GOBIERNO NACIONAL
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MINISTERIO DE ECONOMÍA Y FINANZAS

Central Government and Non-Financial Public Sector Fiscal Balance

By December 2025

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5.2% growth rate in the first quarter of 2025, consolidating a solid recovery for the Panamanian economy. Growth subsequently moderated to 3.4% in the second quarter, primarily due to labor strikes in the construction and banana sectors. However, economic activity regained momentum in the third quarter with a 3.9% growth, reflecting the resilience against internal and external shocks of the economy.

4.0% growth is estimated for year-end 2025, outperforming the Latin American average (2.3% - 2.4%). These projections from multilateral organizations confirm the country's superior relative performance in the region. This result is supported by the Monthly Index of Economic Activity (IMAE), which registered a 4.4% year-on-year increase as of November.

The Non-Financial Public Sector (NFPS) fiscal deficit was reduced to 3.68% of GDP, achieving the target set by the Social Fiscal Responsibility Law. This represents a 2.55 percentage point improvement relative to 2024 and demonstrates responsible fiscal policy management, aimed at preserving the sustainability of public finances.

The General Government's current savings went from a deficit of -1.18% of GDP in 2024 to a surplus of 0.04% in 2025. This positive outcome stems from current revenue growth outstripping expenditure expansion, strengthening the State's structural fiscal position.

B/.2,267.8 million was the primary balance improvement, reducing its deficit from -3.32% to -0.67% of GDP. This result directly reflects the underlying fiscal effort, supported by a combination of higher revenues and expenditure control.

Nearly 40% of the fiscal deficit was corrected in a single year, going from -6.23% to -3.68% of GDP. This historic correction consolidates the fiscal adjustment process and strengthens the country's macroeconomic credibility.

The Central Government's fiscal balance was negative by B/.4,701.2 million (5.20% of GDP), a 28.3% improvement compared to 2024. This performance was driven mainly by revenue growth, reflecting the economy recovery and the modernization of tax administration.

Tax revenues grew by 9.0% in 2025, with notable increase of 14.4% in direct taxes. Significant gains were recorded in payroll income tax, corporate tax and capital gains, resulting from strengthened auditing, technology use and measures such as the Fiscal Lottery.

B/.2,953 million were contributed by the Panama Canal to the State, driven by higher dividends and tolls. This performance reflects increased vessel transit and a rise in transported volume and tons transported.

Central Government spending was reduced by 5.9%, evidencing an active policy of rationalization and efficiency. Reductions were focused on capital expenditures, current transfers and personal services, while preserving the quality of public spending.

The country risk premium fell by 54%, dropping from 331 to 153 basis points between April 2024 and December 2025. This improvement allowed for access to international market financing under more favorable conditions.

The weighted average cost of debt (WAC) fell to 4.97%, generating savings of USD474.0 million. For the first time in two years, the WAC is below 5%, result of an active strategy to diversify financing sources.

Accounts payable were reduced by 45.9%, falling from B/.1,976 million to B/.1,069.2 million. These balances are part of the normal Budget execution cycle and do not represent arrears, remaining within **the current legal framework.**

More than 80% of public spending was allocated to health, education and social protection. These results allow for the protection of social investment, ensuring essential services and strengthening the population's well-being.

The MEF is moving forward with the adoption of the IMF's GFSM 2014 standard to strengthen fiscal transparency. During the methodological transition, balances are presented under both frameworks, including reconciliation tables that ensure comparability and consistency.

A. Economic growth estimates for the World, Latin America and Panama

3.2% and 3.1% are the global economy's estimated growth rates for 2025 and 2026, respectively, according to the IMF. These projections, contained in the October 2025 report, represent an upward revision compared to July estimates, although they remain below the levels projected a year ago.

The upward revisions reflect the global economy's adaptability to changes in economic policies. Likewise, they respond to the positive effect of trade agreements and the frontloading of international purchases observed in the first half of 2025, anticipating potential tariff increases in the United States.

Persistent global risks continue to shape the international economic outlook. Among them are high global uncertainty, the rise of protectionism, the effects of migration policies on labor supply, fiscal vulnerabilities and fragilities in financial markets.

1.6% is the projected growth for advanced economies in both 2025 and 2026. This performance shows improvements in most countries compared to July projections. In contrast, emerging and developing economies are expected to grow by 4.2% in 2025 and 4.0% in 2026, reflecting a more favorable dynamic.

2.4% and 2.3% are the projected growth rates for Latin America and the Caribbean in 2025 and 2026. The upward revision for 2025 is primarily due to the reduction of tariffs announced by the United States for most countries in the region.

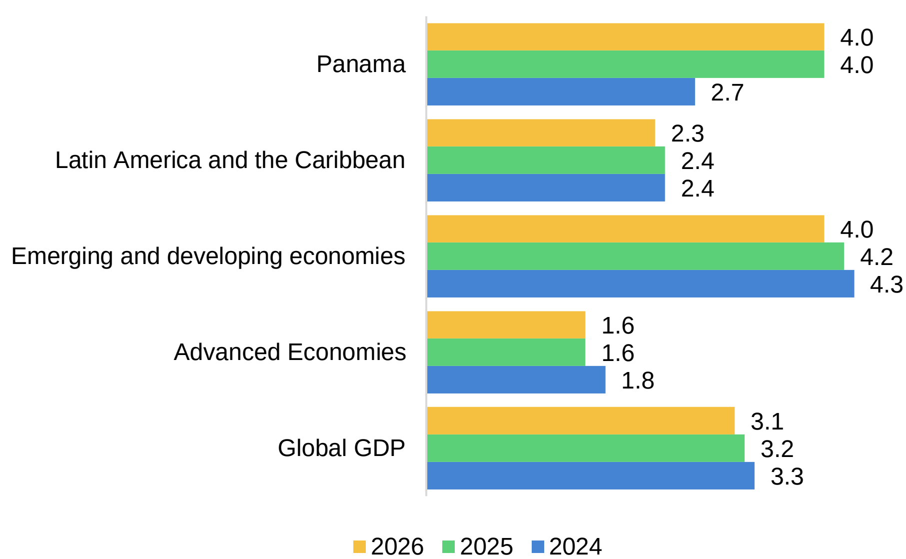
2.3% is the real GDP growth projected for Latin America in 2025, according to the World Bank. This performance will occur within a context of a cooling global economy, falling commodity prices and increased international uncertainty.

2.4% is the regional growth projected by ECLAC (CEPAL) for 2025. This result is explained by weak domestic demand and a challenging international environment.

Panama will grow above the regional average in 2025, with rates between 3.8% and 4.0%. The IMF, the World Bank and ECLAC estimate real GDP growth of 4.0%, 3.9% and 3.8%, respectively. According to the World Bank, this performance will be driven by infrastructure investments and momentum in the financial, logistics and business service sectors. ECLAC highlights the growth of the services sector and the behavior of private consumption. For 2026, projections remain similar (4.0%, 4.1% and 3.7%).

Chart No. 1
Real Gross Domestic Product Global, for selected economies and Panama: Years 2024 and 2025 – 2026 (projections)

(In percentage)



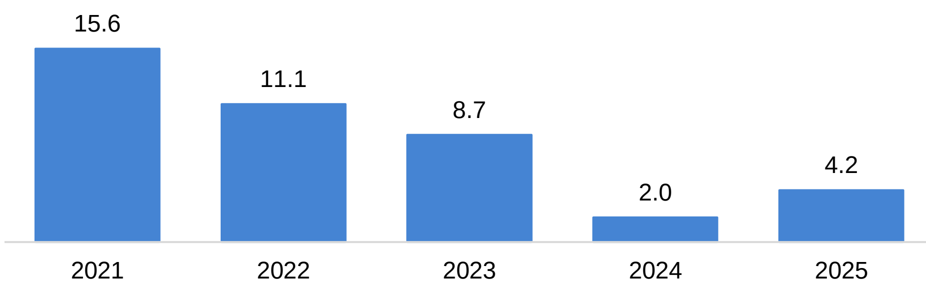
Source: International Monetary Fund, October 2025.

A.1. Panama's economic growth

Panama's real GDP grew by 4.2% between January and September 2025. This result reflects a recovery compared to the same period in 2024, when the economy grew by 2.0%. This performance highlights the country's resilience in the face of trade tensions and geopolitical conflicts, as well as internal shocks such as labor strikes in the construction and banana sectors during the second quarter.

3.9% was the year-on-year growth in the third quarter of 2025. This result resumes the recovery path that began in the fourth quarter of 2024 (4.8%) and continued in the first quarter of 2025 (5.2%), following the moderation observed in the second quarter (3.4%).

