the Colon Free Zone, re-exports grew by B/.416.6 million or 10.4% compared to the previous year, this is the first increase for the same period since 2012. Gross sales to Puerto Rico increased B/.407.1 million or 64.4% especially the distribution of drugs.

Wholesale trade continued to grow with imports increasing (B/.364.9 million or 8.0%), especially goods for consumption (18.6%).

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



Source: National Statistics and Census Institute.

Retail indicators differed in performance. Sales of fuels used for vehicles and households such as gasoline (5.9%), liquefied petroleum gas (4.5%) and diesel (2.8%), grew; not so bunker C (-25.2%) most used in power generation. Car sales decreased by 10.6%, and only two segments had growth, stood out SUVs (249 units or 3.1% additional). Trends in household consumption coupled

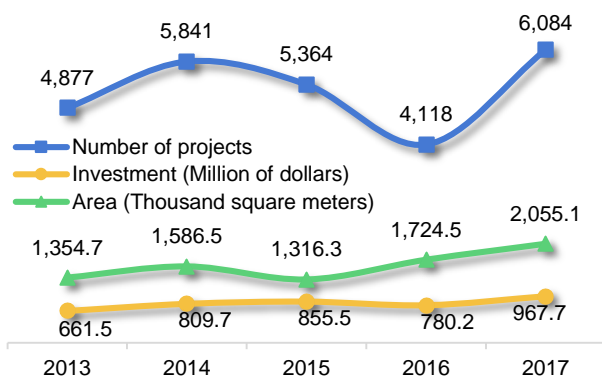
<sup>a</sup> Unless otherwise stated, the variations indicated in this report are estimated in relation to the same period of the previous month.

with the effective cost of financing may be impacting the downturn.

### 1.3 Construction

The value of construction permits totaled B/.967.7 million (B/.187.5 million or 24.0% more). The residential ones increased 34.7% and commercial 12.2%. By district the areas that increased were San Miguelito (165.3%) and Colon (93.8%), and in Panama the residential permits increased (25.4%).

Number of projects, investment and areas of construction: January to May 2013 - 2017<sup>a/</sup>

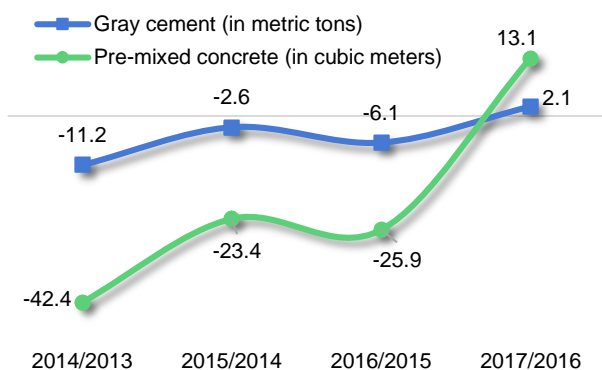


<sup>a/</sup> Corresponds to solicitations for construction permits in the following districts: Aguadulce, Arraiján, Colón, Chitré, David, La Chorrera, Panamá, San Miguelito y Santiago.

Source: National Statistics and Census Institute.

After three consecutive years of decline, mining and quarrying experience an increase in the extraction of stones and sand (146,443 additional metric tons), thanks to a higher production of ready-mix concrete (13.1% or 68,113 cubic meters more). The production of gray cement also increased (2.1% or 17,264 metric tons).

Percentage change of construction indicators: January to May 2013 - 2017

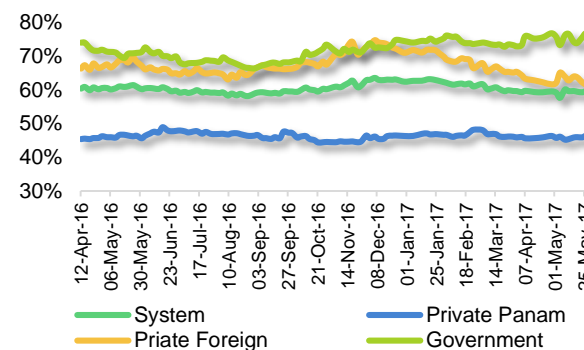


Source: National Statistics and Census Institute.

