

Directorate of Economic and Social Analysis

## Executive summary of economic and social activities February 2017<sup>1</sup>

**Summary:** In February, international economic growth prospects rose, and financial markets reactivated upward. Panama's economic performance was mainly influenced by Transportation, Storage and Communications activities, as a result of the greater cargo capacity offered by the new Panama Canal locks, as well as freight handling through the ports. Meanwhile, wholesale and retail trade was driven by increased re-exports from the Colon Free Zone, both in terms of weight and value.

### I. International Economic Environment

The outlook of world economic growth raises the projections for 2017 to 3.5% and 3.6% for 2018, according to the International Monetary Fund (IMF), even when developed economies face difficulties on the export of raw materials. Other risks could tarnish the forecasts as there is the possibility of retaliation towards the U.S.A. because of their internal protectionism. However, the strengthening of global demand coupled with an adjustment in the price of oil worked together to ensure that the prices of raw materials adjust upward leaving behind the low prices registered at the beginning of 2016. This tends to alleviate the burden on exporters for raw materials and readjusts the tendency to improve deflationary pressures. On the other hand, financial markets are also likely to reactivate because of positive expectations from China's stimulus policies for fiscal expansion and also due to deregulation in the United States.

The Economic Commission for Latin America and the Caribbean (ECLAC) updated in April its growth projection for Latin America and the Caribbean to 1.1% for 2017, a slight reduction of 0.2% from its last estimate in December 2016 (1.3%), although better than the closing of 2016 (-1.1%). For specific countries and sub-regions they expect different results: South America, more specialized in producing oil and minerals, is expected to register a growth of 0.6%, suffering a downward revision compared to December 2016 (0.9%); Central America, is estimated to grow 3.6% in 2017 instead of the 3.7% projected in the previous year due to slight disturbances in their domestic demand but with much ability to recover because of the expectation dynamics of its main trading partner, the United States. The Caribbean, on the other

hand, is estimated to grow 1.4% in 2017, a marginal increase of 0.1% compared with the previous year.

For Panama, ECLAC projected 5.2% growth for 2016, however, real growth was 4.9%, which led to an update in the growth projection for 2017 to 5.2%, in line with other countries of the world and Latin America.

### II. National Economic Performance

#### 2.1 Power supply sector

Gross electrical power generation in the country decreased 22.6 Gwh or 1.3%. To a large degree this fall was due to a lower demand. Turnover fell (1.8%) mainly due to a decrease in household consumption (3.3%), retail trade (2.2%), Government (1.4%) and industry (6.7%).

On the other hand, the marginal generation cost in February stood at B/.87.14/Mwh of energy, an increase of 101.5%, being one of the highest in the last 7 years. Two factors impacted the marginal costs of power generation: the increase in the Spot price of the West Texas Intermediate oil barrel (76.4% with respect to the same month of 2016) and the increase in generation through thermal plants in February (8.6%), to cover for the decline of wind power plants and thus giving stability to the system.

#### 2.2 Construction

The total value for construction permits was B/.331.8 million, 5.1% lower. There was a drop in commercial permits (13.6%), as residential prices increased 3.3%. There was a decrease in the total area for construction (15.5%), but the number of

<sup>1</sup> Unless otherwise stated, the variances indicated in this report are estimated with respect to the same period of the previous year.

buildings grew (4.4%), thanks to both types of projects.

The production of ready-mixed concrete (18.8%) and gray cement (10.1%) grew.

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

Year	Number of projects	Investment (million of dollars)	Area (thousand square meters)
2013	1,389	309.8	518.9
2014	2,568	323.5	516.8
2015	1,197	346.0	499.0
2016	1,627	349.4	797.7
2017	1,698	331.8	674.4

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

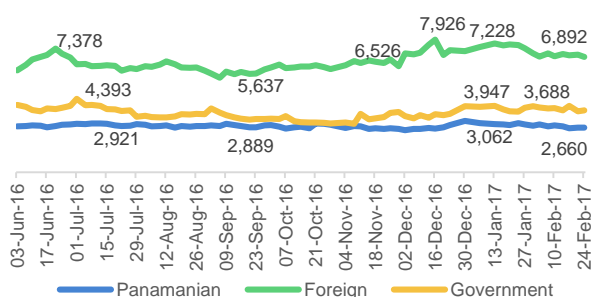
Source: National Statistics and Census Institute.