Chart No. 2
Percentage change of the Real Gross Domestic Product of the Republic of Panama, through the third quarter: Years 2021 – 2025 (E)



Source: National Institute of Statistics and Census.

As of the third quarter of 2025, transport, storage and communications sector led the economic growth of with a 15.3% expansion. This was followed by hotels and restaurants (5.9%), financial and insurance activities (5.5%) and real estate, professional, scientific and technical activities (4.6%).

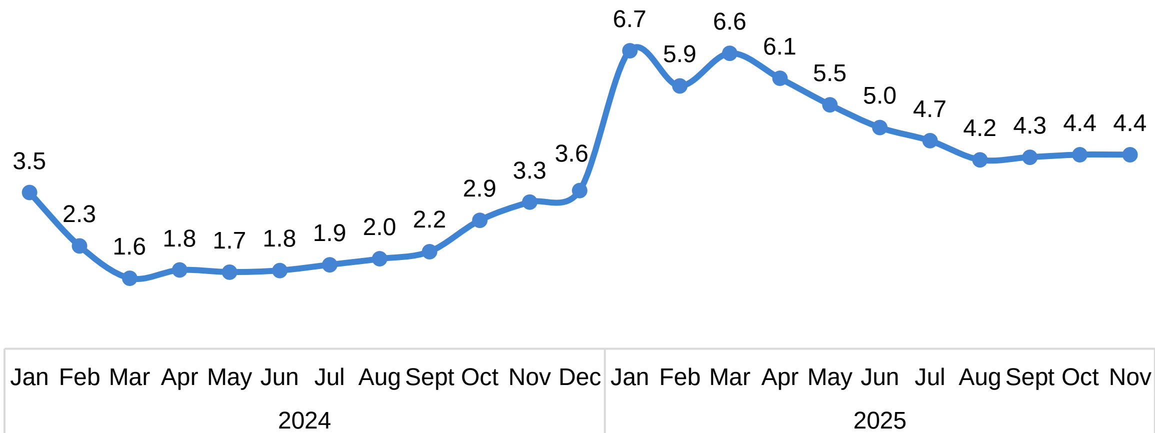
he Monthly Economic Activity Index (IMAE) grew by 4.4% between January and November 2025. This indicator, which measures the production of goods and services, outperformed the growth in the same period in 2024 (3.6%), signaling a sustainable growth rate.

Six sectors explain the momentum of the Panamanian economy in 2025:

- **Transport:** Increases activity of the Panama Canal, growth in port cargo movement and better performance in land and air transportation.
- **Construction:** Increase in buildings, additions and repairs, as well as demand for raw materials which, in turn, incentivized mining activity.
- **Trade:** Higher car sales, fuel sales and locale wholesale and retail trade.
- **Financial activities:** Growth in loans, deposits and insurance premiums.
- **Power generation:** Increase in renewable sources and self-generation.
- **Tourism:** Higher international visitor arrivals and increased tourism spending.
- **Entertainment:** Growth in betting at casinos and digital platforms.

Chart No. 3
Variation of the Monthly Index of Economic Activity (IMAE), accumulated by month, original series with reference year 2007: Years 2024 and 2025

(In percentage)



Source: National Institute of Statistics and Census.

B. Performance of public finances

B.1. Performance of the Non-Financial Public Sector (NFPS)

B/. 3,320.8 million was the Non-Financial Public Sector (NFPS) deficit in 2025, equivalent to 3.68% of GDP. This result was below the 4.0% limit established by the Social Fiscal Responsibility Law and represents a reduction of B/.2,069.5 million compared to 2024, reflecting a fiscal adjustment of over 2.6 percentage points of GDP in a single year. Together, these results confirm the fulfillment of the fiscal target and shows a responsible management of fiscal policy, aimed at preserving the sustainability of public finances and the country's macroeconomic stability.

B/.603.2 million was the NFPS primary balance, showing a year-on-year improvement of 79.0%. This result evidence a substantial strengthening of the underlying fiscal position, supported by higher revenues and more efficient management of public spending.

B/.15,614.4 million were the amounted revenues of the NFPS, with a year-on-year growth of 6.9%. This performance was primarily driven by Central Government current revenues, which grew by 9.6% and accounted for 90.7% of the total increase, reflecting a sustained improvement in tax collection.

Meanwhile, Social Security Fund (CSS) revenues decreased by 0.5% or B/.22.2 million compared to the 2024 fiscal year. Following the implementation of Law 462 of March 18, 2025, current revenues corresponding to the Mixed Subsystem contributions (which integrates both the Defined Benefit and the Personal Savings or individual capitalization components) are incorporated into the Fiscal Balance, as all CSS revenues are consolidated into the Unified Capitalization System with Solidarity Guarantee. To ensure year-on-year comparability, these revenues were also incorporated into the 2024 Fiscal Balance baseline, even though they were not previously published in an integrated manner. (See Annex 1: Methodological Note).

Consolidated Agencies recorded 18.7% revenue growth in 2025, reaching a total of B/.256.4 million, reflecting stable performance. This group was comprised of the National Mortgage Bank (BHN), the Agricultural Marketing Institute (IMA), the University of Panama (UP), the Agricultural Development Bank (BDA) and the Institute for Training and Development of Human Resources (IFARHU).

The Operational Balance of Public Companies showed a surplus of B/.104.7 million, representing an increase of B/.6.8 million (7%) compared to the previous year. This result was primarily due to revenues performing better than in the prior period and a reduction in the companies current expenditures.

Unconsolidated Agencies reported revenues of B/.146.6 million, reflecting an absolute increase of B/.66.5 million.

Capital revenues totaled B/.24.0 million, representing a decrease of B/.8.1 million compared to the previous year. Meanwhile, net lending was negative at B/.5.6 million, resulting from a higher rate of loan recovery compared to disbursements made by IFHARU, the Agricultural Development Bank and the National Mortgage Bank.

In 2025, the National Government consolidated a more efficient and focused management of public spending. Non-Financial Public Sector (NFPS) expenditures stood at B/.18,935.2 million, reflecting a 5.3% contraction, while Central Government spending decreased by 9.4%. The spending structure remained aligned with fiscal sustainability criteria, allocating approximately 80% to current expenses and 20% to capital expenditures, prioritizing strategic investments in infrastructure, equipment and projects with high economic and social impact.

During this period, current expenditures excluding interest reached B/.12,586.5 million, representing a reduction of B/.326.2 million (-2.5%) compared to the previous year, demonstrating concrete efforts toward containment and rationalization of operating expenses.

The Central Government's budget execution was adjusted by B/.768.2 million, equivalent to a -9.4% variation, as part of a strategy aimed at optimizing the use of public resources and prioritizing programs with the greatest and economic impact.

In contrast, the Social Security Fund (CSS) recorded an increase of B/.434.3 million, primarily concentrated in transfers associated with pension and retirement payments, as well as goods and services, notably the procurement of medicines. This increase reflects a strategic decision to strengthen the timely supply of essential drugs at competitive prices for patients with chronic, rare, hematological, neurological and infectious diseases.

On the other hand, consolidated agencies showed a slight increase in their expenses of B/.7.8 million.

Regarding debt service, interest payments amounted to B/.2,717.6 million, an increase of B/.198.2 million over the previous year. This rise was driven by higher external interest payments, which grew by B/.105.1 million, as well as domestic interest, which rose by B/.93.2 million, within a context of more restrictive international financial conditions.

NFPS Capital expenditure reached B/.3,631.2 million, with significant execution across several entities, including:

- **Ministry of Public Works (MOP)**: Executed B/.721.1 million in construction, maintenance and rehabilitation projects for the national road network, aimed at improving connectivity, promoting regional development and ensuring safe and efficient infrastructure for citizens.
- **Ministry of Health (MINSA)**: Recorded an investment of B/.300.1 million, primarily in infrastructure works to modernize and strengthen health facilities, aiming to optimize medical care and ensure adequate conditions for service delivery.
- **Social Security Fund (CSS)**: Allocated B/.317.6 million, mainly toward the progress of the new "Ciudad de la Salud" Hospital Complex, as well as the acquisition of machinery and medical equipment to reinforce care at polyclinics nationwide.
- **Public Companies**: Executed B/.466.4 million, highlighting projects from the Panama Metro and IDAAN, focused on strategic infrastructure and essential basic services for the population.
- **Consolidated Agencies**: Reached an execution of B/.525.8 million, emphasizing the role of IFARHU through excellence scholarships and the Pase-U program, which benefited more than 800,000 students across various academic levels nationwide.
- **Other investment projects**: Includes initiatives executed under turnkey schemes (llave en mano) and deferred payment modalities which, due to their financial structure, are not reflected in the 2025 fiscal balance, despite being in full execution during that year.