### 1.4 Banking

The average liquidity index from January to May 2017 was 61.5%, a sign of good health in the National Banking System. The government banking sector stood out with 74.2% and the foreign private sector with 68.5%, while local private banking in Panama registered 46.4%.

Liquidity Index of the National Banking System according to month and day of information and by bank's origin: Years 2016 and 2017



Source: Superintendencia of Banks of Panama.

Regarding issues of financial transparency in May 2017 Argentina and Panama signed an agreement that will allow the exchange of data on bank accounts from citizens of both countries, starting in 2018.

### 1.5 Stock Exchange

At the Panama Stock Exchange, B/.1,891.9 million were traded, 39.9% less, attributable mainly to the decrease in transactions in the primary market (B/.854.6 million less) and buybacks (B/.402.3 million less).

In the primary market, they were mainly private sector instruments: tradable securities (B/.312.8 million) and bonds (B/.273.0 million); and the public sector: Treasury bills (B/.199.8 million). In addition, B/.169.9 million were traded in Treasury Bonds. In the secondary market, these were Treasury Notes (B/.274.1 million), bonds (B/.138.4 million) and shares (B/.114.5 million) of the private sector.

Buybacks amounted to B/.278.42 million, mainly bonds. Up to May 3,026 transactions were made, 251 more.

At the stock market shares rose 74.3% (B/.24.1 million); almost B/.3.0 million shares traded. (B/.1.6 million more). This was reflected in the stock index (426.53) with an increase of 9.5% compared to 2016

Transactions carried out at the Stock Exchange,  
according to market and financial instrument:  
January to May 2015 - 2017

Market	2015	2016	2017
Total			
Total .....	1,549.30	3,149.77	1,891.92
Primary .....	863.35	1,885.74	1,031.18
Secondary .....	636.63	583.33	582.31
Buybacks .....	49.32	680.70	278.42
N°. of transactions .....	2,570	2,775	3,026
Stock Market			
Value of transactions, million of dollars .....	91.45	32.38	56.44
Stock Index (Dec 2002=100) .....	425.88	389.41	426.53
Number of shares, thousand of units .....	2,872.67	1,349.74	2,989.24

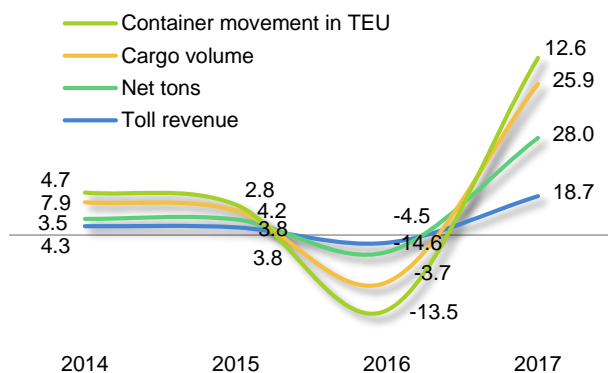
Source: Stock Exchange of Panama

JP Morgan's Emerging Markets Bond Index (EMBI) was 152 points, on average, during the month of May, offering Panama one of the lowest investment risks in the region.

### 1.5 Transportation, storage, and communications

Data from the National Institute of Statistics and Census reported a transit of 6,083 vessels through the Panama Canal, 5.4% more.

Percentage change of Transportation Indicators,  
storage, and communications:  
January to May 2014 – 2017



Source: National Statistics and Census Institute.

Toll revenues totaled B/.939.8 million, 18.7% more; the movement of net tons increased 28.0% and cargo volume 25.9%. In May, the largest container vessel named OOCL France crossed the canal.

The National Port System moved 34.7 million metric tons, 14.7% more. Bulk cargo increased by 14.5% and containerized cargo by 15.3%; while overall cargo decreased 7.6%.

The TEU movement was B/.2.8 million (12.6% more), impacted by the dynamism of the following ports: Cristobal (74.9%), Colon Container Terminal (15.3%), Manzanillo International Terminal (10.3%) and Balboa (2.4%).

