

Directorate of Economic and Social Analysis

## Preliminary report of the economic and social activities First quarter of 2017<sup>1</sup>

**Summary.** The real Gross Domestic Product (GDP) grew 6.2% in the first quarter of 2017, improving the performance observed in the same period of 2016, when it reached 5.0%. The economic activities determining growth were: Transportation, storage and communications and the trade in wholesale and retail.

### I. International Economic Background

The perspectives for world growth have improved for 2017 and 2018, after a weak 2016. The International Monetary Fund (IMF) projected 3.5% and 3.6% for these years, respectively.

In the advanced economies of the United States, Europe and Japan growth is due to a notable recovery in manufacturing and trade. China, internally promotes policies to stimulate production and projects very stable growth for the next two years. While growth prospects for emerging and developing markets are affected by financial volatility.

On its behalf, the economies of Latin America and the Caribbean (LAC) continue to recover from a recession that affected mainly countries like Argentina, Brazil, Ecuador and Venezuela, due to deep contractions in their weak domestic demand and the fall in prices of commodities as well as adverse political factors. This regional recession diverges between different countries. This is how we have a vibrant growth in Central America, recessive in the four southern countries already mentioned and moderate for the rest of the region. The IMF projects 1.1% and 2.0% growth for 2017 and 2018, respectively, in the region.

### II. National Economic Performance

#### 2.1 Electrical sector

The GDP of the activity of electricity, gas and water supply, increased by 2.1%.

In electric power, the gross generation decreased by 0.1%. Although in March it presented an increase of 2.0%, compared to the same month of 2016, as it was produced more by hydraulic plants (11.0%). This improvement in the behavior of the generation responded largely to the demand, which in March increased 4.8%, after the lows showed in January and February of this year (1.8% on average).

The marginal cost of generation averaged B/.77.94 per Mwh of energy, 19.4% more, which reverses the trend that was occurring when it decreased in the same period 65.3% for 2015 and 34.7% for 2016.

#### 2.2 Construcción

The GDP of the Construction totaled B/.1,601.8 million (6.6% more), as a result of an increase in private investment, measured by construction permissions, which amounted to B/.567.2 million (10.2% more).

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

Investment grew mainly thanks to the accumulated increase in commercial permissions (17.0%), as permissions for residential buildings grew moderately (3.7%). The number of new buildings and the area for its construction grew (40.8% and 2.5%, respectively), driven by residential buildings.

Number of projects, investment in construction and area: First quarter of 2013 - 2017<sup>a/</sup>

Year	Number of projects	Investment (in millions)	Area (thousands of square meters)
2013	2,178	407.8	658.0
2014	3,412	479.8	814.8
2015	3,553	565.7	869.0
2016	2,364	514.7	1,112.2
2017	3,328	567.2	1,140.3

<sup>a/</sup> It corresponds to the requests for construction permits in the following districts: Aguadulce, Arraijan, Colon, Chitre, David, La Chorrera, Panama, San Miguelito and Santiago.

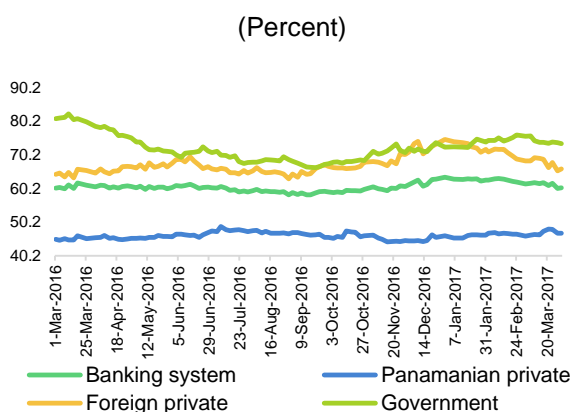
Source: National Statistics and Census Institute.

As for the production of pre-mixed concrete and gray cement, both experienced growth (20.9% and 7.5%, in order), due to the higher demand for commodities for constructions.

## 2.3 Banking

Financial intermediation grew 3.7%, as a result of higher financing (4.6%), especially of the domestic portfolio (7.9%). Deposits also grew (4.8%), internal deposits (5.2% more) and external deposits (3.9% more).

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: Superintendencia of Banks of Panama.

The National Banking System continued to show positive signs. The average liquidity index from

January to March was 62.5%; for official banks, it was 74.2%; and the foreign private sector was 70.9%, while Panama's private bank registered 46.5%.