## 2.3 Banking

Total Assets of the National Banking System in February 2017 grew 4.7% more than in 2016. Net assets increased 7.4%, recovering from the fall observed last year. The loan portfolio and investments also showed positive behavior (4.6% and 1.4% more, respectively). Meanwhile, the average liquidity index in February for the National Banking System was 62.8%.

Net Assets of the National Banking System, according to month and day of information, and by origin of the bank: Years 2016 y 2017

(In millions of dollars)



Source: Office of the Superintendent of Banks in Panama.

## 2.4 Stock Exchange

The stock exchange processed transactions for B/.649.0 million, B/.120.7 million or 15.7% less. Primary market transactions (B/.315.2 million) and repurchases (B/.124.3 million) declined, while secondary ones (B/.209.6 million) increased.

Stock Exchange transactions, according to markets and financial instruments: January and February 2016 and 2017

Values and markets	Million of dollars		Change	
	2016	2017	Absolute	Percentage
TOTAL .....	769.8	649.0	-120.7	-15.7
Market				
Primary .....	394.0	315.2	-78.7	-20.0
Secondary .....	121.6	209.6	87.9	72.3
Repurchases .	254.2	124.3	-129.9	-51.1
Entity				
Private .....	559.9	512.4	-47.5	-8.5
Government...	209.9	136.6	-73.3	-34.9

Source: Stock Exchange of Panama

## 2.5 Insurance

Insurance companies averaged 1,483,878 policies (10.3% more), premium income totaled B/.240.5 million (5.9% more) and claims, B/.115.8 million (36.6% more).

Average number of policies subscribed, Premium income and claims payment: January to February 2016 and 2017

Year	Average number of policies subscribed	Million of dollars	
		Premium Income	Claims Payment
2016	1,345,453	234.6	84.7
2017	1,483,878	240.5	115.8

Source: Office of the Superintendent of Insurance of Panama.

## 2.6 Wholesale and retail trade

It was driven by the increase in re-exports of the Colon Free Zone, both in value (B/.304.1 million or 23.6%) and in weight (6.4%). The increase was mainly due to higher re-exports to Puerto Rico (B/.301.5 million), for the prescription drugs distributed by branches of international pharmaceutical companies.

Imports for domestic wholesale trade recorded a growth of B/.63.8 million or 3.9%, mainly due to an increase on consumer goods (11.0%), domestic utensils (25.6%), semi-durable (16.4%) and non-durable goods (12.5%); also a slight increase in the value of fuels, lubricants and related products

(1.1%), due to higher import costs as well as a lower fuel demand.

Retail trade showed a declining behavior in some of its indicators, such as total sales of fuels (-3.6%) and units sold of vehicles (-12.2%). In the case of the former, the fall is mainly due to bunker shipments C (-32.9%) mainly used for power generation; but others grew such as liquefied petroleum gas (4.4%), gasoline (3.8%) and diesel (0.5%). As for new car sales, fewer units were sold in January (-483 units) and February (-741 units); until February, only sales of SUV'S (8 units or 0.3%) grew, while the most significant downturn were sedans and coupes (652 units or 14.9%) and pickups (278 units or 21.9%).

## 2.7 Transportation, storage and communications

According to the main economic indicators published by the National Institute of Statistics and Census 2,440 or 3.7% more vessels went through the Panama Canal, both high draft (3.2%) and low draft (6.5%) vessels. Revenues amounted to B/.375.2 million (17.0% more), the movement of cargo in tons was 26.3% higher, as well as the volume of cargo (23.1%) driven by the increased cargo capacity offered by the new set of locks.

The National Port System moved 11.0% more cargo, attributed to the containerized (26.5% more) and general (1.8% more). However, bulk cargo, which accounted for 43.6% of the total, decreased by 3.7%.

Regarding the movement of containers in TEU, it was 16.4% more, being the highest of the last three years.