### 1.6 Electricity

Power supply increased by 0.9% between January and May 2017, compared to the previous year, attributable to the growth of solar generation (249.8%) and hydroelectric generation (23.0%).

Percentage change of total power supply by type  
of generation:  
January to May 2014 - 2017

Year	Supply	Hidraulic	Wind	Solar	Thermal
2014	1.2	-27.3	..	..	25.1
2015	9.6	75.8	67.1	29.9	-30.4
2016	8.5	-17.0	254.0	5,648.8	29.1
2017	0.9	23.0	-20.9	249.8	-21.3

Source: National Statistics and Census Institute.

Electricity billing by power distributors decreased (0.1%), as a result of the drop in the demand of businesses (0.3%) and industries (4.6%). On the other hand, the demand of large customers increased (25.0%).

On average, the marginal cost of producing a Mwh of electricity went from B/.67.51/Mwh in May 2016 to B/.76.67/Mwh this year. The main reason was the average increase in the price of a barrel of oil, from B/.37.40 to B/.50.97 per barrel, in the same period, according to the U.S. Energy Information Administration.

### 1.7 Manufacturing Industry

The dynamism of this activity continues as shown by the increases in most of its main indicators. The production of natural milk (3.2%), pasteurized (3.1%) and evaporated, condensed and powdered milk (2.3%) increased. The production of alcoholic beverages also increased by 11.8%

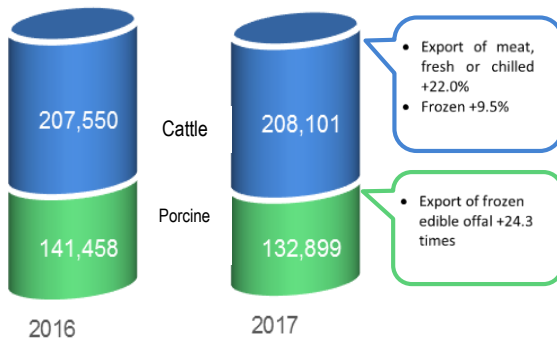
Exports of fishmeal and fish oil (168.8%), coffee (266.2%) and beef (7.5%), increased.

## 1.8 Agriculture and livestock

Poultry production continued to grow. 68,520 metric tons of chicken meat were produced, 1.9% more than the one accumulated to May of the previous year. Production mainly supplied to Panama's domestic market.

Pork production, measured by the amount of heads slaughtered, was 0.3% more. Frozen edible offal of this species was sent to Hong Kong (44.9% of the total), China-Taiwan (31.3%) and United States (23.8%).

Slaughter of cattle and pigs and percentage growth of metric tons exported from related livestock products: January to May 2016 and 2017



Source: National Statistics and Census Institute.

In relation to bovine production the slaughter of cattle was lower 6.1% as well as the export of live bovine breeders 65.8%. However, 22.0% more metric tons of boneless, fresh or chilled beef and 9.5% of frozen beef were exported.

## 1.9 Fishing

The capture of marine species at the Port System dropped by 29.3%, mainly because industrial fishing (43.6%) at Vacamonte port. On the other hand, the artisanal fishing exceeded last year's catch by 11.7% metric tons.

Exports of seafood also declined (8.8%), depressed by a lower shipment of salmonids (35.0%), yellowfin tuna (34.3%), cobs (17.3%) and albacore or white tuna (66.5%), fresh, chilled or frozen.

Meanwhile, exported quantities of crustaceans were 5.7% higher than the previous year, due to the higher shipments of shrimp and cold water prawns, after the end of the shrimp fishing prohibition period of last month.

Capture of Marine species at the National Port System, by fishing style: January to May 2016-2017

(Metric tons)

Type	2016	2017	Percent Change
Total.....	4,128.3	2,917.4	-29.3
Industrial fishing....	3,064.9	1,730.0	-43.6
Artisanal fishing ....	1,063.4	1,187.4	11.7

Source: Panama Maritime Authority.