Table No. 1
Consolidated Fiscal Balance Non-Financial Public Sector

(In millions of balboas)

Detail	December 2025 Preliminary 1	December 2024 Revised 2	Difference	
			Absolute 3= (1-2)	Percentage 4=3/2
A. Total revenue	**15,614.4**	**14,604.7**	**1,009.7**	**6.9%**
a. General Government Current Income	15,344.7	14,411.2	933.5	6.5%
Central Government	10,403.6	9,488.2	915.3	9.6%
CSS [1/]	4,684.7	4,706.9	-22.2	-0.5%
Consolidated Agencies	256.4	216.0	40.4	18.7%
b. Operational Balance of Public Companies	104.7	97.9	6.8	7.0%
c. Non-consolidated Agencies and Others	146.6	80.1	66.5	83.0%
d. Capital revenues	24.0	32.1	-8.1	-25.2%
e. Net Granting of Loans [2/]	-5.6	-16.6	11.0	-66.2%
f. Donations	0.0	0.0	0.0	...
B. Total expenditure	**18,935.2**	**19,995.0**	**-1,059.8**	**-5.3%**
g. **Current expenses**	**15,304.1**	**15,432.0**	**-128.0**	**-0.8%**
Current expenses (excludes interest payments)	12,586.5	12,912.6	-326.2	-2.5%
Central Government	7,363.5	8,131.7	-768.2	-9.4%
CSS	4,832.4	4,398.2	434.3	9.9%
Consolidated Agencies	390.5	382.7	7.8	2.0%
Interests	2,717.6	2,519.4	198.2	7.9%
External Interest	2,336.0	2,230.9	105.1	4.7%
Internal Interest	381.6	288.4	93.2	32.3%
h. **Capital expenditure**	**3,631.2**	**4,563.0**	**-931.8**	**-20.4%**
% of GDP	4.02%	5.27%	-1.25%	
General Government Current Savings (a-g)	**40.6**	**-1,020.8**	**1,061.5**	**-104.0%**
% of GDP	0.04%	-1.18%	1.22%	
NFPS Current Savings (a+b+c-g)	**292.0**	**-842.8**	**1,134.8**	**-134.6%**
% of GDP	0.32%	-0.97%	1.30%	
Total Savings (Total income minus Current Expenses)	**310.4**	**-827.3**	**1,137.7**	**-137.5%**
% of GDP	0.34%	-0.96%	1.30%	
Primary Balance (Total income minus Current expenses excluding interests)	**-603.2**	**-2,871.0**	**2,267.8**	**-79.0%**
% of GDP	-0.67%	-3.32%	2.65%	
Total Balance [3/] = (A - B)	**-3,320.8**	**-5,390.3**	**2,069.5**	**-38.4%**
% of GDP	**-3.68%**	**-6.23%**	**2.55%**	
Estimated Nominal GDP for 2025	***90,321***	***86,524***		

[1/] The current revenues of the CSS contain the revenues of the Mixed Subsystem and those of Defined Benefit.
[2/] Includes granting of loans from institutions such as IFARHU, BHN and BDA.
[3/] Reconciled for financial registers.

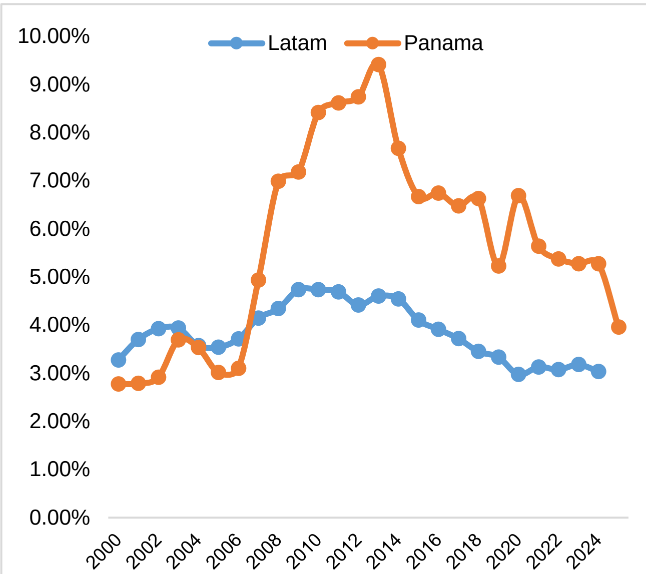
Source: CGR, Superintendency of Banks, BNP, CA, Decentralized Entities, MEF.

B.2. NFPS investment spending: Historical evolution and 2025 budget execution

Historically, Panama has maintained public investment levels above the Latin America average (*see Chart 5*), with a particularly marked dynamism between 2007 and 2012, when it reached its peak as a proportion of GDP. Since 2013, a gradual moderation has been observed; however, the country continues to outperform the regional average, confirming a sustained commitment to the development of infrastructure and strategic services.

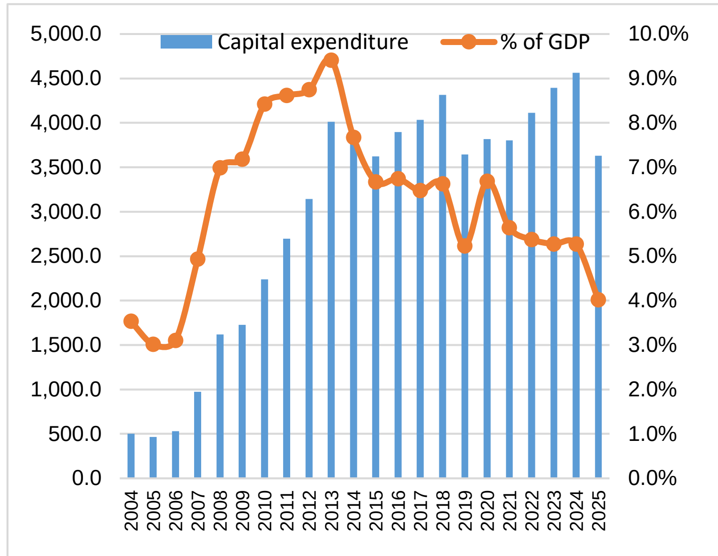
In absolute terms (see Chart 4), capital expenditure has shown fluctuations but has trended toward stabilization in recent years, averaging B/.3,500.0 million. Execution at the close of 2025 reaffirms this trajectory, with resources directed in a more targeted and efficient manner. This focus not only strengthens investment quality but also creates space for greater fiscal consolidation by allowing resources to be managed under criteria of sustainability and budgetary discipline.

Chart No. 5. Evolution of NFPS public investment spending for Latin America and Panama: 2000-2025



Source: MEF (Panama data) and FISLAC for IDB (source: World Economic Forum (WEF) – World Bank - BDD-GIPAL.

Chart. 4. Evolution of NFPS public investment spending for Panama: in millions and % of GDP: Years 2004 - 2025



Source: MEF, based on NFPS fiscal balance data.
Between 2012 and 2016, major projects coincided, such as: Panama Metro, Bay Sanitation Project, Cinta Costera III, Road reorganization project, Ciudad Hospitalaria, Colon urban renewal and Ciudad Esperanza.

The distribution of projects reflects a diversified approach: road infrastructure driven by MOP, health infrastructure through MINSA and CSS, transportation system initiatives (Metro Line 3) and the expansion of water distribution-the latter two managed by State-Owned entities such as IDAAN and Panama Metro- as well as educational programs led by MEDUCA and IFARHU. This sectorial breadth demonstrates that, even without reaching the levels seen between 2007 and 2012, Panama maintains a solid public investment base, balancing economic growth with social welfare and remaining above the regional average.

In this context, it is essential to consider the Panama Canal's investments, as it continues to execute large-scale infrastructure works, ensuring that the fiscal adjustment process does not limit economic development and remains sustainable over time.

Likewise, progress is being made in strengthening road connectivity through Public-Private Partnership (PPP) schemes. Within this framework, the contract for the rehabilitation, improvement and maintenance of the East Panamerican Highway is currently under execution, covering 246.2 km between Las Garzas (Pacora) and Yaviza (Darien). Simultaneously, the bidding phase is underway for the West Panamerican Highway, which contemplates 192 km form Loma Campana (Capira) to Santiago (Veraguas). These projects reflect the government commitment to expanding road infrastructure and utilizing the PPP model to leverage investment capacity in strategic sectors.

B.3. Central Government performance

The Central Government's Fiscal Balance improved by 28.3%, reaching B/.4,701.2 million (5.20% of GDP), driven by the growth of total revenue to B/.10,570.5 million, a 9.3% increase compared to 2024. This performance reflects the strengthening of fiscal management, the modernization of collection processes and a higher level of tax compliance. In turn, the dynamism of revenue directly contributes to human development by facilitating the financing of strategic investments in education, health, drinking water, infrastructure and priority social programs.