## 2.8 Other community activities, social and personal services

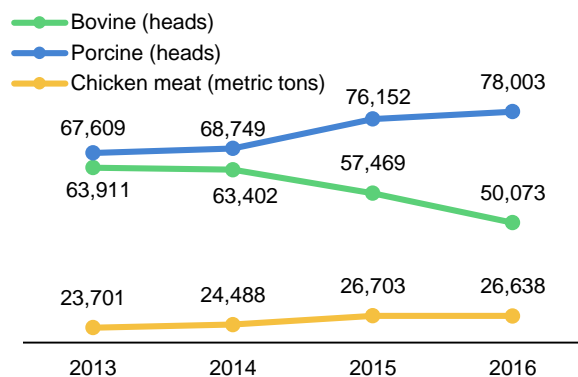
Community activities, measured by indicators of leisure games, showed a positive evolution (0.1%) accumulated to February. Bets showed a positive evolution in slot machines type A (0.7%) and in sports betting rooms (26.6%). Betting on table games (6.6%), bingo halls (9.3%) and on the racetrack (6.6%) decreased. At the close of this report, there was no information on the gross sales of the draws of the National Charity Lottery.

## 2.9 Agriculture, livestock, hunting and forestry

In the livestock activity, pigs breeding continued to rise (2.4%), 1,851 additional heads were slaughtered; In contrast, cattle kept falling (12.9%) with 7,396 units less. Regarding the production of

chicken meat, although it fell 0.2%, its production behavior has kept rising over the years since 2013.

### Livestock slaughter and chicken meat production: January to February 2013 - 2017



Source: National Statistics and Census Institute.

### Export most important items:

- Crude palm oil (22.7%), mainly to Nicaragua and Honduras.
- Cocoa beans (56.3%), to Germany and Belgium.
- Roasted and decaffeinated coffee (30.1%), to the Netherlands and China-Taiwan (Taiwan).
- Edible offal of bovine species, fresh, chilled or frozen (47.4%), mainly to Mexico, Jamaica and Hong Kong.
- Hens eggs in shell (69.7%), fertilized for hatching. Such shipments were sent to Nicaragua and Costa Rica.
- Pumpkins and zucchinis (127.1%), especially to Spain.

## 2.10 Manufacturing Industries

Showed a moderate performance where some activities associated with the domestic consumption of food stood out. Such is the case of the production of evaporated, condensed and powdered milk (1.3%) and tomato derivatives (5.8%). However, natural milk decreased (1.8%).

Foreign trade activities had mixed results. Export of vegetables and fruit preparations (68.7%) increased, mainly due to tomato paste packaged for retail sale to Costa Rica (24.9 metric tons compared to 0.8 in the previous year) and Pineapple juice 87.2% more to Aruba and Curacao, as well as unrefined sugar (4.9%) and fishmeal and fish oil production (226.4%). On the other hand seafood (67.3%), fresh fish and fish fillet (3.6%) and beef and veal (4.9%) decreased. It is worth mentioning a higher production of non-metallic mineral products with the increase of ready-mixed concrete (19.7%) and gray cement (5.1%).

## 2.11 Fishing

Exported quantities of seafood fell 19.0%. Fish (3.2%), crustaceans (26.3%), molluscs (75.5%) and the aquatic invertebrates have not been exported at all this year.

Most important is the decline of yellowfin tuna, fresh, chilled or frozen tuna (77.8%), salmonids (6.4%), hatcheries and other shark species (31.7%). Nevertheless, the export of cobia fish (29.7%), goldfish (270.6%), cabrilla fish (138.4%), grouper and other fresh or chilled fish (95.8%) and frozen jureles (68.5%) increased. The international recipient markets were the United States, Canada and Sri Lanka, for the most part.

## III. Fiscal update

Current revenues from Central Government totaled B/.888.0 million. In cash they were B/.873.5 million (B/.1.0 million or 0.1% less), because the tributary revenues grew (B/.52.9 million or 8.2%), especially income tax withheld from the payrolls B/.21.2 million or 17.1%); But non-tax and other taxes decreased (B/.53.9 million or 23.3%), mainly reflecting that there were no dividends remaining from the Panama Canal (B/.39.1 million last year). Non-financial Public Sector debt totaled B/.21,842.6 million (B/.1,615.0 million or 8.0% more).

Current Central Government cash receipts:  
January to February 2016 and 2017

(In million of dollars)

Detail	2016	2017	Change	
			Dollars	Percentage
Total.....	<u>874.5</u>	<u>873.5</u>	<u>-1.0</u>	<u>-0.1</u>
Taxes .....	<u>643.4</u>	<u>696.3</u>	<u>52.9</u>	<u>8.2</u>
Direct .....	233.4	272.7	39.3	16.9
Indirect.....	410.0	423.6	13.6	3.3
Non Tax .....	218.5	167.7	-50.8	-23.2
Other.....	12.5	9.4	-3.1	-24.9

Source: Ministry of Economy and Finance.