## 1.10 Other community, social and personal activities

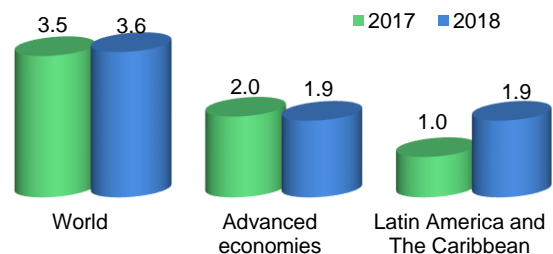
Leisure activities indicators grew 0.3% to May. The positive development of bets on type A slot machines (0.6%), racetrack (18.5%) and sports event rooms (46.5%) were key to such growth.

## II. International Economic Environment.

Global economic growth continues with a positive outlook. The International Monetary Fund (IMF) estimates world output to increase by 3.5% in 2017 and projects 3.6% for 2018.

Estimation of Economic Growth: Years 2017 – 2018\*

(Percent)



\* World Economic Outlook update July 2017

Source: International Monetary Fund.

The recovery has been evident in several advanced economies such as the United States, Germany, Canada, Spain, France and Italy. Specifically, the sectors of manufacturing, commerce and services are strengthened.

Latin America, meanwhile, will gradually recover in 2017 and 2018 as countries such as Argentina and Brazil exit their recessions. With recovery prospects, the IMF estimated growth in the region of 1.0% for the current year and 1.9% for 2018.

### III. Fiscal update

Between January and May the Central Government registered revenues for B/.2,664.7 million: B/.2,609.0 million in cash and B/.55.8 million in tax credits, although cash revenues declined (B/22.2 million or 0.8%). May revenues, compared to the same month last year, increased (B/.32.8 million or 7.1%), mainly because more dividends received from electric power companies and Cable & Wireless, as well as by the Special Interest Compensation Fund (FECI).

Current Cash Revenues of Central Government, monthly change: January to May 2016 - 2017

(Million of dollars)

Month	2016	2017	Variation	
			Amount	Percent
Total .....	2,631.2	2,609.0	-22.2	-0.8
January .....	512.2	461.9	-50.3	-9.8
February .....	362.3	411.6	49.3	13.6
March .....	791.7	759.5	-32.2	-4.1
April .....	501.7	479.9	-21.8	-4.4
May .....	463.3	496.2	32.8	7.1

Source: National Statistics and Census Institute.

Non-financial Public Sector debt amounted to B/.22,959.5 million (B/.1,544.5 million or 7.2% more).

### IV. Cost of living

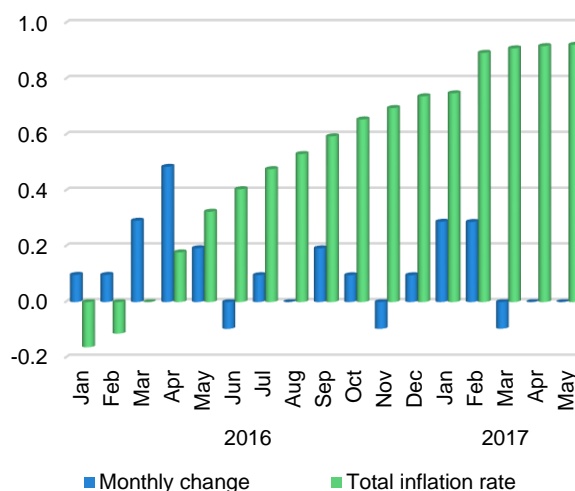
#### 4.1 Inflation

From January to May the national inflation rate was 0.92%, equal to that calculated up to April. In the districts of Panama and San Miguelito it was 0.45% and that of the urban rest of the country 1.1%, mainly due to the transportation price level which amounted to 3.5%.

The communications group maintained a reduction in the price level (1.6%), due to the lower prices of telephone equipment. Of the 11 remaining groups on 5 of them the price level was below 0.50%. At the restaurants and hotels group, the variation was not higher than 1.0% and in the other 5, the variation was between 1.0% and 3.0%.

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

(Percent)



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

The national consumer price index (CPI) remained unchanged from the previous month, remaining at 104.5. Three groups were more accessible: Clothing and footwear (0.31%), food and non-alcoholic beverages (0.10%) and communications (0.09%); Four, showed no change; at all other groups the CPI rose.