Revenue composition

Current revenue reached B/.10,552.7 million, with a 9.4% year-on-year growth. Of this total, B/.6,425.8 million (60.9%) corresponded to tax revenue, which increased by 9.0%, driven by the growth of direct taxes (14.4%), while indirect taxes grew by 2.4%. The remaining 39.1% came from non-tax revenue, totaling B/.4,126.9 million.

Direct tax performance

Direct taxes reached **B/.3,725.8 million**, an increase of **14.4%**. Within this group, the following stand out:

- Payroll Income Tax, increased by **17.2%** (equivalent to **B/.216.2 million**), reflecting higher corporate compliance and strengthened oversight.
- Capital gains on securities, grew by **B/.57.4 million**, equivalent to an extraordinary increase of **191.5%**, associated with revenue derived from relevant share acquisitions in key entities within the financial, industrial and automotive sectors.
- Property tax, increased by **B/.39.0 million** (**31.6%**), primarily explained by the normalization of tax collections patterns.
- Corporate income tax recorded an increase of B**/.78.6 million**, reflecting greater business activity and an expansion of the tax base.

Indirect tax performance

Indirect taxes totaled **B/.2,700.0 million**. The following increases are noteworthy:

- Selective Excise tax on automobiles increased by **B/.16.6 million** due to higher sales volume.
- Selective excise tax on imported cigarettes grew by **B/.13.2 million**, linked to the increase in imports.
- Insurance premium tax increased by **B/.13.1 million** because of growth in policy underwriting.
- Selective excise tax on beer recorded an increase of **B/.12.8 million**, partly due to the adjustment introduced by **Law 438 of 2024**, which finances the benefit program for retirees and pensioners.

Modernization of tax administration

The General Directorate of Revenues (DGI) has strengthened collection through a comprehensive modernization agenda focused on risk-based auditing, increased use of technological tools and data cross-referencing to combat evasion and underreporting. Key efforts include intensifying the collection of overdue accounts, expanding and refining the taxpayer registry and increasing oversight of large taxpayers and high-impact fiscal sectors. These actions are complemented by the simplification of procedures, enhanced transparency and the implementation of innovative mechanisms-such as the Tax Lottery (Lotería Fiscal)- to promote voluntary compliance and a culture of tax responsibility.

Non-tax revenues

Contributions from the Panama Canal totaled B/.2,951.7 million, driven by an increase of B/.419.2 million in dividends and B/.81.5 million in tolls, associated with higher transits of vessels with greater draft and volume. Likewise, dividends form AITSA (Tocumen International Airport) grew by B/.54.0 million, reflecting the increase in passenger and crew traffic.

Expenditure evolution

The Central Government's total expenditure recorded a reduction of B/.954.7 million (-5.9%) compared to 2024, standing at B/.15,271.7 million. This result stems from management oriented toward expenditure rationalization and the targeting of resources toward strategic areas. Withing this total, current expenditures amounted to B/.12,554.2 million, an increase of B/.62.2 million compared to the previous year.

Table No. 2
Preliminary Fiscal Balance of Central Government Operations

(In millions of balboas)

Detail	December 2025 Preliminary 1	December 2024 Revised 2	Difference	
			Absolute 3= (1-2)	Percentage 4=3/2
A. Total income	**10,570.5**	**9,669.2**	**901.3**	**9.3%**
a. **Current income**	**10,552.7**	**9,642.4**	**910.3**	**9.4%**
1. Taxpayers	6,425.8	5,893.6	532.2	9.0%
Direct	3,725.8	3,257.1	468.7	14.4%
Indirect	2,700.0	2,636.5	63.4	2.4%
d/c Fiscal documents	168.0	158.2	9.8	6.2%
2. Non-taxable	4,126.9	3,748.7	378.2	10.1%
b. Capital income	17.8	26.9	-9.0	-33.7%
c. Donations	0.0	0.0	0.0	...
B. Total expenditure	**15,271.7**	**16,226.4**	**-954.7**	**-5.9%**
d. **Current expenditure**	**12,554.2**	**12,491.9**	**62.2**	**0.5%**
Personal services	4,453.5	4,442.6	10.9	0.3%
Goods and services	800.3	852.7	-52.4	-6.1%
Transfers	4,233.3	4,390.1	-156.8	-3.6%
d/c Fiscal documents	168.0	158.2	9.8	6.2%
Debt interest	2,717.6	2,519.4	198.2	7.9%
Others	349.3	287.3	62.0	21.6%
Current savings = (a-d)	**-2,001.5**	**-2,849.6**	**848.1**	**-29.8%**
% of GDP	-2.22%	-3.29%	1.08%	
Current savings (Total income minus current expenditure)	**-1,983.7**	**-2,822.7**	**839.0**	**-29.7%**
% of GDP	-2.20%	-3.26%	1.07%	
e) Capital expenditure	**2,717.5**	**3,734.5**	**-1,017.0**	**-27.2%**
% of GDP	3.01%	4.32%	-1.31%	
Primary Balance = (Total income minus current expenditure excluding interests)	**-1,983.6**	**-4,037.8**	**2,054.2**	**-50.9%**
% of GDP	-2.20%	-4.67%	2.47%	
Total Balance [1/] = (A - B)	**-4,701.2**	**-6,557.2**	**1,856.0**	**-28.3%**
% of GDP	***-5.20%***	***-7.58%***	***2.37%***	
Estimated Nominal GDP for 2025	***90,321***	***86,524***		

[1/] Reconciled by financial records.

Source: CGR, Superintendency of Banks of Panama, BNP, CA, Decentralized Entities, MEF.

Items with reductions

By B/.156.6 million (-3.6%) decreased the current transfers. During 2025, the Government transferred B/.966.0 million to the Social Security Fund (CSS) to strengthen its financial sustainability and guarantee the timely payment of pensions and health benefits under the Disability, Old Age and Death Program (IVM), mitigating liquidity pressures and ensuring service continuity. Additionally, B/.450.4 million was transferred to the

CSS to cover the 2022 deficit through the IVM Trust Fund. Meanwhile, expenditures on goods and services decreased by B/.52.4 million (-6.1%).

Items with increases

B/.198.2 million increased the debt interest payments, primarily explained by the historical stock of accumulated debt rather than an increase in financing cost. In fact, thanks to active and responsible debt management, the weighted average cost was reduced by 0.42 percentage points, dropping from 5.40% in 2024 to 4.98% in 2025, thereby mitigating financial pressures. In addition, B/.62.0 million in other expenses was associated with financial hedging through swap contracts, as well as fees and commissions linked to debt management.

Capital expenditure

Central Government capital expenditures amounted to B/.2,717.5 million, reflecting a more targeted and strategic execution. Although a variation of B/.1,017.0 million is recorded compared to 2024, this responds to criteria of efficiency and quality of spending, prioritizing projects with the greatest impact and avoiding the accumulation of year-end commitments. This approach strengthened a more orderly and sustainable management of public investment.

B.4. Fiscal impact of tax expenditures on economic sectors

The estimated **Tax Expenditure** for Corporate Income Tax[1] amounts to B/.681.7 million for 2024, representing 0.8% of the Gross Domestic Product (GDP). This amount corresponds to the fiscal revenues that the State foregoes because of exemptions, tax incentives, tax credits and current special regimes.

The results obtained indicate that tax expenditures represent, on a preliminary basis, a decrease of 11.8% compared to the results of the 2023 study. This reduction is largely due to the decrease in spending associated with the use of fiscal documents linked to tax incentives.

Table No. 3
Estimation of Corporate Income Tax Expenditure, 2023 - 2024

(In millions of balboas)

Concept	2024	2023	Variation	
			Millions	%
Non-Profit Institutions or NGOs	3.4	2.9	0.5	16.8
Special Regimes	448.6	484.9	-36.3	-7.5
General Corporate	183.2	179.6	3.6	2
Incentive credits and fiscal documents	46.5	105.6	-59.1	-56
Total	**681.7**	**773**	**-91.3**	**-11.8**
% of GDP	*0.8%*	*0.9%*		

Source: General Directorate of Revenues.

Special regimes account for the largest portion of tax expenditure, totaling B/.448.6 million (0.5% of GDP). The General Corporate regime represents a fiscal sacrifice of B/.183.2 million (0.2% of GDP), while Incentive Credits and Fiscal Documents reached B/.46.5 million (0.1% of GDP). Finally, Non-profit Institutions (NGOs) record a fiscal impact of B/.3.4 million.