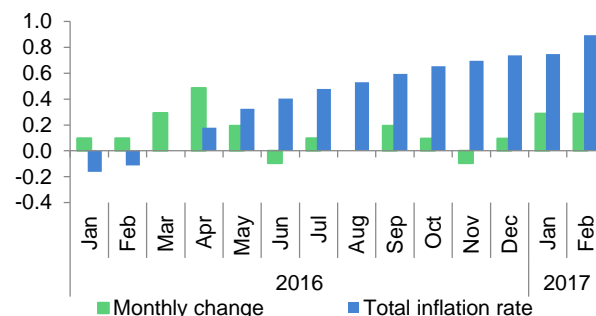
## IV. Cost of living

### 4.1 Inflation rate

The national inflation rate (accumulated as of February) was 0.89%; a year earlier it was -0.11%. The rate registered in the districts of Panama and San Miguelito was 0.47% and in the urban Rest of the country 1.0% (in 2016 these were -0.17% and -0.14% respectively).

Monthly variation of price index paid by the national consumer and rate of national inflation, per month: Years 2016 and 2017

(Percentage)



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

The Communications group presented a lower level of prices (1.5%), other sectors were higher, mainly: Transportation (2.9%), Education (2.0%) and Housing, water, electricity and gas (1.6%).

Analyzing the February national urban consumer price index (CPI) in relation to the previous month, there was an increase of 0.29%. By group, Transportation decreased by 0.10% due to cheaper car fuel (3.3%); three groups showed no variation, namely: food and non-alcoholic beverages, clothing and footwear and restaurants and hotels. All other groups the variations were between 0.09% and 3.3%.

### 4.2 Food basket

The average caloric cost of the basic food basket in the districts of Panama and San Miguelito was B/.307.98 (B/.3.23 or 1.1% more than a year ago). In the rest of the country the caloric cost was B/.282.56 (B/.3.54 or 1.3% more). In the first basket, of the 59 food items 25 got cheaper, among them we have: yuca (10.9%), sausage (10.0%) and corvina (7.4%); and the rest 34 increased their caloric cost. In the urban rest of the country, 14 were cheaper, mainly: lean pork (8.2%), sausage (8.2%) and chicken breast (5.0%), the rest were more expensive.



## V. Social update

### 5.1 Labor market

From January to February there were 66,170 labor contract records; 1,398 or 2.1% less compared to the first two months of the previous year. This situation responds to the contractual decrease at the central offices of the city of Panama (3,015 or 6.6% less), which were distributed among three types of recruitment formats, especially those that were carried out without maturity dates (1,154 or 9.6%). On the other hand, at the regional offices there was an increase of 1,617 or 7.4% in the number of contracts, which raised the level to 23,842 hired people. The regions with the largest number of new workers were: Veraguas (1,069 or 78.2%), Panama Mining Project (481 or 55.0%) and San Miguelito (786 or 46.1%).

Number of registered employment contracts, by type, from January to February:  
Years 2013 - 2017 (P)

Region	2013	2014	2015	2016	2017 (P)
Total.....	<u>67,132</u>	<u>72,008</u>	<u>72,247</u>	<u>67,568</u>	<u>66,170</u>
Fixed time .	25,603	25,150	26,791	26,204	25,892
Unlimited...	16,600	15,596	18,078	14,830	14,283
Fixed project.....	24,929	31,262	27,378	26,534	25,995

Source: Ministry of Labor and Work Development.

### 5.2 Education

#### Job Training

The National Institute of Vocational Training for Human Development (INADEH) offered courses to 17,926 people, 51.2% women and 48.8% men. This represented an increase in enrollment of 4,179 or 30.4%, due to the reorganization of the training areas. The most attractive courses were those related to Commerce and Services sector with 62.0%, followed by those from the Industrial Sector which accounted for 32.2% and Agricultural 6.1% of those enrolled. The training centers in Tocumen, Puerto Escondido and La Chorrera received 62.2% of those enrolled nationwide.

#### Literacy program

191 people got literate through the "Muévete por Panama" program of the Ministry of Social Development; the majority were women (76.4%). In 2016 were 209 people accomplished this same program. The provinces that registered an increase in the number of participants were: Chiriquí (13

more people), Veraguas (10), Herrera (6), Panama West (2) and Ngäbe Buglé region (26 more).