#### 4.2 Family food basket

The average caloric cost of the basic food basket (from January to May) in the districts of Panama and San Miguelito was B/.307.38, B/.1.23 or 0.40% more than in the same period of 2016; in the urban rest of the country was B/.281.61, B/.2.18 or 0.78% more.

The food items that make up these baskets (in the first 59 and in the second 50) in Panama and San Miguelito 26 of them cost less: sausages (11.0%), yuca (10.1%) and oranges (8.1%). In the rest of the country, there were 20, among them: lean pork (9.0%), sausages (8.6%) and vegetable oil (5.3%).

## V. Social update

### 5.1 Employment contracts

Between January and May 180,547 work contracts were registered, 7,600 or 4.0% less. The decline occurred exclusively in Panama City central office, (8,792 or 7.1%), due to the lower registration of contracts for indefinite time (6,243 or 16.8%), followed by the decrease in the formalized contracts for a fixed time periods of work (3,084 or 7.6%). In contrast, at regional offices, the number of contracts was higher than in the previous year (1,192 or 1.9%), given the greater dynamism in Veraguas, San Miguelito and the Panama Mining Project.

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

Region	2015	2016	2017 (P)
Total .....	<u>186,786</u>	<u>188,147</u>	<u>180,547</u>
Fixed time .....	72,214	74,457	74,761
Unlimited time.....	45,771	46,293	40,933
Fixed project.....	68,801	67,397	64,853

Source: Ministry of Work and Labor Development.

### 5.2 Education

#### Job Training

The National Institute of Vocational Training for Human Development (INADEH) enrolled 43,103 people between January and May (4,322 more). The commerce and services sector accounted for 67.1% of the total, attributable to the variety of courses with the greatest chance for obtaining a job, primarily in the area of information and communications technology (14.8%). Enrolled areas mainly in Tocumen-Panama and La Chorrera-Panama West; while the language area accounted for 13.5% mainly in Tocumen-Panama, La Chorrera-Panama West, Penonomé-Coclé and David-Chiriquí.

In the Industrial sector (27.2%) stood out handicraft courses (28.2%) stood out, with more enrollment in Tocumen-Panama and Guararé-Los Santos; in civil construction (22.6%), mainly registered in Tocumen-Panama, La Chorrera-Panama West and Puerto Escondido in Colón; and electricity, electronics and refrigeration (19.9%) was more popular in Tocumen-Panama, La Chorrera-Panama Oeste and Penonomé-Coclé.

Number of people enrolled at the National Institute of vocational training for Human Development: May 2016 and 2017

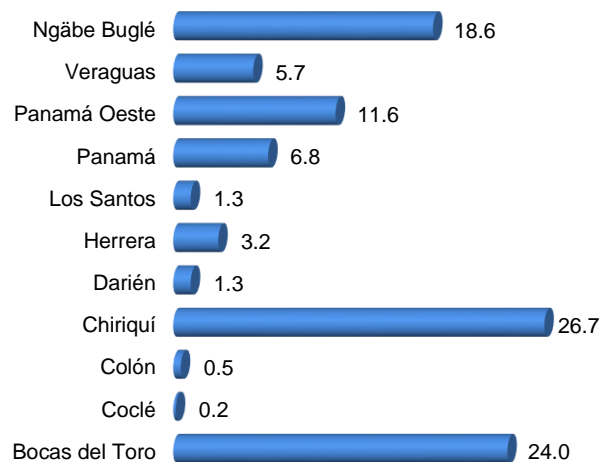
Sector	2016	2017
Total .....	<u>38,870</u>	<u>43,103</u>
Agricultural/Livestock....	1,675	2,467
Industrial.....	10,976	11,727
Commerce and services	26,219	28,909

Source: National Institute of Vocational Training for Human Development.

#### Literacy Program

More than 550 people got literate from January to May, through the "Muévete por Panamá" program; for the same period of 2016 were 591. More people were educated at Bocas del Toro (63 people), Arraiján (18), Herrera (11), Chiriquí (8), Darién (7), San Miguelito (3) and East Panama (2).