Regarding the estimated tax expenditure associated with income under Special Regimes, the highest concentration is found in the Wholesale and Retail Trade sector, with B/.250.2 million, establishing it as the primary beneficiary. This is followed by Other Service Activities at B/.58.3 million and Other Activities of Extraterritorial Organizations and Bodies (and undeclared), which reach B/.74.4 million. Together, these three groups concentrate a significant proportion of the total tax expenditure under special regimes.

[1] To estimate Tax Expenditures for Income Tax (ISR), a comparative static approach is used, based on the analysis of forgone revenue. In this process, the economic agents benefiting from the tax expenditure are identified based on the exempt income they receive. It is important to note that the eventual elimination of these tax incentives would not necessarily imply a proportional increase in tax collection.

Table No. 4
Estimation of Tax Expenditure for Special Regimes by Economic Activity: 2024 Period

(In millions of balboas)

Economic Activity	Tax expenditure
Agriculture, Livestock, Forestry, Fishing and related service activities	0.01
Mining and Quarrying	0.04
Manufacturing industries	15.60
Electricity, Gas, Steam and Air conditioning supply	1.37
Water supply; waste management and remediation	0.05
Construction	0.12
Wholesale and retail trade	250.23
Transportation, Storage and mail	21.41
Hotels and Restaurants	1.50
Information and communication	6.06
Financial and insurance activities	0.86
Real estate activities	2.98
Professional, Scientific and Technical activities	9.12
Administrative and support service activities	5.73
Public administration and defense	--------
Education	0.07
Human health and social work activities	0.60
Arts, Entertainment and creativity	0.10
Other service activities	58.29
Activities of households as employers	-------
Other activities of extraterritorial organizations and Bodies (and undeclared)	74.40
Total	**448.56**

Source: General Directorate of Revenues.

Corporate tax expenditure reveals a total fiscal investment of B/.183.2 million distributed among 96,337 taxpayers. This amount reflects a **fiscal sacrifice strategically concentrated in the tertiary sector of the economy**, where Financial and Insurance Activities lead the utilization of incentives with over B/.64 million (35% of the total). This sector is followed by Transportation, Storage and Mail, and Real Estate Activities. Together, these three pillars represent approximately 70% of the total tax expenditure in this category, highlighting the priority of the Panamanian tax system in strengthening its position as a logistics, financial and service hub.

Table No. 5
Estimation of Corporate Tax Expenditure by Economic activity

(In millions of balboas)

Description of the activity	Number of Taxpayers	Tax expenditure
Agriculture, Livestock, Forestry, Fishing and related service activities	3,446	1.90
Mining and Quarrying	158	0.56
Manufacturing industries	3,607	0.97
Electricity, Gas, Steam and Air conditioning supply	350	3.28
Water supply; waste management and remediation	232	0.14
Construction	5,184	2.00

Wholesale and retail trade	15,701	4.97
Transportation, Storage and mail	3,843	35.34
Hotels and Restaurants	3,236	0.39
Information and communication	2,416	1.71
Financial and insurance activities	2,813	64.15
Real estate activities	19,918	29.07
Professional, Scientific and Technical activities	7,983	2.86
Administrative and support service activities	5,662	1.38
Public administration and defense	240	0.16
Education	949	3.20
Human health and social work activities	2,221	0.15
Arts, Entertainment and creativity	722	0.10
Other service activities	9,357	12.46
Activities of households as employers	165	0.01
Other activities of extraterritorial organizations and Bodies (and undeclared)	8,134	18.44
Total	**96,337**	**183.24**

Source: General Directorate of Revenues.

B.5. Optimization of current expenditure and payroll management

The optimization of current expenditure and responsible payroll management are reflected in greater efficiency across key sectors, even within a context of regulatory rigidity.

In the **Ministry of Education**, the number of employees increased by 1.6%, primarily due to the addition of teachers, security guards and general assistants in schools; however, expenditure execution decreased by 2.2%, evidencing effective efforts in containment and rationalization of operating costs. This performance is partly explained by the current legal framework governing the sector, which establishes salary scales and automatic benefits-including Law 22 of 1973, Law 47 of 1979, Law 10 of 1994 and the 2016 salary increase decrees. These provisions create a rigid salary structure that, while not generating additional increase in 2025, maintains significant pressure on spending due to the cumulative effect of adjustments granted in previous years.

In the **Public Security** sector, a similar dynamic is observed: the payroll increased by 2.0%, while expenditure execution rose slightly by 2.4%, reflecting the effect of a regulatory environment characterized by the Police Career and promotion regulations, which incorporate individual increases associated with the rank hierarchy.

By contrast, the **Judicial Branch** recorded increases in both personnel (7.5%) and salary expenditure (10.2%), in line with the expansion of the Judicial Career established by Law 53 of 2015. This pattern confirms that when special regimes drive salary progressions and institutional growth, spending tends to expand even in fiscal restriction scenarios.

Meanwhile, the **National Assembly** showed a significant increase in personnel (19.6%) but reflected only a slight increase in salary expenditure of 2.4%, suggesting partial rationalization efforts in the face of structural pressures derived from the Legislative Career.

Finally, other ministries and Central Government bodies-such as the **Ministry of Economy and Finance**, the **Office of the Comptroller General**, the **Ministry of Social Development** and the **Electoral Prosecutor's Office**- recorded reductions in both personnel and budget execution, evidencing active payroll rationalization policies. These adjustments are feasible in institutions not subject to legal frameworks with rigid scales or automatic careers, confirming that the degree of flexibility in expenditure management depends fundamentally on the existing regulatory design.

Table No. 6 Number of employees and Budget Execution for Wages and Salaries of the Central Government, years 2024 - 2025

(In millions of balboas)

Detail	Number of employees				Budget execution			
	2024	2025	Absolute variation	Percentual variation	2024	2025	Absolute variation	Percentual variation
CG Total	**188,432**	**190,269**	**1,837**	**1.0**	**4,442.6**	**4,453.5**	**10.9**	**0.2**
Ministry of Education	68,235	69,297	1,062	1.6	1,707.3	1,670.3	-37.0	-2.2
Ministry of Health	20,429	20,309	-120	-0.6	780.9	810.6	29.7	3.8
Ministry of Public Security	32,815	33,480	665	2.0	669.5	685.5	16.0	2.4
Judicial Branch	6,809	7,322	513	7.5	210.2	231.7	21.5	10.2
Attorney General's Office	7,668	7,821	153	2.0	208.2	219.0	10.8	5.2
National Assembly	4,781	5,717	936	19.6	143.0	146.4	3.4	2.4
Rest	47,695	46,323	-1,372	-2.9	723.5	690.0	-33.5	-4.6

Source: Ministry of Economic and Finance – National Directorate of Accounting.

B.5. Central Government accounts payable management

In 2025, a substantial improvement was recorded in the administration of the Central Government's accounts payable. Its noteworthy that these balances correspond to the normal functioning of the budget cycle and do not represent overdue obligations. In accordance with current regulations, the State has until April 20, 2026, to settle commitments associated with the 2025 fiscal year, ensuring an orderly and responsible management of its financial obligations.

During the 2025 fiscal year, one of the main challenges in financial management was reducing the accumulation of pending payments at year-end. Traditionally, the concentration of commitments in the final weeks generated an artificial increase in accounts payable, putting pressure on the Treasury's liquidity. Furthermore, the full settlement of these registered commitments was not always achieved during the budget liquidation period.

To address the situation, a strategy was promoted to Foster an institutional culture of financial responsibility, where public entities adopt the timely fulfillment of their obligations as a permanent practice. This approach seeks to guarantee greater transparency and sustainability in the management of State resources.

Year-on-year comparison shows significant progress: Central Government accounts payable were reduced from B/.1,975.76 million in 2024 to B/.1,069.23 million in 2025, representing a 45.9% decrease.

Entities with the largest reductions:

- **Ministry of Education:** -47.1% (from B/.438.06 million to B/.231.61 million).
- **Ministry of Health:** -55.7% (from B/.617.38 million to B/.273.79 million).
- **Ministry of Economy and Finance:** -59.5% (from B/.177.25 million to B/.71.79 million).
- **Ministry of Housing:** -94.9% (from B/.59.47 million to B/.3.03 million).
- **Ministry of Public Works:** -15.5% (from B/.280.99 million to B/.237.41 million).

Entities with increases

- **Ministry of Public Security:** +13.2% (from B/.43.52 million to B/.49.25 million).
- **Ministry of Commerce and Industries:** +531.4% (from B/.2.61 million to B/.16.50 million).
- **National Assembly:** +7.0% (from B/.10.05 million to B/.10.75 million).
- **Ministry of Environment:** +125.7% (from B/.7.12 million to B/.16.08 millions).