## 2.4 Stock Exchange

Transactions were carried out for B/.1,184.9 million accumulated to March. This amount decreased by B/.67.3 million or 5.4%. Transactions in both the primary (B/.648.1 million) and secondary (B/.339.5 million) markets increased, and repurchases (B/.197.3 million) declined.

Transactions carried out on the stock exchange, according to market and financial instrument: First quarter of 2016 and 2017

Market	Millions		Variation	
	2016	2017	Absolute	Percent
Total.....	<u>1,252.2</u>	<u>1,184.9</u>	<u>-67.3</u>	<u>-5.4</u>
Primary .....	616.1	648.1	32.1	5.2
Secondary .....	266.0	339.5	73.4	27.6
Buybacks .....	370.1	197.3	-172.8	-46.7

Source: Stock exchange of Panama.

## 2.5 Insurance

Insurance companies averaged 1,479,837 subscribed policies (111,070 or 8.1% more), premium income amounted to B/.360.7 million (3.5% more) and claims payments, B/.162.7 million (B/.34.3 million or an additional 26.7%).

Average number of policies subscribed, premium income and claims payments: First quarter of 2016 and 2017

Year	Average of subscribed policies	Millions	
		Premium income	Claim payments
2016	1,368,767	348.6	128.4
2017	1,479,837	360.7	162.7

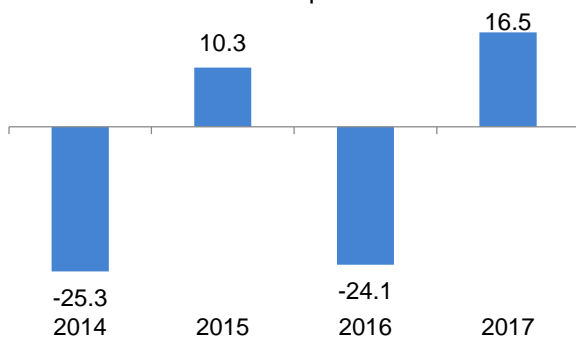
Source: Superintendencia of Insurance of Panama.

## 2.6 Wholesale and retail trade

The growth in production of the activity was 9.5%, the highest for the same period of the last five years. It was decisive in the result, the increase of

the re-exports of the Colon Free Zone and the local wholesale trade.

Percentage change in value of re-exports in the Colon Free Zone: First quarter of 2014 - 2017



Source: National Statistics and Census Institute.

Trade in the Colon Free Zone registered an increase in the value of re-exports of B/.356.9 million or 16.5%, as a result of the growth in re-exports of pharmaceutical products (B/.359.7 or 62.7%), (B/.19.8 million or 11.6%) and electrical and reproductive and sound equipment (B/.9.0 million or 3.9%). By destination, the largest increase was recorded in Puerto Rico (B/.295.2 million or 187.2%).

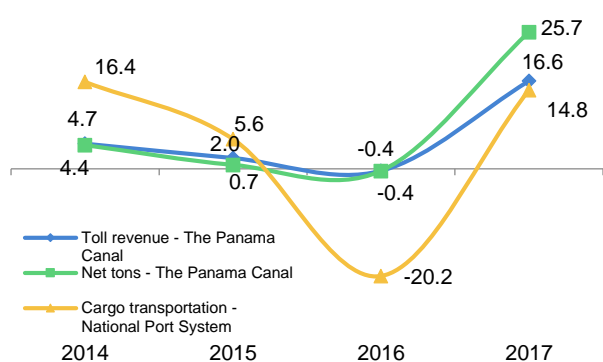
Wholesale trade generated more aggregated value stimulated by domestic demand. As a reference, the value of imported merchandise increased by B/.292.3 million or 11.1%, mainly by consumer goods (25.8%): fuel Lubricants and related products (43.6%), domestic utensils (23.8%), non-durable (19.4%) and semi-durable (13.4%).

## 2.7 Transportation storage and communications

The activity generated added value of B/.1,441.7 million, increasing by 10.4%, as a result of the activity of the Panama Canal (both cargo and toll revenues), container movement in the National Port System TEU and transportation Air transport of passengers.