Percentage distribution of the number of people that got literate with the program "Muévete por Panamá", per province and indigenous areas: January to May 2017

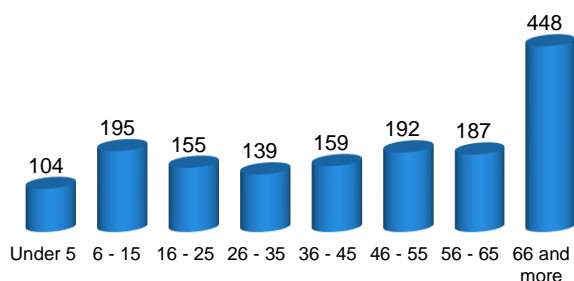


Source: Ministry for Social Development

### 5.3 Help for people with disabilities

The Government, through the National Secretariat for Disability, favored 1,579 people (in conditions of poverty and social vulnerability) until May. B/.229,705 were distributed through three programs: Fami Empresa (B/.124,517), Rotativo de Disapacidad - FODIS (B/.101,138) and Economic Subsidy (B/.4,050.00).

Number of people with disabilities benefiting from programs and services, by age group: January to May 2017

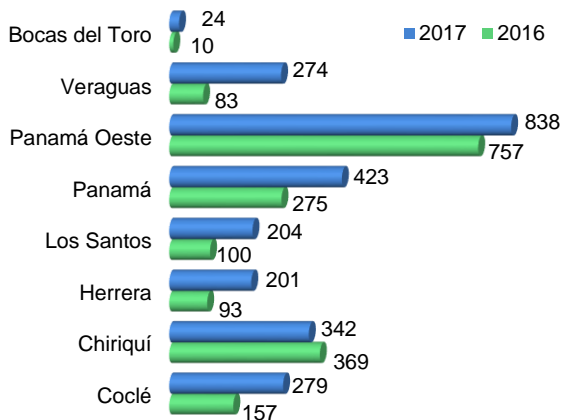


Source: National Secretariat for Disability.

### 5.4 Solidarity Fund for Housing

B/.24.1 million were distributed among 2,585 households (with a monthly income of up to B/.1,200.00), 741 families more than the previous year, the majority with B/.10,000.00 bonuses. This resulted in 10,815 beneficiaries, 2,240 or 26.1% more than January to May 2016.

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



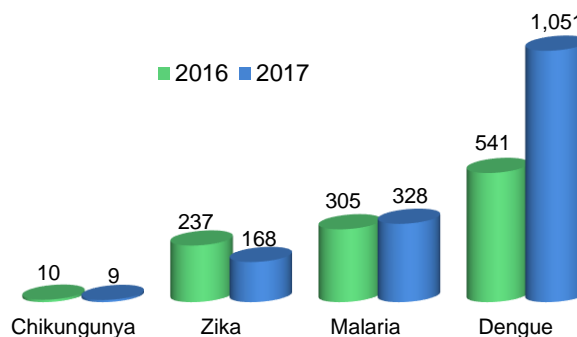
Source: Ministry of Housing and Territorial Ordering.

Panamá West continued to be the province most benefited by housing resolutions (838), then Panamá (423), Chiriquí (342) and Veraguas (274). There were 1,877 or 72.6% of the total resolutions that were granted in these provinces, for a total of B/.17.4 million. The lowest amount was recorded in Bocas del Toro (24), in which only one developer is building the houses that qualify to bid on the program.

### 5.5 Epidemiology

According to epidemiological records of the Ministry of Health (MINSa) between January and May of this year the cases of the Zika virus decreased by 29.1%, compared to the previous year, mainly in the Guna Yala region (99.0%); while Chikungunya infestations have not changed significantly (1 case less). Dengue virus, on the other hand, almost doubled the number reported in 2016 (510 additional cases); the most affected regions were: Panamá Metro, West Panamá, Bocas del Toro, San Miguelito, and Herrera.

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



Source: Ministry of Health. Department of Epidemiology.

Cases of malaria increased by 7.5%; the Guna Yala health region accounted for 40.0% of the total, related to the difficulties reported by the Ministry of Health personnel at the time of diagnosis to the population.