In summary, the net reduction in accounts payable when comparing the 2025 fiscal year to 2024 contributes to easing liquidity pressure and improving the State's financial programming capacity.

Table No. 7
Cash Reserve by entity, Fiscal year 2024-2025

Entity	2025	2024	Variation	
			Absolute	Relative
Central Government	**1,069.23**	**1,975.76**	**-906.53**	**-45.9**
National Assembly	10.75	10.05	0.70	7.0
Office of the Comptroller of the Republic	1.63	5.06	-3.43	-67.9
Presidency of the Republic	18.14	105.04	-86.89	-82.7
Ministry of Foreign Affairs	0.61	1.75	-1.14	-65.4
Ministry of Education	231.56	438.06	-206.50	-47.1
Ministry of Commerce and Industries	16.50	2.61	13.89	531.4
Ministry of Public Works	237.41	280.99	-43.59	15.5
Ministry of Agricultural Development	56.37	100.25	-43.87	-43.8
Ministry of Health	273.43	617.38	-343.95	-55.7
Ministry of Labor and Workforce Development	22.83	28.34	-5.52	-19.5
Ministry of Housing	3.03	59.47	-56.44	-94.9
Ministry of Economy and Finance	71.79	177.25	-105.46	-59.5
Ministry of Government	14.04	32.35	-18.32	-56.6
Ministry of Public Security	49.25	43.52	5.73	13.2
Ministry of Social Development	3.85	1.94	1.91	98.2
Tax Administrative Tribunal	0.08	0.28	-0.19	-69.8
Ministry of Environment	16.08	7.12	8.95	125.7
Ministry of Culture	8.76	9.91	-1.15	-11.6
Ministry of the Women	0.31	0.94	-0.63	-67.0
Judicial Branch	17.14	26.58	-9.44	-35.5
National Attorney General’s Office	7.19	9.98	-2.79	-28.0
Administration Attorney’s Office	0.13	0.29	-0.16	-54.8
Electoral Tribunal	7.32	12.72	-5.40	-42.4
Electoral General Prosecutor’s Office	0.08	0.62	-0.54	-87.1
Civil Service Administrative Tribunal	0.04	0.12	-0.08	-68.9
Other Administrative Expenses	0.44	2.26	-1.83	-80.7
Court of Accounts	0.20	0.31	-0.10	-34.1
General Prosecutor’s Office for Accounts	0.13	0.33	-0.20	-61.9
Ombudsman’s Office	0.15	0.22	-0.07	-33.2
Debt Service	-	-	-	-

Source: Ministry of Economic and Finance – National Directorate of Accounting.

C. Measures contributing to the achievement of the 2025 fiscal target

Fiscal discipline measures. The National Government maintains its commitment to the country’s macro-fiscal stability, in strict compliance with the Social Fiscal Responsibility Law. Within this framework, the Ministry of Economy and Finance has adopted a set of measures during the current fiscal year aimed at strengthening revenue, optimizing public spending, improving financing efficiency and reinforcing fiscal discipline, with the goal of consolidating the sustainability of public finances in 2026. The measures adopted were as follows:

Strengthening of Central Government current revenue collection by an additional B/.915.3 million, a 9.6% increase compared to 2024.

- Risk-based tax oversight and auditing, using data matching to detect evasion and under-reporting.
- Expansion and cleanup of the **taxpayer registry**, with special control over large taxpayers and high-impact fiscal sectors.
- Promotion of **voluntary compliance** through the simplification of procedures, greater transparency and innovative measures such as the “**Fiscal Lottery**” and **electronic invoicing**, fostering a tax culture and formality in purchases.

Spending efficiency and execution reduced by B/.1,059.8 million, a 5.3% adjustment compared to 2024.

- In the first half of the year, the Government implemented a **Spending Containment Plan for B/.1,900 million** (equivalent to **2.1% of GDP**), approved by **Cabinet Resolution No.57**. This measure allowed for the adjustment of spending levels to fiscal reality, corrected imbalances between revenue and expenditures, preserved the sustainability of public finances and guaranteed compliance with the annual fiscal target established by the Social Fiscal Responsibility Law.

- Prioritization of spending, concentrating resources on strategic investments and strengthening control over transfers and current expenditures, ensuring a more efficient and targeted allocation of public resources.

Financing optimization and reduction of debt costs:

- Reduction of the **Weighted Average Cost (WAC)** to 4.97% through the diversification of financing sources and the incorporation of loans in other currencies with lower rates.

- **Savings of USD474 million** in interest and fees, improving the efficiency of debt service and fiscal sustainability.

Budgetary ordering and fiscal discipline:

- Updated registry of **accounts payable without generating** off-budget distortions, unlike 2024 when approximately B/.877 million was recorded.
- Implementation of the **Budget closing calendar** to organize the management of commitments, aligning capacity and execution at year-end and improving fiscal discipline.
- Achievement of a more **balanced payment flow**, greater transparency and predictability in the execution of public resources.

D. Financing structure and debt cost reduction

Improvement in Weighted Average Cost (WAC)

In 2025, the Weighted Average Cost (WAC) was successfully brought below 5% for the first time in two years, reaching 4.97% at the close of December-a reduction of 30 basis points (bps) compared to the end of 2024. This improvement is due to the diversification of financing resources through the inclusion of commercial bank loans with lower rates in other currencies. As a result of this strategy, a USD474 million reduction in interest and commission payments was achieved during the 2025 fiscal year, decreasing from USD3,192 million approved in the General State Budget to USD2,718 million actually paid.

Additionally, the MEF sought to monetize the Panama Saving Fund (FAP) promissory notes, which were also issued in June 2024. This exchange generated multiple benefits for the country: 1). It improved cash flow and reduced interest payments by 2.19% (from 7.45% to 5.26%); 2). As these are liquid, negotiable instruments, they allow for the capitalization of the FAP, which can record them as part of its equity, marking a reduction in net debt of approximately USD1,272.4 million. This contributes to the sustainability of this vital savings source for the country.

2025 net financing

Public debt at the close of 2025 stood at B/.59,349.3 million, representing an increase of B/.5,612.5 million compared to the close of 2024. This increase is primarily due to the inclusion of obligations not originally contemplated in the budget but responsibly assumed by the State, including the solidarity contribution to the Social Security Fund (CSS) for B/.966 million and the payment of B/.241 million corresponding to overdue preferential interest from previous periods.

Furthermore, because of active and timely management in the local market and by taking advantage of favorable financial conditions, more than B/.650 million was brought forward to repay a portion of the amortizations scheduled for 2026. Had these extraordinary commitments and prepayments not been included, the public debt balance at the end of 2025 would have been B/.57,492.3 million, which would have implied an increase of B/.3,755.6 million over the previous year.

E. Annexes

Annex No. 1
Methodological note

Methodological note

Social Security Fund Revenues in the Fiscal Balance

For the purposes of the Non-Financial Public Sector (NFPS) Fiscal Balance, the recording of current revenues for the Social Security Fund (CSS) previously included revenues from regular and special contributions, occupational risk premiums, investment income and other income. Under the mandate of Law 34 of June 5, 2008, on Social Fiscal Responsibility (LRSF), tax revenues corresponding to the contributions of the Mixed Subsystem-comprised of the Defined Benefit component and the Personal Savings or individual capitalization accounts-were excluded from this calculation.

With the enactment of Law 462 of March 18, 2025, “Which modifies, adds and repeals articles of Law 51 of 2005, reforming the Organic Law of the Social Security Fund and sets forth other provisions”, aimed at ensuring the stability and financial sustainability of the Panamanian pension system, the Single Solidarity Fund (Fondo Único Solidario) was created, managed by the CSS. All revenues intended to finance economic benefits for Disability, Old Age and Death (IVM) risks will be deposited into this fund through the Exclusively Defined Benefit Subsystem, the Mixed System and the Single Capitalization System with Solidarity Guarantee.

In this context, since the various revenues financing economic benefits are concentrated into a single fund, the current revenues of the CSS within the NFPS Fiscal Balance will now integrate-in addition to occupational risk premiums, investment income and other income-the regular and special contributions from both Subsystem and the Single Capitalization System with Solidarity Guarantee.