### 5.3 Help for people with disabilities

The National Secretariat of Disability allocated B/.80,419 (6.3% less than in 2016), to favor with aid programs 90 people who were in poverty and social vulnerability, while 528 people were granted disability certificates and handicapped parking permits, 92 or 21.1% more than the same period of the previous year. Of the total beneficiaries, 318 or 51.5% were men and 300 or 48.5% women.

Number of beneficiaries and amount allocated at national level by the National Disability Secretariat, according to service and programs:  
January to February: Years 2016 and 2017

Programs	2016		2017	
	Qty	Amount (dollars)	Qty	Amount (dollars)
TOTAL .....	<u>823</u>	<u>85,802</u>	<u>618</u>	<u>80,419</u>
Certification 1/.....	436	-	528	-
Fami-business.....	1	700	66	45,094
Revolving disability fund .....	5	27,952	9	33,075
Economic Subsidy .....	381	57,150	15	2,250

1 / Refers to parking permits and disability certification. Source: National Secretariat for Disability.

### 5.4 Epidemiology

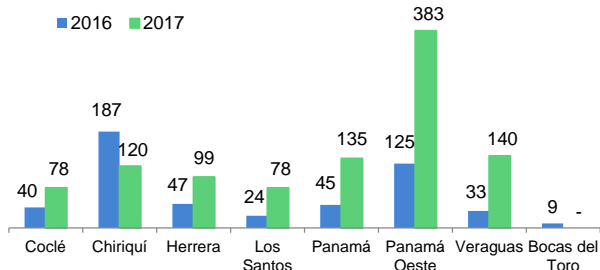
Data from the Ministry of Health reported 502 cases of virus infection, increasing by 30. The Chikungunya virus was the one with the best control results, only 2 cases were reported in the regions of Panama Metro and Panama West. The Zika virus decreased in 17 cases; Of the 39 reported, 38 were in the Kuna Yala region. Malaria infections increased from 138 to 125 cases, decreasing mainly in the health regions of Darién and Ngäbe Buglé. In contrast, the Dengue virus was the one with the greatest contamination, responsible for infesting 336 people, 62 more, to the population of Panama Metro, Coclé and San Miguelito being the most affected.

### 5.5 Caring housing fund

The Solidarity Fund for Housing benefited 4,869 people, 2,471 or 103% more. B/.9.4 million was distributed among 1,033 households with a monthly income of up to B/.1,200.00, that is, 523 families, with bonuses of B/.10,000.00.

More housing solutions were granted in West Panama (383), Veraguas (140), Panama (135) and Chiriquí (120); the lowest amount was registered in Coclé and Los Santos (78 each). In Bocas del Toro so far this year there has not been any to date.

Number of rulings issued in the Solidarity Housing Fund program, by provinces:  
January to February 2016 and 2017

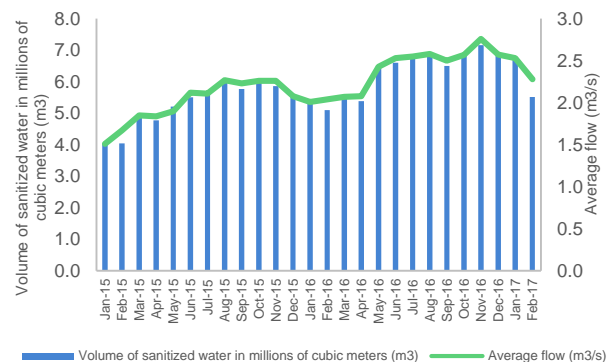


Source: Ministry of Housing and Territorial Ordering.

## 5.6 Environment

The Sanitation Project of the City and Bay of Panama sanitized in February 5.5 million cubic meters of residual water (8.2% more), from a total of 12.3 million cubic meters in the first two months of the year. The average flow of wastewater entering the plants was 2.28 cubic meters per second, increasing capacity utilization compared to February 2016 (2.04 m3/s).

Volume of sanitized water and average flow in the treatment plants of the Sanitation Project of the City and Bay of Panama:  
January to February 2016 and 2017



Source: Ministry of Health, Sanitation Project of the City and Bay of Panama.

Although the results of these treatment plants will be seen in the long term it is already possible to perceive the decrease of bad odors, especially in the Bay of Panama.



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