According to the Monthly Economic Indicators (PIEM) of the National Institute of Statistics and Census (INEC), 3,736 vessels transited through the Panama Canal, 4.0% more With respect to 2016, mainly container ships, liquefied petroleum gas and liquefied natural gas. In terms of revenues, the Panama Canal Authority reported B/.565.5 million, increasing 16.6%, in addition the movement of tons (25.7%) And cargo volume (22.7%), grew due to the constant flow of larger vessels and the neopanamax line services that have been relocated through the new locks.

Percentage change of the main indicators of maritime transport: First quarter of 2014 - 2017



Source: National Statistics and Census Institute.

The National Port System moved 14.8% more cargo, mainly for containerized (21.2% more), followed by bulk (8.3% more) and general (5.5% more).

As for container movement in TEU, it increased by 15.1%.

## 2.8 Other community, social and personal service activities

Its GDP increased 3.4%, improving on the performance of the previous year when it fell 2.2%.

The indicators of leisure activities grew 1.6% in the first quarter. The positive development in March of bets on type a slot machines (3.3%), table games (10.4%) and racetrack (11.1%) were key to this growth.

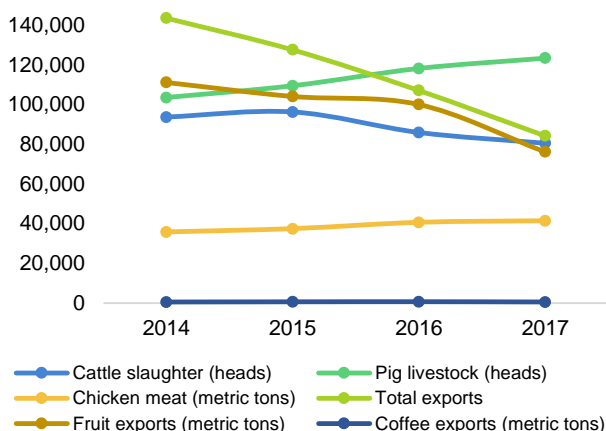
## 2.9 Agriculture, livestock, hunting and forestry

Its added value fell 1.0%. Activities related to exports and some livestock, bear the lowest production in the sector.

Agricultural exports fell 21.4% in gross weight, standing out the following tariff categories:

- Fruits and edible fruits (-23.9%): plantains (-41.9%), bananas (-12.7%), pineapples (-7.3%), watermelons (-52.0%) and melons (-51.2%).
- Vegetables (-3.7%): sweet peppers (-97.7%), although exports of pumpkins and calabashes increased (43.2%).
- Coffee (-21.1%): roasted coffee without decaffeination (-63.8%), but highlighted the sending of roasted coffee decaffeinated coffee that increased 32.1% and of the gold coffee exported 228.4 metric tons to date.

Main agricultural indicators:  
First quarter of 2014 - 2017



Source: National Statistics and Census Institute.

Regarding cattle activity, cattle slaughter fell 6.3%, continuing with such behavior, as at the date of 2016 it had fallen 10.7%. In contrast, pig livestock was 4.4% higher than the previous year's slaughter, as was chicken meat production, which increased 2.0%.

## 2.10 Manufacturing

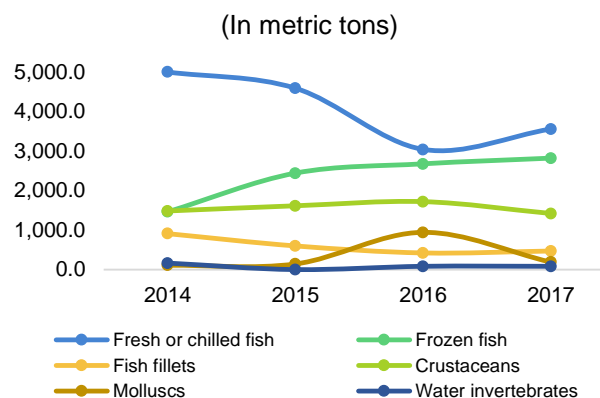
It showed an improved performance, with GDP growth of 2.0%, compared to the lows it experienced for the same period of the previous two years. The production of foods such as pork (4.4%), chicken (2.0%) and evaporated, condensed and powdered milk (2.3%) stood out. There was also an upturn in the production of alcoholic beverages (12.1%), driven mainly by beer, which increased by 13.3% in the quarter and 41.4% in March. It is also worth mentioning the higher production of ready-mixed concrete (20.9%) and gray cement (7.5%). In addition, exports of fresh and frozen fish (10.9%), unrefined sugar (122.2%), coffee (180.3%), beef and veal (1.4%) increased.