Annex No. 2
Preliminary Financing of the Non-Financial Public Sector

(In millions of balboas)

	2025	2024
A). TOTAL (a+b+c+d+e)	**3,280.8**	**5,390.3**
% of GDP	***3.68%***	***6.23%***
a). External Debt (1+2)	**4,203.6**	**4,284.3**
1). Net disbursement (i+ii)	4,240.6	4,354.5
i). Disbursement	7,606.4	5,740.4
ii). Amortization	3,365.8	1,385.9
2). Financial investment	-37.0	-70.1
b). Internal Debt	**1,207.7**	**2,413.2**
1). Net disbursement (i+ii)	1,207.7	2,413.2
i). Disbursement	4,739.3	4,432.9
ii). Amortization	3,531.6	2,019.8
c). Banking Resources (1+2+3) [1/]	**651.4**	**-380.7**
1). Banco Nacional de Panamá	646.9	-292.8
2). Banco Caja de Ahorro	-89.4	-264.9
3). Private Banks	94.0	177.0
d). Checks in circulation	**63.5**	**119.4**
e). Others [2/]	**-2,805.5**	**-1,045.9**

Prepared by: Macro Fiscal / DPP.

1/ Corresponds to the use or accumulations of deposits in official and private banks; an accumulation of money carries a negative sign (-) and a use of money a positive sign (+).

2/ Includes deposits in transit, accrued, CUT Investments, adjustments for transfers, flows and amortization and disbursement operations.

Source: CGR, Superintendency of Banks, BNP, CA, Decentralized Entities, MEF.

Annex No. 3
Preliminary Financing of the Central Government

(In millions of balboas)

	2025	2024
A). TOTAL (a+b+c+d+e)	**4,701.2**	**6,557.2**
% of the GDP	***5.20%***	***7.58%***
a). External Debt (1+2)	**4,203.6**	**4,284.3**
1). Net disbursement (i+ii)	4,240.6	4,354.5
i). Disbursement	7,606.4	5,740.4
ii). Amortization	3,365.8	1,385.9
2). Financial investment	-37.0	-70.1
b). Internal Debt	**1,207.7**	**2,413.2**
1). Net disbursement (i+ii)	1,207.7	2,413.2
i). Disbursement	4,739.3	4,432.9
ii). Amortization	3,531.6	2,019.8
c). Banking resources (1+2+3) [1/]	**534.2**	**96.6**
1). Banco Nacional de Panamá	519.7	182.1
2). Banco Caja de Ahorro	-79.5	-262.5
3). Private Banks	94.0	177.0
d). Checks in circulation	**-1.9**	**4.3**
e). Others [2/]	**-1,242.4**	**-241.2**

Prepared by: Macro Fiscal / UTPP.

1/ Corresponds to the use or accumulations of deposits in official and private banks; an accumulation of money carries a negative sign (-) and a use of money a positive sign (+).

2/ Includes deposits in transit, accrued, CUT Investments, adjustments for transfers, flows and amortization and disbursement operations.

Source: CGR, Superintendency of Banks, BNP, CA, Decentralized Entities, MEF.

Annex No. 4
Current transfers: January to December de 2025

(In millions of balboas)

Detail	Executed
I – Current Transfers	**4,233.5**
1 – Fiscal documents	**168.0**
Interés Preferencial	5.4
Gas Licuado	136.6
Others	26.0
2 – Consolidated Agencies	**604.8**
Banco de Desarrollo Agropecuario (BDA) R/.	11.9
Banco Hipotecario Nacional (BHN)	2.0
Instituto de Mercadeo Agropecuario (IMA) R/.	68.8
Universidad de Panamá (UP)	241.4
IFARHU R/.	280.7
3 – Public Companies	**86.0**
Metro de Panamá, S.A.	5.0
Mi Bus R/.	30.0
IDAAN	24.0
Zona Libre de Colón	0.2
Autoridad Marítima de Panamá (AMP)	-
Autoridad de Turismo de Panamá (ATP) R/.	26.8
Autoridad de Aeronáutica Civil (AAC)	-
4 - C.S.S.	**1,782.2**
C.S.S.- Fejupen	11.0
Impuesto de Cerveza	10.0
C.S.S.- 0.8% Salarios Básicos	143.9
C.S.S.- Impuesto Sobre Licores	15.8
Sostenibilidad del Régimen (Ley 51)	450.4
Aporte de la Ley 462 - 2025	966.0
Subsidio Maternidad y Enfermedad (Ley 51)	27.1
Subsidio- Fluctuaciones Intereses C.S.S.	22.1
Aumentos Pensiones y Jubilaciones (DG 51)	118.8
Aporte Junta Técnica Actuarial	0.1
Pensión Vitalicia Dietilenglycol	9.5
Neonatos afectados Heparina	0.1
Pensión de Viudez	1.1
Pensiones Trabajadores de las Bananeras	6.4
5 – Non-consolidated Agencies	**679.8**
6 – Private Sector	**912.6**
Fondo Solidario de Vivienda R/.	5.7
Programa 120/65 R/.	173.8
Estabilización Tarifaria	80.7
Fondo Tarifario de Occidente	40.7
Subsidios a Partidos Políticos	11.0
Patronato del Hospital Jose Domingo de Obaldia	37.8
Patronato del Hospital Santo Tomás	93.6
Patronato Hospital del Niño	59.0
Patronato Inst. Oncológico Nacional	33.3
Planilla Prestac.Fondo Complementario	21.7
Jubilaciones Especiales	18.1
Fortalecimiento de la Producción Nac. de Granos R/.	31.5
Ángel Guardián R/.	17.2
Red de oportunidades R/.	21.6
Subsidio para la Inversión del Capital Social R/.	3.8
Other transfers to the private sector	263.0

R/. Reclassification of transfers/subsidies in Investment to transfers/subsidies in Operation.

Source: Ministry of Economy and Finance.

Annex No. 5
Capital Expenditure: January to December 2025

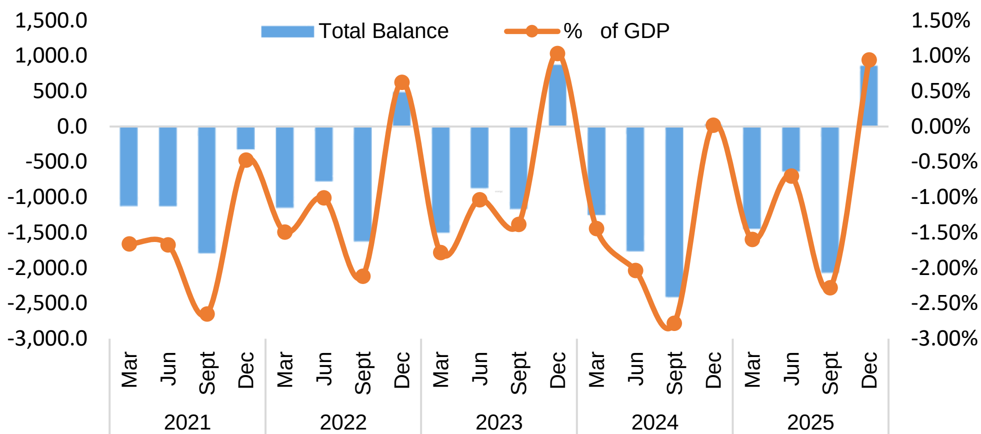
(In millions of balboas)

Detail	Executed
I – Capital Expenditure (1 + 2)	**2,717.5**
1 – Direct investment	**1,710.6**
2 – Capital Transfers (a+b+c+d)	**1,006.9**
a) Consolidated Agencies	**40.6**
Banco de Desarrollo Agropecuario (BDA)	0.0
Banco Hipotecario Nacional (BHN)	0.0
Instituto de Mercadeo Agropecuario (IMA)	0.0
Universidad de Panamá (UP)	40.6
IFARHU	0.0
b) Public Companies	**383.7**
Metro de Panamá, S.A.	210.8
Mi Bus	0.0
IDAAN	172.9
Zona Libre de Colón	0.0
Autoridad Marítima de Panamá (AMP)	0.0
Autoridad de Turismo de Panamá (ATP)	0.0
Autoridad de Aeronáutica Civil (AAC)	0.0
c) Non-consolidated Agencies	**545.7**
d) Private Sector	**37.0**
Equipamiento Planta Productora de Moscas Estériles	9.0
Other transfers to the private sector	28.0

Source: Ministry of Economy and Finance.