## 2.11 Fishing

The fishing activity fell 8.0%, as the quantities exported of seafood were lower by 3.9% (gross weight).

This drop was due to the group of crustaceans (-17.4%), where the main decrease occurred in the shipment of metric tons of shrimp and prawns, non-smoked (-22.1%); and to molluscs (-79.7%), for live oysters, fresh or chilled (-41.9%).

Fishing exports by tariff category: First quarter of  
2014 - 2017



Source: National Statistics and Census Institute.

## III. Fiscal situation

The non-financial public sector had a surplus of B/.204 million because revenues (B/.2,828 million) exceeded expenses (B/.2,623 million).

Summary of the Non-Financial Public Sector Balance Sheet: First quarter of 2016 and 2017

(Million dollars)

Detail	2016	2017	Variation	
			Absolute	Percentage
INCOME .....	<u>2,838</u>	<u>2,828</u>	<u>-11</u>	<u>-0.4</u>
Currents of the General Government .....	2,533	2,596	63	2.5
Others <sup>1/</sup> .....	305	232	-73	-23.9
EXPENSES .....	<u>2,996</u>	<u>2,623</u>	<u>-373</u>	<u>-12.4</u>
Currents .....	2,136	2,197	60	2.8
Of Capital .....	860	427	-433	-50.4
CURRENT SAVINGS .....	699	629	-71	-10.1
SUPERAVIT OR DEFICIT	<u>-158</u>	<u>204</u>	<u>362</u>	<u>229.4</u>

<sup>1/</sup> Public companies (balance sheet), unconsolidated agencies and others, capital inflows and donations.

Source: Ministry of Economy and Finance.

Although revenues were lower than last year (B/.11 million or 0.4%), expenditures declined further (B / .373 million or 12.4%), in particular capital expenditures. It also generated a current savings of B/.629 million (B/.71 million or 10.1% less). On the other hand, non-financial public sector debt amounted to B/.21,963.8 million, growing (B/.651.2 million or 3.1% more) below the average rate of the previous five years (12.3%).

## IV. Cost of living

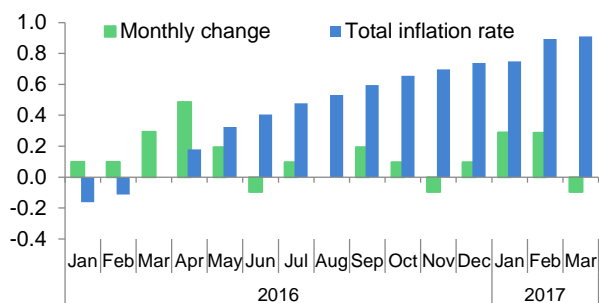
### 4.1 Inflation rate

The first quarter of the year was calculated at 0.91%, while in 2016 there was no change. By area, in the districts of Panama and San Miguelito was 0.44% and in the urban Rest of the country, 1.0%; in both cases, a year earlier had been -0.02%.

A lower level of prices was recorded in the Communications group (1.5%) by telephone equipment and mobile telephony services, mainly. In the other groups it was greater, out-standing: Transport 2.8%, for higher prices in car fuel; Education, 2.6%, secondary education and Health, 1.4%, for dental services.

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

(In percentage)



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

The consumer price index (CPI) for March declined by 0.10% compared to the previous month. Of the 12 groups of articles and services, 5 were cheaper, these were: transportation (0.29%), food and non-alcoholic beverages (0.19%), furniture, household articles and ordinary household maintenance (0.10%), alcoholic beverages and tobacco (0.09%) and communications (0.09%). Housing, water, electricity and gas did not change and in the other groups, the increases were below 0.50%.

### 4.2 Basic family food basket

The average caloric cost of the basic family food basket was B/.307.64 in the districts of Panama and San Miguelito, B/.2.21 or 0.72% more than in 2016; and B/.282.19 in the rest of the country, B/.2.98 or 1.1% additional. In Panama and San Miguelito, 25 of the 59 foods that comprise it were especially low: yucca (12.6%), sausage (10.8%) and orange (8.7%); while that in the basket of the Rest of the country, were 16 foods had the lowest average cost, among them: flat pork (8.6%), sausage (8.3%) and vegetable oil (4.9%).

## V. Social situation

### 5.1 Work contracts

In contrast to the first two months of the year, the level of employment contracts registered in the first quarter was 3,077 or 2.9% higher than in the same period of the previous year; totaling 108,674 formal procurements. At headquarters, the increase was 2,047 or 3.0%; mainly those that were performed for a defined time (8.4%).

Number of registered employment contracts, type: First quarter of 2013 - 2017 (P)

Region	2013	2014	2015	2016	2017 (P)
Total .....	106,007	107,812	113,395	105,597	108,674
Defined.....	40,464	38,650	43,176	42,027	44,956
Undefined ..	25,982	24,269	28,007	23,272	23,711
Particular work .....	39,561	44,893	42,212	40,298	40,007

Source: Ministry of Work and Labor Development.

### 5.2 Education

#### Formation and job training

The different courses offered by the National Institute of Vocational Training and Training for Human Development (INADEH), in its 21 educational centers, report that in the first quarter of 2017, the enrollment was 23,869 people, 1,595 more than the previous year.

The Trade and services sector accounted for 65% of the institutes, due to the greater diversity of courses, which also implies a rapid opportunity for insertion in the labor market. The Industrial sector welcomed the 28.2% of the registered, being the area of handicraft and civil construction the most attended. For its part, the Agricultural sector served 5.8% of those enrolled. In total, more women (55.1%) than men (44.9%), were trained.

#### Literacy programme

The "Muevete por Panama" program, aimed at educating people in reading and writing, trained 392 people (78.8% women and 21.2% men), 117 more than in 2016. This increase was a reflection of a greater number of registered in the provinces (83 more), in particular in Bocas del Toro (53 more), Chiriquí (34 more) and Veraguas (10 more), as well as in the Ngäbe Bugle indigenous region (34 more).

### 5.3 Opportunities Network

The program started in 2006, distributed in the first payment of 2017 about B/.9.6 million among 63,954 households with a minor population living in poverty

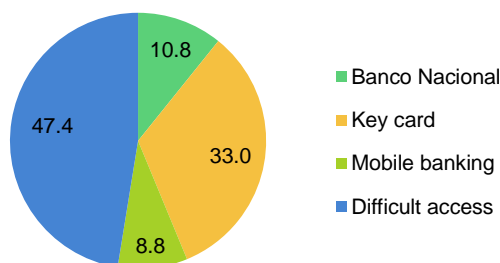
and extreme poverty. There were 5,526 families or 8.0% less than in 2016.

In the provinces, the number of participating families decreased by 2,910 or 7.3%, as in the counties, 2,616 or 8.8%.

The decrease in the number of beneficiaries is attributable to the fact that the program is under constant verification and recertification to improve the focus.

Modalities of payment of the Conditional Money Transfer of Opportunities Network:  
First quarter of 2017

(In percentage)



Source: Ministry of Social Development.

33.0% of the beneficiary families charged by social key card, 10.8% directly in National Bank, 8.8% by mobile banking and 47.4% were paid in areas of difficult access (ATM and envelopes).

### 5.4 Program 120 at 65

In the first quarter it registered a total of 126,192 beneficiaries, 735 or 0.59% more than in the same period of the previous year.

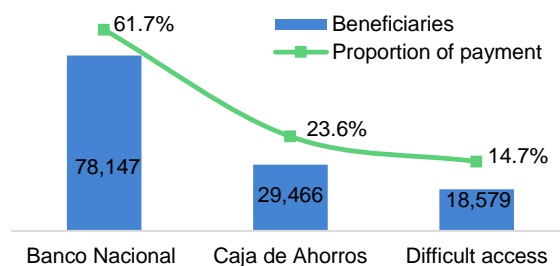
Number of beneficiaries and transfers paid from the Senior Financial Assistance Program "120 to 65": First quarter of 2013 - 2017 (P)

Detail	2013	2014	2015	2016	2017
Beneficiaries (thousands) .....	85.3	86.7	88.4	125.5	126.2
Investment (million dollars) .....	25.6	31.2	31.8	45.2	45.5

Source: Ministry of Social Development.

To provide the benefit of this non-tax pension, the Ministry of Social Development (MI-DES) has disbursed B/.45.5 million, 0.53% more than last year.