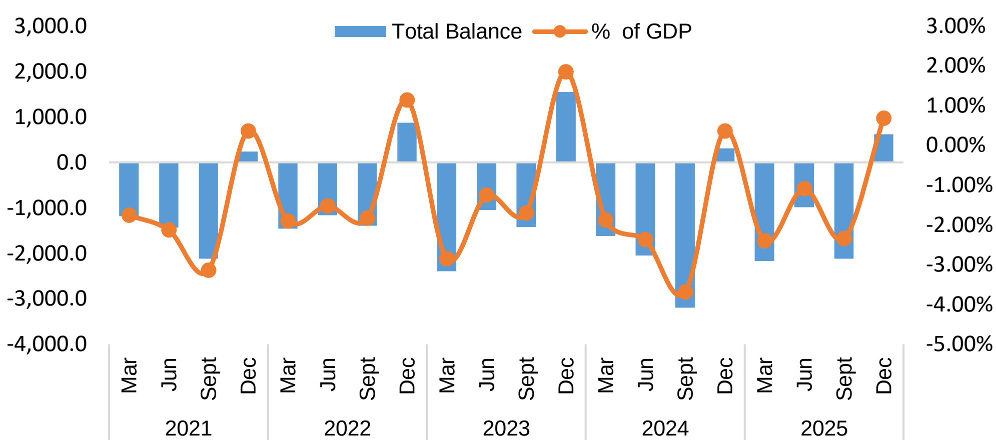
Annex No. 6
Quarterly and monthly seasonality of fiscal results for the Non-Financial Public Sector and Central Government Balances

Quarterly performance of the NFPS Balance in Panama: In millions and % of GDP (2021-2025)



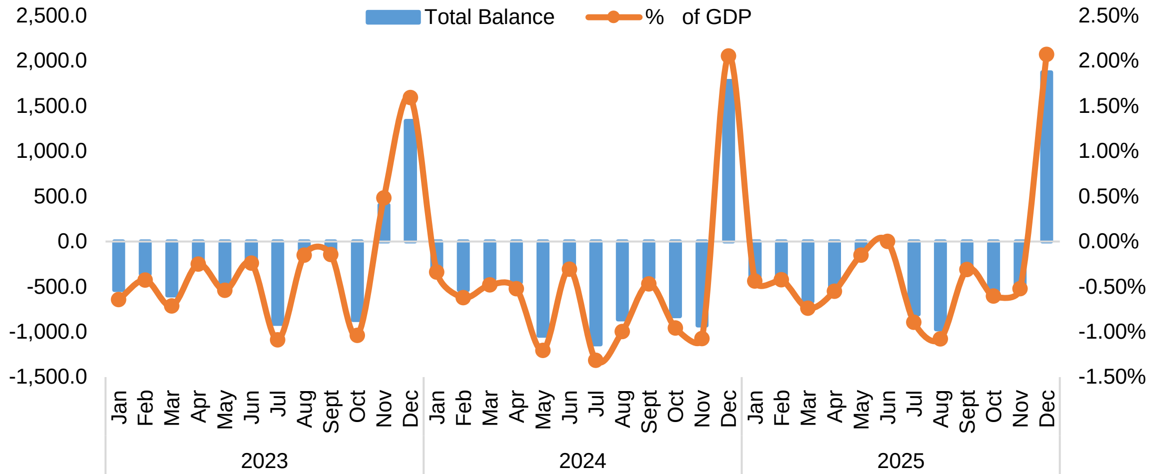
Source: Ministry of Economy and Finance with NFPS Fiscal Balance data.

Quarterly performance of the CG Balance in Panama: In millions and % of GDP (2021-2025)



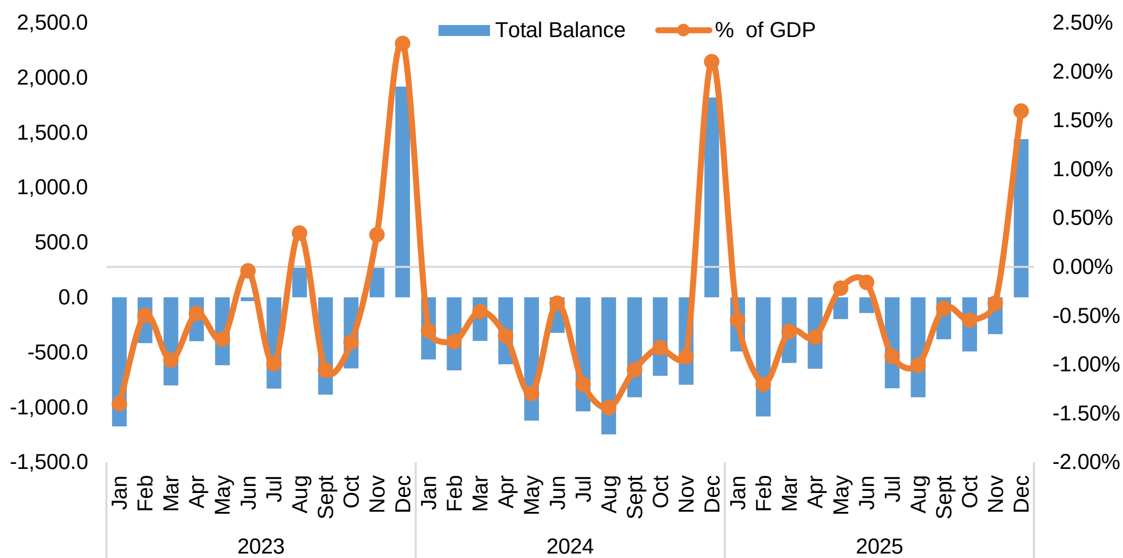
Source: Ministry of Economy and Finance with CG Fiscal Balance data.

Monthly performance of the NFPS Balance in Panama: In millions and % of GDP (2023-2025)



Source: Ministry of Economy and Finance with NFPS Fiscal Balance data.

Monthly performance of the CG Balance in Panama: In millions and % of GDP (2023-2025)



Source: Ministry of Economy and Finance with CG Fiscal Balance data.

Annex No. 7

Methodological Transition Bridge Table for the Presentation of Fiscal Statistics

For the Central Government subsector

Detail	MEFP 1986	MEFP 2014
Analytical Frame	It focuses on a single bottom-line item: the overall deficit/surplus	In the GFS framework, several balancing items have been introduced. Having multiple balancing items facilitates the analysis of the general government or public sector based on various considerations rather than a single indicator.
Revenues	Capital revenues (e.g., the sale of non-financial assets such as land or buildings) are recorded as revenue in the fiscal balance.	They are not considerate separated revenues; instead, they are presented as a balance of 'net non-financial assets'.
	Premium (debt issuance) are recorded as current revenue.	The premium is recorded as part of the change in financial liabilities, not as current revenue.
Expenditures	The statistical discrepancy between 'above-the-line' (fiscal balance) and 'below-the-line' (financing) is included in expenditures, thereby affecting the fiscal result.	The discrepancy is presented separately as a statistical adjustment, without affecting total expenditures.
	Capital expenditure is concentrated in a single line, which includes direct investment and transfers.	Capital expenditure is the money explicitly intended for the acquisition of non-financial assets, since transfers are classified under donations or other expenses.

Source: Ministry of Economy and Finance.

Annex No. 8

Results: Government Finance Statistics Manual (GFSM) 1986/2001 Methodology vs. 2014

Detail	December
Total Revenue	**10,570.5**
Current revenue	**10,552.7**
1. Tax revenue	6,425.8
Direct	3,725.8
Indirect	2,700.0
d/c Fiscal documents	168.0
2. Non-Tax revenue	4,126.9
Capital revenue	17.8
Donations	0.0
Total expenditure	**15,271.7**
Current expenses	12,554.2
Personal services	4,453.5
Good and services	800.3
Transfers	4,233.5
d/c Fiscal documents	168.0
Debt interest	2,717.6
Others	349.3
Capital expenditure	**2,717.5**
% of GDP	3.1%
Total balance	**-4,701.2**
% of GDP	***-5.20%***
Used GDP	***90,371***

	STATEMENT OF OPERATIONS TRANSACTIONS AFFECTING NET WORTH		Difference MEFP 1986-2014
1	**Revenue**	**10,545.5**	25.02
11	Taxes	7,006.5	
12	Social contributions	-	
13	Donations	84.0	
14	Other revenues	3,455.0	
2	**Expenditure**	**14,200.9**	
21	Compensation of employees	4,363.3	
22	Use of good and services	1,208.3	
23	Consumption of fixed capital	-	
24	Interest	3,017.0	- 299.38
25	Subsidies	182.7	
26	Donations	4,168.2	
27	Social benefits	-	
28	Other expenses	1,113.2	
GOB	***Gross operating balance (1-2+23)***	(3,655.4)	
NOB	***Net operating balance (1-2)***	(3,655.4)	
x	**Transactions in non-financial assets:**		
31	**Net/Gross investment in non-financial assets**	1,012.2	
311	Fixed assets	1,012.0	
312	Inventories	0.3	
313	Valuables	-	
314	Non-produced assets	-	
2M	***Expenditure/Outlays (2+31)***	**15,213.1**	58.60
NLB	***Net lending (+) / Net borrowing (-) (1-2-31) o (1-2M)***	**(4,667.6)**	-33.6
% of GDP		***-5.17%***	

Note: Differences are explained in Annex no.7.
Source: Ministry de Economy and Finance.