Number of beneficiaries and proportion of disbursement, according to place of payment of the Economic Assistance Program for the Elderly "120 to 65": First quarter of 2017 (P)



Source: Ministry of Social Development.

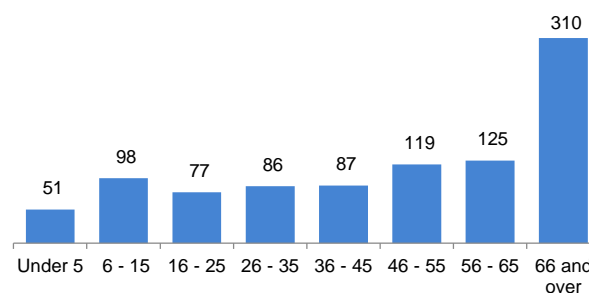
The 85.3% of the payments to the beneficiaries of this program were processed in the state banks. While 14.7% were in areas of difficult access.

### 5.5 Helping people with disabilities

The National Disability Secretariat (SENADIS) favored 953 people who are in socially vulnerable situations, 258 or 21.3% less.

The entity allocated B/.165,606 (15.4% less) to benefit 162 persons with disabilities, B/.83,247 were used in the creation of 110 family enterprises (7 or 6.8% more), B/.78,909 for the acquisition of technical assistance to 29 people and B / .3,450 to cover health and education expenses of 23 people. Also issued were 791 certificates of disability and parking permits (83 or 11.7% more).

Number of people with disabilities benefiting from programs and services, by age group:  
First quarter of 2017



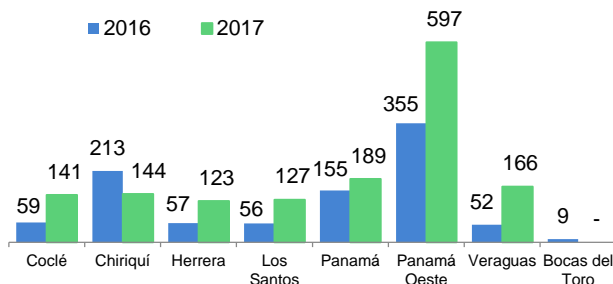
Source: National Secretariat for Disability.

By age group, 15.6% of the beneficiaries were under 16 years of age, 17.1% were between 16 and 35 years of age, 21.6% were between 36 and 55 years old, and 45.6% were 56 years of age or older.

## 5.6 Solidarity Fund for Housing

It allocated B/.13.6 million for the acquisition of 1,487 housing solutions of social interest at the national level, both of 5 thousand (267) and 10 thousand dollars (1,220), 531 or 55.5% more than in 2016. It benefited 5,325 people, 702 or 15.2% more than in the same period of the previous year.

Number of resolutions issued in the Solidarity Fund, according to provinces:  
First quarter of 2016 and 2017



Source: Ministry of Housing and Land Management.

The provinces with the highest number of habitat resolutions were Panama West (597), Panamá (189), Veraguas (166) and Chiriquí (144); the lowest amount was registered in Herrera (123) and Los Santos (127).

The number of resolutions granted decreased in Chiriquí (69 less) and in Bocas del Toro there was no record.

## 5.7 Epidemiology

Epidemiology data handled by the Ministry of Health (MINSa), in the first quarter of 2017, report 811 infected with any of the Dengue, Zika, Chikungunya or Malaria viruses. It increased in 90 cases or 12.5% over the previous year. In spite of this general increase, in the health regions of Kuna Yala, Ngäbe Bugle and Panamá the cases decreased in average 51.3%, whereas in the metropolitan region that is one of the most difficult of eradicate the *Aedes aegypti* mosquito, in 13.0%. In the rest of the regions, the number of infections increased, in a ranging from 3 (Chiriquí) and 72 cases (Herrera).

## 5.8 Environment

A total of 6.5 million cubic meters of wastewater were cleaned and dumped again in tributaries safely in March, with these totaling 18.8 million cubic meters, 17.3% more than last year.

The Panama Bay Sanitation program received ISO certification in three aspects of its operation, ISO 9001 Quality Management, ISO 14001 in Environmental Management and OHSAS 18001 in Occupational Health and Safety, becoming the first state project in obtain three quality certifications simultaneously.

**Marlyn M. de Rodriguez**  
Authorized Public Translator  
Suitability No. 3185



**mef**  
Ministerio de Economía y Finanzas

Dulcidio 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